UNIONE DI BANCHE ITALIANE S.P.A.

(*incorporated as a joint stock company limited by shares in the Republic of Italy and registered at the Companies' Registry of Bergamo under registration number 03053920165*)

Euro 15,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme unconditionally and irrevocably guaranteed as to payments of interest and principal by

UBI FINANCE S.R.L.

(*incorporated as a limited liability company in the Republic of Italy and registered at the Companies' Registry of Milan under registration number 06132280964*)

Except where specified otherwise, capitalised words and expressions in this Prospectus have the meaning given to them in the section entitled "*Glossary*".

Under this Euro 15,000,000,000 covered bond programme (the "**Programme**"), Unione di Banche Italiane S.p.A. ("**UBI Banca**" or the "**Issuer**") may from time to time issue covered bonds (*obbligazioni bancarie garantite*) (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Dealer(s). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed Euro 15,000,000,000 (or its equivalent in other currencies calculated as described herein). UBI Finance S.r.l. (the "**Guarantor**") has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee (the "**Covered Bond Guarantee**") which is collateralised by a pool of assets (the "**Cover Pool**") made up of a portfolio of mortgages assigned to the Guarantor by the Sellers and certain other assets held by the Guarantor, including funds generated by the portfolio and such assets. Recourse against the Guarantor under the Covered Bond Guarantee is limited to the Cover Pool.

This prospectus (the "**Prospectus**") has been approved as a base prospectus issued in compliance with Directive 2003/71/EC, which includes the amendments made by Directive 2010/73/EC (the "**Prospectus Directive**") by the Central Bank of Ireland (the "**Central Bank**"), as competent authority in Ireland under Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European law pursuant to the Prospectus Directive. Such approval relates only to the Covered Bonds which are to be admitted to trading on a regulated market for the purposes of the Prospectus Directive and/or which are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for Covered Bonds (other than Covered Bonds issued in registered form and the N Covered Bonds) issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the Official List and trading on its regulated market, which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC (MiFID). The Programme also permits Covered Bonds to be issued on the basis that (i) they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer or (ii) they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system.

Under the Programme the Issuer may issue N Covered Bonds (*Gedeckte Namensschuldverschreibungen*), each issued with a minimum denomination indicated in the applicable terms and conditions of the N Covered Bonds (the "**N Covered Bond Conditions**"), which will differ from the terms and conditions set out in the section headed "**Terms and Conditions of the Covered Bonds**". The N Covered Bonds will not be listed and/or admitted to trading on any market and will not be settled through a clearing system. This Prospectus does not relate to Covered Bonds issued in

registered form and the N Covered Bonds, which may be issued by the Issuer under the Programme pursuant to either separate documentation or the documents described in this Prospectus, after having made the necessary amendments. **The approval of this Prospectus by the Central Bank does not cover any Covered Bonds issued in registered form and the N Covered Bonds which may be issued by the Issuer under the Programme.**

An investment in Covered Bonds issued under the Programme involves certain risks. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds.

From their issue dates, the Covered Bonds will be held in dematerialised form. The Covered Bond issued in dematerialised form will be held on behalf of their ultimate owners by Monte Titoli S.p.A. ("**Monte Titoli**") for the account of the relevant Monte Titoli account holders. Monte Titoli will also act as depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream**"). The Covered Bonds issued in dematerialised form will at all times be evidenced by book-entries in accordance with the provisions of Article 83-*bis* of Italian Legislative Decree No. 58 of 24 February 1998 and with the joint regulation of the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") and the Bank of Italy dated 22 February 2008 and published in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) No. 54 of 4 March 2008, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Covered Bonds issued in dematerialised form.

Each Series or Tranche may, on or after the relevant issue, be assigned a rating specified in the relevant Final Terms by any rating agency which may be appointed from time to time by the Issuer in relation to any issuance of Covered Bonds or for the remaining duration of the Programme, to the extent that any of them at the relevant time provides ratings in respect of any Series of Covered Bonds. Whether or not each credit rating applied for in relation to relevant Series of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended, the "**CRA Regulation**") will be disclosed in the Final Terms. The credit ratings included or referred to in this Prospectus have been issued by Moody's Investors Service Ltd. ("**Moody's**") and DBRS Ratings Ltd. ("**DBRS**" and together with Moody's, the "**Rating Agencies**), each of which is established in the European Union and has been registered under the CRA Regulation. As such Moody's and DBRS are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/list-registered-and-certified-CRAs) in accordance with the CRA Regulation. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency.

Arranger for the Programme

BARCLAYS

Dealers

Barclays	**Crédit Agricole CIB**	**Commerzbank**
Deutsche Bank	**DZ BANK AG**	**ING**
Landesbank Baden-Württemberg	**Natixis**	**Nomura**
Société Générale Corporate & Investment Banking	**Goldman Sachs International**	**UBS Investment Bank**
		UniCredit Bank

The date of this Prospectus is 27 July 2017

This Prospectus is a base prospectus for the purposes of Article 5.4 of the Prospectus Directive in respect to the Covered Bonds and for the purposes of giving information which, according to the particular nature of the Covered Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and of the Guarantor and of the rights attaching to the Covered Bonds.

The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Covered Bonds issued under the Programme. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Each of the Sellers, together with the Issuer and the Guarantor, accepts responsibility for the information contained in this Prospectus in the sections entitled "The Sellers" and "Description of the Cover Pool". To the best of the knowledge of the Sellers, the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case), the information contained in the sections entitled "The Sellers" and "Description of the Cover Pool" is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read and construed in conjunction with any supplements hereto, with all documents which are incorporated herein by reference (see "Information Incorporated by Reference") and, in relation to any Tranche (as defined herein) of Covered Bonds, with the relevant Final Terms (as defined herein).

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or the UBI Banca Group or any of the Dealers or the Arranger. Neither the delivery of this Prospectus nor any sale made in connection therewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Guarantor or the UBI Banca Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the UBI Banca and the UBI Banca Group or the Guarantor since the date hereof or the date upon which this Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Covered Bonds.

*The distribution of this Prospectus and the offering or sale of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States or to US persons. There are further restrictions on the distribution of this Prospectus and the offer or sale of Covered Bonds in the European Economic Area, including the United Kingdom and the Republic of Italy, and in Japan. For a description of certain restrictions on offers and sales of Covered Bonds and on distribution of this Prospectus, see "Subscription and Sale".*

None of the Dealers or the Arranger makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial statements are intended to provide the

basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Covered Bonds. Each potential purchaser of Covered Bonds should determine for itself the relevance of the information contained in this Prospectus and its purchase of Covered Bonds should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to advise any investor or potential investor in Covered Bonds of any information coming to the attention of any of the Dealers or the Arranger.

*In this Prospectus, unless otherwise specified or unless the context otherwise requires, all references to "**£**" or "**Sterling**" are to the currency of the United Kingdom, "**dollars**" are to the currency of the United States of America, reference to "**Japanese Yen**" is to the currency of Japan and all references to "**€**", "**euro**" and "**Euro**" are to the lawful currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the functioning of the European Union, as amended from time to time.*

Figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary, and figures which are totals may not be the arithmetical aggregate of their components.

*In connection with any Tranche of Covered Bonds, one or more Dealers may act as a stabilising manager (the "**Stabilising Manager**"). The identity of the Stabilising Manager will be disclosed in the relevant Final Terms. References in the next paragraph to "**the issue**" of any Tranche are to each Tranche in relation to which any Stabilising Manager is appointed.*

In connection with the issue of any Tranche of Covered Bonds, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there can be no assurance that the Stabilising Manager(s) (or any person acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Market Share Information and Statistics

This Prospectus contains third party information and statistics on page 137 under paragraph named "*The UBI Banca Group*" under Section headed "*The Issuer*", regarding the market share of the UBI Banca Group which are derived from, or are based upon, the Issuer's analysis of data obtained from the Bank of Italy . Such data have been reproduced accurately in this Prospectus and, as far as the Issuer is aware and is able to ascertain from information published by the Bank of Italy, no facts have been omitted which would render such reproduced information inaccurate or misleading.

Certain Definitions

UBI Banca is the surviving entity from the merger between Banche Popolari Unite S.c.p.a. ("**BPU**") and Banca Lombarda e Piemontese S.p.A. ("**Banca Lombarda**" or "**BL**"), which was completed with effect from 1 April 2007. Pursuant to the merger, Banca Lombarda e Piemontese S.p.A. merged by incorporation into Banche Popolari Unite S.c.p.a. which, upon completion of the merger, changed its name to Unione di Banche Italiane S.c.p.a. Accordingly, in this Prospectus:

(i) references to "**UBI Banca**" are to Unione di Banche Italiane S.c.p.a. in respect of the period since 1 April 2007 to 12 October 2015 and to Unione di Banche Italiane S.p.A. in respect of the period since 12 October 2015 and references to the "**Group**" or to the "**UBI Banca Group**" are to UBI Banca and its subsidiaries in respect of the same period;

(ii) references to "**BPU**" are to Banche Popolari Unite S.c.p.a. in respect of the period prior to 1 April 2007 and references to the "**BPU Group**" are to BPU and its subsidiaries in respect of the same period;

(iii) references to the "**Issuer**" are to UBI Banca in respect of the period since 1 April 2007 and to BPU in the period prior to that date;

(iv) references to "**Banca Lombarda**" are to Banca Lombarda e Piemontese S.p.A. and references to the "**Banca Lombarda Group**" are to Banca Lombarda and its subsidiaries in the period prior to 1 April 2007;

(v) references to "**UBI Banca Private Investment S.p.A.**" are to IW Bank S.p.A. in respect of the period since 25 May 2015 and to UBI Banca Private Investment in the period prior to that date; and

(vi) with respect to the completion on 20 February 2017 of the "Single Bank Project", references to Banca Regionale Europea S.p.A., Banca Popolare Commercio e Industria S.p.A., Banca Popolare di Bergamo S.p.A., Banca Popolare di Ancona S.p.A., Banca Carime S.p.A., Banco di Brescia S.p.A. and Banca di Valle Camonica S.p.A. are to UBI Banca in respect of the period since the completion of each merger by incorporation of these Banks into UBI and to each of Banca Regionale Europea S.p.A., Banca Popolare Commercio e Industria S.p.A., Banca Popolare di Bergamo S.p.A., Banca Popolare di Ancona S.p.A., Banca Carime S.p.A., Banco di Brescia S.p.A. and Banca di Valle Camonica S.p.A. in the period prior to that date.

The Covered Bonds may not be a suitable investment for all investors

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more

currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) it can legally invest in Covered Bonds (ii) Covered Bonds can be used as collateral for various types of borrowing and "repurchase" arrangements and (iii) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

IMPORTANT - EEA RETAIL INVESTORS - Unless the Final Terms in respect of any Cover Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", the Covered Bonds are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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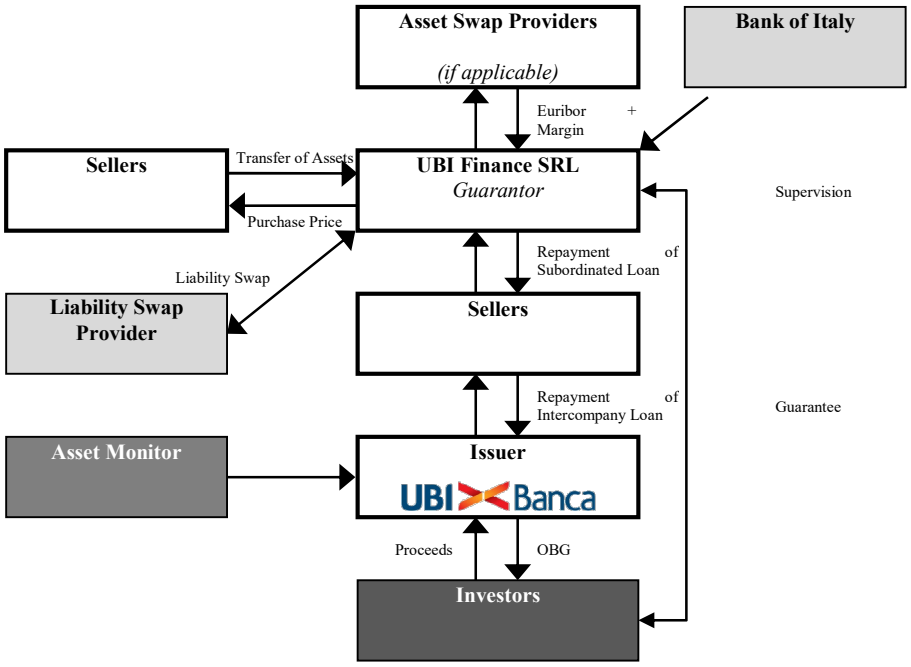
OVERVIEW OF THE PROGRAMME

This section constitutes a general description of the Programme for the purposes of Article 22(5) of Commission Regulation (EC) No. 809/2004. The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Prospectus shall have the same meaning in this overview.

Structure Diagram



PARTIES

Issuer	Unione di Banche Italiane S.p.A., a joint stock company limited by shares incorporated under the laws of Italy. For a more detailed description of the Issuer, see "*The Issuer*".
Guarantor	UBI Finance S.r.l., a limited liability company incorporated under the laws of Italy. For a more detailed description of the Guarantor, see "*The Guarantor*".
Sellers	IW Bank S.p.A. Unione di Banche Italiane S.p.A. For a more detailed description of the Sellers, see "*The Sellers*".
Arranger	Barclays Bank PLC
Dealer(s)	Barclays Bank PLC Crédit Agricole Corporate and Investment Bank Commerzbank Aktiengesellschaft Deutsche Bank Aktiengesellschaft DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main Goldman Sachs International ING Bank N.V. Landesbank Baden-Württemberg Natixis Nomura International plc Société Générale UBS Limited UniCredit Bank AG and any other dealer appointed from time to time in accordance with the Programme Agreement, which appointment may be for a specific Series of Covered Bonds issued or on an ongoing basis.
Calculation Agent	Pursuant to the terms of the Cash Allocation Management and Payments Agreement, Unione di Banche Italiane S.p.A. (or any other entity being appointed as such in the future) will act as Calculation Agent.
Principal Paying Agent	Pursuant to the terms of the Cash Allocation Management and Payments Agreement, The Bank of New York Mellon (Luxembourg) S.A., Italian Branch (or any other entity being appointed as such in the future) will act as Principal Paying Agent.
Master Servicer	Pursuant to the terms of the Master Servicing Agreement, Unione di Banche Italiane S.p.A. will act as Master Servicer.

Sub-Servicer	IW Bank will act as individual Sub-Servicer under the Master Servicing Agreement and the Sub-Servicing Agreement.
Representative of the Covered Bondholders	BNY Mellon Corporate Trustee Services Limited, as Representative of the Covered Bondholders. The Representative of the Covered Bondholders will act as such pursuant to the Intercreditor Agreement, the Programme Agreement, the Conditions, the Deed of Pledge, the Mandate Agreement and the Deed of Charge.
Asset Monitor	A reputable firm of independent accountants and auditors will be appointed as Asset Monitor pursuant to a mandate granted by the Issuer and the Asset Monitor Agreement. The initial Asset Monitor will be BDO Italia S.p.A.
Asset Swap Providers	Any counterparty of the Guarantor under an Asset Swap Agreement.
Liability Swap Providers	Any counterparty of the Guarantor under a Liability Swap Agreement.
Italian Account Bank	Unione di Banche Italiane S.p.A. will act as Italian Account Bank pursuant to the Cash Allocation Management and Payments Agreement.
English Account Bank	The Bank of New York Mellon, London Branch will act as English account bank pursuant to the Cash Allocation Management and Payments Agreement and the English Account Bank Agreement.
Swap Collateral Account Bank	BNP Paribas Securities Services, London Branch will act as Swap Collateral Account Bank pursuant to the Cash Allocation Management and Payments Agreement and the English Account Bank Agreement.
Guarantor Corporate Servicer	TMF Management Italia S.r.l., a company incorporated under the laws of Italy, has been appointed as Guarantor Corporate Servicer pursuant to the Corporate Services Agreement.
Listing Agent	The Bank of New York Mellon SA/NV, Dublin Branch, whose registered offices is at Hanover Building, Windmill Lane, Dublin 2, Ireland, has been appointed by the Issuer as listing agent.
THE PROGRAMME	
Programme description	A covered bond issuance programme under which Covered Bonds (*Obbligazioni Bancarie Garantite*) will be issued by the Issuer to the Covered Bondholders.
Programme size	The aggregate nominal amount of the Covered Bonds at any time outstanding will not exceed Euro 15,000,000,000 (or its equivalent in other currencies to be calculated as described in the Programme Agreement). The Issuer may however increase the aggregate nominal amount of the Programme in accordance with the Programme Agreement and with Article 2, letter (h), of Regulation (EU) No. 382 of 2014, by publishing a supplement to the Prospectus.
THE COVERED BONDS	

Form of Covered Bonds

The Covered Bonds will be issued in dematerialised form. The Covered Bonds issued in dematerialised form are held on behalf of their ultimate owners by Monte Titoli for the account of Monte Titoli account holders. Monte Titoli will act as depository for Euroclear and Clearstream. The Covered Bonds issued in dematerialised form will at all times be in book entry form and title to the Covered Bonds will be evidenced by book entries. No physical document of title will be issued in respect of the covered bonds issued in dematerialised form.

Registered Covered Bonds and N Covered Bonds

Under the Programme the Issuer may issue N Covered Bonds (*Gedeckte Namensschuldverschreibungen*), each issued with a minimum denomination indicated in the applicable N Covered Bond Conditions. The N Covered Bonds will not be listed and/or admitted to trading on any market and will not be settled through a clearing system.

The Covered Bonds issued in registered form and the N Covered Bonds are evidenced on the basis of due registration in the register (the "**Register**") maintained by the Issuer or by any registrar appointed by the Issuer (the "**Registrar**") and will be represented by a certificate which shall bear the signature of one duly authorised signatory of the Issuer and will be manually authenticated by or on behalf of the Registrar.

In accordance with the Securitisation and Covered Bond Law, Decree 310 and the Bank of Italy Regulations, the terms and conditions of each Series of N Covered Bonds together with the N Covered Bond Agreement and the Transaction Documents, the N Covered Bondholders will have (i) recourse to the Issuer and (ii) limited recourse to the Guarantor limited to the Guarantor Available Funds.

The N Covered Bonds will be direct, unconditional, unsubordinated and unsecured obligations of the Issuer, guaranteed by the Guarantor pursuant to the terms of the Covered Bond Guarantee. The N Covered Bonds will rank *pari passu* and without any preference among themselves and, save for any applicable statutory provisions, at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

The N Covered Bonds will be issued to each holder by means and in the form of N Covered Bond Certificate, each issued with a minimum denomination indicated in the N Covered Bond Conditions attached thereto and the N Covered Bond Assignment Agreement attached thereto, together with the execution of an N Covered Bond agreement relating to such N Covered Bond (each, a "**N Covered Bond Agreement**"), save for the possibility for the Issuer to apply, at its indisputable discretion, a set of legal documentation which is formally different from the N Covered Bonds Conditions and the N Covered Bond Agreement, if agreed with the relevant Dealer in

relation to a specific issue of N Covered Bonds.

The N Covered Bonds and the Covered Bonds issued in registered form do not form part of this Prospectus. Neither the Central Bank nor the Irish Stock Exchange has approved or reviewed information contained in this Prospectus in connection with N Covered Bonds and the Covered Bonds issued in registered form. Furthermore neither the Central Bank nor the Irish Stock Exchange has approved or reviewed the N Covered Bonds Certificate, the N Covered Bonds Agreement and any other document or agreement in connection with such N Covered Bonds. Finally, neither the Central Bank nor the Irish Stock Exchange will approve or review any N Covered Bonds Certificate, N Covered Bonds Agreement and any other document or agreement in connection with any future issue of N Covered Bonds.

The N Covered Bond Certificate with the N Covered Bond Conditions, the N Covered Bond Assignment Agreement attached thereto and the related N Covered Bond Agreement will constitute the full terms and conditions in respect of the relevant Series of N Covered Bonds.

In the case of N Covered Bonds, each reference in the Prospectus to information being set out, specified, stated, shown, indicated or otherwise provided for in the applicable Final Terms shall be read and construed as a reference to such information being set out, specified, stated, shown, indicated or otherwise provided in the N Covered Bond (*Gedeckte Namensschuldverschreibung*), the N Covered Bond Conditions attached thereto or the relevant N Covered Bond Agreement and, as applicable, each other reference to Final Terms in the Prospectus shall be construed and read as a reference to such N Covered Bond (*Gedeckte Namensschuldverschreibung*), the N Covered Bond Conditions attached thereto or the relevant N Covered Bond Agreement.

A transfer of N Covered Bonds is deemed to be not effective until the transferee has delivered to the Registrar the N Covered Bond Certificate or a duly certified copy of the N Covered Bond Certificate relating to such N Covered Bond along with a duly executed N Covered Bond Assignment Agreement. A transfer can only occur for the minimum denomination indicated in the N Covered Bond Conditions or multiples thereof.

References in this Prospectus to the Conditions or a particularly numbered Condition shall be construed, where relevant (and unless specified otherwise), to include the equivalent Condition in the N Covered Bond Conditions as supplemented by the relevant N Covered Bond Agreement and/or other applicable document.

The N Covered Bonds will be governed by the laws of the Federal Republic of Germany or by whatever law chosen by the Issuer (to be supplemented with the specific provisions required under German law in order for the N Covered Bonds to be a German law registered note (*Gedeckte Namensschuldverschreibung*) provided that, in any case, certain provisions, including those applicable to the Issuer and

	Cover Pool, shall be confirmed to be governed by Italian law. The Issuer or any other institution enitity will be appointed to act as paying agent in respect of the Covered Bonds issued in registered form and/or the N Covered Bonds under the Programme (the "**Registered Paying Agent**").
Denomination of Covered Bonds	The Covered Bonds will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and save that the minimum denomination of each Covered Bond admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be Euro 100,000 (or where the relevant Tranche is denominated in a currency other than Euro, the equivalent amount in such other currency).
Status of the Covered Bonds	The Covered Bonds will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a winding-up, liquidation, dissolution or bankruptcy of the Issuer, any funds realised and payable to the Covered Bondholders will be collected by the Guarantor in accordance with the Securitisation and Covered Bond Law.
Specified Currency	Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Covered Bondholders (as set out in the applicable Final Terms).
Maturities	The Covered Bonds will have such Maturity Date as may be agreed between the Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by any relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Redemption	The applicable Final Terms relating to each Series of Covered Bonds will indicate either (a) that the Covered Bonds of such Series of Covered Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments if applicable, or for taxation reasons or if it becomes unlawful for any Covered Bond to remain outstanding or following an Issuer Event of Default or Guarantor Event of Default), (b) that such Covered Bonds will be redeemable at

the option of the Issuer upon giving notice to the Covered Bondholders on a date or dates specified prior to the specified Maturity Date and at a price as may be agreed between the Issuer and the Dealer(s) as set out in the applicable Final Terms or (c) that such Covered Bonds will be redeemable at the option of the Covered Bondholders, as provided in Condition 9 (*Redemption and Purchase*), letter (f) (*Redemption at the option of Covered Bondholders*) and in the applicable Final Terms.

The applicable Final Terms may provide that the Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as indicated in the Final Terms.

Extended Maturity Date

The applicable Final Terms relating to each Series of Covered Bonds issued may indicate that the Guarantor's obligations under the Covered Bond Guarantee to pay Guaranteed Amounts equal to the Final Redemption Amount of the applicable Series of Covered Bonds on their Maturity Date may be deferred until the Extended Maturity Date. The deferral will occur automatically if the Issuer fails to pay the Final Redemption Amount on the Maturity Date for such Series of Covered Bonds and if the Guarantor does not pay the final redemption amount in respect of the relevant Series of Covered Bonds (for example, because the Guarantor has insufficient funds) by the Extension Determination Date. Interest will continue to accrue and be payable on the unpaid amount up to the Extended Maturity Date. If the duration of the Covered Bond is extended, the Extended Maturity Date shall be the date falling one calendar year after the relevant Maturity Date.

For further details, see Condition 9(b) (*Extension of maturity*).

Extended Instalment Date

If a Series of Covered Bonds is to be redeemed in instalments, the applicable Final Terms may indicate that the Guarantor's obligations under the Covered Bond Guarantee to pay a Covered Bond Instalment Amount and all subsequently payable Covered Bond Instalment Amounts may be deferred by one year until their relevant Extended Instalment Dates. The deferral will occur automatically if the Issuer fails to pay a Covered Bond Instalment Amount on its Covered Bond Instalment Date and if the Guarantor does not pay such Covered Bond Instalment Amount (for example, because the Guarantor has insufficient funds) by the Covered Bond Instalment Extension Determination Date. Interest will continue to accrue and be payable on the unpaid amount up to the relevant Extended Instalment Date, which shall be the date falling one calendar year after the relevant Covered Bond Instalment Date.

Each Covered Bond Instalment Amount may be deferred when falling due no more than once. At such time, each subsequent but not yet due Covered Bond Instalment Amount will also be deferred, so it is possible that a Covered Bond Instalment Amount may be deferred more than once but it may never be deferred to a date falling after

	the Maturity Date for the relevant Series. For further details, see Condition 9(j) (*Extension of principal instalments*).
Issue Price	Covered Bonds may be issued at par or at a premium or discount to par.
Interest	Covered Bonds may be interest-bearing or non-interest-bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. Covered Bonds may also have a maximum rate of interest, a minimum rate of interest or both (as indicated in the applicable Final Terms). Interest on Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, in each case as may be agreed between the Issuer and the relevant Dealer(s).
Fixed Rate Covered Bonds	Fixed Rate Covered Bonds will bear interest at a fixed rate, which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such day count fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the applicable Final Terms).
Floating Rate Covered Bonds	Floating Rate Covered Bonds will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer(s), in each case, as set out in the applicable Final Terms. The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds, as set out in the applicable Final Terms.
Taxation	All payments in relation to Covered Bonds will be made without tax deduction except where required by law. If any tax deduction is made, the Issuer shall be required to pay additional amounts in respect of the amounts so deducted or withheld, subject to a number of exceptions including deductions on account of Italian substitute

	tax pursuant to Decree 239. Under the Covered Bond Guarantee, the Guarantor will not be liable to pay any such additional amounts. For further detail, see Condition 11 (*Taxation*).
Issuer cross default	Each Series of Covered Bonds will cross-accelerate as against each other but will not otherwise contain a cross default provision. Accordingly, neither an event of default in respect of any other indebtedness of the Issuer (including other debt securities of the Issuer) nor acceleration of such indebtedness will of itself give rise to an Issuer Event of Default. In addition, an Issuer Event of Default will not automatically give rise to a Guarantor Event of Default, *provided however that*, where a Guarantor Event of Default occurs and the Representative of the Covered Bondholders serves a Guarantor Default Notice upon the Guarantor, such Guarantor Default Notice will accelerate each Series of outstanding Covered Bonds issued under the Programme. For further detail, see Condition 12 (a) (*Issuer Events of Default*).
Listing and admission to trading	Application has been made to the Irish Stock Exchange for Covered Bonds (other than Covered Bonds issued in registered form and the N Covered Bonds) issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the Official List and to trading on its regulated market.
Rating	Each Series of Covered Bonds issued under the Programme may be assigned a rating by the Rating Agencies or may be unrated as specified in the relevant Final Terms. Whether or not a rating in relation to any Series of Covered Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. The credit ratings included or referred to in this Prospectus have been issued by DBRS Ratings Ltd. or Moody's Investors Service Ltd. each of which is established in the European Union and each of which has been registered under the CRA Regulation as resulting from the list of registered credit rating agencies published by the European Securities and Markets Authority (ESMA) on its website (at http://www.esma.europa.eu/page/list-registered-and-certified-CRAs). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation.
Governing Law	The Covered Bonds (other than Covered Bonds issued in registered form and the N Covered Bonds) and the related Programme documents will be governed by Italian law, except for the Deed of Charge, the English Account Bank Agreement and the Swap

Agreements, which will be governed by English law.

THE GUARANTOR AND THE COVERED BOND GUARANTEE

Covered Bond Guarantee

Payments of Guaranteed Amounts in respect of the Covered Bonds when due for payment will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor to make payments in respect of such Guaranteed Amounts when due for payment are subject to the conditions that an Issuer Event of Default has occurred, and an Issuer Default Notice has been served on the Issuer and on the Guarantor or, if earlier, a Guarantor Event of Default has occurred and a Guarantor Default Notice has been served on the Guarantor.

The obligations of the Guarantor will accelerate once the Guarantor Default Notice mentioned above has been delivered to the Guarantor. The obligations of the Guarantor under the Covered Bond Guarantee constitute direct, unconditional and unsubordinated obligations of the Guarantor collateralised by the Cover Pool and recourse against the Guarantor is limited to such assets.

For further detail, see "*Overview of the Transaction Documents – Covered Bond Guarantee*".

Suspension of Payments

If a resolution pursuant to Article 74 of the Consolidated Banking Act is passed in respect of the Issuer (the "**Article 74 Event**"), the Guarantor, in accordance with Decree 310, shall be responsible for the payments of the Guaranteed Amounts due and payable within the entire period in which the suspension continues (the "**Suspension Period**").

Following an Article 74 Event:

(i) the Representative of the Covered Bondholders will serve an Issuer Default Notice on the Issuer and the Guarantor, specifying that an Article 74 Event has occurred and that such event may be temporary; and

(ii) in accordance with Decree 310, the Guarantor shall be responsible for payment of the amounts due and payable under the Covered Bonds during the Suspension Period at their relevant due dates, *provided that* it shall be entitled to claim any such amounts from the Issuer.

The Suspension Period shall end upon delivery by the Representative of the Covered Bondholders of a notice to the Issuer, the Guarantor and the Asset Monitor (the "**Article 74 Event Cure Notice**"), informing such parties that the Article 74 Event has been revoked.

Upon the termination of the Suspension Period the Issuer shall again be responsible for meeting the payment obligations under the

	Covered Bonds.
Cover Pool	The Covered Bond Guarantee will be collateralised by the Cover Pool constituted by (i) the Portfolio comprised of Mortgage Loans and related collateral assigned to the Guarantor by the Sellers in accordance with the terms of the relevant Master Loans Purchase Agreements and (ii) any other Eligible Assets and Top-Up Assets held by the Guarantor with respect to the Covered Bonds and the proceeds thereof which will, *inter alia*, comprise the funds generated by the Portfolio, the other Eligible Assets and the Top-Up Assets including, without limitation, funds generated by the sale of assets from the Cover Pool and funds paid in the context of a liquidation of the Issuer. For further detail, see "*Description of the Cover Pool*".
Limited recourse	The obligations owed by the Guarantor to the Covered Bondholders and, in general, to each of the Sellers, the Other Issuer's Creditors and the Other Creditors are limited recourse obligations of the Guarantor, which will be paid in accordance with the applicable Priority of Payments. The Covered Bondholders, the Sellers, the Other Issuer's Creditors and the Other Creditors will have a claim against the Guarantor only to the extent of the Guarantor Available Funds, including any amount realised with respect to the Cover Pool, in each case subject to and as provided in the Covered Bond Guarantee and the other Transaction Documents.
Term Loans	Each Seller has granted to the Guarantor a Term Loan for the purpose of funding the purchase from the relevant Seller of the Eligible Assets included in the Cover Pool. Subsequently, each Seller will grant further Term Loans to the Guarantor for the purposes of funding the purchase from the relevant Seller of Eligible Assets and Top-Up Assets in order to remedy a breach of the Tests or to support the issue of Covered Bonds. The Guarantor will pay interest in respect of each Term Loan but will have no liability to gross up for withholding. Payments from the Guarantor to the Sellers under the Term Loans will be limited recourse and subordinated and paid in accordance with the Priorities of Payments to the extent the Guarantor has sufficient Guarantor Available Funds. For further detail, see "*Overview of the Transaction Documents – Subordinated Loan Agreement*".
Excess Receivables and support for further issues	To support the issue of further Series of Covered Bonds, (i) Excess Receivables may be retained in the Portfolio or (ii) Eligible Assets may be acquired from one or more Sellers with the proceeds of the relevant Subordinated Loan Agreements entered into by such Sellers in order to ensure that the Cover Pool both before and after the issue of the new Series of Covered Bonds complies with the Tests.
Segregation of Guarantor's	The Covered Bonds benefit from the provisions of Article 7-*bis* of the Securitisation and Covered Bond Law, pursuant to which the Cover

rights and collateral	Pool is segregated by operation of law from the Guarantor's other assets. In accordance with Article 7-*bis* of the Securitisation and Covered Bond Law, prior to and following a winding-up of the Guarantor and an Issuer Event of Default or Guarantor Event of Default causing the Covered Bond Guarantee to be called, proceeds of the Cover Pool paid to the Guarantor will be exclusively available for the purpose of satisfying the obligations owed to the Covered Bondholders, to the Swap Providers under the Swap Agreements entered into in the context of the Programme, the Other Issuer's Creditors and to the Other Creditors in satisfaction of the transaction costs. The Cover Pool may not be seized or attached in any form by creditors of the Guarantor other than the entities referred to above, until full discharge by the Guarantor of its payment obligations under the Covered Bond Guarantee or cancellation thereof.
Cross-collateralisation	All Eligible Assets and Top-Up Assets transferred from the Sellers to the Guarantor from time to time or otherwise acquired by the Guarantor and the proceeds thereof form the collateral supporting the Covered Bond Guarantee in respect of all Series of Covered Bonds.
Claim under Covered Bonds	The Representative of the Covered Bondholders, for and on behalf of the Covered Bondholders, may submit a claim to the Guarantor and make a demand under the Covered Bond Guarantee in case of an Issuer Event of Default or Guarantor Event of Default.
Guarantor cross-default	Where a Guarantor Event of Default occurs, the Representative of the Covered Bondholders will serve upon the Guarantor a Guarantor Default Notice, thereby accelerating the Covered Bond Guarantee in respect of each Series of outstanding Covered Bonds issued under the Programme. However, an Issuer Event of Default will not automatically give rise to a Guarantor Event of Default. For further detail, see Condition 12 (c) (*Guarantor Events of Default*).
Disposal of assets included in the Cover Pool	After the service of an Issuer Default Notice on the Issuer and the Guarantor, the Guarantor will be obliged to sell Eligible Assets in the Cover Pool in accordance with the Cover Pool Management Agreement, subject to pre-emption and other rights of the Sellers in respect of the Eligible Assets pursuant to the relevant Master Loans Purchase Agreement. The proceeds from any such sale will be applied as set out in the applicable Priority of Payments. For further detail, see Condition 12(c) (*Guarantor Events of Default*).

SALE AND DISTRIBUTION

Distribution	Covered Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the restrictions to be set forth in the Programme

	Agreement.
Certain restrictions	Each Series of Covered Bonds issued will be denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply and will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. There are restrictions on the offer, sale and transfer of Covered Bonds in the United States, the European Economic Area (including the United Kingdom and the Republic of Italy) and Japan. Other restrictions may apply in connection with the offering and sale of a particular Series of Covered Bonds, see "*Subscription and Sale*" below.

RISK FACTORS

This section describes the principal risk factors associated with an investment in the Covered Bonds and includes disclosure of all material risks in respect of the Covered Bonds. Prospective purchasers of Covered Bonds should consider carefully all the information contained in this document, including the considerations set out below, before making any investment decision. This section of the Prospectus is split into two main sections – General Investment Considerations and Investment Considerations relating to the Issuer and the Guarantor. Any of the risks described below, or additional risks not currently known to the Issuer or that the Issuer currently deems immaterial, could have a significant or material adverse effect on the business, financial condition, operations or prospects of the Issuer and result in a corresponding decline in the value of the Covered Bonds. As a result, investors could lose all or a substantial part of their investment.

General Investment Considerations

Issuer liable to make payments when due on the Covered Bonds

The Issuer is liable to make payments when due on the Covered Bonds. The obligations of the Issuer under the Covered Bonds are direct, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* without any preference amongst themselves and equally with its other direct, unsecured, unconditional and unsubordinated obligations. Consequently, any claim directly against the Issuer in respect of the Covered Bonds will not benefit from any security or other preferential arrangement granted by the Issuer.

The Guarantor has no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default and service by the Representative of the Covered Bondholders on the Issuer and on the Guarantor of an Issuer Default Notice or, if earlier, following the occurrence of a Guarantor Event of Default and service by the Representative of the Covered Bondholders of a Guarantor Default Notice. The occurrence of an Issuer Event of Default does not constitute a Guarantor Event of Default. However, failure by the Guarantor to pay amounts due under the Covered Bond Guarantee would constitute a Guarantor Event of Default which would entitle the Representative of the Covered Bondholders to accelerate the obligations of the Issuer under the Covered Bonds (if they have not already become due and payable) and the obligations of the Guarantor under the Covered Bond Guarantee. Although the mortgage receivables included in the Cover Pool are originated by the Issuer, they are transferred to the Guarantor on a true sale basis and an insolvency of the Issuer would not automatically result in the insolvency of the Guarantor.

Obligations under the Covered Bonds

The Covered Bonds will not represent an obligation or be the responsibility of any of the Arranger, the Dealers, the Representative of the Covered Bondholders or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuer and the Guarantor. The Issuer and the Guarantor will be liable solely in their corporate capacity for their obligations in respect of the Covered Bonds and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

Extraordinary Resolutions and the Representative of the Covered Bondholders

A meeting of Covered Bondholders may be called to consider matters which affect the rights and interests of Covered Bondholders. These include (but are not limited to): instructing the Representative of the Covered Bondholders to enforce the Covered Bond Guarantee against the Issuer and/or the Guarantor; waiving an Issuer Event of Default or a Guarantor Event of Default; cancelling, reducing or

otherwise varying interest payments or repayment of principal or rescheduling payment dates; altering the priority of payments of interest and principal on the Covered Bonds; and any other amendments to the Transactions Documents. A Programme Resolution will bind all Covered Bondholders, irrespective of whether they attended the Meeting or voted in favour of the Programme Resolution. No Resolution, other than a Programme Resolution, passed by the holders of one Series of Covered Bonds will be effective in respect of another Series unless it is sanctioned by an Ordinary Resolution or an Extraordinary Resolution, as the case may require, of the holders of that other Series. Any Resolution passed at a Meeting of the holders of the Covered Bonds of a Series shall bind all other holders of that Series, irrespective of whether they attended the Meeting and whether they voted in favour of the relevant Resolution.

In addition, the Representative of the Covered Bondholders may agree to the modification of the Transaction Documents without consulting Covered Bondholders to correct a manifest error or where such modification (i) is of a formal, minor, administrative or technical nature or an error established as such to the satisfaction of the Representative of the Covered Bondholders or (ii) in the opinion of the Representative of the Covered Bondholders, is not or will not be materially prejudicial to Covered Bondholders. It should also be noted that after the delivery of an Issuer Default Notice, the protection and exercise of the Covered Bondholders' rights against the Issuer will be exercised by the Guarantor (or the Representative of the Covered Bondholders on its behalf). The rights and powers of the Covered Bondholders may only be exercised in accordance with the Rules of the Organisation of the Covered Bondholders. In addition, after the delivery of a Guarantor Default Notice, the protection and exercise of the Covered Bondholders' rights against the Guarantor and the security under the Guarantee is one of the duties of the Representative of the Covered Bondholders. The Conditions limit the ability of each individual Covered Bondholder to commence proceedings against the Guarantor by conferring on the Meeting of the Covered Bondholders the power to determine in accordance with the Rules of Organisation of the Covered Bondholders, whether any Covered Bondholder may commence any such individual actions.

Representative of the Covered Bondholders' powers may affect the interests of the Covered Bondholders.

In the exercise of its powers, trusts, authorities and discretions the Representative of the Covered Bondholders shall only have regard to the interests of the Covered Bondholders and the Other Creditors, as applicable, but if, in the opinion of the Representative of the Covered Bondholders, there is a conflict between these interests, the Representative of the Covered Bondholders shall have regard solely to the interests of the Covered Bondholders. In the exercise of its powers, trusts, authorities and discretions, the Representative of the Covered Bondholders may not act on behalf of the Sellers.

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Representative of the Covered Bondholders is of the opinion that the interests of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, the Representative of the Covered Bondholders shall not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders holding not less than 25 per cent. of the Outstanding Principal Amount of the Covered Bonds of the relevant Series then outstanding.

Extendable obligations under the Covered Bond Guarantee

Upon failure by the Issuer to pay the Final Redemption Amount of a Series of Covered Bonds on their relevant Maturity Date (subject to applicable grace periods) and if payment of the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series of the Covered Bonds is not made in full by the Guarantor on or before the Extension Determination Date, then payment of such

Guaranteed Amounts shall be automatically deferred. This will occur if the Final Terms for a relevant Series of Covered Bonds provides that such Covered Bonds are subject to an extended maturity date (the "**Extended Maturity Date**") to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on or before the Extension Determination Date.

To the extent that the Guarantor has received an Issuer Default Notice in sufficient time and has sufficient moneys available to pay in part the Guaranteed Amounts corresponding to the relevant Final Redemption Amount in respect of the relevant Series of Covered Bonds, the Guarantor shall make partial payment of the relevant Final Redemption Amount in accordance with the Guarantee Priority of Payments and as described in Conditions 9(b) (*Extension of maturity*) and 12(b) (*Effect of an Issuer Default Notice*). Payment of all unpaid amounts shall be deferred automatically until the applicable Extended Maturity Date *provided that* any amount representing the Final Redemption Amount due and remaining unpaid on the Extension Determination Date may be paid by the Guarantor on any Interest Payment Date thereafter, up to (and including) the relevant Extended Maturity Date. The Extended Maturity Date will fall one year after the Maturity Date. Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 9(b) (*Extension of maturity*) and the Guarantor will pay Guaranteed Amounts, constituting interest due on each Interest Payment Date and on the Extended Maturity Date. In these circumstances, Failure by the Issuer to pay the Covered Bond Instalment Amount on its Covered Bond Instalment Date will (subject to any applicable grace period) be an Issuer Event of Default. Failure by the Guarantor to pay the deferred Covered Bond Instalment Amount on the related Extended Instalment Date will (subject to any applicable grace period) be a Guarantor Event of Default.

Similarly, in respect of Covered Bonds that may be redeemed in instalments, if Extended Instalment Date is specified in the Final Terms and both (a) the Issuer on the Covered Bond Instalment Date and (b) the Guarantor on the relevant Covered Bond Instalment Extension Determination Date fail to pay a Covered Bond Instalment Amount, the requirement to pay such Covered Bond Instalment Amount and all subsequently due and payable Covered Bond Instalment Amounts shall be deferred by one year until their Extended Instalment Dates.

Each Covered Bond Instalment Amount may be deferred when due no more than once. At such time, each subsequent but not yet due Covered Bond Instalment Amount will also be deferred, so it is possible that a Covered Bond Instalment Amount may be deferred more than once but it may never be deferred to a date falling after the Maturity Date for the relevant Series.

Limited secondary market

There is, at present, a secondary market for the Covered Bonds but it is neither active nor liquid, and there can be no assurance that an active or liquid secondary market for the Covered Bonds will develop. The Covered Bonds have not been, and will not be, offered to any persons or entities in the United States of America or registered under any securities laws and are subject to certain restrictions on the resale and other transfers thereof as set forth under section entitled "*Subscription and Sale*". If an active or liquid secondary market develops, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield. Illiquidity may have a severely adverse effect on the market value of Covered Bonds. In addition, Covered Bonds issued under the Programme might not be listed on a stock exchange or regulated market and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market prices of such Covered Bonds may be adversely affected. In an illiquid market, an investor might not be able to sell its Covered Bonds at any

time at fair market prices. The possibility to sell the Covered Bonds might additionally be restricted by country specific reasons.

Ratings of the Covered Bonds

There is no obligation of the Issuer to maintain any rating for itself or for the Covered Bonds. The ratings that may or may not be assigned to the Covered Bonds address the expectation of timely payment of interest and principal on the Covered Bonds on or before any payment date falling one year after the Maturity Date.

In cases where DBRS does not maintain a public rating of a specific third party institution, DBRS provides an internal assessment of the relevant institution (which will be monitored over the life of the transaction), and will notify the relevant institution if any such ongoing internal assessment results in a downgrade that breaches the applicable rating triggers, so that such institution can decide which of the applicable remedies to implement. In certain cases, DBRS may rely on public ratings assigned and monitored by other credit rating agencies.

For Moody's, the ratings that may or may not be assigned to the Covered Bonds address the expected loss that Covered Bondholders may suffer.

The ratings that may or may not be assigned to the Covered Bonds are set out in the relevant Final Terms for each Series of Covered Bonds. A Rating Agency which assigns a rating to the Covered Bonds may lower its rating or withdraw its rating if, in the sole judgment of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may reduce. European regulated investors are generally restricted under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings referred to in this Prospectus and/or the Final Terms, is set out in relevant section of this Prospectus and will be disclosed in the Final Terms.

A credit rating is not a recommendation to buy, sell or hold Covered Bonds and may be subject to revision, suspension or withdrawal by the Rating Agencies at any time. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency

equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency equivalent market value of the Covered Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Controls over the transaction

The Bank of Italy Regulations require that certain controls be performed by the Issuer aimed at, inter alia, mitigating the risk that any obligation of the Issuer or the Guarantor under the Covered Bonds is not complied with. Whilst the Issuer believes it has implemented the appropriate policies and controls in compliance with the relevant requirements, investors should note that there is no assurance that such compliance ensures that the aforesaid controls are actually performed and that any failure to properly implement the respective policies and controls could have an adverse effect on the Issuers' or the Guarantor's ability to perform their obligations under the Covered Bonds.

Changes of law

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on Italian law (and, in the case of the Deed of Charge, the English Account Bank Agreement and the Swap Agreements, English law in effect as at the date of this Prospectus). No assurance can be given as to the impact of any possible change to Italian or English law or administrative practice or to the law applicable to any Transaction Document and to administrative practices in the relevant jurisdiction. Except to the extent that any such changes represent a significant new factor or result in this Prospectus containing a material mistake or inaccuracy, in each case which is capable of affecting the assessment of the Covered Bonds, the Issuer and the Guarantor will be under no obligation to update this Prospectus to reflect such changes.

Securitisation and Covered Bond Law

The Securitisation and Covered Bond Law was enacted in Italy in April 1999 and amended to allow for the issuance of covered bonds in 2005. The Securitisation and Covered Bond Law was further amended by Law Decree no. 145 of 23 December 2013 (the "**Destinazione Italia Decree**") as converted into Law no. 9 of 21 February 2014 and by Law Decree no. 91 of 24 June 2014 (the "**Decree Competitività**") as converted with amendments into Law No. 116 of 11 August 2014. As at the date of this Prospectus, no interpretation of the application of the Securitisation and Covered Bond Law as it relates to covered bonds has been issued by any Italian court or governmental or regulatory authority, except for (i) the Decree of the Italian Ministry for the Economy and Finance No. 310 of 14 December 2006 ("**Decree 310**"), setting out the technical requirements for the guarantee which may be given in respect of covered bonds and (ii) Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche*" (Circolare No. 285 of 17 December 2013) as amended and supplemented from time to time (the "**Bank of Italy Regulations**") concerning guidelines on the valuation of assets, the procedure for purchasing top-up assets and controls required to ensure compliance with the legislation. Consequently, it is possible that such or different authorities may issue further regulations relating to the Securitisation and Covered Bond Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Prospectus.

The return on an investment in Covered Bonds will be affected by charges incurred by investors

An investor's total return on an investment in any Covered Bonds will be affected by the level of fees charged by the nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of Covered Bonds, custody services and on payments of interest, principal and other amounts. Potential

investors are therefore advised to investigate the basis on which any such fees will be charged on the relevant Covered Bonds.

Priority of Payments

Recent English insolvency and U.S. bankruptcy court rulings may restrain parties from making or receiving payments in accordance with the order of priority agreed between them.

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a swap counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "flip clauses").

The English Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the U.S. Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the U.S. Bankruptcy Court approved, in December 2010, the settlement of the case to which the judgment relates and subsequently the appeal was dismissed.

If a creditor of the Guarantor (such as the Swap Providers) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales, and it is owed a payment by the Guarantor, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the Italian law governed Transaction Documents. In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy law. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as Swap Counterparty, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state). If a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the Guarantor to satisfy its obligations under the Covered Bonds.

Given the general relevance of the issues under discussion in the judgments referred to above, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

Risks related to the structure of a particular issue of Covered Bonds

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Covered Bonds subject to optional redemption by the Issuer

An optional redemption feature of Covered Bonds is likely to limit their market value. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

Fixed/Floating Rate Covered Bonds

Fixed/Floating Rate Covered Bonds may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Covered Bonds.

Interest rate risks

Investments in Fixed Rate Covered Bonds involve the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

Floating rate risks

Investments in Floating Rate Covered Bonds involve the risk for the Covered Bondholders of fluctuating interest rate levels and uncertain interest earnings.

Covered Bonds issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Prospectus to be read together with applicable Final Terms

The terms and conditions of the Covered Bonds and the terms and conditions of the Covered Bonds issued in registered form and the N Covered Bonds apply to the different types of Covered Bonds which

may be issued under the Programme. The full terms and conditions applicable to each Series or Tranche of Covered Bonds (other than Covered Bonds issued in registered form and the N Covered Bonds) can be reviewed by reading the Conditions of the Covered Bonds as set out in full in this Prospectus, which constitute the basis of all Covered Bonds (other than Covered Bonds issued in registered form and the N Covered Bonds) to be offered under the Programme, together with the applicable Final Terms which complete the Conditions of the Covered Bonds in the manner required to reflect the particular terms and conditions applicable to the relevant Series of Covered Bonds (or Tranche). The full terms and conditions applicable to each Series of N Covered Bonds can be reviewed by reading the relevant N Covered Bond Certificate, the relevant N Covered Bond Conditions and any schedule or ancillary agreement attached or relating thereto.

Investment Considerations relating to the Issuer

Risks associated with general economic, financial and other business conditions

The results of the UBI Banca Group are affected by the global economic and financial conditions. During recessionary periods, there may be less demand for loan products and a greater number of the UBI Banca Group's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. Fluctuations in interest rates in the Eurozone influence its performance. These risks are exacerbated by concerns over the levels of the public debt of certain Euro-zone countries and their relative weaknesses. There can be no assurance that the European Union and International Monetary Fund initiatives aimed at stabilising the market in Greece, Portugal and Ireland will be sufficient to avert "contagion" to other countries. A rating downgrade might restrict the availability of funding or increase its cost for individuals and companies at a local level. This might have a material adverse effect on the Group's operating results, financial conditions and business outlook.

Furthermore, if sentiment towards the banks and/or other financial institutions operating in Italy were to deteriorate materially, or if the UBI Banca Group's ratings and/or the ratings of the sector were to be further adversely affected, this may have a materially adverse impact on the Group. In addition, such change in sentiment or reduction in ratings could result in an increase in the costs and a reduction in the availability of wholesale market funding across the financial sector which could have a material adverse effect on the liquidity and funding of all Italian financial services institutions, including the UBI Banca Group.

Pressures on sovereign bond prices, as a result of speculation, may directly affect the fair value of UBI Banca Group's exposures to sovereign debt securities and loans, resulting in losses, write-downs and impairment charges.

Furthermore, the concerns on sovereign perceived creditworthiness may also impact both the availability and the cost of funding. In fact, the deterioration of the sovereign perceived risk could affect the price or raise the collateral requirements (eligibility criteria) of securities used by banks to secure funding from private markets (for instance, repos) or from central banks, reducing the availability of funding or increasing its costs.

Finally, to face the sovereign debt crisis, the Italian Parliament has recently approved many austerity measures, including a tax treatment of securities issued by banks, which now render such securities less attractive to investors and which could increase the funding costs for UBI Banca Group.

Any further downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur could severely destabilise the markets and have a material adverse effect on the operating results, financial condition and prospects of UBI Banca Group as well as on the marketability of the

Covered Bonds. This might also impact on UBI Banca Group's credit ratings, borrowing costs and access to liquidity. Any further Italian sovereign downgrade or the perception that such a downgrade may occur would likely have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, depressing economic activity, increasing unemployment, reducing asset prices and consequently increasing the risk of a "double dip" recession. These risks are exacerbated by concerns over the level of the public debt of, and the weakness of the economy in, Ireland, Greece, Portugal, Spain and Italy in particular. Further instability within these countries or other countries within the Euro-zone might lead to contagion.

Risks associated with UBI Banca's participation in the Atlante Fund

The Atlante Fund is a closed-end alternative investment fund intended to support the recapitalisation of Italian banks and to facilitate the disposal of non-performing loans (the "**Atlante Fund**"). The Atlante Fund is managed by Quaestio SGR.

On 18 April 2016 the Issuer announced that the Management Board had decided in favour of the adhesion of the UBI Banca Group to the "Fondo Atlante" (Atlante Fund) for an amount up to Euro 200 million.

Since it was formed, the Atlante Fund has participated in two transactions to recapitalize Italian banks (i.e. Banca Popolare di Vicenza S.p.A. ("**BPVi**") and Veneto Banca S.p.A. ("**Veneto Banca**")) and to acquire notes of Non-Performing Loans of Italian Banks via Atlante II Fund. The Atlante II Fund has participated in transactions to acquire notes of non-performing loans of Italian Banks.

As of 31 December 2016, the value of our investment in the Atlante Fund—solely for the amount recorded under UCITS (Undertakings for Collective Investment in Transferable Securities) units in the Available-For-Sale (AFS) portfolio—was Euro 65.5 million (Euro 89.2 million taking into account also the commitment related to the sums paid in January 2017), as compared to an overall exposure of Euro Euro 162.2 million (of which Euro 119.1 million related to AFS and €43.1 million related to commitments) and, therefore, with a write-down of Euro 73.0 million (of which Euro 53.6 million related to AFS and Euro 19.4 million related to commitments).

The units of the Atlante Fund were initially recognized at their subscription value, which was deemed an expression of the fair value of the investment as of the initial recognition date.

After the evaluation update of the units held as of 31 December 2016, according to an internal evaluation model based on multiples of banking baskets, integrated with estimates on Atlante's banks NPL credit portfolio and related equity/capital needs, a Euro 18.7 million impairment was recognized as of 31 March 2017.

Consequently, if the value of the assets in which the Atlante Fund are invested and/or will be invested were to be reduced, among other things, as a result of write-downs or because the assets are sold at a price below the acquisition price, or if such assets were to be replaced with assets having a greater risk profile or that are characterised by a greater degree of capital absorption (for example, non-performing loans), this situation could require UBI Banca to further write down UBI Banca investment in the Atlante Fund, which could have an adverse effect on the capital ratios of UBI Banca.

The regulatory treatment of the units held by UBI in the Atlante Fund is based on the application of the look-through method to the underlying investments, specifically the stakes indirectly held in BPVi and Veneto Banca are classified as non-significant holdings in a financial sector entity, according to the provisions set by EU Regulation 2015/923.

With reference to the commitment held by UBI Banca towards the Atlante Fund, the regulatory treatment for risk weighted assets purposes foresees the application of a Credit Conversion Factor equal to 100 per cent. ("full risk") according to the Annex I of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the CRD IV Regulation).

Impact of events which are difficult to anticipate

The UBI Banca Group's earnings and business are affected by general economic conditions, the performance of financial markets and of market participants, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the polices of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, at a regional, national and international level. Each of these factors can change the level of demand for the UBI Banca Group's products and services, the credit quality of Debtors and counterparties, the interest rate margin between lending and borrowing costs and the value of its investment and trading portfolios and can influence the Group's balance sheet and economic results.

Moreover, on 23 June 2016 the UK held a referendum to decide on the UK's membership of the European Union. The UK vote was to leave the European Union and the UK Government invoked article 50 of the Lisbon Treaty relating to withdrawal on 29 March 2017. Under article 50, the Treaty on the European Union and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement, or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances. There are a number of uncertainties in connection with the future of the UK and its relationship with the European Union. The negotiation of the UK's exit terms is likely to take a number of years. Until the terms and timing of the UK's exit from the European Union are clearer, it is not possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on the business of the Issuer or one or more of the other parties to the Transaction Documents. As such, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Covered Bonds and/or the market value and/or the liquidity of the Covered Bonds in the secondary market.

Market declines and volatility

The results of the UBI Banca Group are affected by general economic, financial and other business conditions. During a recession, there may be less demand for loan products and a greater number of the UBI Banca Group's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the UBI Banca Group's debtors and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

The ongoing economic crisis may also negatively affect the real estate market and value of collateral securing loans with an adverse impact on the fair value of UBI Banca Group's secured loans and mortgages, entailing additional provisions or reserve requirements. Moreover, when a debtor defaults on his collateralised loans or obligations, the value of the collateral could not be sufficient to meet the claims of the creditors so that UBI Banca Group may not recover the full expected amount due.

Credit and market risk

To the extent that any of the instruments and strategies used by the UBI Banca Group to hedge or otherwise manage its exposure to credit or market risk are not effective, the UBI Banca Group may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The UBI Banca Group's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The UBI Banca Group's financial results also depend upon how effectively it determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

Protracted market declines and reduced liquidity in the markets

In some of the UBI Banca Group's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the UBI Banca Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the UBI Banca Group using models other than publicly quoted prices. Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the UBI Banca Group's operating results and financial condition.

In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the UBI Banca Group's securities trading activities and its asset management services, as well as its investments in and sales of products linked to the performance of financial assets.

The Issuer's business is subject to risks concerning liquidity

The Issuer's business is subject to risks concerning liquidity which are inherent in its banking operations, and could affect the Issuer's ability to meet its financial obligations as they fall due or to fulfil commitments to lend. In order to ensure that the Issuer continues to meet its funding obligations and to maintain or grow its business generally, it relies on customer savings and transmission balances, as well as ongoing access to the wholesale lending markets. The ability of the Issuer to access wholesale and retail funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

The global financial system still has to overcome some of the difficulties which began in August 2007 and which were intensified by the bankruptcy of Lehman Brothers in September 2008. Financial market conditions have remained challenging and, in certain respects, have deteriorated. In addition, the continued concern about sovereign credit risks in the Euro-zone and Italy in particular has progressively intensified, and International Monetary Fund and European Union financial support packages have been agreed for Greece, Ireland and Portugal.

Credit quality has generally declined, as reflected by the downgrades suffered by several countries in the Euro-zone, including Italy, since the start of the sovereign debt crisis. The large sovereign debts and/or fiscal deficits in certain European countries, including Italy, have raised concerns regarding the financial condition of Euro-zone financial institutions and their exposure to such countries.

There can be no assurance that the European Union and International Monetary Fund initiatives aimed at stabilising the market in Greece, Portugal and Ireland will be sufficient to avert "contagion" to other countries. If sentiment towards the banks and/or other financial institutions operating in Italy were to deteriorate materially, or if the Issuer's ratings and/or the ratings of the sector were to be further adversely affected, this may have a materially adverse impact on the Issuer. In addition, such change in sentiment or reduction in ratings could result in an increase in the costs and a reduction in the availability of wholesale market funding across the financial sector which could have a material adverse effect on the liquidity and funding of all Italian financial services institutions, including the Issuer.

Any further downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur may severely destabilise the markets and have a material adverse effect on the Issuer's operating results, financial condition and prospects as well as on the marketability of the Covered Bonds. This might also impact on the Issuer's credit ratings, borrowing costs and access to liquidity. A

further Italian sovereign downgrade or the perception that such a downgrade may occur would be likely to have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, depressing economic activity, increasing unemployment, reducing asset prices and consequently increasing the risk of a "double dip" recession. These risks are exacerbated by concerns over the levels of the public debt of, and the weakness of the economies in, Ireland, Greece, Portugal, Spain and Italy in particular. Further instability within these countries or other countries within the Euro-zone might lead to contagion.

These concerns may impact the ability of Euro-zone banks to access the funding they need, or may increase the costs of such funding, which may cause such banks to suffer liquidity stress. If the current concerns over sovereign and bank solvency continue, there is a danger that inter-bank funding may become generally unavailable or available only at elevated interest rates, which might have an impact on the Issuer's access to, and cost of, funding. Should the Issuer be unable to continue to source a sustainable funding profile, the Issuer's ability to fund its financial obligations at a competitive cost, or at all, could be adversely impacted.

The Issuer's financial performance is affected by "systemic risk"

In recent years, the global credit environment has been adversely affected by significant instances of default, and there can be no certainty that further such instances will not occur. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Issuer interacts on a daily basis and therefore could adversely affect the Issuer.

The Issuer's financial performance is affected by borrower credit quality and general economic conditions, in particular in Italy and Europe

The results of the Issuer may be affected by global economic and financial conditions. During recessionary periods, there may be less demand for loan products and a greater number of the Issuer's customers may default on their loans or their obligations. Interest rates rises may also have an impact on the demand for mortgages and other loan products. Fluctuations in interest rates in Italy and in the Euro-zone and in the other markets in which the Issuer operates may influence its performance.

The Issuer monitors credit quality and manages the specific risk of each counterparty and the overall risk of the respective loan portfolios, and the Issuer will continue to do so, but there can be no assurance that such monitoring and risk management will suffice to keep the Issuer's exposure to credit risk at acceptable levels. Any deterioration of the creditworthiness of significant individual customers or counterparties, or of the performance of loans and other receivables, as well as wrong assessments of creditworthiness or country risks may have a material adverse effect on the Issuer's business, financial condition and results of operations.

As discussed in "The Issuer's business is subject to risks concerning liquidity" above, these risks are exacerbated by concerns over the levels of the public debt of certain Euro-zone countries and their relative weaknesses. There can be no assurance that the European Union and International Monetary Fund initiatives aimed at stabilising the market in Greece, Portugal and Ireland will be sufficient to avert "contagion" to other countries. A rating downgrade in one of the countries in which the Issuer operates might restrict the availability of funding or increase its cost for individuals and companies at a local level. This might have a material adverse effect on the Issuer's operating results, financial conditions and business outlook.

Risk management and exposure to unidentified or unanticipated risks

The UBI Banca Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risks and intends to continue to do so in the future. Nonetheless, the UBI Banca Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the UBI Banca Group fails to identify or anticipate. If existing or potential customers believe that the UBI Banca Group's risk management policies and procedures are inadequate, its reputation as well as its revenues and profits may be negatively affected.

Changes in interest rates

Fluctuations in interest rates influence the UBI Banca Group's financial performance. The results of the UBI Banca Group's banking operations are affected by its management of interest rate sensitivity and, in particular, changes in market interest rates: the risks associated with interest rate fluctuations specifically affect the interest margin and, consequently, the Group's net profits (cash flow risk) and also affect the actual net value of assets and liabilities, by impacting the present value of future cash flows (fair value risk). A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the UBI Banca Group's financial condition or results of operations. In addition, in recent years, the Italian banking sector has been characterised by increasing competition which, together with the low level of interest rates, has caused a sharp reduction in the difference between borrowing and lending rates, and has made it difficult for banks to maintain positive growth trends in interest rate margins. In particular, such competition has had two main effects:

(i) a progressive reduction in the differential between lending and borrower interest rate, which may result in the Issuer facing difficulties in maintaining its actual rate of growth in interest rate margin; and

(ii) a progressive reduction in commissions and fees, particularly from dealing on behalf of third parties and order collection, due to competition on prices.

Both of the above factors may adversely affect the Issuer's financial condition and results of operations. In addition, downturns in the Italian economy could cause pressure on the competition through, for example, increased price pressure and lower business volumes for which to compete.

Operational risk

The Group, like all financial institutions, is exposed to the risk of incurring losses due to the inadequacy or inefficiency of processes, personnel and internal system, or caused by external factors. For example, these include losses due to fraud, human error, interruptions in operations, system unavailability (including IT system; see also "Risk relating to information technology systems" below), contractual breaches and natural disasters In terms of their monetary manifestation, this definition includes legal risk, model-related risk, operating losses overlapping market risk (i.e. losses and/or additional costs related to financial transactions) and operating losses overlapping credit risk (i.e. losses generated during the placement of a product and/or within a lending process, due to an operational risk). Operational risk does not include reputational risk or strategic risk. The Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately monitored. Any failure or weakness in these systems, could however adversely affect its financial performance and business activities.

Although Group's organizational and control precautions are adequate, these measures could prove insufficient to deal with all the types of risk that could materialize and any one or more of these risks could occur in the future, as a result of unforeseen events entirely or partly out of our control (including, for example, non-compliance of suppliers with their contractual obligations, fraud, deception or losses resulting from the disloyalty of employees and/or from the violation of control procedures, IT virus attacks or the malfunction of electronic and/or communication services, possible terrorist attacks).

Risks relating to information technology systems

The Group depends on its information technology (IT) and data processing systems to operate its business, as well as on their continuous maintenance and costant updating. The Group is exposed to the risk that data could be damaged or lost, or removed, disclosed or processed (data breach) for purposes other than those authorized by the customer, including by unauthorized parties.

The possible destruction, damage or loss of customer, employee or third party data, as well as its removal, unauthorized processing or disclosure, would have a negative impact on the Group's business and reputation, and could subject the Group to fines, with consequent negative effects on the Group's business, results of operations or financial condition.

In addition, changes to relevant regulation could impose more stringent sanctions for violations, and could have a negative impact on the Group's business insofar as they lead the Group to incur additional compliance costs.

There are possible risks with regard to the reliability of IT systems (disaster recovery), the quality and integrity of the data managed and the threats to which IT systems are subject, as well as physiological risks related to the management of software changes (change management), which could have negative effects on the Group's operations, as well as on the Group's capital and financial situation.

Risks faced by the Group relating to the management of IT systems include possible violations of its systems due to unauthorized access to the Group's corporate network or IT resources, the introduction of viruses into computers or any other form of abuse committed via the Internet. Like attempted hacking, such violations have become more frequent over the years throughout the world and therefore can threaten the protection of information relating to the Group and our customers and can have negative effects on the integrity of the Group's IT systems, as well as on the confidence of the Group's customers and on the Group's reputation, with possible negative effects on the Group's capital and financial condition

Reliance on primary geographic markets

The UBI Banca Group has a widespread geographic distribution in Italy consisting of 1,524 branches (as at 31 December 2016), over 67 per cent located in northern Italy. The Issuer has strong territorial roots in certain regions where it has historically operated (particularly Lombardy, Piedmont, Marches, Apulia, etc). The UBI Banca Group relies for its distribution system on local network with long-standing, deep-rooted traditions in the respective territories. Until November 2016, the UBI Banca Group network consisted of 7 network banks (Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare Commercio e Industria, Banca Regionale Europea, Banca di Valle Camonica, Banca Popolare di Ancona and Banca Carime). In June 2016, the 2019 -2020 Business Plan was approved by UBI's Supervisory Board; the Business Plan provided, *inter alia*, for the merger into the parent bank UBI Banca of seven network banks (so-called "**Single Bank Project**"), as further explained below.

Mergers took place in two steps: Banca Popolare Commercio e Industria ("**BPCI**") and Banca Regionale Europea ("**BRE**") were merged on 21 November 2016 and the remaining five banks (Banca Popolare di Bergamo S.p.A. ("**BPB**"), Banca Popolare di Ancona S.p.A. ("**BPA**"), Banca Carime S.p.A. ("**Carime**"), Banco di Brescia San Paolo CAB S.p.A. ("**BBS**") and Banca Valle Camonica S.p.A. ("**BVC**")) were merged on the following 20 February 2017. At the end of March 2017 the UBI Banca Group's branch network consisted of 1,447 branches, of which 1,441 operating in Italy, down by 83 branches compared with the end of 2016, almost totally attributable to rationalisation action taken on the distribution network following the completion of the Single Bank Project.
On 10 May 2017 UBI Banca concluded the acquisition from the Italian National Resolution Fund of 100 per cent. of the share capital of Nuova Banca delle Marche, Nuova Banca dell'Etruria e del Lazio and Nuova Cassa di Risparmio di Chieti (the "**Acquisition**") at the terms and conditions provided in the purchase and sale agreement entered into on 18 January 2017 with the Bank of Italy, in its quality as the manager of and on behalf of the Italian National Resolution Fund, following the bid made by UBI Banca on the 11 January 2017. As a consequence of the Acquisition, the UBI Banca Group's branch network increased by over 500 branches compared with the number of branches as at 31 December 2016. These new branches mainly operate in the regions of Marches, Abruzzo, Lazio, Umbria and Tuscany.
On 11 May 2017 the Management Board and the Supervisory Board of UBI Banca approved the merger into UBI Banca of Nuova Banca delle Marche S.p.A., Nuova Banca dell'Etruria e del Lazio S.p.A., Nuova Cassa di Risparmio di Chieti S.p.A., Banca Federico del Vecchio S.p.A. and Cassa di Risparmio di Loreto S.p.A. These mergers are expected to be completed by 30 June, 2018. This operation forms part of the natural continuation of the process to optimise the organisational structure of the UBI Group as resulting after the recent conclusion of the Single Bank Project.

A downgrade of any of the Issuer's credit ratings may impact the Issuer's funding ability and have an adverse effect on the Issuer's financial condition

A downgrade of any of the Issuer's ratings (for whatever reason) might result in higher funding and refinancing costs for the Issuer in the capital markets. In addition, a downgrade of any of the Issuer's ratings may limit the Issuer's opportunities to extend mortgage loans and may have a particularly adverse effect on the Issuer's image as a participant in the capital markets, as well as in the eyes of its clients. These factors may have an adverse effect on the Issuer's financial condition and/or results of operations.

Legal proceedings

The UBI Banca Group is involved in various legal proceedings. Management believes that such proceedings have been properly analysed by the Issuer and its subsidiaries in order to decide whether any increase in provisions for litigation is necessary or appropriate in all the circumstances and, with respect to some specific issues, whether to refer to them in the notes to its financial statements in accordance with the International Financial Reporting Standards ("**IFRS**").

Catastrophic events, terrorist attacks and similar events could have a negative impact on the business and results of the Issuer

Catastrophic events, terrorist attacks and similar events, as well as the responses thereto, may create economic and political uncertainties, which could have a negative impact on economic conditions in the regions in which the Issuer operates and, more specifically, on the business and results of the Issuer in ways that cannot be predicted.

Changes in regulatory framework and accounting policies

The UBI Banca Group is subject to extensive regulation and supervision by the European Central Bank, the European System of Central Banks, the Bank of Italy and CONSOB (the Italian securities markets regulator). The banking laws to which the UBI Banca Group is subject govern the activities in which banks and banking foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the UBI Banca Group must comply with financial services laws that govern its marketing and selling practices. One particularly significant change in regulatory requirements affecting the UBI Banca Group will be the final implementation of the regulatory framework known as Basel III aimed at strengthening global capital and liquidity rules with the goal of promoting a more resilient banking sector.

Any changes in how such regulations are applied or implemented for financial institutions may have a material effect on the Issuer's business and operations. As some of the laws and regulations affecting the UBI Banca Group have only recently come into force, the manner in which they are applied to the operations of financial institutions is still evolving and their implementation, enforcement and/or interpretation may have an adverse effect on the business, financial condition, cash flows and results of operations of the Issuer.

Adverse regulatory developments

The Issuer conducts its businesses subject to ongoing regulatory and associated risks, including the effects of changes in laws, regulations, and policies in Italy and at a European level. The Issuer's business can therefore be affected by regulatory factors connected with domestic Italian and European Union developments in financial and fiscal matters, including the reform of the "banche popolari" (cooperative banks) system in Italy (see further "UBI Banca and the UBI Banca Group – Recent Developments"). The timing and the form of future changes in regulation are unpredictable and beyond the control of the Issuer, and changes made could materially adversely affect the Issuer's business.

The Issuer is required to hold a licence for its operations and is subject to regulation and supervision by authorities in Italy and in all other jurisdictions in which it operates, and by the ECB. Extensive regulations are already in place and new regulations and guidelines are introduced relatively frequently. The rules applicable to banks and other entities in banking groups are mainly provided by implementation of measures consistent with the regulatory framework set out by the Basel Committee on Banking Supervision (the "**Basel Committee**") and aim at preserving stability and resilience and limiting their risk exposure (see below "**Basel III and the CRD IV Package**").

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation which is not expected to apply before the end of 2019, subject to certain transitional arrangements. The Basel Committee has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course. In addition, as further detailed below under "Basel III and the CRD IV Package", the European Commission intends to develop the Net Stable Funding Ratio (NSFR) with the aim of introducing it from 1 January 2018, within the EU Banking Reform proposal as illustrated below.

Moreover, the Basel Committee has embarked on a very significant risk weighted assets (RWA) variability agenda. This includes the Fundamental Review of the Trading Book, revised standardised

approaches (credit, market, operational risk), constraints to the use of internal models as well as the introduction of a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance. The new framework is in the process of being finalised. The new framework will have a significant impact on risk modelling. From a credit risk perspective, an impact is expected both on capital held against those exposures assessed via the standardised approach, and those evaluated via an internal ratings based approach (IRB). In addition, significant changes are expected in relation to operational risk modelling, as the Basel Committee is proposing the elimination of the internal models some banks (including UBI Banca) are currently utilising and the introduction of a more standardised approach. Following the finalisation of the Basel framework, the new rules will need to be transposed into European regulation. There is no date set for the implementation of these new rules on risk models.

On 23 November 2016, the European Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks ("**EU Banking Reform**"). The proposed new package provides for amendments to the following pieces of legislation:

(i) the CRD IV Package (as defined below);

(ii) the Bank Recovery and Resolution Directive (as defined below);

(iii) regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund.

Moreover, the European Commission, in the context of the proposed new package, is considering to create a new asset class of "non-preferred" senior debt instruments with a lower rank than ordinary senior unsecured debt instruments in insolvency.

In such perspective, the amendments to Article 108 of the BRRD (as defined below) aim to enhance the implementation of the bail-in tool provided for under BRRD and to facilitate the application of the MREL and the forthcoming TLAC (as definided below) requirement concerning the loss absorption and recapitalisation capacity of credit institutions and investment firms. As such, the amendments provide an additional means for credit institutions and certain other institutions to comply with the forthcoming TLAC and MREL requirements and improve their resolvability, without constraining their respective funding strategies.In this respect, it is worth noting that one of the main proposed changes to the global regulatory framework is for G-SIIs to be required to have a minimum Total Loss Absorbing Capacity ("**TLAC**"). In November 2014, the Financial Stability Board (the "**FSB**") published a consultation document setting out its proposals for TLAC, which were endorsed at the Group of Twenty's (G20) Brisbane conference in November 2014. The FSB, in November 2015, issued the final TLAC standard for G-SIIs, with application starting from 2019.

G-SIIs will be required to meet the TLAC requirement alongside the minimum regulatory requirements set out in the Basel III framework. Specifically, they will be required to meet a Minimum TLAC requirement of at least 16% of the resolution group's risk-weighted assets (TLAC RWA Minimum) as from 1 January 2019 and at least 18% as from 1 January 2022. Minimum TLAC must also be at least 6% of the Basel III leverage ratio denominator (TLAC Leverage Ratio Exposure (LRE) Minimum) as from 1 January 2019, and at least 6.75% as from 1 January 2022. Eligible instruments must be unsecured and formally subordinated to excluded liabilities, with few exceptions (in particular option to allow non-subordinated instruments to count toward TLAC for an amount up to 2.5% / 3.5% of RWA) A number of further specifications apply (in particular, a residual maturity of at least one year, instrument fully paid up) and some instruments are excluded (including structured notes, derivatives, insured deposits, etc.).

The impact on G-SIIs may well come ahead of 2019, as markets may force earlier compliance and as banks will need to adapt their funding structure in advance. The EU Banking Reform contains a legislative proposal to implement the TLAC in the EU. Under discussion there is also the possibility to extend the standard of TLAC to other systemic important institutions (O-SIIs) by introducing an integrated approach adapting the Minimum Requirement for Own Funds and Eligible Liabilities" (MREL) of the BRRD to TLAC.

In addition, regulators and supervisory authorities are taking an increasingly strict approach to regulations and their enforcement that may not be to the Issuer's benefit. A breach of any regulations by the Issuer could lead to intervention by supervisory authorities and the Issuer could come under investigation and surveillance, and be involved in judicial or administrative proceedings. The Issuer may also become subject to new regulations and guidelines that may require additional investments in systems and people and compliance with which may place additional burdens or restrictions on the Issuer.

Changes in the regulatory framework and in how such regulations are interpreted and/or applied by the supervisory authorities may have a material effect on the Group's business and operations. The manner in which the new framework of banking laws and regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Group.

Basel III and the CRD IV Package

In December 2009, the Basel Committee proposed strengthening the global capital framework, and in December 2010, January 2011 and July 2011, the Basel Committee issued its final guidance on the proposed changes to capital adequacy and liquidity requirements ("**Basel III**"), which envisaged a substantial strengthening of capital rules existing at the time, including by, among other things, raising the quality of the Common Equity Tier 1 Capital base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base), introducing requirements for Additional Tier 1 and Tier 2 capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank's non-viability, strengthening the risk coverage of the capital framework, promoting the build up of capital buffers and introducing a new leverage ratio and global minimum liquidity standards for the banking sector. The full implementation of Basel III is not expected before 2019.

In January 2013 the Basel Commitee revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the LCR (as defined below), with a full implementation in 2019, as well as expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Regarding the other liquidity requirement, the Net Stable Funding Ratio (the "**NSFR**"), the Basel Committee published the final rules in October 2014 providing that the NSFR will become a minimum standard starting from 1 January 2018.

The Basel III framework has been implemented in the EU through new banking requirements: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV**") and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**" and together with the CRD IV, the "**CRD IV Package**").

Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some minor transitional provisions provide for phase-in until 2024) but it is possible that in practice implementation under national laws may be delayed. Additionally, it is possible that EU Member States may introduce certain provisions at an earlier date than that set out in the CRD IV Package.

National options and discretions that were exercised by national competent authorities are now exercised by the SSM (as defined below) in a largely harmonised manner throughout the European banking union. In this respect, on 14 March 2016 the ECB adopted Regulation (EU) 2016/445 of 14 March 2016 on the exercise of options and discretions available in Union law, published on 24 March 2016 and the ECB Guide on options and discretions available in Union law ("**ECB Guide**"). This regulation specifies certain of the options and discretions conferred on competent authorities under Union law concerning prudential requirements for credit institutions that the ECB is exercising. It shall apply exclusively with regard to those credit institutions classified as "significant" in accordance with Article 6(4) of Regulation (EU) No 1024/2013, and Part IV and Article 147(1) of Regulation (EU) No 468/2014. Depending on the manner in which these options / discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise them in the future, additional / lower capital requirements may result. Moreover, on 10 August 2016, the ECB published an addendum to the ECB Guide which addresses eight options and discretions and complements the existing ECB Guide and Regulation (EU) 2016/445 published on 24 March 2016.

In addition, it should be noted that, on 13 April 2017, the ECB published a guideline and a recommendation addressed to national competent authorities ("**NCAs**") concerning the exercise of options and national discretions available in European Union law that affect banks which are directly supervised by NCAs (*i.e.* less significant institutions). Both documents are intended to further harmonise the way banks are supervised by NCAs in the 19 countries to which the SSM (as defined below) applies. The aim is to ensure a level playing field and the smooth functioning of the euro area banking system as a whole.

In Italy, the Government approved the Legislative Decree No. 72 of 12 May 2015 implementing the CRD IV (the "**Decree 72/2015**"). Decree 72/2015 entered into force on 27 June 2015. Decree 72/2015 impacted, *inter alia*, on:

- proposed acquirers of holdings in credit institutions, requirements for shareholders and Members of the management body (Articles 23 and 91 of the CRD IV);
- supervisory measures and competent authorities' powers (Articles 64, 65, 102 and 104 of the CRD IV);
- reporting of potential or actual breaches of national provisions (so called whistleblowing, Article 71 of the CRD IV); and
- administrative penalties and measures (Article 65 of the CRD IV).

The Bank of Italy published the supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 – "**Circular No. 285**") which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules. Circular No. 285 has been constantly updated after its first issue.

Italian banks are required to comply with a minimum Common Equity Tier 1 (CET1) Capital ratio of 4.5 per cent., a minimum Tier I Capital ratio of 6 per cent., and a minimum Total Capital Ratio of 8 per cent. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- Capital conservation buffer: set at 2.5 per cent. of risk weighted assets subject to the transitional regime below and applicable to the Issuer from 1 January 2014 (pursuant to Article 129 of the CRD IV and Title II, Chapter I, Section II of Circular No. 285). In this respect, on 4 October 2016, the Bank of Italy enacted the 18th update to Circular No. 285 in order to align the domestic transitional regime concerning the capital conservation buffer to the provisions set forth in CRD IV. According to such update, banks, both at individual and consolidated level, shall apply a minimum capital conservation buffer equal to: (i) 1.25 per cent. from 1 January 2017 to 31 December 2017, (ii) 1.875 per cent. from 1 January 2018 to 31 December 2018 and (iii) 2.5 per cent. starting from 1 January 2019. Such update entered into force on 1 January 2017;
- Counter-cyclical capital buffer: The countercyclical capital buffer applies starting from 1 January 2016. Pursuant to Article 160 of the CRD IV and the transitional regime granted by Bank of Italy for 2017, institutions' specific countercyclical capital buffer shall consist of Common Equity Tier 1 capital capped to 1.25 per cent. of the total of the risk-weighted exposure amounts of the institution. As of 23 giugno 2017 the Bank of Italy set the rate to 0% with reference to the exposure towards Italian counterparties;
- Capital buffers for global systemically important institutions (**G-SIIs**): set as an "additional loss absorbency" buffer ranging from 1.0 per cent. to 3.5 per cent. determined according to specific indicators (size, interconnectedness, substitutability of the services provided, global cross-border activity and complexity), it was phased in from 1 January 2016 (Article 131 of the CRD IV and Part I, Title II, Chapter I, Section IV of Circular No. 285), becoming fully effective on 1 January 2019; and
- Capital buffers for other systemically important institutions at domestic level (**O-SIIs**): up to 2.0 per cent. as set by the relevant competent authority (and must be reviewed at least annually from 1 January 2016), to compensate for the higher risk that such banks represent to the domestic financial system (Article 131 of the CRD IV and Part I, Title II, Chapter I, Section IV of Circular No. 285).

The Issuer is not included in the list of financial institutions of global systemic importance published on 21 November 2016 by the Financial Stability Board. The Bank of Italy has not included the Issuer among the O-SIIs for the year 2017.

In addition to the above listed capital buffers, under Article 133 of the CRD IV each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 in order to prevent and mitigate long term non-cyclical systemic or macroprudential risks with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. At this stage no provision is set forth on the systemic risk buffer under Article 133 of the CRD IV as the Italian level 1 rules for the implementation of the CRD IV on this point have not been enacted yet.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV and Part I, Title II, Chapter I, Section V of Circular No. 285).

As part of the CRD IV Package transitional arrangements, as implemented by Circular No. 285, regulatory capital recognition of outstanding instruments which qualified as Tier I or Tier II capital instruments under the framework which the CRD IV Package has replaced and that no longer meet the minimum eligibility criteria for Tier I or Tier II capital instruments (respectively) under the CRD IV Package will have their capital recognition gradually phased out. Fixing the base at the nominal amount of all such instruments outstanding on 1 January 2013, their recognition was capped at 80 per cent. in 2014, with this cap decreasing by 10 per cent. in each subsequent year (see, in particular, Part Two, Chapter 14, Section 2 of Circular No. 285).

The new liquidity requirements introduced under the CRD IV Package are the Liquidity Coverage Ratio (the "**LCR**") and the NSFR. The Liquidity Coverage Ratio Delegated Regulation (EU) 2015/61 was adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015. The LCR is subject to a gradual phase-in: the minimum value for the LCR is set at (i) 60% starting from 2015; (ii) 70% starting from January 1, 2016; (iii) 80% starting from January 1, 2017; and (iv) 100% starting from January 1, 2018, in accordance with the CRR Regulation.

On the other hand, the EU Banking Reform includes a proposal aimed at establishing a binding detailed NSFR which will require credit institutions and systemic investment firms to finance their long-term activities with stable sources of funding with a view to increasing banks' resilience to funding constraints.

The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to LCR and leverage ratio in order to enhance regulatory harmonisation in Europe through the EBA single supervisory rulebook applicable to EU Member States. Specifically, the CRD IV Package tasks the EBA with advising on appropriate uniform definitions of liquid assets for the LCR buffer. In addition, the CRD IV Package states that the EBA shall report to the European Commission on the operational requirements for the holdings of liquid assets. The CRD IV Package also tasks the EBA with advising on the impact of the liquidity coverage requirement, on the business and risk profile of institutions established in the European Union, on the stability of financial markets, on the economy and on the stability of the supply of bank lending.

The CRD IV Package also introduced a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution's assets are in line with its capital. The Leverage Ratio Delegated Regulation (EU) 2015/62 was adopted on 10 October 2014 and was published in the Official Journal of the European Union in January 2015, amending the calculation of the leverage ratio compared to the current text of the CRR. Institutions have been required to disclose their leverage ratio from 1 January 2015. Full implementation of the leverage ratio as a Pillar 1 measure and European harmonisation, however, is not expected until 1 January 2018. In this context, it is worth noting that the EU Banking Reform contains a proposal to implement a binding leverage ratio of 3 per cent. which is designed to prevent institutions from excessively increasing leverage (e.g. to compensate for low profitability).

Should the Issuer not be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV Package, it may be required to maintain levels of capital which could potentially impact its credit ratings, funding conditions and limit the Issuer's growth opportunities.

In addition, the Issuer notes that it is subject to the Pillar 2 requirements for banks imposed under the CRD IV Package, which will be impacted, on an on-going basis, by the Supervisory Review and Evaluation Process ("**SREP**"). The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. The key purpose of the SREP is to ensure that institutions have adequate arrangements as well as capital and liquidity to ensure sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, as well as risks the institution may pose to the financial system.

ECB Single Supervisory Mechanism

On 15 October 2013, the Council of the European Union adopted Regulation (EU) No. 1024/2013 establishing a single supervisory mechanism (the "**ECB Single Supervisory Mechanism**" or "**SSM**") for all banks in the Banking Union (euro area banks and banks of any EU member state that joins the Banking Union), which have, beginning in November 2014, given the ECB, in conjunction with the national competent authorities of the Eurozone states, direct supervisory responsibility over "significant credit institutions" established in the Banking Union. The SSM framework regulation (Regulation (EU) No. 468/2014 of the ECB) setting out the practical arrangements for the SSM was published in April 2014 and entered into force in May 2014. Banks directly supervised by the ECB include any Eurozone bank that (i) has assets greater than €30 billion or – unless the total value of its assets is below €5 billion – greater than 20% of national gross domestic product;(ii) is one of the three most significant credit institutions established in a Member State; (iii) has requested, or is a recipient of, direct assistance from the European Financial Stability Facility or the European Stability Mechanism; (iv) is considered by the ECB to be of significant relevance where it has established banking subsidiaries in more than one participating Member State and its cross-border assets/liabilities represent a significant part of its total assets/liabilities. Notwithstanding the fulfilment of these criteria, the SSM may declare an institution significant to ensure the consistent application of high-quality supervisory standards.

The ECB is also exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which includes, inter alia, the power to: (i) authorise and withdraw the authorisation of all credit institutions in the Euro-zone; (ii) assess acquisition and disposal of holdings in other banks; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements for certain banks to protect financial stability under the conditions provided by EU law; (v) ensure compliance with robust corporate governance practices and internal capital adequacy assessment controls; and (vi) intervene at the early stages when risks to the viability of a bank exist, in coordination with the relevant resolution authorities. The ECB also has the right to impose pecuniary sanctions.

National competent authorities will continue to be responsible for supervisory matters not conferred on the ECB, such as consumer protection, money laundering, payment services, and branches of third country banks, besides supporting ECB in day-to-day supervision. In order to foster consistency and efficiency of supervisory practices across the Euro-zone, the EBA is developing a single supervisory handbook applicable to EU Member States.

The Issuer is a "significant supervised entity" subject to direct supervision by the ECB for prudential supervisory purposes. Following the SREP, the ECB has set the following requirements for 2017 that the Group has to comply with on a consolidated basis:

- a Common Equity Tier 1 ratio of 7.50 per cent.; and
- a Total Capital Ratio of 11.0 per cent.

The ECB could introduce higher prudential requirements including higher requirements on the Group capital buffer, should the ECB consider the Group's capital as inadequate.

The Group is also subject to stress tests carried out by regulators. As a consequence of such tests the Group could be required to increase its capital or to take other appropriate actions to address matters raised in the assessments.

The Issuer is subject to the provisions of the Bank Recovery and Resolution Directive

On 2 July 2014, Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and**

Resolution Directive" or "**BRRD**") entered into force. The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of the Covered Bonds.

The BRRD provides competent authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD has been applied by Member States from 1 January 2015, except for the General Bail-In Tool (as defined below) which was to be applied from 1 January 2016.

The BRRD contains four resolution tools and powers which may be used alone (except for the asset separation tool) or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business – which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which grants resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims to shares or other instruments of ownership (i.e. shares, other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the "**General Bail-In Tool**"), which equity could also be subject to any future application of the General Bail-In Tool.

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of debt instruments and other eligible liabilities issued by an institution under resolution or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for those secured liabilities which are subject to Article 44(2) of the BRRD.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools (including the General Bail-In Tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilization tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirements of the EU state aid framework and the BRRD. In particular, a single resolution fund financed by bank contributions at national level is being established and Regulation (EU) no. 806/2014 establishes the modalities for the use of the fund and the general criteria to determine contributions to the fund.

An institution will be considered as failing or likely to fail when: (a) it is, or is likely in the near future to be, in breach of its requirements for continuing authorization; (b) its assets are, or are likely in the near future to be, less than its liabilities; (c) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (d) it requires extraordinary public financial support (except in limited circumstances).

As an exemption from these principles, the BRRD allows for three kinds of extraordinary public support to be provided to a solvent institution without triggering resolution: 1) a State guarantee to back liquidity facilities provided by central banks according to the central banks' conditions; 2) a State guarantee of newly issued liabilities; or 3) an injection of own funds in the form of precautionary recapitalisation. In the case of precautionary recapitalisation EU state aid rules require that shareholders and junior bond holders contribute to the costs of restructuring. All other kinds of extraordinary public support have the consequence that an institution is deemed to be failing or likely to fail, and in such a case resolution is triggered.

In addition to the General Bail-In Tool and other resolution tools, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into shares or other instruments of ownership capital instruments at the point of non-viability and before any other resolution action is taken ("**BRRD Non-Viability Loss Absorption**"). Any shares or other instruments of ownership issued upon any such conversion into shares or other instruments of ownership may in turn be subject to the application of the General Bail-in Tool.

For the purposes of the application of any BRRD Non-Viability Loss Absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments are written-down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

The powers set out in the BRRD impact on how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors.

Article 44, paragraph 2 of the BRRD excludes secured liabilities (including covered bonds and liabilities in the form of financial instruments used for hedging purposes which form an integral part of the cover pool and which, according to national law, are secured in a way similar to covered bonds) from the application of the General Bail-in Tool.

Although the bail-in powers are not intended to apply to secured debt (such as the rights of Covered Bondholders in respect of the Covered Bond Guarantee), the determination that securities issued by the UBI Group will be subject to write-down, conversion or bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the UBI Group's control. This determination will also be made by the relevant resolution authority and there may be many factors, including factors not directly related to the bank or the UBI Group, which could result in such a determination. Because of this inherent uncertainty, it is difficult to predict when, if at all, the exercise of a bail-in power may occur which would result in a principal write off or conversion to other securities, including equity. Moreover, as the criteria that the relevant resolution authority will be obliged to consider in exercising any bail-in power provide it with considerable discretion, holders of the securities issued by the UBI Group may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such power and consequently its potential effect on the UBI Group and the securities issued by the UBI Group. Potential investors in the securities issued by the UBI Group should consider the risk that a holder may lose all or part of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

With specific reference to the Covered Bonds, to the extent that claims in relation to the Covered Bonds are not met out of the assets of the Cover Pool or the proceeds arising from it (and the Covered Bonds subsequently rank pari passu with senior debt), the Covered Bonds may be subject to write-down or conversion into equity on any application of the General Bail-In Tool, which may result in Covered Bondholders losing some or all of their investment. In the limited circumstances described above, the exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Covered Bondholders, the price or value of their investment in any

relevant Covered Bonds and/or the ability of the Issuer to satisfy its obligations under any relevant Covered Bonds.

Moreover, considering that (i) Article 44(2) of the BRRD, as already mentioned, excludes certain liabilities from the application of the general bail-in tool and (ii) Article 44(3) of the BRRD provides that the resolution authority may partially or fully exclude certain further liabilities from the application of the general bail-in tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally.

On 1 June 2016, the Commission Delegated Regulation (EU) 2016/860 of 4 February 2016 ("**Delegated Regulation (EU) 2016/860**") specifying further the circumstances where exclusion from the application of write-down or conversion powers is necessary under Article 44(3) of BRRD was published on the Official Journal of the European Union. In particular this regulation lays down rules specifying further the exceptional circumstances provided for in Article 44(3) of BRRD, where the resolution authority may exclude, or partially exclude, certain liabilities from the application of the write down or conversion powers where the bail-in tool is applied. The Delegated Regulation (EU) 2016/860 entered into force on 21 June 2016.

On 31 July 2015, the "European Delegation Law 2014" – Law No. 114 of 9 July 2015 – was published on the Italian Official Gazette containing, inter alia, principles and criteria for the implementation by the Government of the BRRD in Italy. Subsequently, on 16 November 2015, the Italian Government issued Legislative Decrees No. 180 and 181 implementing the BRRD in Italy (the "**BRRD Implementing Decrees**"). The BRRD Implementing Decrees entered into force on the date of publication on the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the bail-in tool applies from 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will apply from 1 January 2019.

With respect to the BRRD Implementing Decrees, Legislative Decree No. 180 of 16 November 2015 ("**Decree No. 180**") sets forth provisions concerning resolution plans, the commencement and closing of resolution procedures, the adoption of resolution measures, crisis management related to cross-border groups, powers and functions of the national resolution authority and also regulating the national resolution fund. On the other hand, Legislative Decree No. 181 of 16 November 2015 ("**Decree No. 181**") introduces certain amendments to the Consolidated Banking Act and the Financial Law Consolidation Act concerning recovery plans, intra-group financial support, early intervention measures and changes to creditor hierarchy. Decree No. 181 also amends certain provisions regulating proceedings for extraordinary administration ("amministrazione straordinaria") and compulsory administrative liquidation ("liquidazione coatta amministrativa") in order to render the relevant proceedings compliant with the BRRD.

It is important to note that, pursuant to article 49 of Decree No. 180, resolution authorities may not exercise the write down or conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledge, lien or collateral against which it is secured.

Decree No. 181 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under Italian insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary.

Furthermore, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU (the "**Deposit Guarantee Schemes Directive**") have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-

preferred creditors. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Decree No. 181 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to resolution, by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which under the national insolvency regime currently in force in Italy rank pari passu with any unsecured liability owed to the Covered Bondholders, will rank higher than such unsecured liabilities in normal insolvency proceedings and therefore that, on application of the general bail-in tool, such creditors will be written-down/converted into shares or other instruments of ownership only after Covered Bonds (for the portion, if any, that could be subject to bail-in in accordance with the above). Therefore, the safeguard set out in Article 75 of the BRRD would not provide any protection since, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

The legislative decree intended to implement the revised Deposit Guarantee Schemes Directive in Italy – namely, Legislative Decree no. 30 of 15 February 2016 – has been published in the Italian Official Gazette No. 56 of 8 March 2016. The Decree came into force on 9 March 2016, except for Article 1 comma 3, let. A), which will come into force on 1 July 2018. Amongst other things, the Decree amends Consolidated Banking Act and: (i) establishes that the maximum amount of reimbursement to depositors is EUR 100,000 (this level of coverage has been harmonised by the Directive and is applicable to all deposit guarantee schemes); (ii) lays down the minimum financial budget that national guarantee schemes should have; (iii) details intervention methods of the national deposit guarantee scheme; and (iv) harmonises the methods of reimbursement to depositors in case of insolvency of a credit institution.

The BRRD also requires institutions to meet at all times a sufficient aggregate amount of own funds and "eligible liabilities" expressed as a percentage of the total liabilities and own funds of the institution (i.e. "Minimum Requirement for Own Funds and Eligible Liabilities" – "**MREL**"), with a view to facilitating effective resolution of institutions and minimising to the greatest extent possible the need for interventions by taxpayers. "Eligible liabilities" (or bail-inable liabilities) are those liabilities and other instruments that are not excluded by the BRRD from the scope of the bail-in tool. The resolution authority of an institution, after consultation with the relevant competent authority, will set the MREL for the institution based on the criteria to be identified by the EBA in its regulatory technical standards. In particular, the resolution authority may determine that a part of the MREL is to be met through "contractual bail-in instruments". The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union) or to the SRB (as defined below) for banks being part of the Banking Union.

On 23 May 2016, the European Commission published a delegated regulation on MREL according to Article 45, par. 18 of the BRRD, which entered into force on 23 September 2016 (Commission Delegated Regulation (EU) 2016/1450).

Furthermore, given that the TLAC and the MREL aim to achieve similar objectives, the EU Commission intends to avoid the overlapping of requirements, in particular for G-SIIs, by elaborating an integrated standard harmonising TLAC and MREL in EU, which is likely to be applied, to some extent, also to O-SIIs.

However, the EU Banking Reform contains potential amendments to the abovementioned regime.

As from 1 January 2016, the resolution authority for the Issuer is the SRB and the Issuer will be subject to the authority of the SRB for the purposes of determination of its MREL requirement.

The Group is subject to the provisions of the Regulation establishing the Single Resolution Mechanism

After having reached an agreement with the Council, in April 2014, the European Parliament adopted, Regulation (EU) No. 806/2014 establishing a Single Resolution Mechanism (the "**SRM**"). The SRM became fully operational on 1 January 2016. Certain provisions, including those concerning the preparation of resolution plans and provisions relating to the cooperation of the SRB with national resolution authorities entered into force on 1 January 2015. On 23 November 2016, the European Commission published a proposal to amend certain provisions of the SRM as part of the EU Banking Reform (see further "*Adverse regulatory developments*" above). In particular, the main objective of such proposal is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules by avoiding duplication by applying two parallel requirements.

The SRM, which complements the ECB Single Supervisory Mechanism, applies to all banks supervised by the ECB Single Supervisory Mechanism. It mainly consists of the SRB and a Single Resolution Fund (the "**Fund**").

Decision-making is centralised with the SRB, and involves the European Commission and the Council (which will have the possibility to object to the SRB's decisions) as well as the ECB and national resolution authorities.

The Fund, which backs resolution decisions mainly taken by the SRB, will be divided into national compartments during an eight year transition period. Banks, starting from 2015, were required to start paying contributions (additional to the contributions to the national deposit guarantee schemes) to national resolution funds that gradually started mutualising into the Fund starting from 2016.

The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for countries that share the supervision of banks within the ECB Single Supervisory Mechanism.

The manner in which the SRM will operate is still evolving, so there remains some uncertainty as to how the SRM will affect the Group once implemented and fully operational.

Proposal of European Commission of 29 January 2014 on mandatory separation of certain banking activities

The Issuer may be subject to a proposed EU regulation on mandatory separation of certain banking activities. On 29 January 2014, the European Commission adopted a proposal for a new regulation following the recommendations released on 31 October 2012 by the High Level Expert Group (the "**Liikanen Group**") on the mandatory separation of certain banking activities. The proposed regulation contains new rules which would prohibit the biggest and most complex banks from engaging in the activity of proprietary trading. The new rules would also give supervisors the power to require those banks to separate certain trading activities from their deposit-taking business if the pursuit of such activities compromises financial stability. Alongside this proposal, the Commission has adopted accompanying measures aimed at increasing transparency of certain transactions in the shadow banking sector.

The proposed regulation would apply to European banks designated as G-SIIs, or that exceed the following thresholds for three consecutive years: a) total assets are equal or exceed Euro 30 billion; b)

total trading assets and liabilities are equal or exceed Euro 70 billion or 10% of their total assets. The banks that meet one of the aforementioned conditions will be automatically banned from engaging in proprietary trading, defined narrowly as activities using a bank's own capital or borrowed money to take positions in any type of transaction to purchase, sell or otherwise acquire or dispose of any financial instrument or commodities for the sole purpose of making a profit for own account and without connection to actual or anticipated client activity or for the purpose of hedging the entity's risk as a result of actual or anticipated client activity. In addition, such banks will be prohibited also from investing in or holding shares in hedge funds, or entities that engage in proprietary trading or sponsor hedge funds. Other trading and investment banking activities – including market-making, lending to venture capital and private equity funds, investment and sponsorship of complex securitisation, sales and trading of derivatives – are not subject to the ban (subject to the discretion of the bank's competent authority), however they might be subject to separation if such activities are deemed to pose a threat to financial stability.

The Group may be affected by new accounting standards

Following the entry into force and subsequent application of new accounting standards, regulatory rules and/or the amendment of existing standards and rules, the Group may have to revise the accounting and regulatory treatment of certain outstanding assets and liabilities (eg. deferred tax assets) and transactions (and the related income and expense). This may have potentially negative effects, also significant, on the estimates contained in the financial plans for future years and may cause the Group to have to restate previously published financials. In this regard a relevant change is expected in 2018 from the entry into force of IFRS 9:

- IFRS 9 has been issued on 24 July 2014. This standard will introduce significant changes with regard to classification, measurement, impairment and hedge accounting of instruments, including financial instruments, replacing IAS 39. International Accounting Standards Board ("**IASB**") decided that the mandatory effective date of IFRS 9 will be 1 January 2018, following the endorsement by the European Union.

In addition, it should be noted that:

The European Commission endorsed the following accounting principles and interpretations that will be applicable starting from 2015 financial statements:

- Annual Improvements to IFRSs 2011-2013 Cycle (EU Regulation 1361/2014);
- Annual Improvements to IFRSs 2010-2012 Cycle (EU Regulation 28/2015);
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (EU Regulation 29/2015).

As of 31 December 2014, the IASB also issued the following standards, amendments, interpretations or revisions not yet endorsed by the European Commission:

- IFRS 14 Regulatory Deferral Accounts (issued in January 2014);
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued in December 2014)
- Amendments to IAS 1: Disclosure Initiative (issued in December 2014);

- Annual Improvements to IFRSs 2012–2014 Cycle (issued in September 2014);
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014);
- Amendments to IAS 27: Equity Method in Separate Financial Statements (issued in August 2014);
- Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants (issued in June 2014);
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014);
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014).

Governmental and central banks' actions intended to support liquidity may be insufficient or discontinued

Intervention with respect to the level of capitalisation of banking institutions has had to be further increased in response to the financial markets' crisis, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the capital requirements demanded by investors. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral.
The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting the UBI Banca Group's business, financial condition and results of operations.

Risks relating to the acquisition of the Target Bridge Institutions

On 10 May 2017, the Issuer completed the acquisition (the "**Acquisition**") of the entire share capital of Nuova Banca delle Marche S.p.A., Nuova Banca dell'Etruria e del Lazio S.p.A. and Nuova Cassa di Risparmio di Chieti S.p.A. (the "**Target Bridge Institutions**") pursuant to the purchase agreement entered into on 18 January 2017, (the "**Acquisition Agreement**") by and between the Issuer and the Bank of Italy, on behalf of, and in its capacity as managing entity for, the Italian National Resolution Fund (Fondo Nazionale di Risoluzione).

In addition to the standard risks relating to acquisition transactions, the Acquisition involves specific risks deriving from the past activities of the Target Bridge Institutions. Specifically, the Target Bridge Institutions were formed as "bridge bank institutions" to hold certain assets and liabilities of the Old Banks (as defined below) in connection with the resolution of Banca delle Marche S.p.A., Banca Popolare dell'Etruria e del Lazio S.c.p.a. and Cassa di Risparmio della Provincia di Chieti S.p.A. (collectively, the "**Old Banks**") pursuant to the BRRD and national implementing legislation. Each of the Old Banks is currently under mandatory administrative liquidation (risoluzione coatta amministrativa).

In the context of extraordinary administration (amministrazione straordinaria) and as a result of the inspections previously carried out by the Bank of Italy and CONSOB in relation to the Old Banks, both the supervisory authorities and provisional administrative bodies (organi commissariali) identified management deficiencies; inadequate corporate, organisational, administrative and accounting structures within the banks and their subsidiaries; as well as the violation of regulations regarding the

provision of banking and financial services to customers. On the basis of such deficiencies and inadequacies, each Old Bank was put into extraordinary administration and administrative fines were imposed on members of the bank's management and control bodies.

In light of the deficiencies and inadequacies indicated above and the gradual reduction in the share capital of the Old Banks – which was exacerbated by the lengthy recession of the Italian economy, against the broader background of the financial and economic crisis in Europe – the Bank of Italy initiated the procedure for the financial recovery of the Old Banks based on a programme which included the following measures: (i) the total reduction of reserves and share capital and nominal value of class 2 elements eligible for computation in own funds of the Old Banks with the aim of partially covering losses; (ii) the establishment of the Target Bridge Institutions as "bridge institutions" with the aim of ensuring continuity in the credit and financial services already provided by the Old Banks pursuant to Article 42 of Legislative Decree 180/2015; (iii) the transfer of all rights, assets and liabilities constituting the banking businesses of the Old Banks to the respective New Bank, with the exception of subordinated debt which is not eligible for computation as own funds issued by the relevant distressed bank; (iv) the establishment of a special purpose vehicle (i.e., REV – Gestione Crediti S.p.A. "**REV**"), whose share capital is held by the Bank of Italy, for the purpose of acquiring the bad loan (sofferenze) assets held by the bridge institution, pursuant to Article 46 of Legislative Decree 180 of 16 November 2015.

The Target Bridge Institutions – which were incorporated in November 2015 – recorded substantial losses due to, inter alia, adjustments to their asset value and the fact that their incorporation formed part of the first resolution of distressed banks in the Italian market, and the media effects of this event had an impact on reputation, customers and deposits, affecting the ability to recover confidence in the institutions.

Losses incurred by the Target Bridge Institutions (or their businesses) in the current fiscal year and/or in the future, could result in a material adverse effect on the Issuer and/or the Group's business, financial condition and results of operations.

In addition, changes in the regulatory and macroeconomic landscape as well as in the Group's banking insurance, financial and real estate market performance, could result in the need for further adjustments or write downs or additional incurred costs, resulting in a material adverse effect on the Group and/or the Group's business, financial condition, results of operations and business prospects.

Further administrative fines were imposed on members of the management and control bodies of the Old Banks as a result of significant management, organisation, administrative and accounting structure deficiencies, as well as violation of the regulation applicable to the provision of banking and financial services to customers.

Third parties may start legal proceedings against the Target Bridge Institutions based on, or connected with, the findings of the competent Supervisory Authorities and/or the related sanctions. Such third parties include clients, creditors and other contractual counterparties of the Old Banks as well as shareholders and underwriters of other financial instruments (e.g., shares or bonds) issued and placed by the Old Banks as part of their banking and financial services to customers. These third parties, including those which have already filed claims, may use the findings of the inspection carried out by the Supervisory Authorities and the activities of provisional administrative bodies to start legal proceedings against the Issuer or to further corroborate or support their existing claims or pending proceedings.

If such proceedings were to have a negative outcome and the provisions for risk and charges recorded in the financial statements of the Target Bridge Institutions and/or the indemnity obtained under the Acquisition Agreement were to be insufficient to cover ensuing losses, the Issuer would suffer a material negative impact on its business, financial condition and results of operations.

Investment Considerations relating to the Guarantor

Guarantor only obliged to pay Guaranteed Amounts when they are due for payment

Following service of an Issuer Default Notice on the Issuer and the Guarantor, under the terms of the Covered Bond Guarantee the Guarantor will only be obliged to pay Guaranteed Amounts as and when the same are due for payment on each Interest Payment Date, *provided that*, in the case of any amount representing the Final Redemption Amount due and remaining unpaid as at the original Maturity Date, the Guarantor may pay such amounts on any Interest Payment Date thereafter, up to (and including) the Extended Maturity Date and in the case of Covered Bonds whose principal is payable in instalments, the Guarantor may defer such instalments for a period of one year until the relevant Extended Instalment Date. Such Guaranteed Amounts will be paid subject to and in accordance with the Guarantee Priority of Payments or the Post-Enforcement Priority of Payments, as applicable. In these circumstances the Guarantor will not be obliged to pay any other amounts in respect of the Covered Bonds which become payable for any other reason.

Subject to any grace period, if the Guarantor fails to make a payment when due for payment under the Covered Bond Guarantee or any other Guarantor Event of Default occurs, then the Representative of the Covered Bondholders will accelerate the obligations of the Guarantor under the Covered Bond Guarantee by service of a Guarantor Default Notice, whereupon the Representative of the Covered Bondholders will have a claim under the Covered Bond Guarantee for an amount equal to the Early Termination Amount of each Covered Bond, together with accrued interest and all other amounts then due under the Covered Bonds. Following service of a Guarantor Default Notice, the amounts due from the Guarantor shall be applied by the Representative of the Covered Bondholders in accordance with the Post-Enforcement Priority of Payments, and Covered Bondholders will receive amounts from the Guarantor on an accelerated basis. If a Guarantor Default Notice is served on the Guarantor then the Covered Bonds may be repaid sooner or later than expected or not at all.

Limited resources available to the Guarantor

Following the occurrence of an Issuer Event of Default and service of an Issuer Default Notice on the Issuer and on the Guarantor, the Guarantor will be under an obligation to pay the Covered Bondholders pursuant to the Covered Bond Guarantee. The Guarantor's ability to meet its obligations under the Covered Bond Guarantee will depend on (a) the amount of interest and principal generated by the Portfolio and the timing thereof and (b) amounts received from the Swap Providers. The Guarantor will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

If a Guarantor Event of Default occurs and the Covered Bond Guarantee is enforced, the proceeds of enforcement may not be sufficient to meet the claims of all the secured creditors, including the Covered Bondholders. If, following enforcement and realisation of the assets in the Cover Pool, creditors have not received the full amount due to them pursuant to the terms of the Transaction Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

Reliance of the Guarantor on third parties

The Guarantor has entered into agreements with a number of third parties, which have agreed to perform services for the Guarantor. In particular, but without limitation, the Master Servicer and, in relation to the Mortgage Loans comprising each relevant Portfolio, the Sub-Servicer have been appointed to service Portfolios sold to the Guarantor and the Calculation Agent has been appointed to calculate and monitor compliance with the Statutory Tests and the Amortisation Test. In the event that any of these parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Cover Pool or any part thereof or pending such realisation (if the Cover Pool or any part thereof cannot be sold) the ability of the Guarantor to make payments under the Covered Bond Guarantee may be affected. For instance, if the Master Servicer or any Sub-Servicer has failed to administer the Mortgage Loans adequately, this may lead to higher incidences of non-payment or default by Debtors. The Guarantor is also reliant on the Swap Providers to provide it with the funds matching its obligations under the Covered Bond Guarantee, as described in the following two investment considerations.

If a Master Servicer Termination Event occurs pursuant to the terms of the Master Servicing Agreement, then the Guarantor and/or the Representative of the Covered Bondholders will be entitled to terminate the appointment of the Master Servicer and, automatically, of any Sub-Servicer and appoint a new master servicer in its place. There can be no assurance that a substitute master servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Mortgage Loans on the terms of the Master Servicing Agreement. The ability of a substitute master servicer to perform fully the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute master servicer may affect the realisable value of the Cover Pool or any part thereof, and/or the ability of the Guarantor to make payments under the Covered Bond Guarantee.

Neither the Master Servicer nor any Sub-Servicer has any obligation to advance payments if the Debtors fail to make any payments in a timely fashion. Covered Bondholders will have no right to consent to or approve of any actions taken by the Master Servicer or any other Sub-Servicer under the Master Servicing Agreement.

The Representative of the Covered Bondholders is not obliged in any circumstances to act as the Master Servicer or any Sub-Servicer or to monitor the performance by the Master Servicer or any Sub-Servicer of their obligations.

Reliance on Swap Providers

To hedge against possible variations in the performance of the indexations in the Portfolio and EURIBOR with a certain designated maturity, the Guarantor may enter into one or more Asset Swap Agreements with one or more Asset Swap Providers. In addition, to mitigate against interest rate, basis risk, currency and/or other risks in respect of each Series of Covered Bonds issued under the Programme, the Guarantor is expected to enter into one or more Liability Swap Agreements with one or more Liability Swap Providers in respect of each Series.

If the Guarantor fails to make timely payments of amounts due under any Swap Agreement, then it will (unless otherwise stated in the relevant Swap Agreement) have defaulted under that Swap Agreement. A Swap Provider, unless otherwise stated in the relevant Swap Agreement, is only obliged to make payments to the Guarantor as long as the Guarantor complies with its payment obligations under the relevant Swap Agreement.

In circumstances where non-payment by the Guarantor under a Swap Agreement does not result in a default under that Swap Agreement, the Swap Provider may be obliged to make payments to the Guarantor pursuant to the Swap Agreement as if payment had been made by the Guarantor. Any amount not paid by the Guarantor to a Swap Provider may in such circumstances incur additional amounts of interest by the Guarantor.

If the Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Guarantor on the payment date under the Swap Agreements, the Guarantor may be exposed to changes in the relevant currency exchange rates to Euro and to any changes in the relevant rates of interest. In addition, subject to the then current ratings of the Covered Bonds not being adversely affected, the Guarantor may hedge only part of the possible risk and, in such circumstances, may have insufficient funds to make payments under the Covered Bonds or the Covered Bond Guarantee.

If a Swap Agreement terminates, then the Guarantor may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the Guarantor will have sufficient funds available to make such termination payment, nor can there be any assurance that the Guarantor will be able to enter into a replacement swap agreement with an adequately rated counterparty, or if one is entered into, that the credit rating of such replacement swap provider will be sufficiently high to prevent a downgrade of the then current ratings of the Covered Bonds by the Rating Agencies. In addition the Swap Agreements may provide that notwithstanding the downgrading of a Swap Provider and the failure by such Swap Provider to take the remedial action set out in the relevant Swap Agreement, the Guarantor may not terminate the Swap Agreement until a replacement swap provider has been found.

If the Guarantor is obliged to pay a termination payment under any Swap Agreement, such termination payment will, following the service of an Issuer Default Notice, rank pari passu and pro rata with amounts due to Covered Bondholders under the Covered Bond Guarantee.

Following the service of an Issuer Default Notice, payments by the Guarantor under the Liability Swap Agreements and Asset Swap Agreements (if any), including any termination payment due and payable by the Guarantor except where the relevant Swap Provider is the Defaulting party or the Affected Party, will rank pari passu and pro rata to amounts due on the Covered Bonds under the Covered Bond Guarantee. Accordingly, the obligation to pay a termination payment may adversely affect the ability of the Guarantor to meet its respective obligations under the Covered Bonds or the Covered Bond Guarantee.

Differences in timings of obligations under the Liability Swaps

With respect to any Liability Swap Agreements, it is expected that the Guarantor will pay to the relevant Liability Swap Provider, on each Guarantor Payment Date a fixed rate or a floating rate option such as, for Series of Covered Bonds denominated in Euro, a floating rate linked to EURIBOR. A Liability Swap Provider is expected to make corresponding swap payments to the Guarantor on the Interest Payment Date of the relevant Series of Covered Bonds, which could be monthly, quarterly, semi-annual or annual.

Due to the mis-match in timing of payments under the Liability Swap Agreements, on any Guarantor Payment Date, the Guarantor will be required to make a payment to the Liability Swap Provider without reciprocal receipt of a payment from the Liability Swap Provider and therefore there can be no netting of payments except and to the extent the date on which the Liability Swap Provider is required to make a payment to the Guarantor is also a Guarantor Payment Date.

No gross up on withholding tax

In respect of payments made by the Guarantor under the Covered Bond Guarantee, to the extent that the Guarantor is required by law to withhold or deduct any present or future taxes of any kind imposed or levied by or on behalf of the Republic of Italy from such payments, the Guarantor will not be under an obligation to pay any additional amounts to Covered Bondholders, irrespective of whether such withholding or deduction arises from existing legislation or its application or interpretation as at the relevant Issue Date or from changes in such legislation, application or official interpretation after the Issue Date.

Limited description of the Cover Pool

Covered Bondholders will not receive detailed statistics or information in relation to the Mortgage Loans in the Cover Pool, because it is expected that the constitution of the Cover Pool will frequently change due to, for instance:

- the Sellers selling further Mortgage Loans (or types of loans, which are of a type that have not previously been comprised in the relevant Portfolio transferred to the Guarantor); and
- the Sellers repurchasing Mortgage Loans in accordance with the Master Loans Purchase Agreement.

However, each Mortgage Loan will be required to meet the Eligibility Criteria (see "*Description of the Cover Pool — Eligibility Criteria*") and will be subject to the representations and warranties set out in the Warranty and Indemnity Agreement – see "*Overview of the Transaction Documents – Warranty and Indemnity Agreement*". In addition, the Nominal Value Test is intended to ensure that the aggregate Outstanding Principal Balance of the Cover Pool is at least equal to the Outstanding Principal Amount of the Covered Bonds for so long as Covered Bonds remain outstanding and the Calculation Agent will provide monthly reports that will set out certain information in relation to the Statutory Tests.

Sale of Eligible Assets following the occurrence of an Issuer Event of Default

If an Issuer Default Notice is served on the Issuer and the Guarantor, then the Guarantor will be obliged to sell Eligible Assets (selected on a random basis) in order to make payments to the Guarantor's creditors including making payments under the Covered Bond Guarantee, see "*Overview of the Transaction Documents*" – "*Cover Pool Management Agreement*".

There is no guarantee that a buyer will be found to acquire Eligible Assets at the times required and there can be no guarantee or assurance as to the price which can be obtained for such Eligible Assets, which may affect payments under the Covered Bond Guarantee. However, the Eligible Assets may not be sold by the Guarantor for less than an amount equal to the Required Outstanding Principal Balance Amount for the relevant Series of Covered Bonds until six months prior to the Maturity Date in respect of such Covered Bonds or (if the same is specified as applicable in the relevant Final Terms) the Extended Maturity Date under the Covered Bond Guarantee in respect of such Covered Bonds. In the six months prior to, as applicable, the Maturity Date or Extended Maturity Date, the Guarantor is obliged to sell the Selected Loans for the best price reasonably available notwithstanding that such price may be less than the Required Outstanding Principal Balance Amount.

Realisation of assets following the occurrence of a Guarantor Event of Default

If a Guarantor Event of Default occurs and a Guarantor Default Notice is served on the Guarantor, then the Representative of the Covered Bondholders will be entitled to enforce the Covered Bond Guarantee and to apply the proceeds deriving from the realisation of the Cover Pool towards payment of all

secured obligations in accordance with the Post-Enforcement Priority of Payments, as described in the section entitled "*Cashflows*" below.

There is no guarantee that the proceeds of realisation of the Cover Pool will be in an amount sufficient to repay all amounts due to creditors (including the Covered Bondholders) under the Covered Bonds and the Transaction Documents. If a Guarantor Default Notice is served on the Guarantor then the Covered Bonds may be repaid sooner or later than expected or not at all.

Factors that may affect the realisable value of the Cover Pool or the ability of the Guarantor to make payments under the Covered Bond Guarantee

Following the occurrence of an Issuer Event of Default, the service of an Issuer Default Notice on the Issuer and on the Guarantor, the realisable value of Eligible Assets comprised in the Cover Pool may be reduced (which may affect the ability of the Guarantor to make payments under the Covered Bond Guarantee) by:

- default by Debtors of amounts due on their Mortgage Loans;
- changes to the lending criteria of the Sellers;
- set-off risks in relation to some types of Mortgage Loans in the Cover Pool;
- limited recourse to the Sellers;
- possible regulatory changes by the Bank of Italy, CONSOB or other regulatory authorities; and
- regulations in Italy that could lead to some terms of the Mortgage Loans being unenforceable.

Each of these factors is considered in more detail below. However, it should be noted that the Statutory Tests, the Amortisation Test and the Eligibility Criteria are intended to ensure that there will be an adequate amount of Mortgage Loans in the Cover Pool and moneys standing to the credit of the Accounts to enable the Guarantor to repay the Covered Bonds following an Issuer Event of Default, service of an Issuer Default Notice on the Issuer and on the Guarantor and accordingly it is expected (although there is no assurance) that Eligible Assets and Top-Up Assets could be realised for sufficient prices to enable the Guarantor to meet its obligations under the Covered Bond Guarantee.

Default by Debtors in paying amounts due on their Mortgage Loans

Debtors may default on their obligations due under the Mortgage Loans for a variety of reasons. The Mortgage Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in Debtors' individual, personal or financial circumstances may affect the ability of Debtors to repay the Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in default by and bankruptcies of Debtors, and could ultimately have an adverse impact on the ability of Debtors to repay the Mortgage Loans. In addition, the ability of a borrower to sell a property given as security for Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

Changes to the lending criteria of the Sellers

Each of the Mortgage Loans originated by the Sellers will have been originated in accordance with its lending criteria at the time of origination. Each of the Mortgage Loans sold to the Guarantor by the Sellers, but originated by a person other than a Seller (an "**Originator**"), will have been originated in accordance with the lending criteria of such Originator at the time of origination. It is expected that the relevant Seller's or the relevant Originator's, as the case may be, lending criteria will generally consider type of property, term of loan, age of applicant, the loan-to-value ratio, mortgage indemnity guarantee policies, high loan-to-value fees, status of applicants and credit history. In the event of the sale or transfer of any Mortgage Loans to the Guarantor, the Sellers will warrant that (a) such Mortgage Loans as were originated by it were originated in accordance with the Seller's lending criteria applicable at the time of origination and (b) such Mortgage Loans as were originated by an Originator, were originated in accordance with the relevant Originator's lending criteria applicable at the time of origination. The Sellers retain the right to revise their lending criteria from time to time subject to the terms of the Master Loans Purchase Agreement. An Originator may additionally revise its lending criteria at any time. However, if such lending criteria change in a manner that affects the creditworthiness of the Mortgage Loans, that may lead to increased defaults by Debtors and may affect the realisable value of the Cover Pool and the ability of the Guarantor to make payments under the Covered Bond Guarantee. However, it should be noted that Defaulted Loans in the Cover Pool will be given a reduced weighting for the purposes of the calculation of the Statutory Tests and the Amortisation Test.

Legal risks relating to the Mortgage Loans

The ability of the Guarantor to recover payments of interest and principal from the Mortgage Loans is subject to a number of legal risks. These include the risks set out below.

Set-off risks

The assignment of receivables under the Securitisation and Covered Bond Law is governed by article 58, paragraph 2, 3 and 4, of the Consolidated Banking Act. According to the prevailing interpretation of such provision, such assignment becomes enforceable against the relevant debtors as of the later of (i) the date of the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*La Gazzetta Ufficiale della Repubblica Italiana*), and (ii) the date of registration of the notice of assignment in the local Companies' Registry. Consequently, the rights of the Guarantor may be subject to the direct rights of the Debtors against the Seller or, as applicable the relevant Originator, including rights of set-off on claims arising existing prior to notification in the Official Gazette and registration at the local Companies' Registry. In addition, the exercise of set-off rights by Debtors may adversely affect any sale proceeds of the Cover Pool and, ultimately, the ability of the Guarantor to make payments under the Covered Bond Guarantee. In this respect, it should be noted that the Issuer has undertaken, upon occurrence of an Issuer Downgrading Event, to notify on a quarterly basis the Rating Agencies of the Potential Set-Off Amount.

Moreover, Destinazione Italia Decree introduced certain amendments to article 4 of the Securitisation and Covered Bond Law. As a consequence of such amendments, it is now expressly provided by the Securitisation and Covered Bond Law that the Debtors cannot exercise rights of set-off against the Guarantor on claims arising *vis-à-vis* the Sellers after the publication of the notice of assignment in the Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*).

Usury Law

Italian Law number 108 of 7 March 1996, as amended by law decree number 70 of 13 May 2011 (the "**Usury Law**") introduced legislation preventing lenders from applying interest rates equal to or higher than rates (the "**Usury Rates**") set every three months on the basis of a Decree issued by the Italian Treasury. In addition, even where the applicable Usury Rates are not exceeded, interest and other advantages and/or remuneration may be held to be usurious if: (i) they are disproportionate to the amount lent (taking into account the specific circumstances of the transaction and the average rate usually applied for similar transactions) and (ii) the person who paid or agreed to pay was in financial and economic difficulties. The provision of usurious interest, advantages or remuneration has the same consequences as non-compliance with the Usury Rates. In certain judgements issued during 2000, the Italian Supreme Court (*Corte di Cassazione*) ruled that the Usury Law applied both to loans advanced prior to and after the entry into force of the Usury Law.

On 29 December 2000, the Italian Government issued law decree No. 394 (the "**Decree 394**"), converted into law by the Italian Parliament on 28 February 2001, which clarified the uncertainty about the interpretation of the Usury Law and provided, *inter alia*, that interest will be deemed to be usurious only if the interest rate agreed by the parties exceeded the Usury Rates at the time when the loan agreement or any other credit facility was entered into or the interest rate was agreed. The Decree 394, as interpreted by the Italian Constitutional Court by decision No. 29 of 14 February 2002, also provided that as an extraordinary measure due to the exceptional fall in interest rates in 1998 and 1999, interest rates due on instalments payable after 31 December 2000 on fixed rate loans (other than subsidised loans) already entered into on the date such decree came into force (such date being 31 December 2000) are to be substituted, except where the parties have agreed to more favourable terms, with a lower interest rate set in accordance with parameters fixed by such decree by reference to the average gross yield of multiannual treasury bonds (*Buoni Tesoro Poliennali*) in the period from January 1986 to October 2000.

According to recent court precedents of the Italian Supreme Court (*Corte di Cassazione*), the remuneration of any given financing must be below the applicable Usury Rate from time to time applicable. Based on this recent evolution of case law on the matter, it will constitute a breach of the Usury Law if the remuneration of a financing is lower than the applicable Usury Rate at the time the terms of the financing were agreed but becomes higher than the applicable Usury Rate at any point in time thereafter. Furthermore, those court precedents have also stated that default interest rates are relevant and must be taken into account when calculating the aggregate remuneration of any given financing for the purposes of determining its compliance with the applicable Usury Rate. That interpretation is in contradiction with the current methodology for determining the Usury Rates, considering that the relevant surveys aimed at calculating the applicable average rate never took into account the default interest rates. On 3 July 2013, also the Bank of Italy has confirmed in an official document that default interest rates should be taken into account for the purposes of the Statutory Usury Rates and has acknowledged that there is a discrepancy between the methods utilised to determine the remuneration of any given financing (which must include default rates) and the applicable Statutory Usury Rates against which the former must be compared.

Compound interest

Pursuant to article 1283 of the Italian Civil Code, in respect of a monetary claim or receivable, accrued interest may be capitalised after a period of not less than six months or from the date when any legal proceedings are commenced in respect of that monetary claim or receivable. Article 1283 of the Italian Civil Code allows derogation from this provision in the event that there are recognised customary

practices to the contrary. Banks and other financial institutions in the Republic of Italy have traditionally capitalised accrued interest on a quarterly basis on the grounds that such practice could be characterised as a customary practice. However, a number of recent judgements from Italian courts (including judgements from the Italian Supreme Court (*Corte di Cassazione*) have held that such practices may not be defined as customary practices. Consequently if Debtors were to challenge this practice, it is possible that such interpretation of the Italian Civil Code would be upheld before other courts in the Republic of Italy and that the returns generated from the relevant Mortgage Loans may be prejudiced.

In this respect, it should be noted that Article 25, paragraph 3, of legislative decree No. 342 of 4 August 1999 ("**Decree No. 342**"), enacted by the Italian Government under a delegation granted pursuant to law No. 142 of 19 February 1992, has considered the capitalisation of accrued interest (anatocismo) made by banks prior to the date on which it came into force (19 October 1999) to be valid. After such date, the capitalisation of accrued interest is no longer possible upon the terms established by a resolution of the CICR issued on 22 February 2000. Law No. 342 has been challenged and decision No. 425 of 17 October 2000 of the Italian Constitutional Court has declared as unconstitutional under the provisions of Law No. 342 regarding the validity of the capitalisation of accrued interest made by banks prior to the date on which Law No. 342 came into force.

Recently, article 17 bis of law decree 18 of 14 February 2016 as converted into Law no. 49 of 8 April 2016 amended article 120, paragraph 2, of the Consolidated Banking Act, providing that the accrued interest shall not produce further interests, except for default interests, and are calculated exclusively on the principal amount. On 8 August 2016, the decree no. 343 of 3 August 2016 issued by the Minister of Economy and Finance, in his quality of President of the CICR, implementing article 120, paragraph 2, of the Banking Law, has been published. Given the novelty of this new legislation and the absence of any jurisprudential interpretation, the impact of such new legislation may not be predicted as at the date of this Prospectus.

Law no. 3 of 27 January 2012

Law no. 3 of 27 January 2012, published in the Official Gazette of the Republic of Italy no. 24 of 30 January 2012 (the "**Over Indebtedness Law**") has become effective as of 29 February 2012 and introduced a new procedure, by means of which, *inter alia*, debtors who: (i) are in a state of over indebtedness (*sovraindebitamento*), and (ii) cannot be subject to bankruptcy proceedings or other insolvency proceedings pursuant to the Italian Bankruptcy Law, may request to enter into a debt restructuring agreement (*accordo di ristrutturazione*) with their respective creditors, provided that, in respect of future proceedings, the relevant debtor has not made recourse to the debt restructuring procedure enacted by the Over Indebtedness Law during the preceding 5 years.

The Over Indebtedness Law provides that the relevant debt restructuring agreement, subject to the relevant court approval, shall entail, *inter alia*: (i) the renegotiation of payments' terms with the relevant creditors; (ii) the full payment of the secured creditors; (iii) the full payment of any other creditors which are not part of the debt restructuring agreement (provided that the payments due to any creditors which have not approved the debt restructuring agreement, including any secured creditors, may be suspended for up to one year); and (iv) the possibility to appoint a trustee for the administration and liquidation of the debtor's assets and the distribution to the creditors of the proceeds of the liquidation.

Should the debtors under the Portfolio enter into such debt restructuring agreement (be it with the Issuer or with any other of its creditors), the Issuer could be subject to the risk of having the payments due by the relevant debtor suspended for up one year.

Mortgage borrower protection

Certain recent legislation enacted in Italy has given new rights and certain benefits to mortgage debtors and/or reinforced existing rights, including that described in the following paragraphs:

Article 120-ter of the Consolidated Banking Act

Article 120-ter of the Consolidated Banking Act provides that any provisions imposing a prepayments penalty in case of early redemption of mortgage loans is null and void with respect to loan agreements entered into, with an individual as borrower for the purpose of purchasing or restructuring real estate properties destined to residential purposes or to carry out the borrower's own professional or business activities.

The Italian banking association ("**ABI**") and the main national consumer associations have reached an agreement (the "**Prepayment Penalty Agreement**") regarding the equitable renegotiation of prepayment penalties with certain maximum limits calculated on the outstanding amount of the loans (the "**Substitutive Prepayment Penalty**") containing the following main provisions: (i) with respect to variable rate loan agreements, the Substitutive Prepayment Penalty should not exceed 0.50 per cent. and should be further reduced to (a) 0.20 per cent. in case of early redemption of the loan carried out within the third year from the final maturity date and (b) zero, in case of early redemption of the loan carried out within two years from the final maturity date, (ii) with respect to fixed rate loan agreements entered into before 1 January 2001, the Substitutive Prepayment Penalty should not exceed 0.50 per cent., and should be further reduced to: (a) 0.20 per cent., in case of early redemption of the loan carried out within the third year from the final maturity date; and (b) zero, in case of early redemption of the loan carried out within two years from the final maturity date, (iii) with respect to fixed rate loan agreements entered into after 31 December 2000, the Substitutive Prepayment Penalty should be equal to: (a) 1.90 per cent. if the relevant early redemption is carried out in the first half of loan's agreed duration; (b) 1.50 per cent. if the relevant early redemption is carried out following the first half of loan's agreed duration, provided however that the Substitutive Prepayment Penalty should be further reduced to: (x) 0.20 per cent., in case of early redemption of the loan carried out within three years from the final maturity date; and (y) zero, in case of early redemption of the loan carried out within two years from the final maturity date.

The Prepayment Penalty Agreement introduces a further protection for borrowers under a "safeguard" equitable clause (the "**Clausola di Salvaguardia**") in relation to those loan agreements which already provide for a prepayment penalty in an amount which is compliant with the thresholds described above. In respect of such loans, the Clausola di Salvaguardia provides that: (1) if the relevant loan is either: (x) a variable rate loan agreement; or (y) a fixed rate loan agreement entered into before 1 January 2001; the amount of the relevant prepayment penalty shall be reduced by 0.20 per cent.; (2) if the relevant loan is a fixed rate loan agreement entered into after 31 December 2000, the amount of the relevant prepayment penalty shall be reduced by (x) 0.25 per cent. if the agreed amount of the

prepayment penalty was equal or higher than 1.25 per cent.; or (y) 0.15 per cent., if the agreed amount of the prepayment penalty was lower than 1.25 per cent.

Finally the Prepayment Penalty Agreement sets out specific solutions with respect to hybrid rate loans which are meant to apply to the hybrid rates the provisions, as more appropriate, relating respectively to fixed rate and variable rate loans.

Prospective investors' attention is drawn to the fact that, as a result of the entry into force of the Prepayment Penalty Agreement, the rate of prepayment in respect of Receivables can be higher than the one traditionally experienced by the Sellers for mortgage loans and that the Guarantor may not be able to recover the prepayment fees in the amount originally agreed with the borrowers.

Article 120-quater of the Consolidated Banking Act

Article 120-quater of the Consolidated Banking Act provides that any borrower may at any time prepay the relevant loan funding such prepayment by a loan granted by another lender which will be subrogated pursuant to article 1202 of the Italian civil code (*surrogato per volontà del debitore*) in the rights of the former lender, including the mortgages (without any formalities for the annotation of the transfer with the land registry, which shall be requested by enclosing a certified copy of the deed of subrogation (*atto di surrogazione*) to be made in the form of a public deed (*atto pubblico*) or of a deed certified by a notary public with respect to the signature (*scrittura privata autenticata*) without prejudice to any benefits of a fiscal nature.

In the event that the subrogation is not completed within thirty days from the relevant request from the succeeding lender to the former lender to start the relevant cooperation procedures, the original lender shall pay to the borrower an amount equal to 1 per cent. of the amount of the loan for each month or part thereof of delay, provided that if the delay is due to the succeeding lender, the latter shall repay to the former lender the delay penalty paid by it to the borrower.

As a consequence of the above and, as a result of the subrogation, the rate of prepayment of the Receivables might materially increase.

Borrower's right to suspend payments under a mortgage loan

Pursuant to Article 2, paragraph 475 and ff. of Italian law number 244 of 24 December 2007 (the "**2008 Budget Law**") any borrower under a mortgage loan agreement executed for the purposes of acquiring a "first home" real estate property (*unità immobiliare da adibire ad abitazione principale*) giving evidence of its incapability to pay any instalments falling due under a mortgage loan is entitled to suspend payment of any such instalments for no more than two times during the life of the relevant mortgage loan and for a maximum duration of 18 months (the "**Borrower Payment Suspension Right**"). Upon exercise of the Borrower Payment Suspension Right the duration of the relevant mortgage loan will be extended to a period equal to the duration of the relevant suspension period.

The 2008 Budget Law also provided for the establishment of a fund (so called "*Fondo di solidarietà*", the "**Fund**") created for the purpose of bearing certain costs deriving from the suspension of payments and refers to implementing regulation to be issued for the determination of: (i) the requirements that the borrowers must comply with in order to have the right to the aforementioned suspension and the subsequent aid of the Fund; and (ii) the formalities and operating procedures of the Fund.

On 21 June 2010, the Ministry of Treasury and Finance (*Ministro dell'economia e delle finanze*) adopted ministerial decree No. 132, as further amended by the decree of the Ministry of Treasury and Finance No. 37 of 22 February 2013, ("**Decree 132/2010**") detailing the requirements and formalities which any Borrower must comply with in order to exercise the Borrower Payment Suspension Right.

Pursuant to Decree 132/2010, the Ministry of Economy and Finance, on 27 October 2010, issued the guidelines (*Linee Guida*) (the "**Guidelines**") – published on the website *www.dt.tesoro.it* (for the avoidance of doubt, such website does not constitute part of this Prospectus) which establish the procedures that borrowers must follow in order to exercise the Borrower Payment Suspension Right.

As specified in the Guidelines, pursuant to the provision of Decree 132, the Borrower Payment Suspension Right can be granted also in favour of mortgage loans which have been subject to covered bonds transactions pursuant to the Securitisation and Covered Bond Law.

In light of the above, pursuant to the Decree of the General Director of Treasury Department of the Ministry of Economy and Finance issued on 14 September 2010, CONSAP (*Concessionaria Servizi Assicurativi S.p.A.*), was selected as managing company of the Fund. The request to access to the aid granted by the Fund must be presented by borrowers starting from 15 November 2010, by using the relevant form of suspension-request duly prepared in compliance with the Guidelines and accompanied by the relevant documentation indicated therein.

Any borrower who complies with the requirements set out in Decree 132 and the Guidelines, has the right to suspend the payment of the instalments of its Receivables up to 18 months.

The agreement entered into on 18 December 2009 between the Italian Banking Association (*Associazione Bancaria Italiana – ABI*) and the Consumers Associations (*Associazioni dei Consumatori*) along with the relevant technical document attached therein adhered by the Issuer on 27 January 2010 (the "**Piano Famiglie**") provides for a 12-month period suspension of payment of instalments relating to mortgage loans, where requested by the relevant Debtor during the period from 1 February 2010 to 31 January 2013. The suspension is allowed only where the following events have occurred: (i) termination of employment relationship; (ii) termination of employment relationships regulated under Article 409 No. 3 of the Italian civil procedure code; (iii) death or the occurrence of conditions pertaining to non-self sufficiency; and/or (iv) suspension from work or reduced working hours for a period of at least 30 days. The relevant events satisfying the subjective requirements must have occurred in respect of the relevant Debtor during the period from 1 January 2009 to 31 December 2012. The suspension can be requested on one occasion only, provided that the mortgage loans are granted for amounts not exceeding €150,000, granted for the purchase, construction or renovation of a primary residence (*mutui prima casa*), including: (i) mortgage loans assigned under securitisation or covered bond transactions pursuant to the Securitisation and Covered Bond Law, (ii) renegotiated mortgage loans and (iii) mortgage loans whereby the relevant lender was subrogated. Finally, in order to obtain such suspension of payments, the borrower shall have an income not exceeding €40,000 per year. The document clarifies that, in the context of a securitisation or covered bond transaction, the special purpose vehicle, or the Issuer acting on its behalf, can adhere to the Piano Famiglie. The suspension can be limited to principal instalments only or can encompass both principal and interest instalments.

On 31 January 2012 ABI and the consumers' associations entered into a convention (*Nuovo Accordo*) that provides that the suspension of payment of instalments relating to mortgage loans may be applied for by 31 July 2012. Such convention amended the following conditions to be met in order to benefit from the suspension: (i) the conditions to benefit from the Piano Famiglie must be met by 30 June 2012; and (ii) the in payment delays of instalments cannot exceed 90 days (instead of 180 days).

On 31 July 2012 ABI and the consumers' associations entered into a Protocollo d'intesa, amending the "Nuovo Accordo" above mentioned as follows:

1) the final term to apply for the suspension of payment has been postponed to the earlier between (i) the date on which regulations implementing the Art. 2, paragraph 475 and followings of Law number 244 of 24 December 2007 relating to the Fund (as defined in the paragraph below) will be issued, and (ii) 31 January 2013.

2) the final term to meet the conditions necessary to benefit from the suspention of payment has been postponed to the earlier between (i) the date on which regulations implementing the Art. 2, paragraph 475 and followings of Law number 244 of 24 December 2007 relating to the Fund (as defined above) will be issued, and (ii) 31 December 2012.

Furthermore, on 30 January 2013 ABI and the consumers' associations entered into a new Protocollo d'intesa amending the aforementioned conventions, which provided that the suspension of payment of instalments relating to mortgage loans may be applied for no later than 31 March 2013 and, in order to benefit from the suspension, (i) the conditions must be met by 28 February 2013 and (ii) the payment delays of instalments cannot exceed 90 days.

Moreover, pursuant to Article 8, paragraph 6, of Law Decree No. 70 of 13 May 2011, converted into law by law No. 106 of 12 July 2011 (the "**Decreto Sviluppo**"), subject to certain conditions and up to 31 December 2012, certain borrowers may achieve (i) a renegotiation of mortgage loans which may result in the amendment of the interest calculation method from floating rate to fixed rate and (ii) the extension of the applicable amortisation plan of the relevant mortgage loan for a period not longer than five years, provided that, as a result of such extension, the residual duration of the relevant mortgage loan does not exceed a period equal to 25 years.

Finally, on 31 March 2015 ABI and the consumers' associations, in accordance with the provisions of the Finance Act 2015, as defined below, entered into an agreement pursuant to which, within 31 December 2017, consumers who are in a situation of economic difficulties, as further specified by the agreement, may ask for the suspension of payment of instalments relating to mortgage loans having a maturity of at least 24 months, in accordance with the previous agreements reached between ABI and consumers associations.

Prospective investors' attention is drawn to the fact that the potential effects of the suspension schemes and the impact thereof on the amortisation and prepayment profile of the Cover Pool cannot be predicted by the Issuer as at the date of this Prospectus.

Renegotiations of floating rate Mortgage Loans

Law Decree No. 93 of 27 May 2008 ("**Law Decree 93**"), converted into law No. 126 of 24 July 2008 ("**Law 126**") which came into force on 29 May 2008, regulates the renegotiation of floating rate mortgage

loans granted for the purposes of purchasing, building or refurbishing real estate assets used as main houses.

According to Law 126, the *Ministero dell'Economia e delle Finanze* (*Minister of Economy and Finance*) and the ABI entered into a convention providing for the procedures for the renegotiation of such floating rate mortgage loans (the "**Convention**").

The Convention applies to floating rate mortgage loan agreements entered into or taken over (*accollati*), also further to the parcelling (*frazionamento*) of the relevant mortgages, before 29 May 2008. Pursuant to the Convention, the instalments payable by a borrower under any of such mortgage loan agreements will be recalculated applying (a) a fixed interest rate (equal to the average of the floating rate interest rates applied under the relevant mortgage loan agreement during 2006) on the initial principal amount and for the original final maturity date of the relevant mortgage loan, or (b) if the mortgage loan has been entered into, renegotiated or taken over (*accollato*) after 31 December 2006, the parameters used for the calculation of the first instalment due after the date on which the mortgage loan has been entered into, renegotiated or taken over (*accollato*). The difference between the amount to be paid by the borrower as a result of such recalculation and the amount that the borrower would have paid on the basis of the original instalment plan will be (a) if negative, debited to a bank account on which interest will accrue in favour of the lender at the lower of (i) the rate equal to 10 (ten) IRS (interest rate swap) plus a spread of 0.50, and (ii) the rate applicable pursuant to the relevant mortgage loan, each of them calculated, in a fixed amount, on the renegotiation date, or (b) if positive, credited to such bank account. After the original final maturity date of the mortgage loan, the outstanding debt on the bank account will be repaid by the borrower through constant instalments equal to the ones resulting from the renegotiation, and the amortisation plan will be determined on the basis of the lower of (a) the rate applicable on the bank account, and (ii) the rate applicable pursuant to the relevant mortgage loan, as calculated, in a fixed amount, on the original final maturity date of the mortgage loan.

The legislation referred to in each subparagraph under section "*Mortgage borrower protection*" above constitutes an adverse effect on the Cover Pool and, in particular, on any cash flow projections concerning the Cover Pool as well as on the over-collateralisation required. However, as this legislation is relatively new, as at the date of this Prospectus, the Issuer is not in a position to predict its impact.

Mortgage Credit Directive

Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010 (the "**Mortgage Credit Directive**") sets out a common framework for certain aspects of the laws, regulations and administrative provisions of the Member States concerning agreements covering credit for consumers secured by a mortgage or otherwise relating to residential immovable property. The Mortgage Credit Directive provides for, amongst other things:

- standard information in advertising, and standard pre-contractual information;

- adequate explanations to the borrower on the proposed credit agreement and any ancillary service;
- calculation of the annual percentage rate of charge in accordance with a prescribed formula;
- assessment of creditworthiness of the borrower;
- a right of the borrower to make early repayment of the credit agreement; and
- prudential and supervisory requirements for credit intermediaries and non-bank lenders.

The Mortgage Credit Directive came into effect on 20 March 2014 and is required to be implemented in Member States by 21 March 2016.

On 1 June 2015, in accordance with Article 18, Article 20(1) and Article 28 of the Mortgage Credit Directive, the EBA published its final Guidelines on creditworthiness assessment, as well as its final Guidelines on arrears and foreclosure, that support the national implementation by Member States of the Mortgage Credit Directive.

In Italy the Government has approved the Legislative Decree no. 72 of 21 April 2016, implementing the Mortgage Credit Directive and published on the Official Gazette of the Republic of Italy on 20 May 2016 (the "**Mortgage Legislative Decree**").

The Mortgage Legislative Decree clarifies that the new legal framework shall apply, inter alia, to (i) residential mortgage loans and (ii) loans relating to the purchase or preservation of the property rights on a residential immovable.

Moreover such decree sets forth certain rules of correctness, diligence and transparency and information undertakings applicable to the lenders and intermediaries which offer loans to the consumers and provides that the parties may agree under the loan agreements that in case of breach of the borrower's payment obligations under the agreement (i.e. non-payment of at least eighteen loan instalments due and payable by the debtor) the transfer or the sale of the mortgaged assets has as a consequence that the entire debt is settled even if the value of the assets or the proceeds deriving from the sale of the assets is lower than the remaining amount due by the debtor in relation to the loan. Otherwise if the estimated value of the assets or the proceeds deriving from the sale of the assets is higher than the remaining amount due by the debtor, the excess amount shall be returned to the consumer. According to the Mortgage Legislative Decree the Bank of Italy and the Ministry of Economy and Finance will enact implementing provisions of such decree.

Given the novelty of this new legislation and the absence of any jurisprudential interpretation, the impact of such new legislation may not be predicted as at the date of this Base Prospectus.

No assurance can be given that the implementation of the Mortgage Legislative Decree will not adversely affect the ability of the Guarantor to make payments under the Covered Bond Guarantee.

INFORMATION INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following information, which has been previously published or filed with the Central Bank:

(a) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2015 contained in the Issuer's Reports and Accounts 2015, together with the audit report thereon;

(b) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2016 contained in the Issuer's Reports and Accounts 2016, together with the audit report thereon;

(c) the unaudited consolidated Interim Financial Report of the Issuer as at and for the three months ended 31 March 2017;

(d) the audited non-consolidated annual financial statements of the Guarantor as at and for the year ended 31 December 2015; and

(e) the audited non-consolidated annual financial statements of the Guarantor as at and for the year ended 31 December 2016;

(f) the Terms and Conditions of the Covered Bonds contained in the previous Prospectus dated 28 July 2016, pages 55-85 (inclusive) prepared by the Issuer in connection with the Programme.

Such information shall be incorporated into, and form part of, this Prospectus, save that any statement contained in information which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any document which is incorporated by reference into any of the documents listed under items (a) to (j) above shall not constitute a part of this Prospectus.

Copies of the Issuer's financial statements and of Terms and Conditions of the Covered Bonds contained in previous Prospectuses incorporated by reference into this Prospectus may be obtained from the registered office of the Issuer and the Issuer's website *(http://www.ubibanca.it/contenuti/RigAlle/2015_Consolidated%20financial%20statements%20and%20notes%20to%20the%20cons%20accounts%20of%20UBI%20BancaSpa.pdf; http://www.ubibanca.it/contenuti/RigAlle/2016_Consolidated%20Report%20of%20UBI%20Banca%20Group_FINAL%20version.pdf; http://www.ubibanca.it/contenuti/RigAlle/UBI_2017_5_13_00%20Bilancio%20marzo%202017_ENG%20Final1.pdf; and http://www.ubibanca.it/contenuti/RigAlle/UBI%20CB1_Prospectus_FINAL_V1.pdf;*). Copies of the Guarantor's financial statements incorporated by reference into this Prospectus may be obtained from the website of the Irish Stock Exchange (*http://www.ise.ie/debt_documents/UBI%20Finance%20Bilancio_2015_EN_46d56fdf-90a9-47c7-aec3-c6cc974b4e1b.pdf?v=1522016 and http://www.ise.ie/debt_documents/UBI%20Finance%2031%20December%202016%20Annual%20Report_a2e9693e-a3b8-4a92-8440-ad2028e6b3ec.pdf*). The audited consolidated financial statements referred to above, together with the audit reports thereon, are available both in the original Italian and

in English. The English language versions represent a direct translation from the Italian language documents.

To the extent that any document incorporated by reference in this Prospectus incorporates further information by reference, such further information does not form part of this Prospectus.

Any part of the documents listed under items (a) to (f) above not listed in cross reference list below but contained in such documents, is not incorporated by reference in this Prospectus and is either not relevant for the investor or it is covered elsewhere in this Prospectus.

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Terms and Conditions of the Covered Bonds contained in previous Prospectuses

Terms and Conditions of the Covered Bonds contained in the previous Prospectus dated 28 July 2016 Pages 55-85

SUPPLEMENTS, FINAL TERMS AND FURTHER PROSPECTUSES

The Issuer and the Guarantor have undertaken that, for the duration of the Programme, if at any time there is a significant new factor, material mistake or inaccuracy relating to the Programme which is capable of affecting the assessment of the Covered Bonds, it shall prepare a supplement to this Prospectus or, as the case may be, publish a replacement Prospectus for use in connection with any subsequent offering of the Covered Bonds and shall supply to each Dealer any number of copies of such supplement as a Dealer may reasonably request.

In addition, the Issuer and the Guarantor may agree with the Dealer to issue Covered Bonds in a form not contemplated in the section entitled "Form of Final Terms". To the extent that the information relating to that Tranche of Covered Bonds constitutes a significant new factor in relation to the information contained in this Prospectus, a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**") will be made available and will contain such information.

The terms and conditions applicable to any particular Tranche of Covered Bonds will be the conditions set out in the section entitled "*Terms and Conditions of the Covered Bonds*", as completed to the extent described in the relevant Final Terms.

Any Drawdown Prospectus containing the necessary information relating to the Issuer and the Guarantor and/or the relevant Covered Bonds, shall be read in conjunction with this Prospectus.

TERMS AND CONDITIONS OF THE COVERED BONDS

*The following is the text of the terms and conditions of the Covered Bonds (the "**Conditions**" and, each of them, a "**Condition**"). For avoidance of doubt, the following Conditions do not apply to the Covered Bonds issued in registered form and the N Covered Bonds. In these Conditions, references to the "**holder**" of Covered Bonds and to the "**Covered Bondholders**" are to the ultimate owners of the Covered Bonds, dematerialised and evidenced by book entries with Monte Titoli in accordance with the provisions of (i) Article 83-bis of Italian Legislative Decree No. 58 of 24 February 1998 and (ii) the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as subsequently amended and supplemented from time to time.*

The Covered Bondholders are deemed to have notice of and are bound by, and shall have the benefit of, inter alia, the terms of the Rules of the Organisation of Covered Bondholders attached to, and forming part of, these Conditions. In addition, the applicable Final Terms in relation to any Tranche of Covered Bonds will complete the Conditions for the purpose of such Tranche.

*In relation to N Covered Bonds, the terms and conditions of such Series of N Covered Bonds will be as set out in the N Covered Bond (and the relevant terms and conditions of the N Covered Bonds (the "**N Covered Bond Conditions**") attached thereto) together with the N Covered Bond Agreement relating to such N Covered Bond. Any reference to a "**N Covered Bond Condition**" other than in this section shall be deemed to be, as applicable, a reference to the relevant provision of the N Covered Bond, the N Covered Bond Conditions attached thereto or the provisions of the N Covered Bond Agreement relating to such N Covered Bonds.*

Any reference to the Conditions or a Condition shall be a reference to the Conditions and/or the N Covered Bond Conditions and/or the terms and conditions of the Covered Bonds issued in registered form as the context may require. Any reference to the Covered Bondholders shall be referred to the Holders of the Covered Bonds and/ or the registered holder for the time being of a N Covered Bond or a Covered Bond issued in registered form as the context may require. The term "holder", in respect of N Covered Bonds or Covered Bonds issued in registered form, means the ultimate registered owner of such N Covered Bonds and/or such Covered Bond issued in registered form as set out in the Register.

Any reference to the Covered Bonds will be construed as to including the Covered Bonds issued under the Conditions and/or the N Covered Bonds and/or the Covered Bonds issued in registered form as the context may require. Any reference to the Principal Paying Agent will be construed as to including the Registered Paying Agent as the context may require.

1. **Introduction**

(a) ***Programme***

Unione di Banche Italiane S.p.A. (the "**Issuer**") has established a Covered Bond Programme (the "**Programme**") for the issuance of up to Euro 15,000,000,000 in aggregate principal amount of covered bonds (the "**Covered Bonds**") guaranteed by UBI Finance S.r.l. (the "**Guarantor**"). Covered Bonds are issued pursuant to Article 7-*bis* of Law No. 130 of 30 April 1999 (as amended, the "**Securitisation and Covered Bond Law**"), Ministerial Decree No. 310 of the Ministry for the Economy and Finance of 14 December 2006 ("**Decree No. 310**") and the supervisory instructions of the Bank of Italy relating to covered bonds under Part III, Chapter 3, of circular No. 285 of 17 December 2013, containing the "*Disposizioni di vigilanza per le banche*" as further implemented and amended (the "**Bank of Italy Regulations**").

(b) *Final Terms*

Covered Bonds are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Covered Bonds. Each Tranche is the subject of final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Covered Bonds are these Conditions as completed by the relevant Final Terms.

(c) *Covered Bond Guarantee*

Each Series of Covered Bonds is the subject of a guarantee dated 30 July 2008 (the "**Covered Bond Guarantee**") entered into by the Guarantor for the purpose of guaranteeing the payments due from the Issuer in respect of the Covered Bonds of all Series issued under the Programme and to the Other Issuer's Creditors. The Covered Bond Guarantee will be collateralised by a cover pool constituted by certain assets assigned from time to time to the Guarantor pursuant to the relevant Master Loans Purchase Agreement (as defined below) and in accordance with the provisions of the Securitisation and Covered Bond Law, Decree No. 310 and the Bank of Italy Regulations.

(d) *Programme Agreement and Subscription Agreement*

In respect of each Tranche of Covered Bonds issued under the Programme, the Relevant Dealer(s) (as defined below) has or have agreed to subscribe for the Covered Bonds and pay the Issuer the issue price specified in the Final Terms for the Covered Bonds on the Issue Date under the terms of a programme agreement dated 30 July 2008 (the "**Programme Agreement**") between the Issuer, the Guarantor, the Sellers, the Representative of the Covered Bondholders and the dealer(s) named therein (the "**Dealers**"), as supplemented (if applicable) by a subscription agreement entered into between the Issuer, the Guarantor and the Relevant Dealer(s) (as defined below) on or around the date of the relevant Final Terms (the "**Subscription Agreement**"). In the Programme Agreement, the Dealers have appointed BNY Mellon Corporate Trustee Services Limited as representative of the Covered Bondholders (in such capacity, the "**Representative of the Covered Bondholders**"), as described in Condition 14 (*Representative of the Covered Bondholders*) and pursuant to the Intercreditor Agreement (as defined below), the Programme Agreement and the relevant Final Terms of each Series of Covered Bonds.

(e) *Monte Titoli Mandate Agreement*

In a mandate agreement with Monte Titoli S.p.A. ("**Monte Titoli**") (the "**Monte Titoli Mandate Agreement**"), Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Covered Bonds.

(f) *Master Definitions Agreement*

In a master definitions agreement dated 30 July 2008 (the "**Master Definitions Agreement**") between certain of the parties to each of the Transaction Documents (as defined below), the definitions of certain terms used in the Transaction Documents have been agreed.

(g) *The Covered Bonds*

Except where stated otherwise, all subsequent references in these Conditions to "Covered Bonds" are to the Covered Bonds which are the subject of the relevant Final Terms, but all references to "each Series of Covered Bonds" are to (i) the Covered Bonds which are the subject

of the relevant Final Terms and (ii) each other Tranche of Covered Bonds issued under the Programme which remains outstanding from time to time.

(h) *Rules of the Organisation of the Covered Bondholders*

The Rules of the Organisation of the Covered Bondholders are attached to, and form an integral part of, these Conditions. References in these Conditions to the "Rules of the Organisation of the Covered Bondholders" include such rules as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.

(i) *Summaries*

Certain provisions of these Conditions are summaries of the Transaction Documents and are subject to their detailed provisions. Covered Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Transaction Documents and the Rules of the Organisation of the Covered Bondholders applicable to them. Copies of the Transaction Documents are available for inspection by the Covered Bondholders during normal business hours at the registered office of the Representative of the Covered Bondholders from time to time and, where applicable, at the Specified Offices of the Principal Paying Agent (as defined below).

2. **Definitions and Interpretation**

(a) *Definitions*

Unless defined under Condition 1 (*Introduction*) above, in these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)** " means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)** " means the city or cities specified as such in the relevant Final Terms;

"**Amortisation Test**" means the tests which will be carried out pursuant to the terms of the Cover Pool Management Agreement in order to ensure, *inter alia*, that, on each Calculation Date following the delivery of an Issuer Default Notice (but prior to the service of a Guarantor Default Notice), the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate Outstanding Principal Amount of each Series of Covered Bonds as calculated on the relevant date;

"**Amortisation Test Aggregate Loan Amount**" has the meaning given in clause 3.2 of the Cover Pool Management Agreement;

"**Asset Monitor**" means BDO Italia S.p.A., acting as such pursuant to the engagement letter entered into with the Issuer on or about 30 July 2008 and the Asset Monitoring Agreement;

"**Asset Monitoring Agreement**" means the asset monitoring agreement entered into on or about 30 July 2008 between, *inter alios*, the Asset Monitor and the Issuer;

"**Asset Swap Agreements**" means the swap agreements entered on or about each Transfer Date between the Guarantor and an asset swap provider;

"**Asset Swap Provider**" means any entity acting as asset swap provider to the Guarantor under an Asset Swap Agreement;

"**Business Day**" means:

(i) in relation to any sum payable in Euro, a TARGET 2 Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(ii) in relation to any sum payable in a currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in Dublin, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

"**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

"**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

"**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

"**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided*, *however*, *that*:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

"**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means Unione di Banche Italiane S.p.A., acting as such pursuant to the Cash Allocation Management and Payments Agreement;

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**Calculation Date**" means the third day of each month (or, if such day is not a Business Day, then the immediately preceding Business Day);

"**Calculation Period**" means each monthly period starting on a Calculation Date (excluded) and ending on the following Calculation Date (included);

"**Cash Allocation Management and Payments Agreement**" means the cash allocation management and payments agreement entered into on or about 30 July 2008 between, *inter alios*, the Guarantor, the Representative of the Covered Bondholders, the Principal Paying Agent, the Calculation Agent, the English Account Bank and the Italian Account Bank, as amended and restated from time to time;

"**Clearstream**" means Clearstream S.A.;

"**CONSOB**" means *Commissione Nazionale per le Società e la Borsa*;

"**Consolidated Banking Act**" means Legislative Decree No. 385 of 1 September 1993, as amended from time to time;

"**Corporate Services Agreement**" means the corporate services agreement dated 30 July 2008 between the Guarantor Corporate Servicer and the Guarantor;

"**Cover Pool Management Agreement**" means the cover pool management agreement dated 30 July 2008 between the Issuer, the Guarantor, the Sellers, the Representative of the Covered Bondholders, the Calculation Agent and the Asset Monitor, as amended and supplemented from time to time;

"**Covered Bond Calculation Agent**" means the Principal Paying Agent or such other Person as may be specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**Covered Bondholders**" means the holders from time to time of Covered Bonds, title to which is evidenced in the manner described in Condition 3 (*Form, Denomination and Title*);

"**Covered Bond Instalment Amount**" means the principal amount of a Series of Covered Bonds to be redeemed on a Covered Bond Instalment Date as specified in the relevant Final Terms;

"**Covered Bond Instalment Date**" means a date on which a principal instalment is due on a Series of Covered Bonds as specified in the relevant Final Terms;

"**Covered Bond Instalment Extension Determination Date**" means, with respect to any Covered Bond Instalment Date, the date falling seven Business Days after such Covered Bond Instalment Date;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

(i) if "**Actual/Actual (ICMA)** " is so specified, means:

(A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) where the Calculation Period is longer than one Regular Period, the sum of:

(1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and

(2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year;

(ii) if "**Actual/Actual (ISDA)** " is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)** " is so specified, means the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1) + (D_2 - D_1)]}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1) + (D_2 - D_1)]}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30; and

(vii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1) + [30 \times (M_2 - M_1) + (D_2 - D_1)]}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30,

provided, *however*, *that* in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Decree 239**" means Italian Legislative Decree number 239 of 1 April 1996, as amended and supplemented from time to time;

"**Deed of Charge**" means the English law deed of charge entered into between the Guarantor and the Representative of the Covered Bondholders (acting on behalf of the Covered Bondhodlers and the Other Creditors) on 8 November 2011 in order to charge the rights arising under the English Accounts, the Swap Collateral Accounts, the English Account Bank Agreement and the Custody Agreement in favour of the Covered Bondholders and the Other Creditors;

"**Deed of Pledge**" means the Italian law deed of pledge entered into on 30 July 2008 between the Guarantor and the Representative of the Covered Bondholders (acting on behalf of the Covered Bondholders and the Other Creditors);

"**Early Redemption Amount (Tax)**" means, in respect of any Series of Covered Bonds, the principal amount of such Series;

"**Early Termination Amount**" means, in respect of any Series of Covered Bonds, the principal amount of such Series;

"**English Account Bank**" means The Bank of New York Mellon, London Branch, acting in its capacity as English account bank pursuant to the English Account Bank Agreement or any such other depository institution as may be appointed in accordance with such English Account Bank Agreement;

"**English Account Bank Agreement**" means the English Account Bank agreement entered on 8 November 2011 between, *inter alios*, the Issuer, the Guarantor, the Sellers, the Italian Account Bank, the English Account Bank and the Representative of the Covered Bondholders, as amended and supplemented from time to time;

"**Euroclear**" means Euroclear Bank S.A./N.V.;

"**Extended Instalment Date**" means the date on which a principal instalment in relation to a Series of Covered Bonds becomes due and payable pursuant to the extension of the relevant Covered Bond Instalment Date as specified in the relevant Final Terms;

"**Extended Maturity Date**" means, in relation to any Series of Covered Bonds, the date if any specified as such in the relevant Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred pursuant to Condition 9(b) (*Extension of maturity*).

"**Extension Determination Date**" means, with respect to any Series of Covered Bonds, the date falling seven Business Days after (and including) the Maturity Date of such Series of Covered Bonds;

"**Extraordinary Resolution**" has the meaning given in the Rules of the Organisation of the Covered Bondholders attached to these Conditions;

"**Final Redemption Amount**" means, in respect of any Series of Covered Bonds, the principal amount of such Series;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Guaranteed Amounts**" means the amounts due from time to time from the Issuer to (i) the Covered Bondholders with respect to each Series of Covered Bonds (excluding any additional amounts payable to the Covered Bondholders under Condition 11(a) (*Gross-up by Issuer*)) and (ii) the Other Issuer's Creditors pursuant to the relevant Transaction Documents;

"**Guarantor Corporate Servicer**" means TMF Management Italy S.p.A. as corporate servicer of the Guarantor;

"**Guarantor Default Notice**" means the notice to be delivered by the Representative of the Covered Bondholders to the Guarantor upon the occurrence of a Guarantor Event of Default;

"**Guarantor Event of Default**" has the meaning given to it in Condition 12 (a) (*Guarantor Events of Default*);

"**Guarantor Payment Date**" means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 18th day of each month or, if such day is not a Business Day, the immediately following Business Day; and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Covered Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Final Terms and the Intercreditor Agreement;

"**Insolvency Event**" means, in respect of any company, entity, or corporation that:

(i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition with creditors or insolvent reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*", "*accordi di ristrutturazione*" and (other than in respect of the Issuer) "*amministrazione straordinaria*", each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, insolvent reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of

further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Covered Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

(ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company or corporation or such proceedings are otherwise initiated against such company, entity or corporation and, in the opinion of the Representative of the Covered Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or

(iii) such company, entity or corporation takes any action for a re-adjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Transaction Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments (other than, in respect of the Issuer, the issuance of a resolution pursuant to article 74 of the Consolidated Banking Act); or

(iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2484 of the Italian Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation, merger, corporate reorganization or reconstruction, the terms of which have been previously approved in writing by the Representative of the Covered Bondholders); or

(v) such company, entity or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business;

"**Intercreditor Agreement**" means the agreement entered into on or about 30 July 2008 between, *inter alios*, the Guarantor and the Other Creditors;

"**Interest Amount**" means, in relation to any Series of Covered Bonds and an Interest Period, the amount of interest payable in respect of that Series for that Interest Period;

"**Interest Commencement Date**" means the Issue Date of the Covered Bonds or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"**Interest Determination Date**" has the meaning given in the relevant Final Terms;

"**Interest Payment Date**" means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in

the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"**Interest Period**" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"**ISDA Definitions**" means the 2006 ISDA Definitions, as amended and updated as at the date of issue of the first Tranche of the Covered Bonds of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.;

"**Issue Date**" has the meaning given in the relevant Final Terms;

"**Issuer Default Notice**" means the notice to be delivered by the Representative of the Covered Bondholders to the Issuer and the Guarantor upon the occurrence of an Issuer Event of Default;

"**Issuer Event of Default**" has the meaning given to it in Condition 12 (a) (*Issuer Events of Default*);

"**Italian Account Bank**" means Unione di Banche Italiane S.p.A., in its capacity as Italian account bank pursuant to the Cash Allocation Management and Payments Agreement;

"**Liability Swap Agreements**" means the swap agreements entered on or about each Issue Date between the Guarantor and a liability swap provider;

"**Liability Swap Provider**" means any entity acting as liability swap provider to the Guarantor pursuant to a Liability Swap Agreement;

"**Loans**" means any Mortgage Loan (as defined in the Master Definitions Agreement) which is sold and assigned by each Seller to the Guarantor from time to time under the terms of the relevant Master Loans Purchase Agreement;

"**Mandate Agreement**" means the mandate agreement entered into on or about 30 July 2008 between the Representative of the Covered Bondholders and the Guarantor;

"**Margin**" has the meaning given in the relevant Final Terms;

"**Master Loans Purchase Agreement**" means each master loans purchase agreement entered into between the Guarantor and the relevant Seller;

"**Master Servicer**" means Unione di Banche Italiane S.p.A. in its capacity as such pursuant to the Master Servicing Agreement;

"**Master Servicing Agreement**" means the agreement entered into on 30 June 2008 between the Guarantor, the Issuer, the Master Servicer and the Sub-Servicer, as amended and supplemented from time to time;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Monte Titoli Account Holders**" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli (as *intermediari*) in accordance with Article 83-*quater* of Italian Legislative Decree No. 58 of 24 February 1998 and includes any depository banks appointed by the Relevant Clearing System;

"**Official Gazette**" means *La Gazzetta Ufficiale della Repubblica Italiana*;

"**Optional Redemption Amount (Call)** " means, in respect of any Series of Covered Bonds, the principal amount of such Series;

"**Optional Redemption Amount (Put)** " means, in respect of any Series of Covered Bonds, the principal amount of such Series;

"**Optional Redemption Date (Call)** " has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)** " has the meaning given in the relevant Final Terms;

"**Organisation of the Covered Bondholders**" means the association of the Covered Bondholders, organised pursuant to the Rules of the Organisation of the Covered Bondholders;

"**Other Creditors**" means the Sellers, the Master Servicer, the Sub-Servicer, the Representative of the Covered Bondholders, the Calculation Agent, the Guarantor Corporate Servicer, the Principal Paying Agent, the Italian Account Bank, the English Account Bank, the Asset Monitor the Swap Providers, the Swap Collateral Account Bank, the Registered Paying Agent and the Registrar, and any other creditors which may, from time to time, be identified as such in the context of the Programme;

"**Outstanding Principal Amount**" means, on any date in respect of any Series of Covered Bonds or, where applicable, in respect of all Series of Covered Bonds:

(i) the principal amount of such Series or, where applicable, all such Series upon issue; *minus*

(ii) the aggregate amount of all principal which has been repaid prior to such date in respect of such Series or, where applicable, all such Series and, solely for the purposes of Title II (*Meetings of the Covered Bondholders*) of the Rules of the Organisation of Covered Bondholders, the principal amount of any Covered Bonds in such Series of (where applicable) all such Series held by, or by any Person for the benefit of, the Issuer or the Guarantor;

"**Payment Business Day**" means a day on which banks in the relevant Place of Payment are open for payment of amounts due in respect of debt securities and for dealings in foreign currencies and any day which is:

(i) if the currency of payment is Euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

(ii) if the currency of payment is not Euro, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**Place of Payment**" means, in respect of any Covered Bondholders, the place at which such Covered Bondholder receives payment of interest or principal on the Covered Bonds;

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency *provided*, *however*, *that*:

(i) in relation to Euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Covered Bond Calculation Agent; and

(ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Covered Bond Calculation Agent;

"**Principal Paying Agent**" means The Bank of New York Mellon (Luxembourg) S.A., Italian Branch, acting in its capacity as Principal Paying Agent pursuant to the Cash Allocation, Management and Payments Agreement;

"**Priority of Payments**" means each of the Pre-Issuer Event of Default Interest Priority of Payments, the Pre-Issuer Event of Default Principal Priority of Payments, the Guarantee Priority of Payments and the Post-Enforcement Priority of Payments, each as set out and defined in the Intercreditor Agreement;

"**Programme Resolution**" has the meaning given in the Rules of the Organisation of Covered Bondholders attached to these Conditions;

"**Put Option Notice**" means a notice in the form attached to the Cash Allocation Management and Payments Agreement which must be delivered to the Principal Paying Agent by any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

"**Put Option Receipt**" means a receipt issued by the Principal Paying Agent to a depositing Covered Bondholder upon deposit of Covered Bonds with the Principal Paying Agent by any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

"**Quotaholders' Agreement**" means the agreement entered into on or about 30 July 2008 between Unione di Banche Italiane S.p.A., Stichting Mara as quotaholders of the Guarantor, the Representative of the Covered Bondholders and the Guarantor;

"**Rate of Interest**" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Series of Covered Bonds specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount;

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Covered Bond Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Price**" has the meaning given in the relevant Final Terms;

"**Reference Rate**" means Euribor or Libor, as determined in the relevant Final Terms;

"**Regular Period**" means:

(i) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Covered Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Relevant Clearing System**" means Euroclear and/or Clearstream, Luxembourg and/or any other clearing system (other than Monte Titoli) specified in the relevant Final Terms as a clearing system through which payments under the Covered Bonds may be made;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Covered Bondholders;

"**Relevant Dealer(s)**" means, in relation to a Tranche, the Dealer(s) which is/are party to any agreement (whether oral or in writing) entered into with the Issuer and the Guarantor for the issue by the Issuer and the subscription by such Dealer(s) of such Tranche pursuant to the Programme Agreement;

"**Relevant Financial Centre**" has the meaning given in the relevant Final Terms;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Security**" means the security created pursuant to the Deed of Pledge and the Deed of Charge;

"**Seller**" means any seller in its capacity as such pursuant to the relevant Master Loans Purchase Agreement;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" means with respect to the Principal Paying Agent, its Italian branch at Via Carducci, 31, 20123 Milan, Italy, with respect to the Guarantor Corporate Servicer Foro Buonaparte, 74, 20121 Milan, Italy, with respect to the Calculation Agent, Via Cefalonia, 74, 25124, Brescia, Italy, with respect to the English Account Bank, its London branch at One Canada Square, Canary Wharf, E14 5AL London, United Kingdom, and with respect to the Swap Collateral Account Bank, its London branch at 10 Harewood Avenue, London NW1 6AA, United Kingdom or, in each such case, such other address as it may specify in accordance with the provisions of the English Account Bank Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Statutory Tests**" means such tests provided for under article 3 of Decree 310 and namely: (i) the Nominal Value Test, (ii) the Net Present Value Test and (iii) the Interest Coverage Test, as further defined under clause 2 of the Cover Pool Management Agreement;

"**Subordinated Lender**" means each Seller, in its capacity as subordinated lender pursuant to the relevant Subordinated Loan Agreement and "**Subordinated Lenders**" means, collectively, all of them;

"**Subordinated Loan Agreement**" means each subordinated loan agreement entered into between a Subordinated Lender and the Guarantor;

"**Sub-Servicer**" means IW Bank S.p.A., in its capacity as sub-servicer pursuant to the Master Servicing Agreement;

"**Subsidiary**" has the meaning given to it in Article 2359 of the Italian Civil Code;

"**Swap Agreements**" means, collectively, the Asset Swap Agreement, each Liability Swap Agreement and any other swap agreement that may be entered into in connection with the Programme;

"**Swap Collateral Account Bank**" means BNP Paribas Securities Services, London Branch acting in its capacity as swap collateral account bank pursuant to the Cash Allocation Management and Payments Agreement and the English Account Bank Agreement or any such other depository institution as may be appointed as such in accordance with the Cash Allocation Management and Payments Agreement and the English Account Bank Agreement;

"**Swap Collateral Accounts**" means, collectively, any Swap Collateral Cash Account and any Swap Collateral Securities Account.

"**Swap Collateral Cash Account**" means the account IBAN No. GB29 PARB 6095 8870 2266 71 and any collateral account with respect to each Swap Provider, opened, in name and on behalf of the Guarantor, with the Swap Collateral Account Bank on which each Swap Collateral in the form of cash is and/or will be posted in accordance with the relevant Swap Agreement and the English Account Bank Agreement.

"**Swap Collateral Securities Account**" means the account No. 1040702266G and any collateral account (if any) related to each Swap Provider which may be opened, in name and on behalf of the Guarantor, with the Swap Collateral Account Bank on which the Swap Collateral in the form of securities may be posted in accordance with the relevant Swap Agreement.

"**Swap Providers**" means, collectively, the Asset Swap Providers, the Liability Swap Providers and the providers of any other swap agreements entered into in connection with the Programme;

"**TARGET 2 Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System is open;

"**Test Grace Period**" means the period starting from the Calculation Date on which the breach of a Test is notified by the Calculation Agent and ending on the immediately following Calculation Date;

"**Tests**" means collectively the Statutory Tests and the Amortisation Test;

"**Transaction Documents**" means each Master Loans Purchase Agreement, the Master Servicing Agreement, each Warranty and Indemnity Agreement, the Cash Allocation, Management and Payments Agreement, the Programme Agreement, each Subscription Agreement, the Cover Pool Management Agreement, the Intercreditor Agreement, each Subordinated Loan Agreement, the Asset Monitoring Agreement, the Covered Bond Guarantee, the Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, these Conditions, each Final Terms, the Deed of Charge, the Deed of Pledge, the English Account Bank Agreement, the Master Definitions Agreement, each N Covered Bond Certificate, each N Covered Bond Agreements, each N Covered Bond Assignment Agreement and the N Covered Bond Conditions, and any other agreement entered into from time to time in connection with the Programme;

"**Warranty and Indemnity Agreement**" means each warranty and indemnity agreement entered into between a Seller and the Guarantor;

(b) *Interpretation*

In these Conditions:

(i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 11 (Taxation), any premium payable in respect of a Series of Covered Bonds and any other amount in the nature of principal payable pursuant to these Conditions;

(ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (Taxation) and any other amount in the nature of interest payable pursuant to these Conditions;

(iii) if an expression is stated in Condition 2(a) (Definitions) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Covered Bonds;

(iv) any reference to a Transaction Document shall be construed as a reference to such Transaction Document, as amended and/or supplemented up to and including the Issue Date of the relevant Covered Bonds;

(v) any reference to a party to a Transaction Document (other than the Issuer and the Guarantor) shall, where the context permits, include any Person who, in accordance with the terms of such Transaction Document, becomes a party thereto subsequent to the date thereof, whether by appointment as a successor to an existing party or by appointment or otherwise as an additional party to such document and whether in respect of the Programme generally or in respect of a single Tranche only; and

(vi) any reference in any legislation (whether primary legislation or regulations or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended or re-enacted.

3. **Form, Denomination and Title**

The Covered Bonds are in the Specified Denomination(s), which may include a minimum denomination and higher integral multiples of a smaller amount, in each case as specified in the relevant Final Terms. The Covered Bonds will at all times be evidenced by, and title thereto will be transferable by means of, book entries in accordance with the provisions of Article 83-*bis* of Italian Legislative Decree No. 58 of 24 February 1998 and the joint regulation of CONSOB and the Bank of Italy dated 22 February 2008 and published in the Official Gazette No. 54 of 4 March 2008, as amended and supplemented from time to time. The Covered Bonds will be held by Monte Titoli on behalf of the Covered Bondholders until redemption or cancellation thereof for the account of the relevant Monte Titoli Account Holder. No physical documents of title will be issued in respect of the Covered Bonds. The rights and powers of the Covered Bondholders may only be exercised in accordance with the Rules of the Organisation of the Covered Bondholders.

4. **Status and Guarantee**

(a) ***Status of the Covered Bonds***

The Covered Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* without preference among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding. In the event of a compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, any funds realised and payable to the Covered Bondholders will be collected by the Guarantor on their behalf.

(b) ***Status of the Covered Bond Guarantee***

The payment of Guaranteed Amounts in respect of each Series of Covered Bonds when due for payment will be unconditionally and irrevocably guaranteed by the Guarantor in the Covered Bond Guarantee.

(c) ***Priority of Payments***

Amounts due from the Issuer pursuant to these Conditions or from the Guarantor pursuant to the Covered Bond Guarantee shall be paid in accordance with the Priority of Payments, as set out in the Intercreditor Agreement.

5. **Fixed Rate Provisions**

(a) *Application*

This Condition 5 is applicable to the Covered Bonds only if the Fixed Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*

The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount*

The amount of interest payable in respect of each Covered Bond for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Covered Bonds are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount*

The amount of interest payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub unit of the Specified Currency (half a sub unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent.

6. **Floating Rate**

(a) *Application*

This Condition 6 is applicable to the Covered Bonds only if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest*

The Covered Bonds bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Covered Bond will cease to bear interest from the due date for final redemption unless payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Covered Bond up to that day are received by or on behalf of the relevant Covered

Bondholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Covered Bondholders that it has received all sums due in respect of the Covered Bonds up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Screen Rate Determination*

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for each Interest Period will be determined by the Covered Bond Calculation Agent on the following basis:

(i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Covered Bond Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(ii) in any other case, the Covered Bond Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Covered Bond Calculation Agent will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Covered Bond Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Covered Bond Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Covered Bond Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided*, *however*, *that* if the Covered Bond Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Covered Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Covered Bonds in respect of a preceding Interest Period.

(d) *ISDA Determination*

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Covered Bonds for

each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Covered Bond Calculation Agent under an interest rate swap transaction if the Covered Bond Calculation Agent were acting as Covered Bond Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(vii) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(viii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(ix) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London interbank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) *Maximum or Minimum Rate of Interest*

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Calculation of Interest Amount*

The Covered Bond Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Covered Bond for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub unit of the Specified Currency (half a sub unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Covered Bond divided by the Calculation Amount. For this purpose a "**sub unit**" means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent.

(g) *Calculation of other amounts*

If the relevant Final Terms specifies that any other amount is to be calculated by the Covered Bond Calculation Agent, then the Covered Bond Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Covered Bond Calculation Agent in the manner specified in the relevant Final Terms.

(h) *Publication*

The Covered Bond Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Principal Paying Agent and each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/ or quotation as soon as practicable after such determination but (in the case of each Rate of

Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Covered Bondholders. The Covered Bond Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Covered Bond Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination.

(i) *Notifications etc*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Covered Bond Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Covered Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Covered Bond Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

7. [*This paragraph intentionally left blank*]

8. [*This paragraph intentionally left blank*]

9. **Redemption and Purchase**

(a) *Scheduled redemption*

Unless previously redeemed or purchased and cancelled in accordance with the Conditions and the relevant Final Terms, the Covered Bonds will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in this Condition 9 (*Redemption and Purchase*) and Condition 10 (*Payments*).

(b) *Extension of maturity*

If an Extended Maturity Date is specified as applicable in the relevant Final Terms for a Series of Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Maturity Date specified in the relevant Final Terms and the Guarantor or the Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the Extension Determination Date, then (subject as provided below), payment of the unpaid amount by the Guarantor under the Covered Bond Guarantee shall be deferred until the Extended Maturity Date *provided that* any amount representing the Final Redemption Amount due and remaining after the Extension Determination Date may be paid by the Guarantor on any Interest Payment Date thereafter up to (and including) the relevant Extended Maturity Date.

The Issuer shall confirm to the Principal Paying Agent as soon as reasonably practicable and in any event at least four Business Days prior to the Maturity Date as to whether payment will or will not be made in full of the Final Redemption Amount in respect of the Covered Bonds on that Maturity Date. Any failure by the Issuer to notify the Principal Paying Agent shall not affect the validity or effectiveness of the extension.

The Guarantor shall notify the relevant holders of the Covered Bonds (in accordance with Condition 18 (*Notices*), any relevant Swap Provider(s), the Rating Agencies, the Representative of

the Covered Bondholders and the Principal Paying Agent as soon as reasonably practicable and in any event at least six Business Days prior to the Maturity Date of any inability of the Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of the Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party. xxx

In the circumstances outlined above, the Guarantor shall on the Extension Determination Date, pursuant to the Covered Bond Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priority of Payments) *pro rata* in partial payment of an amount equal to the Final Redemption Amount in respect of the Covered Bonds and shall pay Guaranteed Amounts constituting interest in respect of each such Covered Bond on such date. The obligation of the Guarantor to pay any amount in respect of the balance of the Final Redemption Amount not so paid shall be deferred as described above.

Interest will continue to accrue on any unpaid amount and be payable on each Interest Payment Date during such extended period up to (and including) the Extended Maturity Date or, if earlier, the Interest Payment Date on which the Final Redemption Amount is paid in full.

(c) *Redemption for tax reasons*

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable); or

(ii) on any Interest Payment Date (if the Floating Rate Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Covered Bondholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

(A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Covered Bonds; and

(B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, *however*, *that* no such notice of redemption shall be given earlier than:

(1) where the Covered Bonds may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due; or

(2) where the Covered Bonds may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on

which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Covered Bonds were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Principal Paying Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 9(c), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 9(c).

(d) *Redemption at the option of the Issuer*

If the Call Option is specified in the relevant Final Terms as being applicable, the Covered Bonds may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more than 30 days' notice to the Covered Bondholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Covered Bonds on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(e) *Partial redemption and instalment redemption*

If the Covered Bonds are to be redeemed in part only on any date in accordance with Condition 9(d) (*Redemption at the option of the Issuer*) or if they are redeemed in instalments pursuant to the relevant Final Terms and the Conditions, the Covered Bonds to be redeemed in part or in instalments shall be redeemed in the principal amount specified by the Issuer and the Covered Bonds will be so redeemed in accordance with the rules and procedures of Monte Titoli and/or any other Relevant Clearing System (to be reflected in the records of such clearing systems as a pool factor or a reduction in principal amount, at their discretion), subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Covered Bonds have then been admitted to listing, trading and/or quotation. The notice to Covered Bondholders referred to in Condition 9(d) (*Redemption at the option of the Issuer*) shall specify the proportion of the Covered Bonds so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(f) *Redemption at the option of Covered Bondholders*

If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of any Covered Bondholder redeem such Covered Bonds held by it on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(f), the Covered Bondholder must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put), deposit with the Principal Paying Agent a duly completed Put Option Notice (which notice shall be irrevocable) in the form obtainable from the Principal Paying Agent. The Principal Paying Agent shall deliver a duly completed Put Option Receipt to the depositing Covered Bondholder. Once deposited in accordance with this Condition 9(f), no duly completed Put Option Notice, may be withdrawn; *provided*, *however*, *that* if, prior to the relevant Optional Redemption Date (Put), any Covered

Bonds become immediately due and payable or, upon due presentation of any such Covered Bonds on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the Principal Paying Agent shall mail notification thereof to the Covered Bondholder at such address as may have been given by such Covered Bondholder in the relevant Put Option Notice and shall hold such Covered Bond against surrender of the relevant Put Option Receipt. For so long as any outstanding Covered Bonds are held by the Principal Paying Agent in accordance with this Condition 9(f), the Covered Bondholder and not the Principal Paying Agent shall be deemed to be the holder of such Covered Bonds for all purposes.

(g) *No other redemption*

The Issuer shall not be entitled to redeem the Covered Bonds otherwise than as provided in this Condition 9 and as specified in the relevant Final Terms.

(h) *Purchase*

The Issuer or any of its Subsidiaries (other than the Guarantor) may at any time purchase Covered Bonds in the open market or otherwise and at any price and any Covered Bonds so purchased may be held or resold or may be surrendered in accordance with Condition 9(i) (Cancellation). The Guarantor shall not purchase any Covered Bonds at any time.

(i) *Cancellation*

All Covered Bonds so redeemed or purchased by the Issuer or any such Subsidiary and subsequently surrendered for cancellation shall be cancelled and may not be reissued or resold.

(j) *Extension of principal instalments*

If Extended Instalment Date is specified as applicable in the relevant Final Terms for a Series of Covered Bonds whose principal is payable in instalments and the Issuer has failed to pay a Covered Bond Instalment Amount on the applicable Covered Bond Instalment Date specified in the relevant Final Terms and the Guarantor or the Calculation Agent on its behalf determines that the Guarantor has insufficient moneys available under the relevant Priority of Payments to pay the Guaranteed Amounts corresponding to such Covered Bond Instalment Amount in full on the applicable Covered Bond Instalment Extension Determination Date, then (subject as provided below), payment by the Guarantor under the Covered Bond Guarantee of each of (a) such Covered Bond Instalment Amount and (b) all subsequently due and payable Covered Bond Instalment Amounts shall be deferred until the Interest Payment Date falling one year or the other period specified in the Final Terms after the date on which it was previously due *provided that* no Covered Bond Instalment Amount may be deferred to a date falling after the Extended Maturity Date for the relevant Series.

The Issuer shall confirm to the Principal Paying Agent as soon as reasonably practicable and in any event at least four Business Days prior to the applicable Covered Bond Instalment Date as to whether payment will or will not be made in full of the relevant Covered Bond Instalment Amount on its Covered Bond Instalment Date. Any failure by the Issuer to notify the Principal Paying Agent shall not affect the validity or effectiveness of the extension.

The Guarantor shall notify the relevant holders of the Covered Bonds (in accordance with Condition 18 (*Notices*), any relevant Swap Provider(s), the Rating Agencies, the Representative of the Covered Bondholders and the Principal Paying Agent as soon as reasonably practicable and in any event at least six Business Days prior to a Covered Bond Instalment Date of any inability

of the Guarantor to pay in full the Guaranteed Amounts corresponding to the relevant Covered Bond Instalment Amount pursuant to the Covered Bond Guarantee. Any failure by the Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party.

In the circumstances outlined above, the Guarantor shall on each Interest Payment Date following the applicable Covered Bond Instalment Extension Determination Date until the applicable Extended Instalment Date, pursuant to the Covered Bond Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the relevant Priority of Payments) *pro rata* towards payment of an amount equal to the relevant Covered Bond Instalment Amount together with interest accrued thereon up to (and including) such date.

Interest will continue to accrue on any unpaid amount during such extended period and shall be payable on each Interest Payment Date from the relevant Covered Bond Instalment Date until the Extended Instalment Date or, if earlier, the date on which the deferred Covered Bond Instalment Amount is paid in full.

Failure by the Issuer to pay the Covered Bond Instalment Amount on its Covered Bond Instalment Date will (subject to any applicable grace period) be an Issuer Event of Default. Failure by the Guarantor to pay the deferred Covered Bond Instalment Amount on the related Extended Instalment Date will (subject to any applicable grace period) be a Guarantor Event of Default.

10. **Payments**

(a) ***Payments through clearing systems***

Payment of interest and repayment of principal in respect of the Covered Bonds will be credited, in accordance with the instructions of Monte Titoli, by the Principal Paying Agent on behalf of the Issuer or the Guarantor (as the case may be) to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Covered Bonds and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Covered Bonds or through the Relevant Clearing Systems to the accounts with the Relevant Clearing Systems of the beneficial owners of those Covered Bonds, in accordance with the rules and procedures of Monte Titoli and of the Relevant Clearing Systems, as the case may be.

(b) ***Payments subject to fiscal laws***

All payments in respect of the Covered Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*). No commissions or expenses shall be charged to Covered Bondholders in respect of such payments.

(c) ***Payments on business days***

If the due date for payment of any amount in respect of any Covered Bond is not a Payment Business Day in the Place of Payment, the Covered Bondholder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

11. **Taxation**

(a) *Gross up by Issuer*

All payments of principal and interest in respect of the Covered Bonds by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed (i) by or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, or (ii) pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof or pursuant to the provisions of the intergovernmental agreement entered into by and between Italy and the United States on 10 January 2014, ratified by way of Law No. 95 on 18 June 2015, published in the Official Gazette – general series No. 155, on 7 July 2015 ("**FATCA**") unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law (including pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to FATCA). In that event, the Issuer shall pay such additional amounts as will result in receipt by the Covered Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Covered Bond:

(i) in respect of any payment or deduction of any interest or principal on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Decree 239 with respect to any Covered Bonds and in all circumstances in which the procedures set forth in Decree 239 have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

(ii) held by or on behalf of a Covered Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Covered Bonds by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Covered Bonds; or

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law or agreement implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) presented for payment by or on behalf of a Covered Bondholder which would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond to another Paying Agent in a Member State of the European Union; or

(v) where such withholding is required by FATCA.

(b) *Taxing jurisdiction*

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction. For the purposes of this paragraph (b), the Issuer will not be considered to become subject to the taxing jurisdiction of the United States

should the Issuer be required to withhold amounts in respect any withholding tax imposed by the United States on any payments the Issuer makes.

(c) *No Gross-up by the Guarantor*

If withholding of, or deduction of any present or future taxes, duties, assessments or charges of whatever nature is imposed by or on behalf of Italy, any authority therein or thereof having power to tax, the Guarantor will make the required withholding or deduction of such taxes, duties, assessments or charges for the account of the Covered Bondholders, as the case may be, and shall not be obliged to pay any additional amounts to the Covered Bondholders.

12. **Events of Default**

(a) *Issuer Events of Default:*

If any of the following events (each, an "**Issuer Event of Default**") occurs and is continuing:

(i) *Non-payment*: the Issuer fails to pay any amount of interest and/or principal due and payable on any Series of Covered Bonds at their relevant Interest Payment Date and such breach is not remedied within the next 15 Business Days, in case of amounts of interest, or 20 Business Days, in case of amounts of principal, as the case may be; or

(ii) *Breach of other obligation*: a breach of any obligation under the Transaction Documents by the Issuer occurs which is not remedied within 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Issuer; or

(iii) *Cross-default*: any of the events described in paragraphs (i) to (ii) above occurs in respect of any other Series of Covered Bonds; or

(iv) *Insolvency*: an Insolvency Event occurs with respect to the Issuer; or

(v) *Article 74 resolution*: a resolution pursuant to article 74 of the Consolidated Banking Act is issued in respect of the Issuer; or

(vi) *Cessation of business*: the Issuer ceases to carry on its primary business; or

(vii) *Breach of Tests*: the Tests are breached and are not remedied within the Test Grace Period,

then the Representative of the Covered Bondholders shall serve an Issuer Default Notice on the Issuer and the Guarantor demanding payment under the Covered Bond Guarantee, and specifying, in case of the Issuer Event of Default referred to under item (v) (*Article 74 resolution*) above, that the Issuer Event of Default may be temporary.

(b) *Effect of an Issuer Default Notice:*

Upon service of an Issuer Default Notice upon the Issuer and the Guarantor:

(i) *No further Series of Covered Bonds*: the Issuer may not issue any further Series of Covered Bonds;

(ii) *Covered Bond Guarantee:*

(a) interest and principal falling due on the Covered Bonds will be payable by the Guarantor at the time and in the manner provided under these Conditions,

subject to and in accordance with the terms of the Covered Bond Guarantee and the Priority of Payments;

(b) the Guarantor (or the Representative of the Covered Bondholders pursuant to the Intercreditor Agreement) shall be entitled to request from the Issuer an amount up to the Guaranteed Amounts and any sum so received or recovered from the Issuer will be used to make payments in accordance with the Covered Bond Guarantee;

(c) if (i) the right of the Guarantor under Condition 12(b)(ii)(b) is in any way challenged or revoked and (ii) a Programme Resolution of the Covered Bondholders has been passed to this effect, the Covered Bonds will become immediately due and payable by the Issuer, at their Early Termination Amount together with accrued interest thereon and the Guarantor will no longer be entitled to request from the Issuer the amount set out under Condition 12(b)(ii)(b);

(iii) *Disposal of Assets*: the Guarantor shall sell the Eligible Assets and Top-Up Assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement,

provided that, in case of the Issuer Event of Default referred to under item (v) (*Article 74 resolution*) above, the effects listed in items (i) (*No further Series of Covered Bonds*), (ii) (*Covered Bond Guarantee*) and (iii) (*Disposal of Assets)* above will only apply for as long as the suspension of payments pursuant to Article 74 of the Consolidated Banking Act will be in force and effect (the "**Suspension Period**"). Accordingly (A) the Guarantor, in accordance with Decree 310, shall be responsible for the payments of the amounts due and payable under the Covered Bonds during the Suspension Period and (B) at the end of the Suspension Period, the Issuer shall be again responsible for meeting the payment obligations under the Covered Bonds.

(c) ***Guarantor Events of Default:***

If any of the following events (each, a "**Guarantor Event of Default**") occurs and is continuing:

(i) *Non-payment*: following delivery of an Issuer Default Notice, the Guarantor fails to pay any interest and/or principal due and payable under the Covered Bond Guarantee and such breach is not remedied within the next following 15 Business Days, in case of amounts of interests, or 20 Business Days, in case of amounts of principal, as the case may be; or

(ii) *Insolvency*: an Insolvency Event occurs with respect to the Guarantor; or

(iii) *Breach of other obligation*: a breach of any obligation under the Transaction Documents by the Guarantor occurs (other than payment obligations referred to in Condition 12(c)(i) which is not remedied within 30 days after the Representative of the Covered Bondholders has given written notice thereof to the Guarantor; or

(iv) *Breach of Amortisation Test*: the Amortisation Test is breached and is not remedied within the Test Grace Period; or

(v) *Invalidity of the Covered Bond Guarantee*: the Covered Bond Guarantee is not in full force and effect or it is claimed by the Guarantor not to be in full force and effect,

then the Representative of the Covered Bondholders shall or, in the case of the Guarantor Event of Default under Condition 12(c)(iii) (*Breach of other obligation*) shall, if so directed by a Programme Resolution, serve a Guarantor Default Notice on the Guarantor.

(d) *Effect of a Guarantor Default Notice:*

Upon service of a Guarantor Default Notice upon the Guarantor:

(i) *Acceleration of Covered Bonds*: the Covered Bonds shall become immediately due and payable at their Early Termination Amount together, if appropriate, with any accrued interest;

(ii) Covered Bond Guarantee: subject to and in accordance with the terms of the Covered Bond Guarantee, the Representative of the Covered Bondholders, on behalf of the Covered Bondholders, shall have a claim against the Guarantor for an amount equal to the Early Termination Amount, together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 11(a) (*Gross up by Issuer*) in accordance with the Priority of Payments;

(iii) *Disposal of assets*: the Guarantor shall immediately sell all assets included in the Cover Pool in accordance with the provisions of the Cover Pool Management Agreement; and

(iv) *Enforcement*: the Representative of the Covered Bondholders may, at its discretion and without further notice subject to having been indemnified and/or secured to its satisfaction, take such steps and/or institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce such payments, but it shall not be bound to take any such proceedings or steps unless requested or authorised by a Programme Resolution of the Covered Bondholders.

(e) *Determinations, etc*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 12 by the Representative of the Covered Bondholders shall (in the absence of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*)) be binding on the Issuer, the Guarantor and all Covered Bondholders and (in such absence as aforesaid) no liability to the Covered Bondholders, the Issuer or the Guarantor shall attach to the Representative of the Covered Bondholders in connection with the exercise or non-exercise by it of its powers, duties and discretions hereunder.

13. **Prescription**

Claims for payment under the Covered Bonds shall become void unless made within ten years (in respect of principal) or five years (in respect of interest) from the due date thereof.

14. **Representative of the Covered Bondholders**

(a) *Organisation of the Covered Bondholders*

The Organisation of the Covered Bondholders shall be established upon, and by virtue of, the issuance of the first Series of Covered Bonds under the Programme and shall remain in force and in effect until repayment in full or cancellation of the Covered Bonds of any Series. Pursuant to the Rules of the Organisation of the Covered Bondholders, for as long as the Covered Bonds are outstanding, there shall at all times be a Representative of the Covered Bondholders. The appointment of the Representative of the Covered Bondholders as legal representative of the

Organisation of the Covered Bondholders is made by the Covered Bondholders subject to and in accordance with the Rules of the Organisation of the Covered Bondholders.

(b) *Initial appointment*

In the Programme Agreement, the Relevant Dealer(s) has or have appointed the Representative of the Covered Bondholders to perform the activities described in the Programme Agreement, in these Conditions (including the Rules of the Organisation of Covered Bondholders), in the Intercreditor Agreement and in the other Transaction Documents, and the Representative of the Covered Bondholders has accepted such appointment for the period commencing on the Issue Date of the first Series of Covered Bonds and ending (subject to early termination of its appointment) on the date on which all of the Covered Bonds have been cancelled or redeemed in accordance with these Conditions and the relevant Final Terms.

(c) *Acknowledgment by Covered Bondholders*

Each Covered Bondholder, by reason of holding Covered Bonds:

(i) recognises the Representative of the Covered Bondholders as its representative and (to the fullest extent permitted by law) agrees to be bound by any agreement entered into from time to time by the Representative of the Covered Bondholders in such capacity as if such Covered Bondholder were a signatory thereto; and

(ii) acknowledges and accepts that the Relevant Dealer(s) shall not be liable in respect of any loss, liability, claim, expenses or damage suffered or incurred by any of the Covered Bondholders as a result of the performance by the Representative of the Covered Bondholders of its duties or the exercise of any of its rights under the Transaction Documents.

15. **Agents**

In acting under the Cash Allocation Management and Payments Agreement and in connection with the Covered Bonds, the Principal Paying Agent acts solely as an agent of the Issuer and, following service of an Issuer Default Notice or a Guarantor Default Notice, as an agent of the Guarantor and does not assume any obligations towards or relationship of agency or trust for or with any of the Covered Bondholders.

The Principal Paying Agent and its initial Specified Offices are set out in these Conditions. The Covered Bond Calculation Agent (if not the Principal Paying Agent) is specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint a successor principal paying agent or Covered Bond Calculation Agent; *provided*, *however*, *that*:

(i) the Issuer and the Guarantor shall at all times maintain a principal paying agent; and

(ii) the Issuer and the Guarantor shall at all times procure that the Principal Paying Agent operates in an EU member state such that it will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000; and

(iii) if a Covered Bond Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor shall at all times maintain a Covered Bond Calculation Agent; and

(iv) if and for so long as the Covered Bonds are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a paying agent in any particular place, the Issuer and the Guarantor shall maintain a paying agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in the Principal Paying Agent or in its Specified Offices shall promptly be given to the Covered Bondholders.

16. **Further Issues**

The Issuer may from time to time, without the consent of the Covered Bondholders, create and issue further Covered Bonds having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Covered Bonds.

17. **Limited Recourse and Non Petition**

(a) ***Limited Recourse***

The obligations of the Guarantor under the Covered Bond Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under the Securitisation and Covered Bond Law, Decree 310 and the Bank of Italy Regulations. The recourse of the Covered Bondholders to the Guarantor under the Covered Bond Guarantee will be limited to the assets comprised in the Cover Pool subject to, and in accordance with, the relevant Priority of Payments pursuant to which specified payments will be made to other parties prior to payments to the Covered Bondholders.

(b) ***Non Petition***

Only the Representative of the Covered Bondholders may pursue the remedies available under the general law or under the Transaction Documents to obtain payment of the Guaranteed Amounts or enforce the Covered Bond Guarantee and/or the Security and no Covered Bondholder shall be entitled to proceed directly against the Guarantor to obtain payment of the Guaranteed Amounts or to enforce the Covered Bond Guarantee and/or the Security. In particular:

(i) no Covered Bondholder (nor any person on its behalf) is entitled, otherwise than as permitted by the Transaction Documents, to direct the Representative of the Covered Bondholders to enforce the Covered Bond Guarantee and/or the Security or (except for the Representative of the Covered Bondholders) take any proceedings against the Guarantor to enforce the Covered Bond Guarantee and/or the Security;

(ii) no Covered Bondholder (nor any person on its behalf, other than the Representative of the Covered Bondholders, where appropriate) shall, save as expressly permitted by the Transaction Documents, have the right to take or join any person in taking any steps against the Guarantor for the purpose of obtaining payment of any amount due from the Guarantor;

(iii) at least until the date falling one year and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Final Terms together with any payments payable in priority or *pari passu* thereto, no Covered Bondholder (nor any person on its

behalf, other than the Representative of the Covered Bondholders) shall initiate or join any person in initiating an Insolvency Event in relation to the Guarantor; and

(iv) no Covered Bondholder shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priorities of Payments not being complied with.

18. **Notices**

(a) ***Notices given through Monte Titoli***

Any notice regarding the Covered Bonds, as long as the Covered Bonds are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli.

(b) ***Other publication***

The Representative of the Covered Bondholders shall be at liberty to sanction any other method of giving notice to Covered Bondholders if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the competent authority, stock exchange and/or quotation system by which the Covered Bonds are then admitted to trading and *provided that* notice of such other method is given to the holders of the Covered Bonds in such manner as the Representative of the Covered Bondholders shall require.

19. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. **Governing Law and Jurisdiction**

(a) ***Governing law***

These Covered Bonds and any non-contractual obligations arising out of, or in connection, thereof are governed by Italian law. All other Transaction Documents and any non-contractual obligations arising out of, or in connection, thereof are governed by Italian law, save for the Deed of Charge, the English Account Bank Agreement and the Swap Agreements, which are governed by English law.

(b) ***Jurisdiction***

The courts of Milan have exclusive competence for the resolution of any dispute that may arise in relation to the Covered Bonds or their validity, interpretation or performance.

(c) *Relevant legislation*

Anything not expressly provided for in these Conditions will be governed by the provisions of the Securitisation and Covered Bond Law and, if applicable, Article 58 of the Consolidated Banking Law, the Bank of Italy Regulations and Decree No. 310.

RULES OF THE ORGANISATION OF THE COVERED BONDHOLDERS

TITLE I

GENERAL PROVISIONS

1. GENERAL

1.1 The Organisation of the Covered Bondholders in respect of all Covered Bonds of whatever Series issued under the Programme by Unione di Banche Italiane S.p.A. is created concurrently with the issue and subscription of the Covered Bonds of the first Series to be issued and is governed by these Rules of the Organisation of the Covered Bondholders ("**Rules**").

1.2 These Rules shall remain in force and effect until full repayment or cancellation of all the Covered Bonds of whatever Series.

1.3 The contents of these Rules are deemed to be an integral part of the Terms and Conditions of the Covered Bonds (the "**Conditions**") of each Series issued by the Issuer.

2. DEFINITIONS AND INTERPRETATION

2.1 *Definitions*

In these Rules, the terms below shall have the following meanings:

"**Block Voting Instruction**" means, in relation to a Meeting, a document issued by the Principal Paying Agent or by a Registrar, as the case may be:

(a) in case of Covered Bond issued in a dematerialized form, certifying that specified Covered Bonds are held to the order of the Principal Paying Agent or under its control or have been blocked in an account with a clearing system and will not be released until a the earlier of:

(i) a specified date which falls after the conclusion of the Meeting; and

(ii) the relevant Covered Bonds ceasing with the agreement of the Principal Paying Agent to be held to its order or under its control or so blocked and notification of the release thereof by the Principal Paying Agent to the Issuer and Representative of the Covered Bondholders;

(b) in case of N Covered Bonds and Covered Bonds issued in registered form, certifying that specified Covered Bonds have been blocked with the Registrar and will not be released until the conclusion of the Meeting;

(c) certifying that the Holder, or the registered Holder in case of N Covered Bonds or Covered Bonds issued in registered form, of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the Principal Paying Agent or Registrar that the votes attributable to such Covered Bonds are to be cast in a particular way on each resolution to be put to the Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked;

(d) listing the aggregate principal amount of such specified Blocked Covered Bonds, distinguishing between those amounts in respect of which instructions have been given to vote for, and against, each resolution; and

(e) authorising a named individual to vote in accordance with such instructions;

"**Blocked Covered Bonds**" means (i) Covered Bonds which have been blocked in an account with a clearing system or otherwise are held to the order of or under the control of the Principal Paying Agent, or (ii) in case of N Covered Bonds and Covered Bonds issued in registered form, such Covered Bonds which have been blocked with the Registrar, for the purpose of obtaining from the Principal Paying Agent and/or the Registrar a Block Voting Instruction or a Voting Certificate on terms that they will not be released until after the conclusion of the Meeting in respect of which the Block Voting Instruction or Voting Certificate is required;

"**Chairman**" means, in relation to any Meeting, the person who takes the chair in accordance with Article 8 (*Chairman of the Meeting*);

"**Cover Pool**" has the meaning given to it in the Master Definitions Agreement;

"**DBRS**" means (i) for the purpose of identifying the entity which has assigned the credit rating to the Covered Bonds, DBRS Ratings Limited, and (ii) in any other case, any entity of DBRS Ratings Limited which is either registered or not under the CRA Regulation, as it appears from the last available list published by European Securities and Markets Authority (ESMA) on the ESMA website.

"**Event of Default**" means an Issuer Event of Default or a Guarantor Event of Default;

"**Extraordinary Resolution**" means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of not less than three quarters of the votes cast or, in the case of a resolution pursuant to Condition 12(b)(ii)(c) (*Effect of an Issuer Default Notice – Covered Bond Guarantee*), by a majority of not less than 50 per cent. of the Outstanding Principal Amount of the Covered Bonds of the relevant Series then outstanding;

"**Holder**" or "**holder**" means in respect of Covered Bonds, the ultimate owner of such Covered Bonds and, in respect of the Covered Bonds issued in registered form and N Covered Bonds, the ultimate registered owner of such Covered Bonds as set out in the Register;

"**Liabilities**" means losses, liabilities, inconvenience, costs, expenses, damages, claims, actions or demands;

"**Meeting**" means a meeting of Covered Bondholders (whether originally convened or resumed following an adjournment);

"**Monte Titoli Account Holder**" means any authorised financial intermediary institution entitled to hold accounts on behalf of its customers with Monte Titoli (as *intermediari aderenti*) in accordance with Article 83-*quarter* of Italian Legislative Decree No. 58 of 24 February 1998 and includes any depository banks appointed by the Relevant Clearing System;

"**Moody's**" means Moody's Investors Service Limited;

"**Ordinary Resolution**" means any resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules by a majority of more than 50 per cent. of the votes cast;

"**Programme Resolution**" means an Extraordinary Resolution passed at a single meeting of the Covered Bondholders of all Series, duly convened and held in accordance with the provisions contained in these Rules (ii) to direct the Representative of the Covered Bondholders to take

action pursuant to Condition 12(b)(ii)(c) (*Effect of an Issuer Default Notice – Covered Bond Guarantee*), Condition 12(c)(iii) (*Guarantor Event of Default – Breach of other obligation*) or Condition 12(d)(iv) (*Guarantor Event of Default – Enforcement*) or to appoint or remove the Representative of the Covered Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*); or (ii) to direct the Representative of the Covered Bondholders to take other action stipulated in the Conditions or the Transaction Documents as requiring a Programme Resolution.

"**Proxy**" means a person appointed to vote under a Voting Certificate as a proxy or a person appointed to vote under a Block Voting Instruction, in each case other than:

(f) any person whose appointment has been revoked and in relation to whom the Principal Paying Agent or, the Registrar or, in the case of a proxy appointed under a Voting Certificate, the Issuer has been notified in writing of such revocation by the time which is 48 hours before the time fixed for the relevant Meeting; and

(g) any person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been reappointed to vote at the Meeting when it is resumed;

"**Rating Agencies**" means DBRS and Moody's and each of them is a "**Rating Agency**";

"**Resolutions**" means the Ordinary Resolutions, the Extraordinary Resolutions and the Programme Resolutions, collectively;

"**Swap Rate**" means, in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in any Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if there is no exchange rate specified or if the Swap Agreement has terminated, the applicable spot rate;

"**Transaction Party**" means any person who is a party to a Transaction Document;

"**Voter**" means, in relation to a Meeting, the Holder or a Proxy named in a Voting Certificate, the bearer of a Voting Certificate issued by the Principal Paying Agent or by a Registrar or a Proxy named in a Block Voting Instruction;

"**Voting Certificate**" means, in relation to any Meeting:

(h) a certificate issued by a Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time; or

(i) a certificate issued by the Principal Paying Agent or by the Registrar stating:

(iii) that Blocked Covered Bonds will not be released until the earlier of:

(A) specified date which falls after the conclusion of the Meeting; and

(B) the surrender of such certificate to the Principal Paying Agent or the Registrar; and

(iv) the bearer of the certificate is entitled to attend and vote at such Meeting in respect of such Blocked Covered Bonds;

"**Written Resolution**" means a resolution in writing signed by or on behalf of one or more persons being or representing the holders of at least 75 per cent of the Outstanding Principal

Amount of the Covered Bonds for the time being outstanding, the holders of which at any relevant time are entitled to participate in a Meeting in accordance with the provisions of these Rules, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of such Covered Bondholders;

"**24 hours**" means a period of 24 hours including all or part of a day on which banks are open for business both in the place where any relevant Meeting is to be held and the places where the Principal Paying Agent has its Specified Office; and

"**48 hours**" means two consecutive periods of 24 hours.

Unless otherwise provided in these Rules, or unless the context requires otherwise, words and expressions used in these Rules shall have the meanings and the construction ascribed to them in the Conditions to which these Rules are attached.

2.2 *Interpretation*

In these Rules:

2.2.1 any reference herein to an "**Article**" shall, except where expressly provided to the contrary, be a reference to an article of these Rules of the Organisation of the Covered Bondholders;

2.2.2 a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred; and

2.2.3 any reference to any Transaction Party shall be construed so as to include its and any subsequent successors and transferees in accordance with their respective interests.

2.3 *Separate Series*

Subject to the provisions of the next sentence, the Covered Bonds of each Series shall form a separate Series of Covered Bonds and accordingly, unless for any purpose the Representative of the Covered Bondholders in its absolute discretion shall otherwise determine, the provisions of this sentence and of Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 35 (*Powers to Act on behalf of the Guarantor*) shall apply *mutatis mutandis* separately and independently to the Covered Bonds of each Series. However, for the purposes of this Clause 2.3:

2.3.1 Articles 26 (*Appointment, Removal and Resignation*) and 27 (*Resignation of the Representative of the Covered Bondholders*); and

2.3.2 insofar as they relate to a Programme Resolution, Articles 3 (*Purpose of the Organisation*) to 25 (*Meetings and Separate Series*) and 28 (*Duties and Powers of the Representative of the Covered Bondholders*) to 35 (*Powers to Act on behalf of the Guarantor*),

the Covered Bonds shall be deemed to constitute a single Series and the provisions of such Articles shall apply to all the Covered Bonds together as if they constituted a single Series and,

in such Articles, the expressions "**Covered Bonds**" and "**Covered Bondholders**" shall be construed accordingly.

3. PURPOSE OF THE ORGANISATION

3.1 Each Covered Bondholder, whatever Series of the Covered Bonds he holds, is a member of the Organisation of the Covered Bondholders.

3.2 The purpose of the Organisation of the Covered Bondholders is to co-ordinate the exercise of the rights of the Covered Bondholders and, more generally, to take any action necessary or desirable to protect the interest of the Covered Bondholders.

TITLE II

MEETINGS OF THE COVERED BONDHOLDERS

4. VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS

4.1 A Covered Bondholder may obtain a Voting Certificate in respect of a Meeting by requesting its Monte Titoli Account Holder to issue a certificate in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time; or

4.2 A Covered Bondholder may also obtain a Voting Certificate from the Principal Paying Agent or require the Principal Paying Agent to issue a Block Voting Instruction by arranging for Covered Bonds to be (to the satisfaction of the Principal Paying Agent) held to its order or under its control or blocked in an account in a clearing system (other than Monte Titoli) not later than 48 hours before the time fixed for the relevant Meeting.

4.3 A Voting Certificate or Block Voting Instruction issued pursuant to Article 4.2 shall be valid until the release of the Blocked Covered Bonds to which it relates.

4.4 So long as a Voting Certificate or Block Voting Instruction is valid, the person named therein as Holder or Proxy (in the case of a Voting Certificate issued by a Monte Titoli Account Holder), the bearer thereof (in the case of a Voting Certificate issued by the Principal Paying Agent), and any Proxy named therein (in the case of a Block Voting Instruction issued by the Principal Paying Agent) shall be deemed to be the Holder of the Covered Bonds to which it relates for all purposes in connection with the Meeting to which such Voting Certificate or Block Voting Instruction relates.

4.5 A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Covered Bonds.

4.6 References to the blocking or release of Covered Bonds shall be construed in accordance with the usual practices (including blocking the relevant account) of any Relevant Clearing System.

4.7 Any registered Holder may require the Registrar and/or the Principal Paying Agent to issue a Block Voting Instruction by arranging (to the satisfaction of the Registrar and/or the Principal Paying Agent) for the related Covered Bonds issued in registered form and N Covered Bonds to be blocked with the Registrar not later than 48 hours before the time fixed for the relevant Meeting. The registered Holder may require the Registrar and/or the Principal Paying Agent to issue a Block Voting Instruction by delivering to the Registrar and/or the Principal Paying Agent written instructions not later than 48 hours before the time fixed for the relevant Meeting. Any registered Holder may obtain an uncompleted and unexecuted Form of Proxy from the Registrar

or the Principal Paying Agent. A Block Voting Instruction shall be valid until the release of the Blocked Bonds to which it relates. A Form of Proxy and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Bond.

4.8 The Issuer may fix a record date for the purposes of any Meeting or any resumption thereof following its adjournment for want of a quorum provided that such record date is not more than 10 days prior to the time fixed for such Meeting or (as the case may be) its resumption. The person in whose name a Covered Bond issued in registered form and/or a N Covered Bond is registered in the Register on the record date at close of business in the city in which the Registrar has its Specified Office shall be deemed to be the Holder of such N Covered Bond or Covered Bonds issued in registered form for the purposes of such Meeting and notwithstanding any subsequent transfer of the N Covered Bond or Covered Bonds issued in registered form or entries in the Register.

5. VALIDITY OF BLOCK VOTING INSTRUCTIONS

A Block Voting Instruction or a Voting Certificate issued by a Monte Titoli Account Holder or, in case of N Covered Bonds and Covered Bonds issued in registered form, by the Registrar shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Principal Paying Agent, or at any other place approved by the Representative of the Covered Bondholders, at least 24 hours before the time fixed for the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid. If the Representative of the Covered Bondholders so requires, a notarised (or otherwise acceptable) copy of each Block Voting Instruction and satisfactory evidence of the identity of each Proxy named in a Block Voting Instruction or of each Holder or Proxy named in a Voting Certificate issued by a Monte Titoli Account Holder or by the Registrar shall be produced at the Meeting but the Representative of the Covered Bondholders shall not be obliged to investigate the validity of a Block Voting Instruction or a Voting Certificate or the identity of any Proxy or any holder of the Covered Bonds named in a Voting Certificate or a Block Voting Instruction.

6. CONVENING A MEETING

6.1 *Convening a Meeting*

The Representative of the Covered Bondholders, the Guarantor or the Issuer may and (in relation to a meeting for the passing of a Programme Resolution) the Issuer shall upon a requisition in writing signed by the holders of not less than five per cent. of the Outstanding Principal Amount of the Covered Bonds for the time being outstanding convene a meeting of the Covered Bondholders and if the Issuer makes default for a period of seven days in convening such a meeting upon requisition by the Covered Bondholders the same may be convened by the Representative of the Covered Bondholders or the requisitionists. The Representative of the Covered Bondholders may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Representative of the Covered Bondholders there is no conflict between the holders of the Covered Bonds of the relevant Series, in which event the provisions of this Schedule shall apply thereto *mutatis mutandis*.

6.2 *Meetings convened by Issuer*

Whenever the Issuer is about to convene a Meeting, it shall immediately give notice in writing to the Representative of the Covered Bondholders specifying the proposed day, time and place of the Meeting, and the items to be included in the agenda.

6.3 *Time and place of Meetings*

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Covered Bondholders.

7. NOTICE

7.1 *Notice of Meeting*

At least 21 days' notice (exclusive of the day notice is delivered and of the day on which the relevant Meeting is to be held), specifying the day, time and place of the Meeting, must be given to the relevant Covered Bondholders, the Registrar and the Principal Paying Agent, with a copy to the Issuer and the Guarantor, where the Meeting is convened by the Representative of the Covered Bondholders, or with a copy to the Representative of the Covered Bondholders, where the Meeting is convened by the Issuer.

7.2 *Content of notice*

The notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Covered Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that Voting Certificates for the purpose of such Meeting may be obtained from a Monte Titoli Account Holder in accordance with the provisions of the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time and that for the purpose of obtaining Voting Certificates from the Principal Paying Agent or appointing Proxies under a Block Voting Instruction, Covered Bondholders must (to the satisfaction of the Principal Paying Agent) be held to the order of or placed under the control of the Principal Paying Agent or blocked in an account with a clearing system not later than 48 hours before the relevant Meeting.

With reference to the N Covered Bonds and Covered Bonds issued in registered form, the notice shall set out the full text of any resolution to be proposed at the Meeting unless the Representative of the Covered Bondholders agrees that the notice shall instead specify the nature of the resolution without including the full text and shall state that N Covered Bonds or Covered Bond issued in registered form may be blocked with the Registrar, or with other entity authorised to do so by the Registrar, for the purposes of appointing Proxies under Block voting Instructions until 48 hours before the time fixed for the Meeting and that N Covered Bondholders or holders of Covered Bonds issued in registered form may also appoint Proxies either under a Block Voting Instruction by delivering written instructions to the Registrar or the Principal Paying Agent or by executing and delivering a form of Proxy to the Specified Office of the Registrar or the Principal Paying Agent, in either case until 48 hours before the time fixed for the Meeting.

7.3 *Validity notwithstanding lack of notice*

A Meeting is valid notwithstanding that the formalities required by this Article 7 are not complied with if the Holders of the Covered Bonds constituting all the Outstanding Principal Amount of the Covered Bonds, the Holders of which are entitled to attend and vote are represented at such Meeting and the Issuer and the Representative of the Covered Bondholders are present.

8. **CHAIRMAN OF THE MEETING**

8.1 *Appointment of Chairman*

An individual (who may, but need not be, a Covered Bondholder), nominated by the Representative of the Covered Bondholders may take the chair at any Meeting, but if:

8.1.1 the Representative of the Covered Bondholders fails to make a nomination; or

8.1.2 the individual nominated declines to act or is not present within 15 minutes after the time fixed for the Meeting,

the Meeting shall be chaired by the person elected by the majority of the Voters present, failing which, the Issuer shall appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was Chairman at the original Meeting.

8.2 *Duties of Chairman*

The Chairman ascertains that the Meeting has been duly convened and validly constituted, manages the business of the Meeting, monitors the fairness of proceedings, leads and moderates the debate, and determines the mode of voting.

8.3 *Assistance to Chairman*

The Chairman may be assisted by outside experts or technical consultants, specifically invited to assist in any given matter, and may appoint one or more-vote counters, who are not required to be Covered Bondholders.

9. **QUORUM**

9.1 The quorum at any Meeting will be:

9.1.1 in the case of an Ordinary Resolution, two or more persons holding or representing at least 50 per cent. of the Outstanding Principal Amount of the Covered Bonds for the time being outstanding, the holders of which are entitled to attended and vote or, at an adjourned Meeting, two or more persons being or representing Covered Bondholders entitled to attend and vote, whatever the Outstanding Principal Amount of the Covered Bonds so held or represented; or

9.1.2 in the case of an Extraordinary Resolution or a Programme Resolution (subject as provided below), two or more persons holding or representing at least 50 per cent. of the Outstanding Principal Amount of the Covered Bonds for the time being outstanding, the holders of which are entitled to attend and vote or, at an adjourned Meeting, two or more persons being or representing Covered Bondholders entitled to attend and vote, whatever the Outstanding Principal Amount of the Covered Bonds so held or represented; or

9.1.3 at any meeting the business of which includes any of the following matters (other than in relation to a Programme Resolution) (each of which shall, subject only to Article 31.4 (*Obligation to act*) and Article 32.4 (*Obligation to exercise powers*), only be capable of being effected after having been approved by Extraordinary Resolution) namely:

(a) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of

the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds;

(b) alteration of the currency in which payments under the Covered Bonds are to be made;

(c) alteration of the majority required to pass an Extraordinary Resolution;

(d) any amendment to the Covered Bond Guarantee or the Deeds of Pledge or the Deed of Charge (except in a manner determined by the Representative of the Covered Bondholders not to be materially prejudicial to the interests of the Covered Bondholders of any Series);

(e) the sanctioning of any such scheme or proposal to effect the exchange, conversion or substitution of the Covered Bonds for, or the conversion of such Covered Bonds into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate, formed or to be formed; and

(f) alteration of this Article 9.1.3;

(each a "**Series Reserved Matter**"), the quorum shall be two or more persons being or representing holders of not less than two-thirds of the aggregate Outstanding Principal Amount of the Covered Bonds of such Series for the time being outstanding or, at any adjourned meeting, two or more persons being or representing not less than one-third of the aggregate Outstanding Principal Amount of the Covered Bonds of such Series for the time being outstanding.

provided that, if in respect of any Covered Bonds the Principal Paying Agent has received evidence that ninety per cent (90 per cent.) of the Outstanding Principal Amount of Covered Bonds then outstanding is held by a single Holder and the Voting Certificate or Block Voting Instruction so states, then a single Voter appointed in relation thereto or being the Holder of the Covered Bonds thereby represented shall be deemed to be two Voters for the purpose of forming a quorum.

10. **ADJOURNMENT FOR WANT OF QUORUM**

10.1 If a quorum is not present for the transaction of any particular business within 15 minutes after the time fixed for any Meeting, then, without prejudice to the transaction of the business (if any) for which a quorum is present:

10.1.1 if such Meeting was convened upon the requisition of Covered Bondholders, the Meeting shall be dissolved; and

10.1.2 in any other case, the Meeting shall stand adjourned to the same day in the next week (or if such day is a public holiday the next succeeding business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period, being not less than 13 clear days nor more than 42 clear days, and to such place as may be appointed by the Chairman either at or subsequent to such meeting and approved by the Representative of the Covered Bondholders).

10.2 If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either (with the approval of the Representative of the Covered Bondholders) dissolve such meeting or adjourn the same for such period, being not less than 13 clear days (but without any maximum number of clear days), and to such place as may be appointed by the Chairman either at or subsequent to such adjourned meeting and approved by the Representative of the Covered Bondholders.

11. ADJOURNED MEETING

Except as provided in Article 10 (*Adjournment for Want of Quorum*), the Chairman may, with the prior consent of any Meeting, and shall if so directed by any Meeting, adjourn such Meeting to another time and place. No business shall be transacted at any adjourned meeting except business which might have been transacted at the Meeting from which the adjournment took place.

12. NOTICE FOLLOWING ADJOURNMENT

12.1 *Notice required*

Article 7 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for lack of a quorum except that:

12.1.1 10 days' notice (exclusive of the day on which the notice is delivered and of the day on which the Meeting is to be resumed) shall be sufficient; and

12.1.2 the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

12.2 *Notice not required*

Except in the case of a Meeting to consider an Extraordinary Resolution, it shall not be necessary to give notice of resumption of any Meeting adjourned for reasons other than those described in Article 10 (*Adjournment for Want of Quorum*).

13. PARTICIPATION

The following categories of persons may attend and speak at a Meeting:

13.1 Voters;

13.2 the directors and the auditors of the Issuer and the Guarantor;

13.3 representatives of the Issuer, the Guarantor, the Registrar and the Representative of the Covered Bondholders;

13.4 financial advisers to the Issuer, the Guarantor and the Representative of the Covered Bondholders;

13.5 legal advisers to the Issuer, the Guarantor, the Registrar and the Representative of the Covered Bondholders; and

13.6 other person authorised by virtue of a resolution of such Meeting or by the Representative of the Covered Bondholders.

14. VOTING BY SHOW OF HANDS

14.1 Every question submitted to a Meeting shall be decided in the first instance by a vote by a show of hands.

14.2 Unless a poll is validly demanded before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed or passed by a particular majority or rejected, or rejected by a particular majority, shall be conclusive without proof of the number of votes cast for, or against, the resolution.

15. VOTING BY POLL

15.1 *Demand for a poll*

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Guarantor, the Representative of the Covered Bondholders or any one or more Voters, whatever the Outstanding Principal Amount of the Covered Bonds held or represented by such Voter(s). A poll may be taken immediately or after such adjournment as is decided by the Chairman but any poll demanded on the election of a Chairman or on any question of adjournment shall be taken immediately. A valid demand for a poll shall not prevent the continuation of the relevant Meeting for any other business. The result of a poll shall be deemed to be the resolution of the Meeting at which the poll was demanded.

15.2 *The Chairman and a poll*

The Chairman sets the conditions for the voting, including for counting and calculating the votes, and may set a time limit by which all votes must be cast. Any vote which is not cast in compliance with the terms specified by the Chairman shall be null and void. After voting ends, the votes shall be counted and, after the counting, the Chairman shall announce to the Meeting the outcome of the vote.

16. VOTES

16.1 *Voting*

Each Voter shall have:

16.1.1 on a show of hands, one vote; and

16.1.2 on a poll every Voter who is present shall have one vote in respect of each Euro1,000 or such other amount as the Representative of the Covered Bondholders may in its absolute discretion stipulate (or, in the case of meetings of holders of Covered Bonds denominated in another currency, such amount in such other currency as the Representative of the Covered Bondholders in its absolute discretion may stipulate) in the Outstanding Principal Amount of the Covered Bonds it holds or represents.

16.2 *Block Voting Instruction*

Unless the terms of any Block Voting Instruction or Voting Certificate state otherwise in the case of a Proxy, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes he exercises the same way.

16.3 *Voting tie*

In the case of a voting tie, the relevant Resolution shall be deemed to have been rejected.

17. VOTING BY PROXY

17.1 *Validity*

Any vote by a Proxy in accordance with the relevant Block Voting Instruction or Voting Certificate appointing a Proxy shall be valid even if such Block Voting Instruction or Voting Certificate or any instruction pursuant to which it has been given had been amended or revoked *provided that* none of the Issuer, the Representative of the Covered Bondholders, the Registrar or the Chairman has been notified in writing of such amendment or revocation at least 24 hours prior to the time set for the relevant Meeting.

17.2 *Adjournment*

Unless revoked, the appointment of a Proxy under a Block Voting Instruction or a Voting Certificate in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment save that no such appointment of a Proxy in relation to a meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such meeting when it is resumed. Any person appointed to vote at such Meeting must be re-appointed under a Block Voting Instruction or Voting Certificate to vote at the Meeting when it is resumed.

18. RESOLUTIONS

18.1 *Ordinary Resolutions*

Subject to Article 18.2 (*Extraordinary Resolutions*), a Meeting shall have the following powers exercisable by Ordinary Resolution, to:

18.1.1 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, is required to be the subject of an Ordinary Resolution or required to be the subject of a resolution or determined by a Meeting and not required to be the subject of an Extraordinary Resolution; and

18.1.2 to authorise the Representative of the Covered Bondholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

18.2 *Extraordinary Resolutions*

A Meeting, in addition to any powers assigned to it in the Conditions, shall have power exercisable by Extraordinary Resolution to:

18.2.1 sanction any compromise or arrangement proposed to be made between the Issuer, the Guarantor, the Representative of the Covered Bondholders, the Covered Bondholders or any of them;

18.2.2 approve any modification, abrogation, variation or compromise in respect of (a) the rights of the Representative of the Covered Bondholders, the Issuer, the Guarantor, the Covered Bondholders or any of them, whether such rights arise under the Transaction Documents or otherwise, and (b) these Rules, the Conditions or of any Transaction

Document or any arrangement in respect of the obligations of the Issuer under or in respect of the Covered Bonds, which, in any such case, shall be proposed by the Issuer, the Representative of the Covered Bondholders and/or any other party thereto;

18.2.3 assent to any modification of the provisions of these Rules or the Transaction Documents which shall be proposed by the Issuer, the Guarantor, the Representative of the Covered Bondholders or of any Covered Bondholder;

18.2.4 in accordance with Article 26 (*Appointment, Removal and Remuneration*), appoint and remove the Representative of the Covered Bondholders;

18.2.5 direct the Representative of the Covered Bondholders to issue an Issuer Default Notice as a result of an Event of Default pursuant to Condition 12(a) (*Issuer Event of Default*) or a Guarantor Default Notice as a result of a Guarantor Event of Default pursuant to Condition 12(c) (*Guarantor Event of Default*);

18.2.6 discharge or exonerate, whether retrospectively or otherwise, the Representative of the Covered Bondholders from any liability in relation to any act or omission for which the Representative of the Covered Bondholders has or may become liable pursuant or in relation to these Rules, the Conditions or any other Transaction Document;

18.2.7 waive any breach or authorise any proposed breach by the Issuer, the Guarantor or (if relevant) any other Transaction Party of its obligations under or in respect of these Rules, the Covered Bonds or any other Transaction Document or any act or omission which might otherwise constitute an Event of Default;

18.2.8 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;

18.2.9 authorise and ratify the actions of the Representative of the Covered Bondholders in compliance with these Rules, the Intercreditor Agreement and any other Transaction Document;

18.2.10 to appoint any persons (whether Covered Bondholders or not) as a committee to represent the interests of the Covered Bondholders and to confer on any such committee any powers which the Covered Bondholders could themselves exercise by Extraordinary Resolution; and

18.2.11 authorise the Representative of the Covered Bondholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution.

18.3 *Programme Resolutions*

A Meeting shall have power exercisable by a Programme Resolution to direct the Representative of the Covered Bondholders to take action pursuant to Condition 12(b)(ii)(c) (*Issuer Event of Default – Covered Bond Guarantee*) or Condition 12(d)(iv) (*Guarantor Event of Default – Enforcement*) or to appoint or remove the Representative of the Covered Bondholders pursuant to Article 26 (*Appointment, Removal and Remuneration*) or to take any other action required by the Conditions or any Transaction Documents to be taken by Programme Resolution.

18.4 *Other Series of Covered Bonds*

No Ordinary Resolution or Extraordinary Resolution other than a Programme Resolution that is passed by the Holders of one Series of Covered Bonds shall be effective in respect of another Series of Covered Bonds unless it is sanctioned by an Ordinary Resolution or Extraordinary Resolution (as the case may be) of the Holders of Covered Bonds then outstanding of that other Series.

19. EFFECT OF RESOLUTIONS

19.1 *Binding nature*

Subject to Article 18.4 (*Other Series of Covered Bonds*), any resolution passed at a Meeting of the Covered Bondholders of any Series duly convened and held in accordance with these Rules shall be binding upon all Covered Bondholders of any such Series, whether or not present at such Meeting and or not voting. A Programme Resolution passed at any Meeting of the holders of the Covered Bonds of all Series shall be binding on all holders of the Covered Bonds of all Series, whether or not present at the meeting.

19.2 *Notice of voting results*

Notice of the results of every vote on a resolution duly considered by Covered Bondholders shall be published (at the cost of the Issuer) in accordance with the Conditions and given to the Registrar and the Principal Paying Agent (with a copy to the Issuer, the Guarantor and the Representative of the Covered Bondholders within 14 days of the conclusion of each Meeting).

20. CHALLENGE TO RESOLUTIONS

Any absent or dissenting Covered Bondholder has the right to challenge Resolutions which are not passed in compliance with the provisions of these Rules.

21. MINUTES

Minutes shall be made of all resolutions and proceedings of each Meeting and entered in books provided by the Issuer for that purpose. The Minutes shall be signed by the Chairman and shall be *prima facie* evidence of the proceedings therein recorded. Unless and until the contrary is proved, every Meeting in respect of which minutes have been signed by the Chairman shall be regarded as having been duly convened and held and all resolutions passed or proceedings transacted shall be regarded as having been duly passed and transacted.

22. WRITTEN RESOLUTION

A Written Resolution shall take effect as if it were an Extraordinary Resolution or, in respect of matters required to be determined by Ordinary Resolution, as if it were an Ordinary Resolution.

23. INDIVIDUAL ACTIONS AND REMEDIES

Each Covered Bondholder has accepted and is bound by the provisions of Condition 17 (*Limited Recourse and Non Petition*) and, accordingly, if any Covered Bondholder is considering bringing individual actions or using other individual remedies to enforce his/her rights under the Covered Bond Guarantee (hereinafter, a "**Claiming Covered Bondholder**"), then such Claiming Covered Bondholder intending to enforce his/her rights under the Covered Bonds will notify the Representative of the Covered Bondholders of his/her intention. The Representative of the Covered Bondholders shall inform the other Covered Bondholders in accordance with Condition

18 (*Notices*) of such prospective individual actions and remedies and invite them to raise, in writing, any objection that they may have by a specific date not more than 30 days after the date of the Representative of the Covered Bondholders' notification and not less than 10 days after such notification. If Covered Bondholders representing 5 per cent. or more of the aggregate Outstanding Principal Amount of the Covered Bonds then outstanding object to such prospective individual actions and remedies, then the Claiming Covered Bondholder will be prevented from taking any individual action or remedy (without prejudice to the fact that, after a reasonable period of time, the same matter may be resubmitted to the Representative of the Covered Bondholders pursuant to the terms of this Article 23).

24. MEETINGS AND SEPARATE SERIES

24.1 *Choice of Meeting*

If and whenever the Issuer shall have issued and have outstanding Covered Bonds of more than one Series the foregoing provisions of this Schedule shall have effect subject to the following modifications:

24.1.1 a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Covered Bonds of that Series;

24.1.2 a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of more than one Series but does not give rise to a conflict of interest between the holders of Covered Bonds of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Covered Bonds of all the Series so affected;

24.1.3 a resolution which in the opinion of the Representative of the Covered Bondholders affects the Covered Bonds of more than one Series and gives or may give rise to a conflict of interest between the holders of the Covered Bonds of one Series or group of Series so affected and the holders of the Covered Bonds of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Covered Bonds of each Series or group of Series so affected;

24.1.4 a Programme Resolution shall be deemed to have been duly passed only if passed at a single meeting of the Covered Bondholders of all Series; and

24.1.5 to all such meetings all the preceding provisions of these Rules shall *mutatis mutandis* apply as though references therein to Covered Bonds and Covered Bondholders were references to the Covered Bonds of the Series or group of Series in question or to the holders of such Covered Bonds, as the case may be.

24.2 *Denominations other than Euro*

If the Issuer has issued and has outstanding Covered Bonds which are not denominated in Euro in the case of any Meeting or request in writing or Written Resolution of holders of Covered Bonds of more than one currency (whether in respect of the meeting or any adjourned such Meeting or any poll resulting therefrom or any such request or Written Resolution) the Outstanding Principal Amount of such Covered Bonds shall be the equivalent in Euro at the relevant Swap Rate. In such circumstances, on any poll each person present shall have one vote for each Euro1.00 (or such other Euro amount as the Representative of the Covered Bondholders

may in its absolute discretion stipulate) of the Outstanding Principal Amount of the Covered Bonds (converted as above) which he holds or represents.

25. FURTHER REGULATIONS

Subject to all other provisions contained in these Rules, the Representative of the Covered Bondholders may, without the consent of the Issuer, prescribe such further regulations regarding the holding of Meetings and attendance and voting at them and/or the provisions of a Written Resolution as the Representative of the Covered Bondholders in its sole discretion may decide.

TITLE III

THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

26. APPOINTMENT, REMOVAL AND REMUNERATION

26.1 *Appointment*

The appointment of the Representative of the Covered Bondholders takes place by Programme Resolution in accordance with the provisions of this Article 26, except for the appointment of the first Representative of the Covered Bondholders which will be BNY Mellon Corporate Trustee Services Limited.

26.2 *Identity of Representative of the Covered Bondholders*

The Representative of the Covered Bondholders shall be:

26.2.1 a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch; or

26.2.2 a company or financial institution enrolled with the register held by the Bank of Italy pursuant to Article 106 of Italian Legislative Decree No. 385 of 1993; or

26.2.3 any other entity which is not prohibited from acting in the capacity of Representative of the Covered Bondholders pursuant to the law.

The directors and auditors of the Issuer and those who fall within the conditions set out in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Covered Bondholders and, if appointed as such, they shall be automatically removed.

26.3 *Duration of appointment*

Unless the Representative of the Covered Bondholders is removed by Programme Resolution of the Covered Bondholders pursuant to Article 18.3 (*Programme Resolution*) or resigns pursuant to Article 27 (*Resignation of the Representative of the Covered Bondholders*), it shall remain in office until full repayment or cancellation of all the Covered Bonds.

26.4 *After termination*

In the event of a termination of the appointment of the Representative of the Covered Bondholders for any reason whatsoever, such representative shall remain in office until the substitute Representative of the Covered Bondholders, which shall be an entity specified in Article 26.2 (*Identity of Representative of the Covered Bondholders*), accepts its appointment, and the powers and authority of the Representative of the Covered Bondholders whose

appointment has been terminated shall, pending the acceptance of its appointment by the substitute, be limited to those necessary to perform the essential functions required in connection with the Covered Bonds.

26.5 *Remuneration*

The Issuer, failing which the Guarantor, shall pay to the Representative of the Covered Bondholders an annual fee for its services as Representative of the Covered Bondholders from the Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Covered Bonds or in a separate fee letter. Such fees shall accrue from day-to-day and shall be payable in accordance with the priority of payments set out in the Intercreditor Agreement up to (and including) the date when all the Covered Bonds of whatever Series shall have been repaid in full or cancelled in accordance with the Conditions.

27. RESIGNATION OF THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

The Representative of the Covered Bondholders may resign at any time by giving at least three calendar months' written notice to the Issuer and the Guarantor, without needing to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation. The resignation of the Representative of the Covered Bondholders shall not become effective until a new Representative of the Covered Bondholders has been appointed in accordance with Article 26.1 (*Appointment*) and such new Representative of the Covered Bondholders has accepted its appointment, *provided that* if Covered Bondholders fail to select a new Representative of the Covered Bondholders within three months of written notice of resignation delivered by the Representative of the Covered Bondholders, the Representative of the Covered Bondholders may appoint a successor which is a qualifying entity pursuant to Article 26.2 (*Identity of the Representative of the Covered Bondholders*).

28. DUTIES AND POWERS OF THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

28.1 *Representative of the Covered Bondholders as legal representative*

The Representative of the Covered Bondholders is the legal representative of the Organisation of the Covered Bondholders and has the power to exercise the rights conferred on it by the Transaction Documents in order to protect the interests of the Covered Bondholders.

28.2 *Meetings and resolutions*

Unless any Resolution provides to the contrary, the Representative of the Covered Bondholders is responsible for implementing all resolutions of the Covered Bondholders. The Representative of the Covered Bondholders has the right to convene and attend Meetings to propose any course of action which it considers from time to time necessary or desirable.

28.3 *Delegation*

The Representative of the Covered Bondholders may in the exercise of the powers, discretions and authorities vested in it by these Rules and the Transaction Documents:

28.3.1 act by responsible officers or a responsible officer for the time being of the Representative of the Covered Bondholders;

28.3.2 whenever it considers it expedient and in the interest of the Covered Bondholders, whether by power of attorney or otherwise, delegate to any person or persons or

fluctuating body of persons some, but not all, of the powers, discretions or authorities vested in it as aforesaid.

Any such delegation pursuant to Article 28.3.1 may be made upon such conditions and subject to such regulations (including power to sub-delegate) as the Representative of the Covered Bondholders may think fit in the interest of the Covered Bondholders. The Representative of the Covered Bondholders shall not be bound to supervise the acts or proceedings of such delegate or sub-delegate and shall not in any way or to any extent be responsible for any loss incurred by reason of any misconduct, omission or default on the part of such delegate or sub-delegate, *provided that* the Representative of the Covered Bondholders shall use all reasonable care in the appointment of any such delegate and shall be responsible for the instructions given by it to such delegate. The Representative of the Covered Bondholders shall, as soon as reasonably practicable, give notice to the Issuer and the Guarantor of the appointment of any delegate and any renewal, extension and termination of such appointment, and shall procure that any delegate shall give notice to the Issuer and the Guarantor of the appointment of any sub-delegate as soon as reasonably practicable.

28.4 *Judicial proceedings*

The Representative of the Covered Bondholders is authorised to represent the Organisation of the Covered Bondholders in any judicial proceedings including any Insolvency Event in respect of the Issuer and/or the Guarantor.

28.5 *Consents given by Representative of Covered Bondholders*

Any consent or approval given by the Representative of the Covered Bondholders under these Rules and any other Transaction Document may be given on such terms and subject to such conditions (if any) as the Representative of the Covered Bondholders deems appropriate and, notwithstanding anything to the contrary contained in the Rules or in the Transaction Documents, such consent or approval may be given retrospectively.

28.6 *Discretions*

Save as expressly otherwise provided herein, the Representative of the Covered Bondholders shall have absolute discretion as to the exercise or non-exercise of any right, power and discretion vested in the Representative of the Covered Bondholders by these Rules or by operation of law.

28.7 *Obtaining instructions*

In connection with matters in respect of which the Representative of the Covered Bondholders is entitled to exercise its discretion hereunder, the Representative of the Covered Bondholders has the right (but not the obligation) to convene a Meeting or Meetings in order to obtain the Covered Bondholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Covered Bondholders shall be entitled to request that the Covered Bondholders indemnify it and/or provide it with security as specified in Article 29.2 (*Specific Limitations*).

28.8 *Remedy*

The Representative of the Covered Bondholders may in its sole discretion determine whether or not a default in the performance by the Issuer or the Guarantor of any obligation under the provisions of these Rules, the Covered Bonds or any other Transaction Documents may be

remedied, and if the Representative of the Covered Bondholders certifies that any such default is, in its opinion, not capable of being remedied, such certificate shall be conclusive and binding upon the Issuer, the Covered Bondholders, the other creditors of the Guarantor and any other party to the Transaction Documents.

29. EXONERATION OF THE REPRESENTATIVE OF THE COVERED BONDHOLDERS

29.1 *Limited obligations*

The Representative of the Covered Bondholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Transaction Documents.

29.2 *Specific limitations*

Without limiting the generality of the Article 29.1, the Representative of the Covered Bondholders:

29.2.1 shall not be under any obligation to take any steps to ascertain whether an Issuer Event of Default or a Guarantor Event of Default or any other event, condition or act, the occurrence of which would cause a right or remedy to become exercisable by the Representative of the Covered Bondholders hereunder or under any other Transaction Document, has occurred and, until the Representative of the Covered Bondholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Issuer Event of Default or a Guarantor Event of Default or such other event, condition or act has occurred;

29.2.2 shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or the Guarantor or any other parties of their obligations contained in these Rules, the Transaction Documents or the Conditions and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Covered Bondholders shall be entitled to assume that the Issuer or the Guarantor and each other party to the Transaction Documents are duly observing and performing all their respective obligations;

29.2.3 except as expressly required in these Rules or any Transaction Document, shall not be under any obligation to give notice to any person of its activities in performance of the provisions of these Rules or any other Transaction Document;

29.2.4 shall not be responsible for investigating the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or of any other document or any obligation or rights created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:

(v) the nature, status, creditworthiness or solvency of the Issuer or the Guarantor;

(vi) the existence, accuracy or sufficiency of any legal or other opinion, search, report, certificate, valuation or investigation delivered or obtained or required to be delivered or obtained at any time in connection with the Programme;

(vii) the suitability, adequacy or sufficiency of any collection procedure operated by the Master Servicer or the Sub-Servicer or compliance therewith;

(viii) the failure by the Issuer to obtain or comply with any licence, consent or other authorisation in connection with the purchase or administration of the assets contained in the Cover Pool; and

(ix) any accounts, books, records or files maintained by the Issuer, the Guarantor, the Master Servicer, the Sub-Servicer, the Registrar and the Principal Paying Agent or any other person in respect of the Cover Pool or the Covered Bonds;

29.2.5 shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Covered Bonds or the distribution of any of such proceeds to the persons entitled thereto;

29.2.6 shall have no responsibility for procuring or maintaining any rating of the Covered Bonds by any credit or rating agency or any other person;

29.2.7 shall not be responsible for investigating any matter which is the subject of any recital, statement, warranty, representation or covenant by any party other than the Representative of the Covered Bondholders contained herein or in any Transaction Document or any certificate, document or agreement relating thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;

29.2.8 shall not be liable for any failure, omission or defect in registering or filing or procuring registration or filing of or otherwise protecting or perfecting these Rules or any Transaction Document;

29.2.9 shall not be bound or concerned to examine or enquire into or be liable for any defect or failure in the right or title of the Guarantor in relation to the assets contained in the Cover Pool or any part thereof, whether such defect or failure was known to the Representative of the Covered Bondholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;

29.2.10 shall not be under any obligation to guarantee or procure the repayment of the Mortgage Loans contained in the Cover Pool or any part thereof;

29.2.11 shall not be responsible for reviewing or investigating any report relating to the Cover Pool or any part thereof provided by any person;

29.2.12 shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Cover Pool or any part thereof;

29.2.13 shall not be responsible (except as expressly provided in the Conditions) for making or verifying any determination or calculation in respect of the Covered Bonds, the Cover Pool or any Transaction Document;

29.2.14 shall not be under any obligation to insure the Cover Pool or any part thereof;

29.2.15 shall, when in these Rules or any Transaction Document it is required in connection with the exercise of its powers, trusts, authorities or discretions to have regard to the interests of the Covered Bondholders, have regard to the overall interests of the Covered Bondholders of each Series as a class of persons and shall not be obliged to

have regard to any interests arising from circumstances particular to individual Covered Bondholders whatever their number and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Covered Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing authority;

29.2.16 shall not, if in connection with the exercise of its powers, trusts, authorities or discretions, it is of the opinion that the interest of the holders of the Covered Bonds of any one or more Series would be materially prejudiced thereby, exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders holding not less than 25 per cent. of the Outstanding Principal Amount of the Covered Bonds of the relevant Series then outstanding;

29.2.17 shall, as regards at the powers, trusts, authorities and discretions vested in it by the Transaction Documents, except where expressly provided therein, have regard to the interests of both the Covered Bondholders and the other creditors of the Issuer or the Guarantor but if, in the opinion of the Representative of the Covered Bondholders, there is a conflict between their interests the Representative of the Covered Bondholders will have regard solely to the interest of the Covered Bondholders;

29.2.18 may refrain from taking any action or exercising any right, power, authority or discretion vested in it under these Rules or any Transaction Document or any other agreement relating to the transactions herein or therein contemplated until it has been indemnified and/or secured to its satisfaction against any and all actions, proceedings, claims and demands which might be brought or made against it and against all Liabilities suffered, incurred or sustained by it as a result. Nothing contained in these Rules or any of the other Transaction Documents shall require the Representative of the Covered Bondholders to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured; and

29.2.19 shall not have any liability for any loss, liability, damages claim or expense directly or indirectly suffered or incurred by the Issuer, the Guarantor, any Covered Bondholder, any Other Creditor or any other person as a result of any determination, any act, matter or thing that will not be materially prejudicial to the interests of the Covered Bondholders as a whole or the interests of the Covered Bondholders of any Series.

29.3 *Covered Bonds held by Issuer*

The Representative of the Covered Bondholders may assume without enquiry that no Covered Bonds are, at any given time, held by or for the benefit of the Issuer or the Guarantor.

29.4 *Illegality*

No provision of these Rules shall require the Representative of the Covered Bondholders to do anything which may be illegal or contrary to applicable law or regulations or to expend moneys or otherwise take risks in the performance of any of its duties, or in the exercise of any of its powers or discretion. The Representative of the Covered Bondholders may refrain from taking

any action which would or might, in its opinion, be contrary to any law of any jurisdiction or any regulation or directive of any agency of any state, or if it has reasonable grounds to believe that it will not be reimbursed for any funds it expends, or that it will not be indemnified against any loss or Liabilities which it may incur as a consequence of such action. The Representative of the Covered Bondholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

30. RELIANCE ON INFORMATION

30.1 *Advice*

The Representative of the Covered Bondholders may act on the advice of a certificate or opinion of, or any written information obtained from, any lawyer, accountant, banker, broker, credit or rating agency or other expert, whether obtained by the Issuer, the Guarantor, the Representative of the Covered Bondholders or otherwise, and shall not be liable for any loss occasioned by so acting. Any such opinion, advice, certificate or information may be sent or obtained by letter, telegram, e-mail or fax transmission and the Representative of the Covered Bondholders shall not be liable for acting on any opinion, advice, certificate or information purporting to be so conveyed although the same contains some error or is not authentic and, in circumstances where in the opinion of the Representative of the Covered Bondholders to obtain such advice on any other basis is not practicable, notwithstanding any limitation of or cap on liability in respect thereof.

30.2 *Certificates of Issuer and/or Guarantor*

The Representative of the Covered Bondholders may require, and shall be at liberty to accept (a) as sufficient evidence

30.2.1 as to any fact or matter *prima facie* within the Issuer's or the Guarantor's knowledge, a certificate duly signed by a director of the Issuer or (as the case may be) the Guarantor;

30.2.2 that such is the case, a certificate of a director of the Issuer or (as the case may be) the Guarantor to the effect that any particular dealing, transaction, step or thing is expedient,

and the Representative of the Covered Bondholders shall not be bound in any such case to call for further evidence or be responsible for any loss that may be incurred as a result of acting on such certificate unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice of the untruthfulness of the matters contained in the certificate.

30.3 *Resolution or direction of Covered Bondholders*

The Representative of the Covered Bondholders shall not be responsible for acting upon any resolution purporting to be a Written Resolution or to have been passed at any Meeting in respect whereof minutes have been made and signed or a direction of the requisite percentage of Covered Bondholders, even though it may subsequently be found that there was some defect in the constitution of the Meeting or the passing of the Written Resolution or the giving of such directions or that for any reason the resolution purporting to be a Written Resolution or to have been passed at any Meeting or the giving of the direction was not valid or binding upon the Covered Bondholders.

30.4 *Certificates of Monte Titoli Account Holders*

The Representative of the Covered Bondholders, in order to ascertain ownership of the Covered Bonds, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 22 February 2008, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

30.5 *Clearing Systems*

The Representative of the Covered Bondholders shall be at liberty to call for and to rely on as sufficient evidence of the facts stated therein, a certificate, letter or confirmation certified as true and accurate and signed on behalf of such clearing system as the Representative of the Covered Bondholders considers appropriate, or any form of record made by any clearing system, to the effect that at any particular time or throughout any particular period any particular person is, or was, or will be, shown its records as entitled to a particular number of Covered Bonds.

30.6 *Rating Agencies*

The Representative of the Covered Bondholders shall be entitled to assume, for the purposes of exercising any power, authority, duty or discretion under or in relation to these Rules that such exercise will not be materially prejudicial to the interests of the holders of Covered Bonds of any Series or of all Series for the time being outstanding if the Rating Agencies have confirmed that the then current rating of the Covered Bonds of any such Series or all such Series (as the case may be) would not be adversely affected by such exercise, or have otherwise given their consent. If the Representative of the Covered Bondholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the views of the Rating Agencies as to how a specific act would affect any outstanding rating of the Covered Bonds, the Representative of the Covered Bondholders may inform the Issuer, which will then obtain such views at its expense on behalf of the Representative of the Covered Bondholders or the Representative of the Covered Bondholders may seek and obtain such views itself at the cost of the Issuer.

30.7 *Certificates of Parties to Transaction Document*

The Representative of the Covered Bondholders shall have the right to call for or require the Issuer or the Guarantor to call for and to rely on written certificates issued by any party (other than the Issuer or the Guarantor) to the Intercreditor Agreement or any other Transaction Document,

30.7.1 in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Transaction Document;

30.7.2 as any matter or fact *prima facie* within the knowledge of such party; or

30.7.3 as to such party's opinion with respect to any issue

and the Representative of the Covered Bondholders shall not be required to seek additional evidence in respect of the relevant fact, matter or circumstances and shall not be held responsible for any Liabilities incurred as a result of having failed to do so unless any of its officers has actual knowledge or express notice of the untruthfulness of the matter contained in the certificate.

30.8 *Auditors*

The Representative of the Covered Bondholders shall not be responsible for reviewing or investigating any auditors' report or certificate and may rely on the contents of any such report or certificate.

31. AMENDMENTS AND MODIFICATIONS

31.1 *Modification*

The Representative of the Covered Bondholders may at any time and from time to time and without the consent or sanction of the Covered Bondholders of any Series concur with the Issuer and/or the Guarantor and any other relevant parties in making any modification (and for this purpose the Representative of the Covered Bondholders may disregard whether any such modification relates to a Series Reserved Matter) as follows:

31.1.1 to these Rules, the Conditions and/or the other Transaction Documents which, in the sole opinion of the Representative of the Covered Bondholders, it may be expedient to make *provided that* the Representative of the Covered Bondholders is of the opinion that such modification will not be materially prejudicial to the interests of any of the Covered Bondholders of any Series; and

31.1.2 to these Rules, the Conditions and/or the other Transaction Documents which is of a formal, minor, administrative or technical nature or to comply with mandatory provisions of law; and

31.1.3 to these Rules, the Conditions and/or the other Transaction Documents which, in the opinion of the Representative of the Covered Bondholders, is to correct a manifest error or an error established as such to the satisfaction of the Representative of the Covered Bondholders.

31.2 *Binding Nature*

Any such modification may be made on such terms and subject to such conditions (if any) as the Representative of the Covered Bondholders may determine, shall be binding upon the Covered Bondholders and, unless the Representative of the Covered Bondholders otherwise agrees, shall be notified by the Issuer or the Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

31.3 *Establishing an error*

In establishing whether an error is established as such, the Representative of the Covered Bondholders may have regard to any evidence on which the Representative of the Covered Bondholders considers it appropriate to rely and may, but shall not be obliged to, have regard to any of the following:

31.3.1 a certificate from the Arranger:

(x) stating the intention of the parties to the relevant Transaction Document;

(xi) confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention; and

(xii) stating the modification to the relevant Transaction Document that is required to reflect such intention; and

31.3.2 confirmation from the relevant credit rating agencies that, after giving effect to such modification, the Covered Bonds shall continue to have the same credit ratings as those assigned to them immediately prior to the modification.

31.4 *Obligation to act*

The Representative of the Covered Bondholders shall be bound to concur with the Issuer and the Guarantor and any other party in making any modifications to these Rules, the Conditions and/or the other Transaction Documents if it is so directed by a Programme Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

32. **WAIVER**

32.1 *Waiver of Breach*

The Representative of the Covered Bondholders may at any time and from time to time without the consent or sanction of the Covered Bondholders of any Series and, without prejudice to its rights in respect of any subsequent breach, condition, or event but only if, and in so far as, in its opinion the interests of the Holders of the Covered Bonds of any Series then outstanding shall not be materially prejudiced thereby:

32.1.1 authorise or waive, any proposed breach or breach by the Issuer or the Guarantor of any of the covenants or provisions contained in the Covered Bond Guarantee these Rules or the other Transaction Documents; or

32.1.2 determine that any Issuer Event of Default or Guarantor Event of Default shall not be treated as such for the purposes of the Transaction Documents,

without any consent or sanction of the Covered Bondholders.

32.2 *Binding Nature*

Any authorisation, or, waiver or determination may be given on such terms and subject to such conditions (if any) as the Representative of the Covered Bondholders may determine, shall be binding on all Bondholders and, if the Representative of the Covered Bondholders so requires, shall be notified to the Bondholders and the Other Creditors by the Issuer or the Guarantor, as soon as practicable after it has been given or made in accordance with the provisions of the conditions relating to Notices and the relevant Transaction Documents.

32.3 *Restriction on powers*

The Representative of the Covered Bondholders shall not exercise any powers conferred upon it by this Article 32 (*Waiver*) in contravention of any express direction by an Programme Resolution, but so that no such direction shall affect any authorisation, waiver or determination previously given or made.

32.4 *Obligation to exercise powers*

The Representative of the Covered Bondholders shall be bound to waive or authorise any breach or proposed breach by the Issuer or the Guarantor of any of the covenants or provisions

contained in the Guarantee, these Rules or any of the other Transaction Documents or determine that any Issuer Event of Default or Guarantor Event of Default shall not be treated as such if it is so directed by an Programme Resolution and then only if it is indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

32.5 *Notice of waiver*

If the Representative of the Covered Bondholders so requires, the Issuer shall cause any such authorisation, waiver or determination to be notified to the Covered Bondholders and the Other Creditors, as soon as practicable after it has been given or made in accordance with Condition 18 (*Notices*).

33. INDEMNITY

Pursuant to the Programme Agreement, each Subscription Agreement and other document been agreed between the Issuer and the Relevant Dealer(s), the Issuer, failing which the Guarantor, has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) upon demand, to the extent not already reimbursed, paid or discharged by the Covered Bondholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, claims and demands properly incurred by or made against the Representative of the Covered Bondholders or any entity to which the Representative of the Covered Bondholders has delegated any power, authority or discretion in relation to the exercise or purported exercise of its powers, authorities and discretions and the performance of its duties under and otherwise in relation to these Rules and the Transaction Documents, including but not limited to legal and travelling expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Covered Bondholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Covered Bondholders pursuant to the Transaction Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Covered Bonds or the Transaction Documents except insofar as the same are incurred as a result of fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*) of the Representative of the Covered Bondholders.

34. LIABILITY

Notwithstanding any other provision of these Rules, the Representative of the Covered Bondholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Transaction Documents, the Covered Bonds, the Conditions or the Rules except in relation to its own fraud (*frode*), gross negligence (*colpa grave*) or wilful default (*dolo*).

35. SECURITY DOCUMENTS

35.1 *The Deeds of Pledge*

The Representative of the Covered Bondholders shall have the right to exercise all the rights granted by the Guarantor to the Covered Bondholders pursuant to the Deeds of Pledge. The beneficiaries of the Deeds of Pledge are referred to in this Article 35 as the "**Secured Bondholders**".

35.2 *Rights of Representative of the Covered Bondholders*

35.2.1 The Representative of the Covered Bondholders, acting on behalf of the Secured Bondholders, shall be entitled to appoint and entrust the Guarantor to collect, in the

Secured Bondholders' interest and on their behalf, any amount deriving from the pledged claims and rights, and shall be entitled to give instructions, jointly with the Guarantor, to the respective debtors of the pledged claims to make the payments related to such claims to any account opened in the name of the Guarantor and appropriate for such purpose;

35.2.2 The Secured Bondholders irrevocably waive any right they may have in relation to any amount deriving from time to time from the pledged claims or credited to any such account opened in the name of the Guarantor and appropriate of such purpose which is not in accordance with the provisions of this Article 35. The Representative of the Covered Bondholders shall not be entitled to collect, withdraw or apply, or issue instructions for the collection, withdrawal or application of, cash deriving from time to time from the pledged claims under the Deeds of Pledge except in accordance with the provisions of this Article 35 and the Intercreditor Agreement.

TITLE IV

THE ORGANISATION OF THE COVERED BONDHOLDERS AFTER SERVICE OF AN NOTICE

36. POWERS TO ACT ON BEHALF OF THE GUARANTOR

It is hereby acknowledged that, upon service of a Guarantor Default Notice or, prior to service of a Guarantor Default Notice, following the failure of the Guarantor to exercise any right to which it is entitled, pursuant to the Mandate Agreement the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, shall be entitled (also in the interests of the Other Issuer's Creditors) pursuant to Articles 1411 and 1723 of the Italian Civil Code, to exercise certain rights in relation to the Cover Pool. Therefore, the Representative of the Covered Bondholders, in its capacity as legal representative of the Organisation of the Covered Bondholders, will be authorised, pursuant to the terms of the Mandate Agreement, to exercise, in the name and on behalf of the Guarantor and as *mandatario in rem propriam* of the Guarantor, any and all of the Guarantor's rights under certain Transaction Documents, including the right to give directions and instructions to the relevant parties to the relevant Transaction Documents.

TITLE V

GOVERNING LAW AND JURISDICTION

37. GOVERNING LAW

These Rules are governed by, and will be construed in accordance with, the laws of the Republic of Italy.

38. JURISDICTION

The Courts of Milan will have jurisdiction to law and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with these Rules.

FORM OF FINAL TERMS

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS –** The Covered Bonds are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (**IMD**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

Final Terms dated [•]

UNIONE DI BANCHE ITALIANE S.p.A.

Issue of [*Aggregate Nominal Amount of Tranche*] [*Description*]

Covered Bonds (*Obbligazioni Bancarie Garantite*) due [*Maturity*]

Guaranteed by

UBI Finance S.r.l.

under the Euro 15,000,000,000 Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the prospectus dated 27 July 2017, approved by the Central Bank of Ireland [and the supplement[s] to the prospectus dated [•]] which [together] constitute[s] a base prospectus (the " **Prospectus**") [for the purposes of the Directive 2003/71/EC (as amended from time to time, the "**Prospectus Directive**"). This document constitutes the Final Terms of the Covered Bonds (*Obbligazioni Bancarie Garantite*) described herein for the purposes of Article 5.4 of the Prospectus Directive.][1] These Final Terms contain the final terms of the Covered Bonds (*Obbligazioni Bancarie Garantite*) and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds (*Obbligazioni Bancarie Garantite*) described herein is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [including the supplement[s]] [is/are] available for viewing [at the Issuer's website (http://www.ubibanca.it)] [and] during normal business hours at the registered office of the Issuer at Piazza Vittorio Veneto 8, 24122 Bergamo (Italy) and copies may be obtained from the registered office of the Issuer. [These Final Terms will be published on the website of the Irish Stock Exchange at www.ise.ie].

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the prospectus dated 28 July 2016 which are incorporated by reference in the Prospectus dated 27 July 2017, which [together] constitute[s] a base prospectus (the "**Prospectus**") for

[1] The language included in square brackets shall be removed where exempt offers are made under this Prospectus.

the purposes of article 14 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Covered Bonds (*Obbligazioni Bancarie Garantite*) described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Covered Bonds (*Obbligazioni Bancarie Garantite*) and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Covered Bonds (*Obbligazioni Bancarie Garantite*) described herein is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [including the supplement[s]] [is/are] available for viewing [at the Issuer's website (http://www.ubibanca.it)] [and] during normal business hours at the registered office of the Issuer at Piazza Vittorio Veneto 8, 24122 Bergamo (Italy) [and copies may be obtained from [the registered office of the Issuer]. [These Final Terms will be published on the website of the Irish Stock Exchange at www.ise.ie]

1.	(i)	Series Number:	[•]
	(ii)	Tranche Number:	[•]
	(iii)	Date on which the Covered Bonds will become fungible	[The Covered Bonds will be consolidated and will form a single Series with [identify earlier Tranche] [(*insert number of the Series and ISIN Code*)] [●] on [the Issue Date (*insert date*)]/[Not Applicable]
2.	Specified Currency or Currencies:		[●][Euro/UK Sterling/Swiss Franc/Japanese Yen/ US Dollar/*Other*]
3.	Aggregate Nominal Amount:		[•]
	(i)	Series:	[•]
	(ii)	Tranche:	[•]
4.	Issue Price:		[•]% of the Aggregate Nominal Amount [plus accrued interest from [●]
5.	(i)	Specified Denominations:	[•] [plus integral multiples of [•] in addition to the said sum of [•]]
	(ii)	Calculation Amount:	[•]
6.	(i)	Issue Date:	[•]
	(ii)	Interest Commencement Date:	[*Specify*/Issue Date//*Not Applicable*]
7.	Maturity Date:		[*Specify date or (for Floating Rate Covered Bonds) Interest Payment Date falling in or nearest to the relevant month and year.*]
8.	(i) Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Covered Bond Guarantee:		[*Not applicable / Specify date or* (*for Floating Rate Covered Bonds*) *Interest Payment Date falling in or nearest to the relevant month and year*] (as referred to in Condition 9(b)

	(ii) Extended Instalment Date of Guaranteed Amounts corresponding to Covered Bond Instalment Amounts under the Covered Bond Guarantee:	[Not Applicable/ Applicable]
9.	Interest Basis:	[[•]% Fixed Rate] [[*[●]*] +/- [●]% [Floating Rate] (further particulars specified in paragraphs [●] below)
10.	Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Covered Bonds will be redeemed on the Maturity Date at [100] % of their nominal amount] (as provided for in Condition [●]) [Instalment] [The Covered Bonds shall be redeemed in the Covered Bond Instalment Amounts and on the Covered Bond Instalment Dates set out in paragraph 21 below.]
11.	Change of Interest	[Not Applicable] / [Applicable] [(further particulars specified in paragraphs [14 / 15] below)]
12.	Put/Call Options:	[Not Applicable] [Investor Put] [Issuer Call] [(further particulars specified in paragraphs [●] below)]
13.	[Date [Board] approval for issuance of Covered Bonds [and Covered Bond Guarantee] [respectively]] obtained:	[•] and [•], respectively

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Provisions**	[Applicable/Not Applicable]
	(i) Rate(s) of Interest:	[•]% per annum payable in arrears [annually/semi-annually/quarterly/monthly] on each Interest Payment Date
	(ii) Interest Payment Date(s):	[•] in each year [adjusted in accordance with [●]][*specify Business Day Convention and any applicable Business Centre(s) for the definition of*

		"Business Day"]/not adjusted]
(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
(iv)	Broken Amount(s):	[[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]]/[Not Applicable]
(v)	Day Count Fraction:	[Actual/Actual (ICMA) Actual/Actual (ISDA) Actual/365 (Fixed) Actual/360 30/360 30E/360 or Eurobond Basis 30E/360 (ISDA)]
(vi)	[Determination Date(s):	[[•] in each year/Not Applicable]]
15.	**Floating Rate Provisions**	[Applicable/Not Applicable]
(i)	Interest Period(s):	[•]
(ii)	Specified Period:	[•] / [Not Applicable] *(Specified Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
(iii)	Interest Payment Dates:	[[•] / Not Applicable]
(iv)	First Interest Payment Date:	[•]
(v)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ FRN Convention/ Eurodollar Convention]
(vi)	Additional Business Centre(s):	[Not Applicable/*[●]*]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent):	[[●] shall be the Calculation Agent]
(ix)	Screen Rate Determination:	
	• Reference Rate:	[[●] month *LIBOR/EURIBOR*]

- Interest Determination Date(s): [•]
- Relevant Screen Page: [●]
- Relevant Time: [●]
- Relevant Financial Centre: [●]

(x) ISDA Determination:

- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]

(xi) Margin(s): [+/–][•]% per annum

(xii) Minimum Rate of Interest: [•]% per annum

(xiii) Maximum Rate of Interest: [•]% per annum

(xiv) Day Count Fraction: [Actual/Actual (ICMA)
Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/360
30/360
30E/360 or Eurobond Basis
30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

16. **Call Option** [Applicable/Not Applicable] (as referred in Condition 9 (d))

(i) Optional Redemption Date(s): [•]

(ii) Optional Redemption Amount(s) of Covered Bonds [•] per Calculation of Amount

(iii) If redeemable in part:

(a) Minimum Redemption Amount: [•] per Calculation Amount

(b) Maximum Redemption Amount [•] per Calculation Amount

(iv) Notice period: [•]

17. **Put Option** [Applicable/Not Applicable] (as referred in Condition 9(f))

	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of Covered Bonds	[•] per Calculation Amount
	(iii)	Notice period:	[•]
18.	**Final Redemption Amount of Covered Bonds**		[•] per Calculation Amount (as referred in Condition 9)
19.	**Early Redemption Amount** Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following an Event of Default		[Not Applicable/[●] per Calculation Amount] (as referred in Condition 9)

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

20.	Additional Financial Centre(s)	[Not Applicable/*[●]*]
21.	Details relating to Covered Bonds for which principal is repayable in instalments: amount of each instalment, date on which each payment is to be made:	[Not Applicable/[●]] [The Covered Bonds shall be redeemed on each date set out below (each a "**Covered Bond Instalment Date**") in the amounts set out below (each a "**Covered Bond Instalment Amount**").

Covered Bond Instalment Date	**Covered Bond Instalment Amount**
[●]	[●]
[●]	[●]
[Maturity Date]	All outstanding Covered Bonds not previously redeemed]

[(*Relevant third party information*) has been extracted from [●]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Unione di Banche Italiane S.p.A.

By: .....
Duly authorised

Signed on behalf of UBI Finance S.r.l.

By: .....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING**

(i)	Listing	[Official List of the Irish Stock Exchange/Other]/[Not Applicable]
(ii)	Admission to trading	[Application [is expected to be/has been] made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [the regulated market of the Irish Stock Exchange/Other] with effect from [•]/Not Applicable.]
(iii)	Estimate of total expenses related to admission to trading:	[●]

2. **RATINGS**

Ratings:	[The Covered Bonds to be issued [[have been]/[are expected]] to be rated]/[The following ratings assigned to the Covered Bonds of this type issued under the Programme generally:] [Moody's Investors Service Ltd.: [•]] [DBRS Ratings Limited: [•]] The credit ratings included or referred to in these Final Terms [have been issued by DBRS, [or Moody's,] [each of]which is established in the European Union and is registered under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011 and Regulation(EU) No. 462/2013 on credit rating agencies (the "**CRA Regulation**") as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation (for more information please visit the European Securities and Markets Authority webpage http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and [its] affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i)	Reasons for the offer	[•]
[(ii)	Estimated net proceeds:	[•]

[(iii) Estimated total expenses: [•]

[●]

5. [*Fixed Rate Covered Bonds only* – YIELD

Indication of yield: [•]

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. [*Floating Rate Covered Bonds only* – HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters]./[Not Applicable]

7. OPERATIONAL INFORMATION

ISIN Code:	[•]
Common Code:	[•]
Any Relevant Clearing System(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*[●]*]
Delivery:	Delivery [against/free of] payment
Names and Specified Offices of additional [•] paying agent(s) (if any):	[•]

DISTRIBUTION

1. (i) Method of distribution: [Syndicated/Non-Syndicated]

   (ii) If syndicated, names of Managers: [Not Applicable/*[●]*]
   [•]

   (iii) Date of [Subscription]:

   (iv) Stabilising Manager(s) (if any): [Not Applicable/*[●]*]

2. If non-syndicated, name of Dealer: [Not Applicable/*[●]*]

3. U.S. Selling Restrictions: [Not Applicable/Compliant with Regulation S under the U.S. Securities Act of 1933]

4. Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(*If the offer of the Notes is concluded prior to 1 January 2018, or, on and after that date, the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)

USE OF PROCEEDS

The net proceeds of the sale of the Covered Bonds will be used by the Issuer for general funding purposes of the UBI Banca Group.

THE ISSUER

UBI Banca and the UBI Banca Group

Unione di Banche Italiane S.p.A. ("**UBI Banca**") is the entity resulting from the merger by incorporation of Banca Lombarda e Piemontese S.p.A. ("**Banca Lombarda**") into Banche Popolari Unite S.c.p.A. ("**BPU**") (the "**Merger**"). The Merger became legally effective on 1 April 2007, with the surviving entity, BPU, changing its name to UBI Banca. UBI Banca is the parent company of the UBI Banca group (the "**UBI Banca Group**"). On 12th October 2015, UBI Banca was the first *popolare* bank to become a Joint Stock Company (S.p.A.).

The Head Office and General Management of UBI Banca are located in Piazza Vittorio Veneto 8, 24122 Bergamo (Italy) and the telephone number is +39 035392111. UBI Banca's fiscal code, VAT number and registration number in the Company Registry of Bergamo is 03053920165. UBI Banca, incorporated under the laws of Italy, is registered under number 5678 in the Bank of Italy's Bank Registry and under number 3111.2 in the Bank of Italy's Banking Groups' Registry. The duration of UBI Banca's corporate life is until 31 December 2100, but may be extended.

The UBI Banca Group

UBI Banca, the Parent Bank of the Group, is a company listed on the Italian Stock Exchange, included in the FTSE MIB index.

The consolidated figures of UBI Banca as at 31 December 2016 were as follows:

- a domestic network of 1,524 branches;
- 17,560 employees actually in service ("Dipendenti effettivi in servizio");
- approximately 3.6 million customers;
- direct funding[2] from customers of Euro 85.2 billion;
- loans and advances to customers of Euro 81.9 billion;
- total assets of Euro 112.4 billion; and
- sound capital ratios[3]: Common Equity Tier 1 of 11.48 per cent., Tier 1 of 11.48 per cent., Total Capital ratio of 14.10 per cent.

.

In terms of distribution structure, the UBI Banca Group has (market shares in terms of branches as at 31 December 2016[4]):

- a strong presence in some of the wealthiest regions of Italy, namely Lombardy (12.8 per cent. market share), Piedmont (7.0 per cent. market share) and Marches (7.6 per cent. market share);

---

[2] Sum of:
- Total amounts due to customers: Euro 56.2 billion (item 20 Liabilities - consolidated balance sheet)
Total debt securities issued: Euro 28.9 billion (item 30 Liabilities - consolidated balance sheet)

[3] Calculated according to the prudential rules for banks and investment companies contained in EU Regulation 575/2013 (the Capital Requirements Regulation, known as the CRR) and in the EU Directive 2013/36/EU (the Capital Requirements Directive, known as CRD IV), came into force on 1st January 2014. These transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union regulations.

[4] Market share information sourced from Bank of Italy "Base Dati Statistica"- Statistic Data Base. Latest data available as at Sept 2016.

- leadership in the reference provinces: Bergamo (23.2 per cent. market share), Brescia (22.1 per cent. market share), Varese (24.1 per cent. market share) and Cuneo (20.2 per cent. market share);
- a market share equal or greater than 10 per cent. in other 10 provinces: aside from the four provinces indicated above, Pavia, Alessandria, Viterbo, Ancona, Fermo, Catanzaro, Cosenza, Crotone, Reggio Calabria, Vibo Valentia, and a significant presence in the provinces of Milan (8.9 per cent. market share) and of Rome (4.2 per cent. market share).

Further to the acquisition of three Banks in Central Italy, closed in May 2017, the Group has increased the overall market share in Italy by approx. 1%.

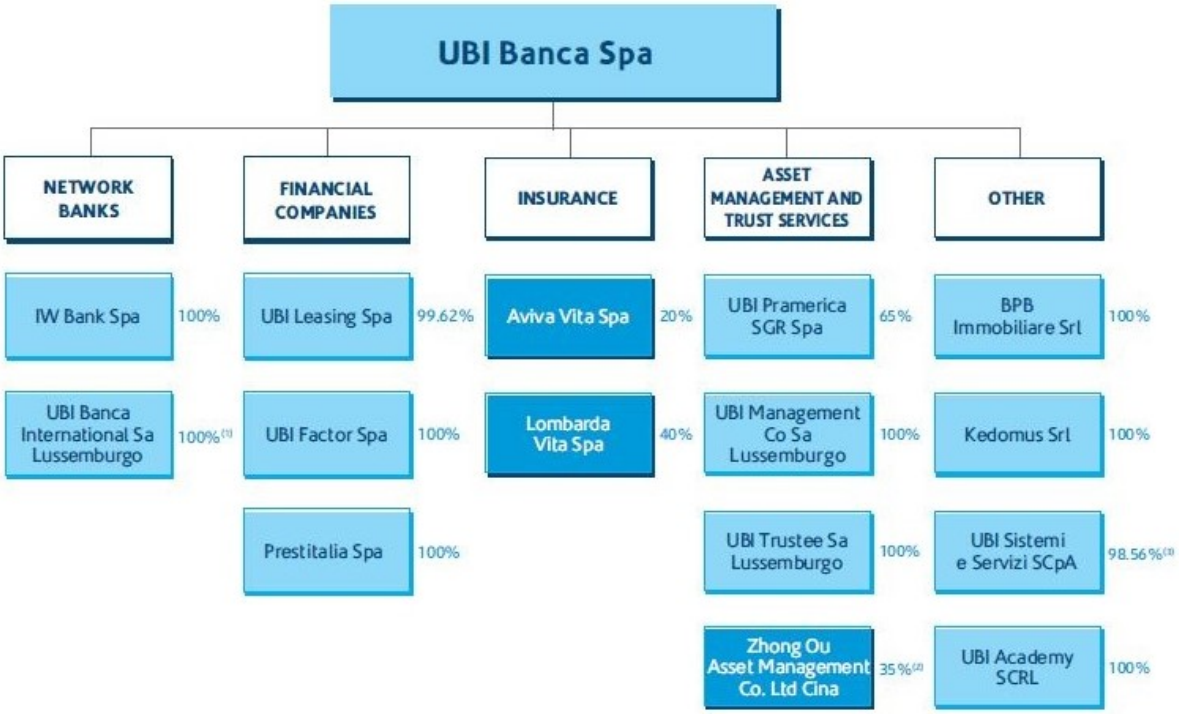
The Parent Bank— Unione di Banche Italiane S.p.A.

UBI Banca performs commercial activity directly through its branch network. It also supports the activities of product companies in their core business, drawing up their budget and consolidated Business Plan. UBI Banca ensures that business initiatives and commercial policies are consistent, co-ordinates the development and management of the range of products and services, manages group finances centrally and supervises the lending policies of the UBI Banca Group.

Until 2016 the UBI Banca Group had a federal organisational model, where UBI Banca, as parent company, centralised governance, control, coordination and support functions. Until November 2016, infact, UBI Banca Group distribution network was formed by 7 network banks (Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare Commercio e Industria, Banca Regionale Europea, Banca di Valle Camonica, Banca Popolare di Ancona and Banca Carime). These banks operated in their original local markets with the objective of consolidating and broadening customer relations and maximising the economic value and the quality of the services they provide at local level. In June 2016 the Supervisory Board of UBI Banca approved the 2019 – 2020 Business Plan, which included the adoption of a simpler and more efficient "Single Bank" baseline operating structure. Subsequently, the Supervisory Board of UBI Banca and the Boards of Directors of the Network Banks passed resolutions for the merger by incorporation of the 7 network banks into the parent bank UBI Banca (the "Single Bank Project"). Banca Popolare Commercio e Industria and Banca Regionale Europea were merged on 21st November 2016 and all the remaining five banks (Banca Popolare di Bergamo, Banco di Brescia, Banca Popolare di Ancona, Carime and Banca di Valle Camonica) were merged on the following 20th February. As a result of this, starting from February 2017 UBI Banca is a single bank and it performs commercial activity directly through its branches.

Product Companies

- UBI Banca is active, through its product companies, in a number of different specialist sectors – often in partnership with third party operators – namely asset management, life bancassurance, leasing, factoring and online trading. The product companies' role is to optimise the quality, breadth of range and value for money of their products and services, concentrating and rationalising the specialist expertise of the UBI Banca Group. They distribute their services mainly through the UBI Banca network.



(1) On the basis of the agreement signed on 28th April 2016, the disposal is expected to be concluded once the preparatory activities for the disposal are completed and therefore not before the end of the second quarter 2017.

(2) In June 2015 one third of the stake held was classified within assets held for disposal in accordance with IFRS 5.

(3) The remaining 1.44% is held by Cargeas Assicurazioni Spa (the former UBI Assicurazioni Spa).

The percentages relate to the total interests held (direct and indirect) by the Group in the entire share/quota capital.

UBI Banca Group Companies and Operations

The UBI Banca Group structure may be summarised as follows:

(a) UBI Banca, the parent company of the UBI Banca Group, operates through its branch network. UBI Banca is present in the territories through the former network banks' brands (Banca Popolare di Bergamo S.p.A., Banco di Brescia S.p.A., Banca Popolare Commercio e Industria S.p.A., Banca Regionale Europea S.p.A., Banca Popolare di Ancona S.p.A., Banca Carime S.p.A. and Banca di Valle Camonica S.p.A.). The 7 banks were merged into the parent in November 2016 and February 2017 completing the project "Single Bank". The network, deeply rooted in the local regional markets, is focused on the development of commercial and lending activities with a client base consisting mainly of retail customers and small and medium sized businesses;a trading Bank, IW Bank Private Investments S.p.A., based in Milan, the result of the integration – effective 25 May 2015 – of the Group's on-line bank, IW Bank S.p.A., and UBI Banca Private Investment S.p.A., a network of private bankers and financial advisers;

(b) various product companies operating mainly in the areas of asset management, life bancassurance, factoring and leasing;

(c) a consortium company, UBI Sistemi e Servizi S.c.p.A., based in Brescia, providing services (mainly IT) and products to the other group's companies; and

(d) various service companies.

The UBI Banca Group also has an international presence through:

(i) one foreign bank, UBI Banca International Sa (with headquarters in Luxembourg). On 28 April 2016 UBI Banca signed a contract for the sale of 100% of the share capital of UBI Banca International S.A. to EFG International AG. The transaction is expected to be completed in the second half of 2017.

(ii) three foreign branches in France (at Nice, Menton and Antibes), one branch in Germany (Munich) and one in Spain (Madrid);

(iii) representative offices in San Paolo of Brazil, Hong Kong, Mumbai, Shanghai, Moscow, New York, Dubai and Casablanca;

(iv) one branch of UBI Factor S.p.A. in Krakow in Poland;

(v) other equity investments as per the above chart

Banking Activities

The financial information hereafter provided is extracted from the financial statements under IFRS as at 31 December 2016.

Asset Management

UBI Pramerica Sgr S.p.A. ("**UBI Pramerica**"), the asset management company of the Group, is a joint venture between UBI Banca and Prudential International Investments Corporation., USA ("**Prudential**"), with 65 per cent. of its capital held by the UBI Banca Group and 35 per cent held by Prudential.

UBI Pramerica offers a wide range of products, from mutual funds to discretionary asset management.

As at 31 December 2016, total assets under management of UBI Pramerica totalled Euro 31.5 billion and the company's net profit for the year amounted to Euro 63.6 million.

Bancassurance

In the life bancassurance sector UBI Banca holds 20% of Aviva Vita S.p.A.. Until October 2016 UBI Banca held also a stake of 20% in Aviva Assicurazioni Vita S.p.A.. On 5 October 2016 an Extraordinary Shareholders' Meeting of Aviva Vita Spa resolved to incorporate its subsidiary Aviva Assicurazioni Vita; the relative records were filed with the Company Registrar on 7 October 2016.
As concerns the commercial scope, the existing commercial distribution agreements in force will expire on 31 December 2020. In 2016, in relation to the 20% of capital owned by UBI Banca, Aviva Vita S.p.A. contributed to UBI's result from equity investments with € 5.5 million.

UBI Banca has also a stake of 40 per cent in Lombarda Vita S.p.A., active in the sector of life bancassurance: as concerns the stake owned by UBI Banca, in 2016 Lombarda Vita S.p.A. contributed to UBI's result from equity investments with €11.5 million.

In respect of the non-life bancassurance sector, in December 2014, after obtaining the necessary authorisations, UBI Banca transferred its entire held share capital in UBI Assicurazioni S.p.A. (50%-1 share) to Ageas and BNP Paribas Cardif. A new agreement was signed for the distribution of the insurance company's products through UBI's branch network.

Leasing

The Group presently offers leasing products through UBI Leasing S.p.A. UBI Leasing S.p.A. is 99.62 per cent controlled by UBI Banca.

As at 31 December 2016 UBI Leasing S.p.A. had total outstanding loans amounting to Euro 6.3 billion and reported net loss of Euro 54.9 million.

Factoring

UBI Factor S.p.A. is wholly owned by UBI Banca. As at 31 December 2016 the company had outstanding loans amounting to Euro 2.5 billion and a net loss of Euro 8.7 million.

UBI Banca's Management and Supervisory Bodies

UBI Banca has adopted a "dual" governance system.

Supervisory Board

According to Article 36 of UBI Banca's Articles of Association, the Supervisory Board is presently composed of 15 members with a three-year term of office. All its members must possess the qualities of integrity, professionalism and independence required by the legislation currently in force and at least three of them must be chosen from among persons enrolled in the Registro dei Revisori Legali (register of auditors) who have practised as legal certifiers of accounts for a period of not less than three-years.

Furthermore, the Articles of Association require strengthened professional standards in respect to those envisaged by current regulations and an age limit for the assumption of office.

The members of the Supervisory Board cannot be appointed as members of the Management Board as long as they continue to hold that office.

Persons who have occupied the position of Chairman or Senior Deputy Chairman for the three preceding terms of office may not be appointed to the relative position.

The actual Supervisory Board of UBI Banca is composed as follows:

Name	Position	Positions held in other listed companies (*) banking, financial, insurance or large companies
Andrea Moltrasio	Chairman	Chairman of the Board of Directors of Clinica Castelli S.p.A. Chairman of the Board of Directors of ICRO Didonè S.p.A. Member of the Board of Icro Coatings S.p.A. Member of the Board of Associazione Bancaria Italiana
Mario Cera	Senior Deputy Chairman	Member of the Board of Associazione Bancaria Italiana
Pietro Gussalli Beretta	Deputy Chairman	Chairman of Beretta Holding S.p.A. Deputy Chairman of Fabbrica d'Armi Pietro Beretta S.p.A. Deputy Chairman of Benelli Armi S.p.A. Deputy Chairman of Beretta U.S.A. Corp. Chairman of Benelli U.S.A. Corp. CEO of Arce Gestioni S.p.A. Member of the Board of Lucchini RS S.p.A. Chairman of Beretta-Benelli Iberica S.A. Chairmain of Humbert CTTS S.a.S Member of the Board of LLC Russian Eagle Member of the Board of Artic Freezing Docks S.p.A Member of the Board of Outdoor Entreprise SA

		Member of the Board of Land Finance Corp. Chairman of Steiner Eoptics Inc. Member of the Board Upifra Agricole SA Member of the Board of Upifra SA Member of the Board of Casaforte Self-Storage (Suisse) SA Member of the Board of Beretta Australia Pty Ltd.
Armando Santus	Deputy Chairman	N/A
Francesca Bazoli	Board Member	Member of the Board of Editoriale Bresciana S.p.A. Member of the Board of Panaria Group Industrie Ceramiche S.p.A. Member of the Board of Centro Stampa Quotidiani S.p.A. Member of the Board of Associazione Banca Lombarda e Piemontese Member of the Board Fondazione Banca San Paolo di Brescia Deputy Chairman of Morcelliana S.r.l. President of Fondazione Accademia Cattolica di Brescia Member of the Board of Fondazione Brescia Musei Member of the Board Fondazione Cattolica di Assicurazione
Letizia Bellini Cavalletti	Board Member	N/A
Pierpaolo Camadini	Board Member	Deputy Chairman of Editoriale Bresciana S.p.A. Member of the Board of Finanziaria di Valle Camonica S.p.A. Member of the Board of ANSA – Agenzia Nazionale Stampa Associata Soc. Coop. Member of the Board of Gold Line S.p.A.

Ferruccio Dardanello	Board Member	Chairman of the Board of Agroqualità S.p.A. Member of the executive committee of Unioncamere nazionale Chairman of Unioncamere Piemonte Founding member and chief executive officer of EUROCIN Geie "Le Alpi del Mare/Les Alpes de la Mer" Member of the national board of Confcommercio President of Confcommercio of Cuneo district
Alessandra Del Boca	Board Member	N/A
Giovanni Fiori	Board Member	President of the Supervisory Board of Pfizer Holding Italia S.p.A. President of the supervisory board of Gamenet Group S.p.A. President of the supervisory board of Italconsult S.p.A. President of the supervisory board of Aska News S.p.A. President of the supervisory board of Cinecittà Studios S.p.A. Deputy auditor of Saras S.p.A. President of the Auditors Board of Fondazione Telecom Italia Member of the Auditors Board of S.I.A.E. S.p.A. Member of the Auditors Board of Fondazione Lars Magnus Ericsson
Michela Patrizia Giangualano	Board Member	N/A
Paola Giannotti	Board Member	Member of the Board of TERNA S.p.A.
Lorenzo Renato Guerini	Board Member	Chairman of the Board of Directors of 035 Investimenti S.p.A.

		Chairman of the Board of Directors of Quenza S.r.l.
Giuseppe Lucchini	Board Member	Chairman of the Board of Directors Lucchini RS S.p.A Chairman of the Board of Directors Sinpar S.p.A. Chairman of the Board of Directors of Gilpar S.p.A.Deputy Chairman of the Board of Directors of Lucchini Mamè Forge S.p.A. Member of the General Council of Federacciai Member of the Board of Beretta Holding S.p.A.
Sergio Pivato	Board Member	Chairman of the Board of Statutory Auditors SMA S.p.A. Chairman of the Board of Statutory Auditors of E-Novia S.p.A. Member of the Board of Statutory Auditors Auchan S.p.A.

The business address of the Supervisory Board is the Issuer's registered office at Piazza Vittorio Veneto 8, 24122 Bergamo.

The Supervisory Board also establishes from among its members the four committees provided for under the Article 41 of UBI Banca's Articles of Association:

- the Appointments Committee, with the responsibility for selecting and proposing appointments to the Supervisory Board;
- the Remuneration Committee, with responsibility for proposing and consulting on remuneration in accordance with applicable law and the Articles of Association; and
- the Internal Audit Committee, with responsibility for proposing, consulting and enquiring on matters attributed to the Supervisory Board regarding internal controls, risk management and the ICT and accounting system and
- the Risk Committee, for the purpose of supporting the Supervisory Board by performing assessments, furnishing advice and submitting proposals in those areas overseen by the Supervisory Board in its capacity as the strategic supervisory body in accordance with regulatory requirements as may be in force from time to time.

The Supervisory Board also sets up an internal related parties committee (the "**Related Parties and Connected Subjects Committee**") ("Comitato Parti Correlate e Soggetti Collegati"), made up of 3 members, in compliance with the provisions of: (i) "Regulations for UBI Banca related-party transactions" adopted in implementation of Art. 2391-bis of the Italian Civil Code and Consob requirements with respect to related parties adopted with Resolution No. 17221/2010 and subsequent amendments; (ii) "Regulations for operations with parties connected to the UBI Banca Group", adopted in implementation of Title V, Chapter 5 of Bank of Italy Circular No. 263 of 27 December 2006 - 9th

amendment of 12 December 2011, "New regulations for the prudential supervision of banks", containing measures concerning "risk assets and conflicts of interest with connected parties.

Management Board

The Management Board is composed of 7 members elected with a three-years mandate by the Supervisory Board, on the proposal of the Appointments Committee.

Two members of the Management Board shall be selected from among the senior management of the Bank. Furthermore, in compliance with the provisions of Law No. 120 of 12th July 2011, a balance between genders is ensured for the period.

The Supervisory Board also appoints the Chairman and the Deputy Chairman of the Management Board. The Management Board appoints the Chief Executive Officer from among its members, upon proposal of the Supervisory Board, heard the Appointments Committee.

The members of the Management Board must be in possession of the qualities of integrity, professionalism or any other requirement contained in the relevant legislation and regulations, also with regard to the limits on the accumulation of positions imposed by internal regulations. However, at least one member of the Mangement Board must possess the requirements of independence set forth in Article 148, paragraph three of Legislative Decree No. 58 of 24 th February 1998.

Furthermore, the Articles of Association require strengthened professional standards in respect to those envisaged by current regulations and an age limit for the assumption of office.

The Management Board, which meets at least once a month, is responsible for the management of the company in observance of the general strategic policies and programmes approved by the Supervisory Board.

The main powers of the Management Board are as follows:

- the definition of the general programmes and strategic policies and the drawing up of the industrial and/or financial plans of the Bank and the Group to be submitted to the approval of the Supervisory Board;
- the appointment and dismissal of the General Management and the definition of its functions and responsibilities, and also the appointment of the senior management of the Group;
- the preparation of the draft Individual Company Financial Statements and of the draft Consolidated Financial Statements.

Accepting the proposal put forward by the Appointments Committee, on 14 April 2016 the Supervisory Board appointed the members and also the Chairman and Deputy Chairman of the Management Board and submitted a proposal to to appoint Victor Massiah as CEO. On 15 April 2016 the Management Board confirmed the appointment of Victor Massiah as CEO and General Manager.

The Management Board is currently composed by:

Name	Position	Principal activities performed outside the UBI

		Banca Group
Letizia Brichetto Arnaboldi Moratti	Chairman	Aon Italia S.r.l. – Board Member Fondazione E4Impact – Chairman Securfin Holdings Srl – Managing Director Associazione Bancaria Italiana – Board Member
Flavio Pizzini	Deputy Chairman	Novaradio S.r.l – Sole Auditor Immobiliare Due Febbraio S.r.l. –Board Member Fondazione Lambriana – Board Member Fondazione Borghesi Buroni – Chairman of the Board of Directors UBI Sistemi e Servizi Scpa (**) – Chairman of the Board of Directors Impresa Tecnoeditoriale Lombarda S.r.l. – Chairman of the Board of Statutory Auditors Fondazione Ebis – Chairman of the Board of Statutory Auditors Brevivet S.p.A. – Chairman of the Board of Statutory Auditors Fondazione Achille e Giulia Boroli – Chairman of Statury Auditors Bosa S.r.l. in liquidazione – Liquidator Fondazione E4Impact – Member of the Board of Auditors
Victor Massiah	CEO and General Manager	Associazione Bancaria Italiana (ABI) – Board Member Fondo Interbancario di Tutela dei Depositi – Board Member Schema volontario di intervento FITD – Board Member
Silvia Fidanza	Board Member	Befado S.p. zo.o. (Polonia) – Chairman of the Supervisory Board
Osvaldo Ranica	Board Member	ABI Commissione Regionale Lombardia – Chairman UBI Leasing S.p.A (**) – Deputy Chairman of the Board of Directors

		Fondazione Unione Banche Italiane Varese Onlus – Board Member Chairman of the Board of Directors of Nuova Banca delle Marche S.p.A. (**) Chairman of the Board of Directors of Nuova Banca dell'Etruria e del Lazio S.p.A. (**) Chairman of the Board of Directors of Nuova Cassa di Risparmio di Chieti S.p.A. (**)
Elvio Sonnino	Board Member and Senior Deputy General manager	IW Bank S.p.A. (**) – Vice Chairman of the Board of Directors UBI Academy SCRL and UBI Banca International S.A. – (**)Board Member UBI Sistemi e Servizi S.c.p.a. (**) – Board Member and General manager Associazione Bancaria Italiana – Board Member
Elisabetta Stegher	Board Member	==

(**) Member of Gruppo UBI Banca

The business address of the Management Board is the Issuer's registered office at Piazza Vittorio Veneto 8, 24122 Bergamo.

The members of the Management Board shall remain in office for three financial years. Their term of office shall expire on the date of the Supervisory Board meeting convened to approve the financial statements of UBI Banca as at and for the year ending 31 st December 2018

General Management

Name	Position
Victor Massiah	General Manager
Elvio Sonnino	Senior Deputy General Manager
Rossella Leidi	Deputy General Manager
Frederik Geertman	Deputy General Manager

Conflicts of Interest

The members of the Supervisory Board and the Management Board of UBI Banca do not have any conflicts or potential conflicts of interest between their duties to UBI Banca and their private interests or other duties.

Significant Legal Proceedings

The UBI Banca Group is subject to certain claims and is party to a number of legal proceedings relating to the normal course of its business. Although it is difficult to predict the outcome of such claims and proceedings with certainty, UBI Banca believes that liabilities related to such claims and proceedings are unlikely to have, in the aggregate, significant effects on the financial position or profitability of UBI Banca or the UBI Banca Group.

The Issuer's share capital

As at 20 July 2017, the issued share capital of the Issuer amounted to €2,843,075,560.24, consisting of 1,144,244,506 ordinary shares.

Capital Ratios[5]

As at 31 December 2016, the Group's capital ratios, were as follows: Common Equity Tier 1 ratio of 11.48 per cent., Tier 1 ratio of 11.48 per cent. and a Total Capital ratio of 14.10 per cent.

Following the Supervisory Review and Evaluation Process (SREP), in December 2016 the ECB has set the minimum capital requirement in terms of CET1 that the Group has to respect in 2017, which is 7.5%.

As at 31 March 2017, the Group's capital ratios, were as follows: Common Equity Tier 1 ratio of 11.44 per cent., Tier 1 ratio of 11.44 per cent. and a Total Capital ratio of 14.71 per cent.

UBI Banca and the UBI Banca Group recent developments

Completion of the Single Bank project

The Single Bank project was completed in the first quarter 2017 well ahead of the original schedule. The merger of the seven network banks into UBI Banca took place in two stages:

- the first regarded Banca Popolare Commercio e Industria and Banca Regionale Europea, with the signing on 15 November 2016 of two separate merger deeds which took effect with regard to third parties from 21 November 2016 (from 1 January 2016 for accounting and tax purposes). At the same time as the BRE merger deed was signed, UBI Banca concluded the purchase of the saving shares and the privileged shares held by the Fondazione Cassa di Risparmio di Cuneo, in implementation of an agreement signed with that foundation on 27 June 2016 and disclosed to the market on that same date;
- the second stage involved all the remaining network banks (Banca Popolare di Bergamo, Banca Popolare di Ancona, Banca Carime, Banco di Brescia and Banca di Valle Camonica) with the signing on 2 February 2017 of four separate merger deeds (one for each network bank, exception being made for the signing of a single merger deed for BBS and BVC), which took effect with regard to third parties from 20 February 2017 (from 1 January 2017 for accounting and tax purposes).

[5] Calculated according to the new prudential rules for banks and investment companies contained in EU Regulation 575/2013 (the Capital Requirements Regulation, known as the CRR) and in the EU Directive 2013/36/EU (the Capital Requirements Directive, known as CRD IV), came into force on 1 January 2014. These transpose standards defined by the Basel Committee on Banking Supervision (known as the Basel 3 framework) into European Union regulations.

With the merger by incorporation and the migration of the 5 Network Banks, which follow the integration in November 2016 of BPCI and BRE (please see press release dated 22 November 2016), the Single Bank Project was substantially completed on 20 February 2017, in large advance by about 4 months compared to Business Plan expectations.

Resolutions approved by an Ordinary and Extraordinary Shareholders' Meeting of UBI Banca on April 2017

On 7 April 2017 a General Meeting of the Shareholders of UBI Banca was held under the chairmanship of Andrea Moltrasio (the Chairman of the Supervisory Board), convened in both extraordinary and ordinary session to resolve on the items on the agenda.

The Chairwoman of the Management Board, Letizia Moratti, reported on the performance and results achieved in 2016 as approved by the Supervisory Board on the preceding 7 March 2016.

In the ordinary session the Shareholders' Meeting acted with regard to the items on the agenda as follows:

1. with the vote in favour of 93.1% and the abstention of 5.8% of the share capital present, it approved the proposal to replenish the loss for the year by drawing on the share premium reserve and to distribute a dividend of €0.11 per share drawn from the extraordinary reserve, as proposed by the Management Board in consideration of the adequate capitalisation of the Group according to the parameters established by Basel 3 rules and in compliance with a communication from the European Central Bank dated 13 December 2016 on dividend distribution policies. The dividend was, then, paid on the 974,205,820 ordinary shares outstanding, net of treasury shares held in portfolio, and it was paid with ex dividend date, record date and payment date of 22, 23 and 24 May 2017, against coupon No. 19;
2. with the vote in favour of 92.4% and the abstention of 6.1% of the share capital present, it appointed Ferruccio Dardanello as a Member of the Supervisory Board, in order to fill a vacancy on the Board following the resignation of a member in December 2016. The Board Member will remain in office until the expiry of the term of office of the current Supervisory Board and that is until the Shareholders' Meeting that will be held in accordance with article 2364-bis of the Italian Civil Code, after the end of the financial year 2018;
3. it approved the first section of the Remuneration Report, prepared for public disclosure purposes, in compliance with regulations in force and made available to the public in accordance with the law.
4. it adopted, as proposed, remuneration policies for members of the Supervisory Board and members of the Management Board;
5. it approved remuneration schemes based on financial instruments, in order to pay a quota of the short-term (annual) and long-term (multi-year) variable component of remuneration for "Key Personnel" and to pay the productivity bonus (known as the "Company Bonus") for 2017 for all employee personnel and it also approved the resulting proposals to authorise the purchase of treasury shares at the service of those schemes;
6. again on the subject of remuneration, having acknowledged a proposal submitted by the Supervisory Board, substantially along the same lines as that approved by the 2016 Shareholders' Meeting, it approved terms for setting the criteria and maximum limits on the number of years of remuneration and the relative payment procedures to be agreed in the event of the early termination of an employment relationship or early retirement from corporate office;
7. lastly, having taken note of the proposal by the Supervisory Board and in consideration of the current legislation on the matter, it approved the determination of the ratio of variable to fixed remuneration up to a maximum of 2:1 for "Key Personnel" belonging to the Investments Area of

the asset management company UBI Pramerica SGR S.p.A., the application of which for 2017 is planned for six positions.

Finally, in the Extraordinary session, with a vote in favour of 99.8% of the share capital present, the Shareholders' Meeting approved a proposal to authorise the Management Board to increase the share capital by payment, by 31 July 2018, subject to prior authorisation by the Supervisory Board, by a total maximum amount of €400 million, inclusive of any share premiums, by the issue of ordinary shares with no nominal value and having the same characteristics as those already outstanding, to be offered as an option to rights holders, with the broadest powers to establish, from time to time and in observance of the above limitations, the procedures, the terms and the conditions of the operation, inclusive of the issue price and comprising any share premiums and dividend entitlements.

The effect of the resolution, and therefore the authorisation mentioned, was subject to the acquisition by UBI Banca of the entire share capital of Nuova Banca delle Marche Spa, Nuova Banca dell'Etruria e del Lazio Spa and Nuova Cassa di Risparmio di Chieti Spa by the ultimate deadline of 31 July 2018, while it remains in any event necessary to acquire prior authorisation Bank of Italy/European Central Bank.

Fitch's rating action

On 20 February 2017, Fitch Ratings reduced by one notch the Long Term IDR (Long-term Issuer Default Rating), from "BBB" to "BBB-", and the Viability Rating, from "bbb" to "bbb-". The Outlook remained Negative, in relation to the weak Italian economic context.

The acquisition of Target Bridge Institutions

On 11 January 2017, the Supervisory Board, on the basis of a proposal from the Management Board, decided to approve and submit a binding offer to the Resolution Fund to purchase 100% of the share capital of Nuova Banca delle Marche (in possession, amongst other things, of 98.86% of Cassa di Risparmio di Loreto), Nuova Banca dell'Etruria e del Lazio (in possession, amongst other things, of 100% of Banca Federico del Vecchio) and Nuova Cassa di Risparmio di Chieti (the "Target Bridge Institutions"), the banks formed following intervention by the Resolution Fund in November 2015 for which a business, financial and operating rationale was identified, designed for the potential creation of value for the UBI Banca Group.

The offer, which was valid until 18 January 2017 inclusive, was accepted by the Directors of the Bank of Italy, who on that same day approved the signing of the contract for the sale of the three Bridge Banks to UBI Banca, which occurred at the same time. The sales contract involved the purchase being subject to a series of suspensive conditions, including the following:

(i) obtaining the required authorisations from the competent authorities in accordance with their respective areas of responsibility (more specifically, the Bank of Italy/European Central Bank, the Italian Competition Authority and the Institute for the Supervision of Insurance);

(ii) the disposal without recourse, to be completed before the closing date, of approximately €2.2 billion of gross non-performing loans;

(iii) the approval by a Shareholders' meeting of UBI Banca of an increase in the share capital for up to a maximum of €400 million;

(iv) implementation and completion of the recapitalisation of the Target Bridge Institutions by the Seller for an estimated amount of €450 million.

The contract also involved a contractual limitation of the risks taken by prior compliance with certain "Significant Parameters" (details of which are given in the consolidated management report in the 2016 Annual Report).

During the first three months of the year and in the weeks that followed, all the activities preparatory to the conclusion of the acquisition were therefore set in motion.

First of all, the necessary authorisation applications were submitted to the following: the Bank of Italy/European Central Bank (specifically for the acquisition of the Bridge Banks and for the increase in the share capital of UBI Banca); the Institute for the Supervision of Insurance (for the purchase, indirectly, of the controlling interests held by Nuova Banca dell'Etruria e del Latium in BancAssurance Popolari Spa and in BancAssurance Popolare Danni Spa); the Italian Competition Authority (for the concentration resulting from the acquisition of the aforementioned banks). Authorisation was issued on 4 April by the insurance institute, on 12 April by the competition authority and on 28 of April by the Bank of Italy/ECB (relating to the acquisition of the Target Breach Institutions).

On 7 April 2017, a Shareholders' Meeting of UBI Banca, held in extraordinary session, approved a proposal with the vote in favour of 99.8% of the share capital present, to confer an authorisation on the Management Board to increase the share capital by payment, in one or more tranches by and not later than 31 July 2018 (subject to prior authorisation from the Supervisory Board) by a total maximum amount of €400 million (inclusive of any share premiums), through the issue of ordinary shares with no nominal value and having the same characteristics as those already outstanding. The effect of the resolution and therefore of the authorisation was subject to the acquisition of the three banks by the final deadline of 31 July 2018. An application was submitted on 14 April 2017 to the Consob (Italian securities market authority) for authorisation to publish the Registration Document. (For further details about the Capital Increase, please see the next paragraph "*UBI Banca share capital with option rights increase")*

Subject to verification of the suspensive conditions for the Closing laid down in the purchase contract, the purchase of the Target Bridge Institutions by UBI Banca took place on 10 May 2017 for valuable consideration of €1.

In that same context, but immediately after the closing date, shareholders' meetings of the Target Bridge Institutions were also held, which proceeded, amongst other things, in ordinary session to appoint a new board of directors designated by UBI Banca, and also, in extraordinary session, and as agreed with the authorities, to change the respective names of the companies as well as to transfer the registered address of each of them to Bergamo, up till the completion of the merger into UBI Banca. More specifically the new name of Nuova Banca Marche will be "Banca Adriatica S.p.A.", the new name of Nuova Banca Etruria will be "Banca Tirrenica S.p.A." and the new name of Nuova CariChieti will be "Banca Teatina S.p.A.". The aforementioned resolutions approved in the extraordinary shareholders' meetings (inclusive of the new company names) will take effect once the relative law authorisations have been obtained. The shareholders' meeting of Banca Federico del Vecchio S.pA. (controlled by Nuova Banca Etruria) was held, which proceeded, among other and in ordinary session, to appoint a new Management Board designated by UBI Banca. Also, for the Cassa Di Risparmio di Loreto, the appointment of a new Board of Directors and the aforementioned changes to the Articles of Association were submitted to the approval of a Shareholders' Meeting.

On 11 May 2017 the Management Board and the Supervisory Board of UBI Banca approved a merger project, which involves the integration into the Parent UBI Banca of Nuova Banca delle Marche S.p.A.,

Nuova Banca dell'Etruria e del Lazio S.p.A., Nuova Cassa di Risparmio di Chieti S.p.A., Banca Federico del Vecchio S.p.A. and Cassa di Risparmio di Loreto S.p.A. (all together "***Banks to be merged***" into UBI Banca) to be carried out by means of their merger by incorporation into the Parent. This operation forms part of the natural continuation of the process to greatly streamline the organisational structure of the UBI Group originating from the recent conclusion of the "Single Bank" project. Furthermore, in view of the very many activities required to implement the entire project to integrate the *Banks to be merged*, it is planned to carry out the project in three steps, the first of which regarding Nuova Banca delle Marche and Cassa di Risparmio di Loreto (date of effect for legal purposes planned for October 2017), the second regarding Nuova Banca dell'Etruria e del Lazio and Banca Federico del Vecchio (date of effect for legal purposes planned for November 2017) and the third regarding Nuova Cassa di Risparmio di Chieti (date of effect for legal purposes February 2018).

Update of the UBI business plan to include Nuova Banca Marche, Nuova Banca Etruria and Nuova Carichieti (the "Target Bridge Institutions")"

On 10 May 2017, UBI presented an update of the business plan approved on 27 June 2016 proposed by the Management Board containing strategic guidelines and economic, financial and capital objectives for the period 2016-2019/2020 (the "**Business Plan**"), for the "Combined Entity" (i.e. the UBI Banca Group plus the three Target Bridge Institutions and their respective perimeter of consolidation). The new 2017-2020 Business Plan confirms the strategic guidelines of UBI Banca's stand alone 2019/2020 Business Plan and these will be rolled out across the Target Bridge Institutions and their respective perimeter of consolidation. The plan is based, in particular, on the following four key cornerstones:

(i) the "Single Bank" approach set out in the 2019/2020 Business Plan will apply across the Combined Entity, on the basis of which the Group's seven network banks were merged into UBI Banca in 2016 and the first months of 2017, and the three Target Bridge Institutions that have also been merged into UBI Banca;

(ii) evolution of the Groups' commercial approach by:

  (a) confirmation of the integrated multi-channel approach (to be completed by the end of 2017) to (i) enable customers to access the bank continuously and operate without distinction on all available channels and (ii) to allow the bank to reach customers with targeted commercial proposals;

  (b) the formulation of a dedicated customer segment based strategy ("Individuals and Households", "Affluent and Private Banking" and "Business" segments), as a result of, amongst other factors, market trends, as described in the press release dated 27 June 2016;

(iii) consolidation of the Group's structural strengths, by means of:

  (a) confirmation of an asset quality amongst the best in the sector and the provision of adequate coverage for problem loans;

  (b) continuation and acceleration of activities to rationalise the cost base; and

maximisation of key profitability and efficiency indicators, alongside maintaining a balanced capital and financial structure**".**

UBI Banca share capital with option rights increase

On 8 June 2017, the Management Board of UBI Banca, after having obtained the prior authorisation from the Supervisory Board, set the final conditions for the share capital increase in execution of the mandate granted by the Shareholders' Meeting held on 7 April 2017 and it set the timetable for the offering to existing shareholders by way of pre-emptive subscription rights in connection with the newly issued shares. More specifically, it set that UBI Banca would issue a maximum of 167,006,712 new ordinary shares of UBI Banca, with no par value, of the same class of the UBI Banca ordinary shares outstanding and with normal dividend entitlement, to be offered, pursuant to transferable pre-emptive subscription rights granted to existing shareholders of UBI Banca, at a ratio of 6 newly issued shares for every 35 shares held, at a subscription price of € 2.395 for each new share, all being share capital. On 9 June 2017 Consob approved the Italian Registration Document, the Italian Information Note and the Italian Summary Note (which, together, constitute the "Italian Prospectus") relating to the Rights Issue and to the admission to trading on the MTA (*Mercato Telematico Azionario*, organized and managed by Borsa Italiana S.p.A.) (the "MTA") of the newly issued shares of the Company deriving from the Rights Issue. The pre-emptive rights entitling to the subscription of the newly issued shares of the Company had to be exercised from 12th June 2017 to 27th June 2017 (the "subscription period"). The Pre-emptive Rights were traded on the MTA from 12th June 2017 to 21st June 2017, inclusive. On 11 June 2017, UBI Banca appointed Banca IMI (Intesa Sanpaolo Group), Banco Santander and Mediobanca as additional underwriters and co-bookrunners. The co-bookrunners adhered to the underwriting agreement previously entered into on 8th June 2017 with Credit Suisse, acting as sole global coordinator and bookrunner.

On 27 June 2017 the Rights Offering was concluded. During the subscription period, 967,529,640 option rights were exercised for the subscription of 165,862,224 shares, accounting for 99.31% of the total shares offered for a consideration of € 397,240,026.48. The remaining 6,676,180 option rights not exercised during the subscription period, which gave the right to subscribe 1,144,488 shares, corresponding to 0.69% of the total Shares offered, for a consideration of € 2,741,048.76, were offered on the stock market by UBI Banca, through IW Bank Private Investments, in the trading session of 30 June 2017.

As final result of the operation, 167,006,652 shares had been subscribed during the Subscription period, corresponding to over 99.99% of newly issued UBI Banca ordinary shares, for a countervalue of €399,980,931.54. In accordance with the terms of the underwriting agreement, Credit Suisse, Banca IMI (Intesa Sanpaolo Group), Banco Santander and Mediobanca, in their capacity as underwriters, subscribed the remaining 60 shares, deriving from 350 rights not exercised, for a countervalue of €143.70. The overall amount of the capital increase, €399,981,075.24 deriving from the issuance of 167,006,712 UBI Banca ordinary shares, were stated entirely as share capital. On 14 July 2017, the new share capital, which amounts to Euro 2,843,075,560.24 consisting of 1,144,244,506 ordinary shares with no nominal value, was filed with the Company Registrar of Bergamo. (For further details, please see the press releases published in June and July by UBI Banca, available on the website *http://www.ubibanca.it/pagine/Press-Releases-EN-2.aspx*)

DBRS rating action

On 9 June 2017, DBRS published a press release with the results of the review conducted on some subordinated issues of European Banks. With this rating action, the Agency had reduced by one notch the subordinated rating of 27 banking Groups, among which UBI Banca, whose two issues under EMTN programme are rated "BBB (low)" compared to the previous "BBB" with Negative Trend.

OVERVIEW OF FINANCIAL INFORMATION OF THE ISSUER

The **following tables** present:

(i) the audited consolidated balance sheet and income statement information of the Group approved by the Issuer's Supervisory Board as at and for the year ended 31 December 2016 and 31 December 2015, and

(ii) the unaudited consolidated interim balance sheet and income statement information of the Issuer as at and for the three months ended 31 March 2017 and 31 March 2016,

prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and as implemented under the Bank of Italy's instructions contained in Circular No. 262 of 22 December 2005 (as amended from time to time) and related transitional regulations in Italy (IFRS). All figures are in thousand euro unless otherwise stated.

The information set out in the tables below should be read in conjunction with and is qualified in its entirety by reference to, the full financial statements referred to above, in each case together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Prospectus.

Consolidated Balance Sheet

	As at 31 December	
	2016	**2015**
Assets	*(Figures in thousands of euro)*	
Cash and cash equivalents	519,357	530,098
Financial assets held for trading	729,616	994,478
Financial assets designated at fair value	188,449	196,034
Available-for-sale financial assets	9,613,833	15,554,282
Held-to-maturity investments	7,327,544	3,494,547
Loans and advances to banks	3,719,548	3,429,937
Loans and advances to customers	81,854,280	84,586,200
Hedging derivatives	461,767	594,685
Fair value change in hedged financial assets (+/-)	23,963	59,994
Equity investments	254,364	260,812
Property, plant and equipment	1,648,347	1,744,463
Intangible assets	1,695,973	1,757,468
of which:		
- goodwill	*1,465,260*	*1,465,260*
Tax assets:	3,044,044	2,814,933
a) current	435,128	605,770
b) deferred	2,608,916	2,209,163
- of which pursuant to Law n. 214/2011	*1,956,572*	*1,966,054*
Non-current assets and disposal groups held for sale	5,681	11,148
Other assets	1,297,151	1,171,686
Total Assets	**112,383,917**	**117,200,765**

	As at 31 December	
	2016	**2015**
Liabilities and equity	*(Figures in thousands of euro)*	
Due to banks	14,131,928	10,454,303
Due to customers	56,226,416	55,264,471
Debt securities issued	28,939,597	36,247,928
Financial liabilities held for trading	800,038	531,812
Hedging derivatives	239,529	749,725
Tax liabilities:	232,866	472,564
a) current	59,817	171,620
b) deferred	173,049	300,944
Other liabilities	1,962,806	2,354,617
Post employment benefits	332,006	340,954
Provisions for risks and charges:	457,126	266,628
a) pension and similar obligations	70,361	70,237
b) other provisions	386,765	196,391
Valuation reserves	(73,950)	260,848
Reserves	3,664,366	3,556,603
Share premiums	3,798,430	3,798,430
Share capital	2,440,751	2,254,371
Treasury shares	(9,869)	(5,155)
Non-controlling interests (+/-)	72,027	535,901
Profit (loss) for the year (+/-)	(830,150)	116,765
Total Liabilities and Equity	**112,383,917**	**117,200,765**

UNIONE DI BANCHE ITALIANE S.p.A.

MANDATORY FINANCIAL STATEMENTS – CONSOLIDATED INCOME STATEMENT

Consolidated Income Statement

	Year ended 31 December	
	2016	**2015**
	Figures in thousands of euro	
Interest and similar income	2,161,121	2,509,201
Interest expense and similar	(663,230)	(878,146)
Net interest income	**1,497,891**	**1,631,055**
Fee and commission income	1,508,992	1,488,853
Fee and commission expense	(173,959)	(188,734)
Net fee and commission income	**1,335,033**	**1,300,119**
Dividends and similar income	9,678	10,349
Net trading income (loss)	69,947	63,919
Net hedging income (loss)	415	10,968
Income (losses) from disposal or repurchase of:	91,770	211,390
a) loans	(31,482)	(34,527)
b) available-for-sale financial assets	149,014	262,251
d) financial liabilities	(25,762)	(16,334)
Net income (loss) on financial assets and liabilities designated at fair value	(8,421)	4,356
Gross income	**2,996,313**	**3,232,156**
Net impairment losses on:	(1,695,584)	(819,512)
a) loans	(1,565,527)	(802,646)
b) available-for-sale financial assets	(111,643)	(18,290)
d) other financial transactions	(18,414)	1,424
Net financial income	**1,300,729**	**2,412,644**
Net income from banking and insurance operations	**1,300,729**	**2,412,644**
Administrative expenses	(2,570,182)	(2,340,247)
a) staff costs	(1,599,717)	(1,391,732)
b) other administrative expenses	(970,465)	(948,515)
Net provisions for risks and charges	(42,885)	(2,975)
Net impairment losses on property, plant and equipment	(80,823)	(88,096)
Net impairment losses on intangible assets	(125,197)	(66,523)
Other net operating income/(expense)	306,541	321,441
Operating expenses	**(2,512,546)**	**(2,176,400)**
Profits of equity investments	24,136	35,516
Net impairment losses on goodwill	-	-
Profits on disposal of investments	22,969	208
Pre-tax profit (loss) from continuing operations	**(1,164,712)**	**271,968**
Taxes on income for the year from continuing operations	319,619	(127,502)
Post-tax profit (loss) from continuing operations	**(845,093)**	**144,466**
Profit (loss) for the year	**(845,093)**	**144,466**
Profit (loss) for the year attributable to non-controlling interests	14,943	(27,701)
Profit (loss) for the year attributable to the Parent	**(830,150)**	**116,765**

Defaulted and problem loans

The classification of the problem loan portfolio complies with the official regulations and can be summarized as follows:

- "unlikely to pay" loans *(inadempienze probabili, previously termed "impaired" and "restructured" loans)*;
- bad loans *(crediti in sofferenza, previously termed "non performing loans")*;
- loans past due and/or continuously in arrears *(esposizioni scadute e/o sconfinanti)* and
- unguaranteed loans to countries at risk *(crediti soggetti a rischio paese).*

"Unlikely to pay" loans

This portfolio of loans includes both positions for which it is considered that the temporary situtation of objective difficulty can be overcome in a very short period of time and positions for which, on the contrary, it is felt best to disengage from the account with credit recovery out of court over a longer period of time.

Bad loans

Bad loans are loans in relation to which the relevant borrower is in a state of insolvency (whether or not insolvency proceedings have been commenced). A subjective test is used by the relevant lending bank to determine whether the borrower is in a state of insolvency.

Past due Loans

A debtor should be reported as past-due if both of the following conditions apply:

- Overdue or overdraft credit has last for over 90 days in consecutive terms.
- The higher of the following two values is at least equal to the threshold of 5 per cent.:
    - Average amount of overdue and/or overdrafts over the entire amount on a daily basis on the last preceding quarter.
    - Amount of overdue and/or overdrafts over the entire amount at the date of the report.

Loans secured by real estate overdue for more than 90 consecutive days are classified as "past due" without any reference to the threshold stated above.

Loans subject to country risk

"Country risk" relates to problems of solvency in countries where there are difficulties surrounding the service of debt. There are seven categories of risk. Italian banks must monitor the percentage of devaluation (0-15-20-25-30-40-60 per cent.) which has to be applied to loans in each of these categories which are not specifically guaranteed against political or economic risk. Italian banks must report monthly to the Bank of Italy on their positions for each country.

The following tables shows a breakdown of the Group's loans as at 31 December 2016 and as at 31 December 2015.

	Loans to customers as at 31 December 2016				
	Gross exposure	%	Impairment losses	Carrying amount	%
	(Figures in thousands of Euro)				
Non performing exposures	**12,521,432**	**14.44**	**4,465,824**	**8,055,608**	**9.84**
Bad loans	7,260,761	8.37	(3,273,458)	3,987,303	4.87
"Unlikely to pay" loans	5,119,194	5.91	(1.184,283)	3,934,911	4.81
Past due loans	141,477	0.16	(8,083)	133,394	0.16
Performing loans	**74,177,541**	**85.56**	**(378,869)**	**73,798,672**	**90.16**
Total	**86,698,973**	**100.00**	**(4,844,693)**	**81,854,280**	**100.00**

	Loans to customers as at 31 December 2015				
	Gross exposure	%	Impairment losses	Carrying amount	%
	(Figures in thousands of Euro)				
Non performing exposures	**13,434,287**	**15.14**	**(3,745,738)**	**9,688,549**	**11.45**
Bad loans	6,987,763	7.87	(2,699,834)	4,287,929	5.07
"Unlikely to pay" loans	6,179,999	6.96	(1,032,900)	5,147,099	6.09
Past due loans	266,525	0.31	(13,004)	253,521	0.29
Performing loans	**75,314,190**	**84.86**	**(416,539)**	**74,897,651**	**88.55**
Total	**88,748,477**	**100.00**	**(4,162,277)**	**84,586,200**	**100.00**

Funding (consolidated)

The following table presents the sources of the Groups' funding from customers as at 31 December 2016.

	Direct funding from customers 31 December 2016	
	(Figures in thousands of Euro)	*%*
Due to customers	56,226,416	66.02%
Securities in issue	28,939,597	33.98%
of which: EMTN	*4,298,583*	*5.05%*
Total Direct Funding	**85,166,013**	**100%**

Financial assets/liabilities of the Group

The book value of securities portfolios (net of liabilities) of the UBI Banca Group amounted to approx Euro 17.1 billion as at 31 December 2016. The securities portfolios have been classified into IFRS categories as follows:

	As at 31 December 2016
	(Figures in thousands of Euro)
Financial assets held for trading	729,616
Financial assets designated at fair value	188,449
Available for sale financial assets	9,613,833
Held to maturity investments	7,327,544
Financial assets (a)	**17,859,442**
Financial liabilities held for trading (b)	800,038
Net financial assets (a-b)	**17,059,404**

The interbank position of the Group

As at 31 December 2016, Loans and advances to banks amounted to 3.7 billion euro and Interbank funding amounted to approximately 14.1 billion euro.

Financial information for the quarter ended 31 March 2017

On 10 May 2017 the Management Board of UBI Banca approved the consolidated results for the first quarter of 2017, which ended with a profit of 67.0 million euro compared to 42.1 million euro achieved in the same period of 2016.

The Issuer makes use of the incorporation regime by means of reference to the document indicated above pursuant to Article 11 of Directive 2003/71/EC and Article 28 of Regulation (EC) 809/2004.

UNIONE DI BANCHE ITALIANE SpA
INTERIM CONSOLIDATED BALANCE SHEET

	As at 31 March	
	2017	**2016**
Assets	(*Figures in thousands of euro*)	
Cash and cash equivalents	476,835	506,194
Financial assets held for trading	627,034	966,772
Financial assets designated at fair value	190,448	194,738
Available-for-sale financial assets	8,475,803	15,699,461
Held-to-maturity investments	7,274,195	3,445,469
Loans and advances to banks	4,850,605	3,591,309
Loans and advances to customers	84,521,597	84,072,553
Hedging derivatives	424,061	714,946
Fair value change in hedged financial assets (+/-)	10,591	61,469
Equity investments	254,842	259,545
Property, plant and equipment	1,637,718	1,673,882
Intangible assets	1,686,920	1,747,089
of which:		
- goodwill	*1,465,260*	*1,465,260*
Tax assets:	2,982,254	2,790,272
(a) current	371,618	579,833
(b) deferred	2,610,636	2,210,439
- of which pursuant to Law n. 214/2011	*1,954,022*	*1,957,995*
Non-current assets and disposal groups held for sale	5,811	70,283
Other assets	924,423	895,255
Total Assets	**114,343,137**	**116,689,237**

	As at 31 March	
	2017	**2016**
Liabilities and equity	(*Figures in thousands of euro*)	
Due to banks	16,665,755	11,495,105
Due to customers	56,443,308	56,527,759
Debt securities issued	27,562,538	33,124,613
Financial liabilities held for trading	722,633	610,468
Hedging derivatives	195,586	1,000,034
Tax liabilities:	229,327	427,460
(a) current	72,356	159,184
(b) deferred	156,971	268,276
Other liabilities	2,726,147	2,476,949
Post employment benefits	306,523	337,289
Provisions for risks and charges:	466,939	255,392
(a) pension and similar obligations	69,230	68,981
(b) other provisions	397,709	186,411
Valuation reserves	(158,895)	174,827
Reserves	2,833,815	3,655,183
Share premiums	3,798,430	3,798,430
Share capital	2,443,094	2,254,371
Treasury shares	(9,869)	(5,155)
Non-controlling interests (+/-)	50,769	514,451
Profit (loss) for the period (+/-)	67,037	42,061
TOTAL LIABILITIES AND EQUITY	**114,343,137**	**116,689,237**

Interim Consolidated Income Statement

	31 March 2017	31 March 2016
	(Figures in thousands of euro)	
Interest and similar income	479,115	568,924
Interest expense and similar	(131,928)	(181,324)
Net interest income	**347,187**	**387,600**
Fee and commission income	399,292	379,447
Fee and commission expense	(48,431)	(42,301)
Net fee and commission income	**350,861**	**337,146**
Dividends and similar income	2,045	523
Net trading income (loss)	23,950	1,504
Net hedging income (loss)	(2,089)	(986)
Income (losses) from disposal or repurchase of:	40,501	16,492
a) loans	(721)	(1,607)
b) available-for-sale financial assets	44,031	24,855
d) financial liabilities	(2,809)	(6,756)
Net income (loss) on financial assets and liabilities designated at fair value	2,998	(1,296)
Gross income	**765,453**	**740,983**
Net impairment losses on:	(150,944)	(155,087)
a) loans	(134,802)	(155,339)
b) available-for-sale financial assets	(38,902)	(4,668)
d) other financial transactions	22,760	4,920
Net financial operating income	**614,509**	**585,896**
Net income from banking and insurance operations	**614,509**	**585,896**
Administrative expenses	(549,432)	(547,539)
a) staff costs	(320,579)	(320,554)
b) other administrative expenses	(228,853)	(226,985)
Net provisions for risks and charges	(7,460)	(6,368)
Net impairment losses on property, plant and equipment	(18,920)	(19,289)
Net impairment losses on intangible assets	(15,464)	(15,922)
Other operating income/(expense)	82,170	81,059
Operating expenses	**(509,106)**	**(508,059)**
Profits (losses) of equity investments	3,809	5,252
Profits (losses) on disposal of investments	116	402
Profit (loss) from continuing operations before tax	**109,328**	**83,491**
Taxes on income for the period from continuing operations	(36,237)	(34,098)
After tax profit (loss) from continuing operations	**73,091**	**49,393**
Profit (loss) for the period	**73,091**	**49,393**
Profit (loss) for the period attributable to minority interests	(6,054)	(7,332)
Profit (loss) for the period attributable to the Parent	**67,037**	**42,061**

THE GUARANTOR

Introduction

The Guarantor, UBI Finance S.r.l., is a limited liability company (*società a responsabilità limitata*) incorporated on 18 March 2008 under the laws of the Republic of Italy pursuant to the Securitisation and Covered Bonds Law, fiscal code and enrolment with the companies register of Milan No. 06132280964, part of the Unione di Banche Italiane Group enrolled under No. 3111.2 with the register held by the Bank of Italy in accordance with article 64 of the Consolidated Banking Act. The Guarantor has no employees and no subsidiaries.

The Guarantor has its registered office at Foro Buonaparte 70, 20121 Milan, Italy; the telephone number of the registered office is +39 02 861914 and the fax number is +39 02 862495.

The Guarantor is part of the Unione di Banche Italiane Group and is subject to the management and coordination activity (*attività di direzione e coordinamento*) by UBI Banca that holds 60% of the Guarantor's quota capital.

The Guarantor commenced operations following its entry into the Transaction Documents to which it is a party.

Principal Activities

The duration of the company is up to 31 December 2050 and may be extended. The sole purpose of the Guarantor under the objects clause in its by-laws is the ownership of the Covered Pool and the granting to, *inter alios*, the Covered Bondholders of the Covered Bond Guarantee.

Quota Capital

The outstanding capital of the Guarantor is Euro 10,000, fully paid-up and divided into quotas as described below. The quotaholders of the Guarantor are as follows:

Quotaholder	Quota
Unione di Banche Italiane S.p.a.	€6,000 (60% of the capital)
Stichting Mara	€4,000 (40% of capital)

Unione di Banche Italiane S.p.a., with the 60 per cent. of the quota capital controls UBI Finance S.r.l., which belongs to the UBI Banca Group.

The Guarantor has not declared or paid any dividends or, save as otherwise described in this Prospectus, incurred any indebtedness.

Quotaholders' Agreement

Under the Quotaholders' Agreement, each Quotaholder has agreed and undertaken to and with each other and the Representative of the Covered Bondholders, for the period necessary in order to exercise the call option and the put option granted thereunder, to keep its quota free and clear of any liens, claims, burdens, encumbrances, security interests or any other rights of any third parties whatsoever and not to sell, charge, pledge or otherwise dispose in any manner whatsoever of its quota.

The Quotaholders' Agreement contains put and call options granted pursuant to article 1331 of the Italian Civil Code in respect of the entire quota of Stichting Mara in the Guarantor's quota capital. In detail, Stichting Mara has granted UBI Banca an option to purchase the whole of Stichting Mara's quota and UBI Banca has granted Stichting Mara an option to sell such quota, in each case at a price equal to

the nominal value of the quota. In both cases, the option is exercisable exclusively from the later of the Expiry Date and the date falling five years after the Issue Date of the first Tranche of Covered Bonds issued under the Programme. Any purchase by UBI Banca may be effected either directly or through another company of the UBI Banca Group selected by UBI Banca.

Management

Board of Directors

The following table sets out certain information regarding the current members of the Board of Directors.

Name	Position	Principal activities performed outside the Guarantor
Renzo Parisotto	Chairman	—
Andrea Di Cola	Independent Director	Chartered accountant
Marco Trabattoni	Director	—

The business address of the Board of Directors is the Guarantor's registered office at Foro Buonaparte 70, 20121 Milan, Italy.

Board of Statutory Auditors

No Board of Statutory Auditors has currently been appointed.

Auditors

The current independent auditors of UBI Finance Srl are Deloitte & Touche S.p.A.

Conflict of Interest

There are no potential conflicts of interest between the duties of the directors and their private interests or other duties.

Financial Statements

The following tables set out non-consolidated balance sheet and income statement information relating to UBI Finance. The financial year of the Guarantor ends on 31 December of each calendar year. Such information is reproduced from the non-consolidated financial statements of UBI Finance as at and for the years ended 31 December -2016 and 31 December 2015. The financial statements of are prepared in accordance with IFRS.

Figures in Euros	31/12/2016	31/12/2015
Total assets	449,702	409,332
Net profit for the year	-	3

THE SELLERS

IW Bank S.p.A. (former UBI Banca Private Investment S.p.A.)

IW Bank S.p.A. is a bank providing financial advisory and private banking services. It is 100 per cent. owned by UBI Banca. It was formed through the merger by incorporation, effective on 25 May 2015 of former IW Bank S.p.A., the on line banking company of the Group ("**IWB**"), into former UBI Banca Private Investment S.p.A. ("**UBI Banca Private Investment S.p.A.**"), this last changing its name into IW Bank S.p.A. ("**IW Bank S.p.A.**"). IW Bank S.p.A. operates through a distribution network of about 824 financial advisors as of 31 December 2015.

The Head Office and General Management of the Bank IW Bank S.p.A.are located in Piazzale Fratelli Zavattari,12, 20149 (Italy). IW Bank S.p.A.'s fiscal code and registration number in the Company Registry of Milan is 00485260459 and its VAT number is 02458160245.

For further Information about IW Bank S.p.A. see Section *"Merger by incorporation of IW Bank S.p.A. into UBI Banca Private Investment S.p.A."*above.

Business object

According to Article 2 of its by-Laws, the duration of the company is up to 31 December 2050 but may be extended. Its principal objects, as set out in Article 3 of its by-Laws, are deposit-taking and the carrying-out of all forms of lending activities. For such purposes, it may, subject to compliance with legislation in force and obtaining the required authorisations, perform any transactions or banking or financial services, together with any other activity incidental to or in any way connected with the achievement of its corporate objects. The company may issue bonds in accordance with laws and regulations.

IW Bank S.p.A.'s Board of Directors, Statutory Board of Auditors and Management

Board of Directors

The Board of Directors of IW Bank S.p.A. presently consists of the following persons:

Name	Position
Caio Massimo Capuano	Chairman
Elvio Sonnino	Deputy Chairman
Frederik Herman Geertman	Director
Andrea Giochetta	Director
Silvia Quilleri	Director
Renato Tassetti	Director
Gian Cesare Toffetti	Director

The present Board of Directors has been appointed for a term of office expiring at the shareholders' meeting convened to approve the annual financial statements of IW Bank S.p.A. for the year ending 31 December 2017.

Board of Statutory Auditors

The following table sets out the composition of the IW Bank S.p.A.'s Board of Statutory Auditors.

Name	Position

Name	Position
Paolo Prandi	Chairman
Sergio Comincioli	Acting Auditor
Maria Rachele Vigani	Acting Auditor
Francesco Fortina	Alternate Auditor
Giorgio Luigi Guatri	Alternate Auditor

General Management

Name	Position
Andrea Pennacchia	General Manager

Auditors

The auditors of IW Bank S.p.A. are Deloitte & Touche S.p.A., appointed to audit the bank's annual financial statements up to the year ending 31 December 2025.

Subsidiaries and associated companies

As at 31 December 2016, UBI Banca Private Investment S.p.A. (now IW Bank S.p.A.) has a 4.31 per cent. stake in UBI Sistemi e Servizi S.c.p.A and a 3 per cent. stake in UBI Academy S.c.r.l.

Share capital and shareholders

According to Article 4 of its by-Laws, IW Bank S.p.A. has issued and fully paid-up capital of Euro 67,950,000 consisting of 22,650,000 shares with a nominal value of Euro 3.00 each.

IW Bank S.p.A. shares are unlisted and fully owned by UBI Banca.

OVERVIEW OF THE TRANSACTION DOCUMENTS

Introduction on Merger Plan

On 20 February 2017, the Issuer announced the completion of the merger plan relating to the merger by incorporation of Banca Regionale Europea S.p.A., Banca Popolare Commercio e Industria S.p.A., Banca Popolare di Bergamo S.p.A., Banca Popolare di Ancona S.p.A., Banca Carime S.p.A., Banco di Brescia S.p.A. and Banca di Valle Camonica S.p.A. (the "**Merged Banks**") into UBI (the "**Merger Plan**") and the signing of the relevant merger agreements. With the merger by incorporation and the migration of these seven banks the "Single Bank Project" was substantially completed on 20 February 2017.

As a consequence of the completion of the Merger Plan, starting from the date on which each merger has been completed and all the formalities and conditions set out under the relevant Merger Agreement for such purposes have been executed and satisfied (the "**Merger Effective Date**"), UBI has succeeded to each relevant Merged Bank as party in the Transaction Documents and the rights and obligations of the relevant Merged Bank as Seller, Subordinated Lender and Sub-Servicer deriving from such Transaction Documents have been transferred to UBI.

Covered Bond Guarantee

On 30 July 2008, the Guarantor, the Issuer and the Representative of the Covered Bondholders entered into the Covered Bond Guarantee pursuant to which the Guarantor agreed to issue, for the benefit of the Covered Bondholders and the Other Issuer's Creditors, a first demand, unconditional, irrevocable and autonomous guarantee to support payments of interest and principal under the Covered Bonds issued by the Issuer under the Programme and other payments due to the Other Issuer's Creditors. Under the Covered Bond Guarantee the Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become due and payable but which would otherwise be unpaid by the Issuer. The obligations of the Guarantor under the Covered Bond Guarantee constitute direct and unconditional, unsubordinated and limited recourse obligations of the Guarantor, collateralised by the Cover Pool as provided under the Securitisation and Covered Bond Law, Decree 310 and the Bank of Italy Regulations.

The Representative of the Covered Bondholders will enforce the Covered Bond Guarantee: (i) following the occurrence of an Issuer Event of Default and subject to any applicable grace periods, by serving an Issuer Default Notice on the Issuer and the Guarantor; and (ii) following the occurrence of a Guarantor Event of Default and subject to any applicable grace periods, by serving a Guarantor Default Notice on the Guarantor.

Following the service of an Issuer Default Notice by the Representative of the Covered Bondholders, payment of the Guaranteed Amounts shall be made by the Guarantor on the dates scheduled and for the amounts determined in accordance with the Guarantee Priority of Payments.

Under the Covered Bond Guarantee, the parties have agreed that, should a resolution pursuant to article 74 of the Consolidated Banking Act be issued in respect of the Issuer, although such event constitutes an Issuer Event of Default, the consequences thereof will only apply during the Suspension Period. Following an Article 74 Event:

(i) the Representative of the Covered Bondholders will serve an Issuer Default Notice on the Issuer and the Guarantor, specifying that an Article 74 Event has occurred and that such event may be temporary; and

(ii) in accordance with Decree 310, the Guarantor shall be responsible for the payments of the amounts due and payable under the Covered Bonds within the Suspension Period at their relevant due date *provided that* it shall be entitled to claim any such amounts from the Issuer.

The Suspension Period shall end upon delivery by the Representative of the Covered Bondholders to the Issuer, the Guarantor and the Asset Monitor of an Article 74 Event Cure Notice, informing such parties that the Article 74 Event has been revoked.

Upon the termination of the Suspension Period the Issuer shall again be responsible for meeting the payment obligations under the Covered Bonds.

Under the Covered Bond Guarantee, the parties thereto have also agreed that, upon enforcement of the Covered Bond Guarantee, the Guarantor shall be entitled to request from the Issuer — also prior to any payments are effected by the Guarantor under the Covered Bond Guarantee — an amount up to the Guaranteed Amounts, in order to secure the Issuer obligations to the subrogation right of the Guarantor. Any sum so received or recovered from the Issuer will be used to make payments in accordance with the Covered Bond Guarantee. The parties have also agreed that the Guarantor shall no longer be entitled request to the Issuer payment of such amounts if a Guarantor Default Notice is delivered by the Representative of the Covered Bondholders or the Covered Bonds have been otherwise accelerated pursuant to the Conditions.

The service of a Guarantor Default Notice by the Representative of the Covered Bondholders will result in the acceleration of the right of the Covered Bondholders of each Series of Covered Bonds issued to receive payment of the Guaranteed Amounts and the Representative of the Covered Bondholders will demand the immediate payment by the Guarantor of all Guaranteed Amounts. Payments made by the Guarantor following the service of a Guarantor Event of Default shall be made *pari passu* and on a *pro-rata* basis to the Covered Bondholders of all outstanding Series of Covered Bonds, in accordance with the Post-Enforcement Priority of Payments.

Pursuant to the terms of the Covered Bond Guarantee, the recourse of the Covered Bondholders and the Other Issuer's Creditors to the Guarantor under the Covered Bond Guarantee will be limited to the Guarantor Available Funds.

Furthermore, under the Covered Bond Guarantee, the parties have agreed that as of the date of administrative liquidation (*liquidazione coatta amministrativa*) of the Issuer or following the delivery of an Issuer Default Notice to the Issuer and the Guarantor, the Guarantor (or the Representative of the Covered Bondholders pursuant to the Intercreditor Agreement) shall exercise, on an exclusive basis and in compliance with the provisions of article 4 of the Decree 310, the rights of the Covered Bondholders against the Issuer and any amount recovered from the Issuer will be part of the Guarantor Available Funds.

To the extent that the Guarantor makes, or there is made on its behalf, a payment of any amount under the Covered Bond Guarantee, the Guarantor will be fully and automatically subrogated to the Covered Bondholders' and Other Issuer's Creditors' rights against the Issuer pursuant to article 2900 *et seq.* of the Italian Civil Code.

Governing law

The Covered Bond Guarantee is governed by Italian law.

Subordinated Loan Agreements

On or about the date of the relevant Master Loans Purchase Agreement, each Seller and the Guarantor entered into a Subordinated Loan Agreement, as amended from time to time, pursuant to article 7-*bis* of the Securitisation and Covered Bond Law under which each Seller granted or will grant to the Guarantor a term loan facility in an aggregate amount equal to the relevant Total Commitment, for the purposes of funding the purchase by the Guarantor of (i) Eligible Assets from the relevant Seller pursuant to the terms of the relevant Master Loans Purchase Agreement and (ii) Eligible Asset and/or Top-Up Assets from the relevant Seller pursuant to the terms of the Cover Pool Management Agreement.

Pursuant to the relevant Subordinated Loan Agreement, each Subordinated Lender has acknowledged its undertakings (i) pursuant to the Cover Pool Management Agreement, to transfer further Eligible Assets and/or Top-Up Assets to the Guarantor and to make available to the Guarantor further Term Loans in order to fund the purchase of such assets, and (ii) pursuant to the Master Loans Purchase Agreement, to make available to the Guarantor further Term Loans in order to fund any settlement amounts of the purchase price of the Initial Portfolio or any New Portfolio which may be due by the Guarantor under the relevant Master Loans Purchase Agreement.

The obligation of each Seller (in its capacity as Subordinated Lender) to advance a Term Loan to the Guarantor under the relevant Subordinated Loan Agreement will be off-set against the obligation of the Guarantor to pay to the relevant Seller the purchase price for the Eligible Assets and Top-Up Assets funded by means of the relevant Term Loan.

The rate of interest applicable in respect of each Term Loan for each Loan Interest Period shall be an amount of interest equal to 0.001 per cent. per annum (the "**Base Interest**"). On each Guarantor Payment Date, the Guarantor will pay to the Subordinated Lender, in addition to the Base Interest, the amount of the Premium, if any, payable to such Subordinated Lender on the relevant Guarantor Payment Date in accordance with the applicable Priority of Payments and the terms of the relevant Subordinated Loan Agreement.

Interest and Premium, if any, payable in respect of a Term Loan shall be payable on each Guarantor Payment Date following the Drawdown Date of that Term Loan, subject to the relevant Priority of Payments.

Prior to the delivery of an Issuer Default Notice, each Term Loan shall be repaid on each Guarantor Payment Date subject to the written request of the relevant Subordinated Lender and the Issuer, according to the Pre Issuer Event of Default Principal Priority of Payments and within the limits of the then Guarantor Available Funds, provided that such repayment does not result in a breach of any of the Tests or the Relevant Portfolio Test.

Following the service of an Issuer Default Notice, the Term Loans shall be repaid within the limits of the Guarantor Available Funds subject to the repayment in full (or, prior to the service of a Guarantor Default Notice, the accumulation of funds sufficient for the purpose of such repayment) of all Covered Bonds.

Upon completion of the Merger Plan and as a consequence of the succession of UBI in the rights and obligations of each Merged Bank, the Parties to the Transaction Documents, on 23 May 2017, have agreed to terminate the Subordinated Loan Agreements entered into by each of the Merged Banks and provide that the Term Loans disbursed in accordance with the Subordinated Loan Agreements entered into by each of the Merged Banks will be regulated by the Subordinated Loan Agreement entered into between UBI and the Guarantor.

Governing law

Each Subordinated Loan Agreement is governed by Italian law.

Master Loans Purchase Agreements

On 30 June 2008, Banca Regionale Europa S.p.A., Banco di Brescia S.p.A. and, subsequently, upon accession to the Programme, each Seller and the Guarantor entered into the Master Loans Purchase Agreements, as amended from time to time, pursuant to which, each Seller will assign and transfer to the Guarantor, and the Guarantor will purchase, without recourse (*pro soluto*) from the relevant Seller, an Initial Portfolio and New Portfolios of Eligible Assets and Top-Up Assets that shall form part of the Cover Pool, in accordance with articles 4 and 7-*bis* of the Securitisation and Covered Bond Law and article 2 of Decree 310.

Under each Master Loans Purchase Agreement, upon satisfaction of certain conditions set out therein, the relevant Seller (i) may or shall, as the case may be, assign and transfer, without recourse (*pro soluto*), to the Guarantor and the Guarantor shall purchase, without recourse (*pro soluto*) from the relevant Seller, New Portfolios which shall form part of the Cover Pool held by the Guarantor, if such transfer is required under the terms of the Cover Pool Management Agreement in order to ensure the compliance of the Cover Pool with the Tests or with the 15 per cent threshold limit with respect to Top-Up Assets provided for by Decree 310 and the Bank of Italy Regulations; and (ii) may transfer New Portfolios to the Guarantor, and the Guarantor shall purchase from each Seller such New Portfolios, in order to supplement the Cover Pool in connection with the issuance of further Series of Covered Bonds under the Programme in accordance with the Programme Agreement.

In addition to (i) and (ii) above, under the terms and subject to the conditions of the Master Loans Purchase Agreement, prior to the delivery to the Issuer and the Guarantor of an Issuer Default Notice, each Seller may transfer New Portfolios to the Guarantor, which will fund the purchase price thereof through the principal collections then standing to the credit of the relevant English Principal Collection Account.

The Purchase Price payable for the Initial Portfolio has been determined pursuant to each Master Loans Purchase Agreement. Under each Master Loans Purchase Agreement the relevant parties thereto have acknowledged that the Purchase Price for the Initial Portfolio shall be funded through the proceeds of the first Term Loan under the relevant Subordinated Loan Agreement. The Purchase Price for each New Portfolio will be equal to the aggregate amount of the Individual Purchase Price of all Receivables comprised in such New Portfolio as at the relevant Transfer Date.

In case the Purchase Price is paid with the principal collections then standing to the credit of the relevant English Principal Collection Account and, upon the settlement procedure set out above, the Guarantor is required to pay amounts to the Seller in excess of the Purchase Price already paid, such amounts will be deducted from the amounts due to the relevant Seller as repayment of the outstanding Term Loans and, to the extent no such amounts are available, through the proceeds of an appropriate Term Loan to be made available by the relevant Seller as Subordinated Lender pursuant to the relevant Subordinated Loan Agreement.

Each initial Seller has sold to the Guarantor, and the Guarantor has purchased from such Seller, the Receivables comprised in the Initial Portfolio, which meet the Common Criteria and the relevant Specific Criteria (both as described in detail in the section headed "*Description of the Cover Pool*"). Receivables comprised in any New Portfolio to be transferred under the relevant Master Loans Purchase

Agreement shall meet, in addition to the Common Criteria, the relevant Specific Criteria and/or any Further Criteria.

Pursuant to each Master Loans Purchase Agreement, prior to the occurrence of an Issuer Event of Default, the relevant Seller will have the right to repurchase individual Receivables (including Defaulted Receivables) transferred to the Guarantor under the Master Loans Purchase Agreement.

After the service of an Issuer Default Notice, the Guarantor will, prior to disposing of the Eligible Assets or Top-Up Assets pursuant to the terms of the Cover Pool Management Agreement, offer to sell the Eligible Assets to the relevant Seller at a price equal to the minimum purchase price of the relevant Eligible Assets as determined pursuant to the Cover Pool Management Agreement. If the Guarantor should subsequently propose to transfer such assets for a price lower than the minimum purchase price as determined pursuant to the Cover Pool Management Agreement, it shall again offer such assets to the relevant Seller on the same terms and conditions offered by such third parties before entering into a transfer agreement with the latter.

The transfer of each Portfolio is made in accordance with article 58, subsections 2, 3 and 4 of the Consolidated Banking Act (as provided by article 4 of the Securitisation and Covered Bond Law).

As a consequence of the succession of UBI in the rights and obligations of each Merged Bank, on 23 May 2017, the Parties to the Transaction Documents have acknowledged and agreed that (A) all ongoing rights and obligations (including any call option, renegotiation right and other rights and obligations) relating to the receivables transferred under the Master Loan Purchase Agreements entered into by each of the Merged Banks and the Guarantor, that, as a consequence of the Merger have been assumed by UBI, will be regulated by the UBI Master Loan Purchase Agreement; and (B) each of the Master Loan Purchase Agreements entered into by each of the Merged Banks will remain in force and effect and will continue to regulate (x) the activities performed and the effects already produced between the original parties thereto and any provision relating to the transfer of the Receivables (including any price adjustment or other similar provisions) which relates to transfer of receivables which have occurred prior to the date hereof, (y) the rights and obligations already arisen thereunder and indemnities and amounts already accrued and (z) the rights and obligations of the relevant parties arisen as of the date hereof therefrom and pursuant to the provisions set forth thereunder.

Governing law

Each Master Loan Purchase Agreement is governed by Italian law.

Warranty and Indemnity Agreement

Pursuant to the Warranty and Indemnity Agreements entered into between each Seller and the Guarantor, each Seller has given certain representations and warranties in favour of the Guarantor in respect of, *inter alia*, itself, the Portfolio transferred and to be transferred by it pursuant to the relevant Master Loans Purchase Agreement, the Real Estate Assets over which the relevant Mortgages are established and certain other matters in relation to the issue of the Covered Bonds and has agreed to indemnify the Guarantor in respect of certain liabilities of the Guarantor that may be incurred, *inter alia*, in connection with the purchase and ownership of the relevant Portfolio.

Each Warranty and Indemnity Agreement contains representations and warranties given by the relevant Seller as to matters of law and fact affecting the relevant Seller including, without limitation, that the relevant Seller validly exists as a legal entity, has the corporate authority and power to enter into the

Transaction Documents to which it is party and assume the obligations contemplated therein and has all the necessary authorisations for such purpose.

Each Warranty and Indemnity Agreement sets out certain representations and warranties in respect of the Portfolio to which it relates, including, *inter alia*, that, as of the date of execution of each Warranty and Indemnity Agreement, the Receivables comprised in the Initial Portfolio (i) are valid, in existence and in compliance with the Criteria, and (ii) relate to Mortgage Loan Agreements which have been entered into, executed and performed by the relevant Seller in compliance with all applicable laws, rules and regulations.

Pursuant to each Warranty and Indemnity Agreement, the relevant Seller has agreed to indemnify and hold harmless the Guarantor, its officers or agents or any of its permitted assigns from and against any and all damages, losses, claims, costs and expenses awarded against, or incurred by such parties which arise out of or result from, *inter alia*, any representation and warranty given by the Seller under or pursuant to the relevant Warranty and Indemnity Agreement being false, incomplete or incorrect.

Governing law

Each Warranty and Indemnity Agreement is governed by Italian law.

Master Servicing Agreement

On 30 June 2008, the Master Servicer, Banca Regionale Europa S.p.A., Banco di Brescia S.p.A. and, subsequently, upon accession to the Programme, each Seller (in its capacity as Sub-Servicer) and the Guarantor entered into the Master Servicing Agreement, as amended from time to time, pursuant to which the Guarantor has appointed Unione di Banche Italiane S.p.A. as Master Servicer of the Receivables. The Master Servicer will act as the "*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e di pagamento*" pursuant to the Securitisation and Covered Bond Law and will be responsible for the receipt of the Collections acting as agent (*mandatario con obbligo di rendiconto*) of the Guarantor. In such capacity, the Master Servicer shall also be responsible for ensuring that such operations comply with the provisions of articles 2.3, letter (c), and 2.6 of the Securitisation and Covered Bond Law.

Pursuant to the Master Servicing Agreement the Master Servicer will transfer the interest and principal collections with respect to the Receivables credited to the Italian Collection Account pertaining to each Seller to, as appropriate, the relevant English Interest Collection Account and English Principal Collection Account held with the English Account Bank within the immediately following Business Day.

Under the Master Servicing Agreement the Master Servicer is entitled to delegate IW Bank S.p.A., in its capacity as Sub-Servicer, to carry out on behalf of the Guarantor and in accordance with the Master Servicing Agreement and the Credit and Collection Policy the management, administration, collection, recovery, monitoring and reporting activities with respect to the Receivables transferred by the relevant Seller to the Guarantor, except from the Receivables arising from UBI Portfolio and with the exception of the activities aimed at recovering any Defaulted Receivables and Delinquent Receivables, provided that in any case the activity of assignment of Defaulted Receivables to third parties cannot be delegated to the Sub-Servicer in accordance with the Master Servicing Agreement.

The Master Servicer will not be responsible for the actions undertaken by the Sub-Servicer which will be responsible for the fulfilment of the obligations undertaken by them under the Master Servicing Agreement on an individual basis and without joint liability. The Sub-Servicer has confirmed, in relation to its undertakings pursuant to the Master Servicing Agreement, its willingness to be the autonomous

holder (*titolare autonomo del trattamento dei dati personali*) for the processing of personal data in relation to the Receivables, pursuant to the Privacy Law.

Under the Master Servicing Agreement the Master Servicer and the Sub-Servicer are entitled to delegate, at their own expenses, to third parties the performance of merely operating and auxiliary activities related to the main activities delegated to the each of the Master Servicer pursuant to the Master Servicing Agreement and in accordance with the terms and within the limits provided therein.

The Master Servicer has undertaken to deliver to, *inter alios*, the Guarantor, the Asset Monitor, the Representative of the Covered Bondholders, the Principal Paying Agent and the Corporate Servicer, the Monthly Master Servicer's Report and the Quarterly Master Servicer's Report prepared on the basis of the information reported by the Seller as Sub-Servicer.

The Master Servicer and the Sub-Servicer have represented to the Guarantor that each has all skills, software, hardware, information technology and human resources necessary to comply with the efficiency standards required by the Master Servicing Agreement in relation to the respective responsibilities.

The Guarantor has undertaken, also in accordance with the terms of the Intercreditor Agreement, to use reasonable endeavours to appoint a back-up Master Servicer within 45 days from the date on which the Master Servicer's long-term rating has been downgraded below "Baa3" by Moody's or "BBB (low)" by DBRS taking into account, as long as UBI is the Master Servicer, the highest among (i) the long term rating of the unsecured and non-subordinated debt given by DBRS and (ii) the DBRS Covered Bonds Attachment Point given to the Program (given that DBRS rating means (a) the highest among the public rating assigned by DBRS and the public COR assigned by DBRS or, in absence of such public rating, (b) the highest among the private rating assigned by DBRS and the private COR assigned by DBRS or, in the absence of either a public rating or a private rating, (c) the DBRS rating) or the unsecured and non-subordinated short term debt rating of the Master Servicer drops below "P-3" by Moody's.

In the event that (A) the long-term unsecured and unsubordinated debt obligations of the Master Servicer falls below "Baa2" by Moody's or "BBB" by DBRS taking into account, as long as UBI is the Master Servicer, the highest among (i) the long term rating of the unsecured and unsubordinated debt given by DBRS and (ii) the DBRS Covered Bonds Attachment Point given to the Program (given that DBRS rating means (a) the highest among the public rating assigned by DBRS and the public COR assigned by DBRS or, in absence of such public rating, (b) the highest among the private rating assigned by DBRS and the private COR assigned by DBRS or, in the absence of either a public rating or a private rating, (c) the DBRS rating) or (ii) the unsecured and non-subordinated short and long term debt rating of the issuer drops below "A2" and "P-1" by Moody's and below the sole DBRS Long Term Rating-Institution, the Master Servicer, in case of event described under (A) above, shall or in case of event described under (B) above, may, also for the purpose of Clause 2.3 (*Nominale Value Test*) of the Cover Pool Management Agreement (i) immediately communicate such event to the Sub-Servicer and the Guarantor, (ii) prepare letters to communicate to the Debtors changes to their payment instructions, and (iii) identify one or more counterparties meeting the requirements provided for the appointment of the Back-up Master Servicer.

In the event the short-term rating of unsecured and unsubordinated debt obligations of the Master Servicer falls below "P-3" by Moody's or in the event the long-term rating of unsecured and unsubordinated debt obligation of the Master Servicer falls below "Baa3" by Moody's or "BBB(low)" by DBRS taking into account, as long as UBI is the Master Servicer, the highest among (i) the long-term rating of the unsecured and non-subordinated debt given by DBRS and (ii) the DBRS Covered Bonds Attachment Point given to the Program (given that DBRS rating means (a) the highest among the public

rating assigned by DBRS and the public COR assigned by DBRS or, in absence of such public rating, (b) the private rating assigned by DBRS or, in the absence of either a public rating or a private rating, (c) the DBRS rating) the Master Servicer shall immediately give notice of such event to the Representative of the Bondholders, the Rating Agencies, the Calculation Agent, the Sub-Servicer and the Guarantor; and shall alternatively: (i) notify in writing to the Debtors the details of the new account opened in name and on behalf of the Guarantor with an Eligible Institution where any payments in respect of the Receivables shall be made and ensure that, starting from the date in which such downgrading has occurred, the daily balance of the Italian Collection Accounts is equal to zero as set out in the relevant account statements (estratti conto); or (ii) procure and maintain a first demand guarantee issued by an Eligible Institution, so to guarantee the obligations of the Master Servicer and/or the Sub-Servicer to transfer the Collections pursuant to the Master Servicing Agreement, provided that, in the event the Commingling Amount is considered for the calculation of the Nominal Value Test in accordance with the provisions of Clause 2.3 of the Cover Pool Management Agreement, and in case such test is satisfied, the Master Servicer shall not be obliged to realise any of the activities referred to in points (i) and (ii) above.

The Guarantor may terminate the Master Servicer's and each Sub-Servicer's appointment and appoint a successor master servicer or sub-servicer if certain events occur, namely, with respect to the Master Servicer (each, a "**Master Servicer Termination Event**"):

(i) failure (not attributable to force majeure) to deposit or pay any amount required to be paid or deposited which failure continues for a period of 10 Business Days following receipt of a written notice from the Guarantor requiring the relevant amount to be paid or deposited;

(ii) failure to observe or perform duties under specified clauses of the Master Servicing Agreement and the continuation of such failure for a period of 10 (ten) Business Days following receipt of written notice from the Guarantor (provided that a failure ascribable to the Sub-Servicer delegated by the Master Servicer shall not constitute a Master Servicer Termination Event);

(iii) an Insolvency Event occurs with respect to the Master Servicer;

(iv) it becomes unlawful for the Master Servicer to perform or comply with any of its obligations under the Master Servicing Agreement;

(v) the Master Servicer is or will be unable to meet the current or future legal requirements and the Bank of Italy's Regulations for entities acting as servicers in the context of a covered bonds transaction;

Governing law

The Master Servicing Agreement is governed by Italian law.

Programme Agreement

For a description of the Programme Agreement, see "*Subscription and Sale*".

Intercreditor Agreement

On 30 July 2008, the Guarantor and, upon accession to the Programme, each of the Other Creditors entered into the Intercreditor Agreement, as amended from time to time. Under the Intercreditor Agreement provision is made as to the application of the proceeds from Collections in respect of the Cover Pool and as to the circumstances in which the Representative of the Covered Bondholders will be

entitled, in the interest of the Covered Bondholders, to exercise certain of the Guarantor's rights in respect of the Cover Pool and the Transaction Documents.

In the Intercreditor Agreement the Other Creditors have agreed, *inter alia*: to the order of priority of payments to be made out of the Guarantor Available Funds; that the obligations owed by the Guarantor to the Covered Bondholders and, in general, to the Other Creditors are limited recourse obligations of the Guarantor; and that the Covered Bondholders and the Other Creditors have a claim against the Guarantor only to the extent of the Guarantor Available Funds.

Under the terms of the Intercreditor Agreement, the Guarantor has undertaken, following the service of a Guarantor Default Notice, to comply with all directions of the Representative of the Covered Bondholders, acting pursuant to the Conditions, in relation to the management and administration of the Cover Pool.

Governing law

The Intercreditor Agreement is governed by Italian law.

Asset Monitor Agreement

On 30 July 2008, the Issuer, the Guarantor, the Asset Monitor, the Calculation Agent and the Representative of the Covered Bondholders entered into the Asset Monitoring Agreement, whereby each of the Issuer and the Guarantor has appointed the Asset Monitor to perform the services set out therein — please see "*The Asset Monitor*" below.

The appointment by the Guarantor will become effective only subject to, and with effect from, the delivery of an Issuer Default Notice, *provided that*, in case the Issuer Event of Default consists of an Article 74 Event, the Asset Monitor will provide the services to the Guarantor up to the date on which the Representative of the Covered Bondholder will have delivered an Article 74 Event Cure Notice.

Pursuant to the Asset Monitoring Agreement, the Asset Monitor has agreed to the Issuer and, upon delivery of an Issuer Default Notice, to the Guarantor, to verify, subject to due receipt of the information to be provided by the Calculation Agent to the Asset Monitor, the arithmetic accuracy of the calculations performed by the Calculation Agent under the Statutory Tests and the Amortisation Test carried out pursuant to the Cover Pool Management Agreement, with a view to confirming whether such calculations are accurate.

In the Asset Monitoring Agreement, the Asset Monitor has acknowledged to perform its services also for the benefit and in the interests of the Guarantor (to the extent it will carry out the services under the appointment of the Issuer) and the Covered Bondholders and accepted that upon delivery of an Issuer Default Notice, it will receive instructions from, provide its services to, and be liable vis-à-vis the Guarantor or the Representative of the Covered Bondholders on its behalf.

In addition, on or prior to each relevant date as set out in the Asset Monitoring Agreement, the Asset Monitor has undertaken to deliver to the Guarantor, the Calculation Agent, the Representative of the Covered Bondholders and the Issuer the Asset Monitor Report.

The Issuer or the Guarantor (as the case may be) may, until the occurrence of an Issuer Event of Default without any prior approval of the Representative of the Covered Bondholders and following the occurrence of an Issuer Event of Default with the prior approval of the Representative of the Covered Bondholders, revoke the appointment of the Asset Monitor, in either case by giving not less than three months' (or earlier, in the event of a breach of warranties and covenants) written notice to the Asset Monitor (with a copy to the Representative of the Covered Bondholders and the Calculation Agent). The

Asset Monitor may resign from its appointment under the Asset Monitoring Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Covered Bondholders may agree) prior written notice of termination to the Issuer, the Guarantor, the Calculation Agent and the Representative of the Covered Bondholders subject to and conditional upon certain conditions set out in the Asset Monitoring Agreement.

Governing law

The Asset Monitor Agreement is governed by Italian law.

Cash Allocation, Management and Payments Agreement

On 30 July 2008, the Guarantor, the Issuer, the Sellers, each upon accession to the Programme, the Master Servicer, the Italian Account Bank, the English Account Bank, the Swap Collateral Account Bank upon accession to the Programme, the Calculation Agent, the Principal Paying Agent, the Guarantor Corporate Servicer and the Representative of the Covered Bondholders entered into the Cash Allocation, Management and Payments Agreement, as amended from time to time.

Under the terms of the Cash Allocation, Management and Payments Agreement:

(i) the Italian Account Bank has agreed to establish and maintain, in the name and on behalf of the Guarantor, the Italian Collection Accounts, the Quota Capital Account and the Expenses Account and to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such Accounts;

(ii) the English Account Bank has agreed to establish and maintain, in the name and on behalf of the Guarantor, the English Principal Collection Accounts, the English Interest Collection Accounts and the Reserve Fund Account and to provide the Guarantor with certain reporting services together with account handling services in relation to monies from time to time standing to the credit of such accounts. In addition the English Account Bank has agreed to provide the Guarantor with certain payment services pursuant to the terms of the Cash Allocation, Management and Payments Agreement;

(iii) the Guarantor has appointed the Swap Collateral Account Bank with which it has opened the Swap Collateral Accounts pursuant to the English Account Bank Agreement and the Cash Allocation, Management and Payments Agreement;

(iv) the Principal Paying Agent has agreed to provide the Guarantor (and, prior to the delivery of an Issuer Default Notice, the Issuer) with certain payment services together with certain calculation services pursuant to the terms of the Cash Allocation, Management and Payments Agreement; and

(v) the Calculation Agent has agreed to provide the Guarantor with calculation services.

The English Account Bank shall comply with any instruction of the Calculation Agent to invest, on behalf of the Guarantor, amounts standing to the credit of the English Principal Collection Accounts and the Reserve Fund Account in Eligible Investments, as from time to time selected by the Calculation Agent in accordance with the provisions of the Cash Allocation, Management and Payments Agreement.

The Guarantor may (with the prior approval of the Representative of the Covered Bondholders) revoke its appointment of any Agent by giving not less than three months' (or earlier, in the event of a breach of warranties and covenants by the relevant Agent) written notice to the relevant Agent (with a copy to the Representative of the Covered Bondholders), regardless of whether an Issuer Event of Default or a

Guarantor Event of Default has occurred. Any Agent may resign from its appointment under the Cash Allocation, Management and Payments Agreement, upon giving not less than three months' (or such shorter period as the Representative of the Covered Bondholders may agree) prior written notice of termination to the Guarantor and the Representative of the Covered Bondholders subject to and conditional upon certain conditions set out in the Cash Allocation, Management and Payments Agreement.

Governing law

The Cash Allocation, Management and Payments Agreement is governed by Italian law.

The English Account Bank Agreement

On 8 November 2011, the Issuer, the Master Servicer, the English Account Bank, the Italian Account Bank, each Seller upon accession to the Programme, the Sub-Servicer, the Principal Paying Agent, the Calculation Agent, the Guarantor Corporate Servicer, the Representative of the Covered Bondholders, the Swap Collateral Account Bank upon accession to the Programme and the Guarantor entered into the English Account Bank Agreement.

Pursuant to the terms of the English Account Bank Agreement, the English Account Bank and the Swap Collateral Account Bank have agreed to establish and maintain, in the name and on behalf of the Guarantor, respectively, the English Accounts and the Swap Collateral Accounts (as defined in the Glossary of the Prospectus), and to provide the Guarantor with certain reporting and payment services together with account handling services in relation to monies from time to time standing to the credit of the English Accounts and the Swap Collateral Accounts.

The English Accounts and the Swap Collateral Accounts held with the English Account Bank and the Swap Collateral Account Bank shall be opened in the name of the Guarantor and shall be operated by the English Account Bank and the Swap Collateral Account Bank in accordance with the instructions given by, or on behalf of, the Guarantor and in accordance with the provisions of the English Account Bank Agreement, the Cash Allocation Management and Payments Agreement and the Intercreditor Agreement.

Governing law

The English Account Bank Agreement and any non – contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with English law.

Cover Pool Management Agreement

On 30 July 2008, the Issuer, the Guarantor, the Asset Monitor, the Calculation Agent, each Seller upon accession to the Programme, and the Representative of the Covered Bondholders entered into the Cover Pool Management Agreement, as amended from time to time, pursuant to which they have agreed certain terms regulating, *inter alia*, the performance of the Tests with respect to the Cover Pool and the purchase and sale by the Guarantor of assets included in the Cover Pool.

Under the Cover Pool Management Agreement, starting from the Issue Date of the first Series of Covered Bonds and until the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Final Terms, each Seller (and failing the Seller to do so, the Issuer and, failing the Issuer, the other Seller(s)) has undertaken to procure that on any Calculation Date each of the Statutory Tests is met with respect to the Cover Pool. In addition, on each Calculation Date following the occurrence of an Issuer Event of Default and service

of an Issuer Default Notice (but prior to service of a Guarantor Default Notice) the Calculation Agent shall verify that the Amortisation Test is met with respect to the Cover Pool.

The Calculation Agent has agreed to prepare and deliver to Issuer, the Sellers, the Guarantor, the Representative of the Covered Bondholders, the Rating Agencies and the Asset Monitor a report setting out the calculations carried out by it with respect of the Statutory Tests, the Amortisation Test and other information such as, *inter alia,* the Top-up Assets Limits (the "**Test Performance Report**"). Such Test Performance Report shall specify the amount of Top-Up Assets in relation to each Seller, the occurrence of a breach of the Statutory Tests and/or of the Amortisation Test and the Portfolio with respect to which a shortfall has occurred, identified on the basis of the Seller (or Sellers) which transferred it to the Guarantor (each, a "**Relevant Seller**").

If the Calculation Agent notifies the breach of any Test during the Test Grace Period, the Guarantor will purchase Eligible Assets and/or Top-Up Assets, to be transferred by (a) the Relevant Seller(s); and/or (b) upon the occurrence of the circumstances set out below, the Issuer; and/or (c) upon the occurrence of the circumstances set out below, the other Sellers, in an aggregate amount sufficient to ensure, also taking into account the information provided by the Calculation Agent in the Test Performance Report notifying the relevant breach, that as of the Calculation Date falling at the end of the Test Grace Period, all Tests are satisfied with respect to the Cover Pool.

Each Seller has undertaken, to the extent it is identified as a Relevant Seller, to promptly deliver a written notice to the Guarantor, the Issuer and the other Seller(s) informing them of any circumstance which may prevent it from complying (in part or in full) with its obligation to transfer the required amount of Eligible Assets and/or Top-Up Assets to the Guarantor (the "**Relevant Seller Notice**"). To the extent that the Relevant Seller deems that the circumstances above will only prevent it from transferring to the Guarantor a part of the Eligible Assets and/or Top-Up Assets required, for the purpose of allowing the Issuer or, as appropriate, the other Seller(s) to determine the amount of Eligible Assets and Top-Up Assets to be transferred to remedy the breach of Tests, the Relevant Seller Notice shall specify the amount of Eligible Assets and Top-Up Assets that the Relevant Seller will not be able to transfer.

To the extent that, within 20 calendar days from the Calculation Date in which the breach of the Tests has occurred, the Issuer has received a Relevant Seller Notice from the Relevant Seller(s) or the Guarantor has not received an offer by the Relevant Seller in accordance with the relevant Master Loans Purchase Agreement in respect of such Eligible Assets and/or Top-Up Assets to be transferred to remedy the Tests, the Issuer has undertaken to (a) transfer to the Guarantor Eligible Assets and/or Top-Up Assets, in the aggregate amount sufficient to ensure that, as of the Calculation Date falling at the end of the Test Grace Period, all Tests are satisfied with respect to the Cover Pool and (b) accordingly to promptly deliver a written notice, substantially in the form of the Relevant Seller Notice, to the Guarantor and the other Seller(s) informing them of any circumstance which may prevent it from complying (in part or in full) with its obligation to transfer the required amount of Eligible Assets and/or Top-Up Assets to the Guarantor.

To the extent that, within 25 calendar days from the Calculation Date in which the breach of the Tests has occurred, (a) the Issuer has received a Relevant Seller Notice from the Relevant Seller(s); or (b) the Guarantor has not received an offer by the Relevant Seller in accordance with the relevant Master Loans Purchase Agreement in respect of such Eligible Assets and/or Top-Up Assets; and (i) the other Seller(s) have received a notice substantially in the form of a Relevant Seller Notice from the Issuer; or (ii) the Guarantor has not received a contractual proposal by the Issuer in respect of such Eligible Assets and/or Top-Up Assets, the other Seller(s), jointly and severally, have undertaken to transfer to the Guarantor Eligible Assets and/or Top-Up Assets, in the aggregate amount sufficient to ensure that, as

of the Calculation Date falling at the end of the Test Grace Period, all Tests are satisfied with respect to the Cover Pool.

The parties to the Cover Pool Management Agreement have acknowledged that, at any time prior to the delivery of an Issuer Default Notice, the aggregate amount of Top-Up Assets included in the Cover Pool may not exceed 15 per cent. of the aggregate Outstanding Principal Balance of the Eligible Cover Pool, pursuant to the combined provisions of Decree 310 and the Bank of Italy Regulations. In this respect, the Calculation Agent has undertaken to determine, on each Calculation Date, the amount of Top-Up Assets (including any Collections and Recoveries and other cash flows deriving from the Eligible Assets and/or Top-Up Assets already transferred to the Guarantor) forming part of the Cover Pool and to report such calculation in each Test Performance Report.

Should it result from any Test Performance Report that the aggregate amount of Top-Up Assets included in the Cover Pool is in excess of 15 per cent. of the aggregate Outstanding Principal Balance of the Eligible Cover Pool, then the Seller(s) in relation to which the aggregate amount of (i) Top-Up Assets transferred by such Seller(s) to the Guarantor and (ii) the Collections and Recoveries on the relevant Portfolio is in excess of 15 per cent. of the Outstanding Principal Balance of the relevant Portfolio (the "**Relevant Top-Up Assets Excess**") must, during the immediately following Calculation Period, transfer to the Guarantor New Portfolio(s) of Eligible Assets in an aggregate amount at least equal to the Relevant Top-Up Asset Excess; provided however that such transfer will not be necessary if the Relevant Top-Up Assets Excess has been cured in full on the Guarantor Payment Date immediately following the Calculation Date in which any such Test Performance Report has been delivered, upon repayment by the Guarantor of any Term Loan outstanding under the relevant Subordinated Loan Agreement in accordance with the Pre-Issuer Event of Default Principal Priority of Payments.

The purchase price of New Portfolio(s) of Eligible Assets so transferred will be financed (i) through the principal collections standing to the credit of the relevant English Principal Collection Accounts, pursuant to Clause 3.4 of the relevant Master Loans Purchase Agreement or (ii) if the sums standing to the credit of the relevant English Principal Collection Accounts are not sufficient to fund the purchase price of such New Portfolio(s) of Eligible Assets, through the proceeds of Term Loan(s) advanced by such Seller(s) to the Guarantor pursuant to the relevant Subordinated Loan Agreement.

The parties have also acknowledged and agreed that, if notwithstanding one or more Seller(s) having pursued the remedies set out in above, the aggregate amount of Top-Up Assets included in the Cover Pool is still in excess of 15 per cent. of the aggregate Outstanding Principal Balance of the Eligible Cover Pool, (a) the obligations to transfer New Portfolio(s) of Eligible Assets will be undertaken by the Issuer and/or the other Seller(s) (which for such purpose are deemed to be Relevant Seller(s)) in the circumstances set out above and (b) the obligations to fund the purchase price of such New Portfolio(s) of Eligible Assets will be funded as described below. It is understood that, until the Relevant Top-Up Assets Excess is cured pursuant to the provisions of the Cover Pool Managament Agreement, the Relevant Top-Up Assets Excess would not be computed for the purposes of the calculation of the Statutory Tests.

Following the delivery of an Issuer Default Notice on the Issuer and the Guarantor, any Collections and Recoveries and other cash flows deriving from the Eligible Assets and/or Top-Up Assets transferred to the Guarantor may then exceed the 15 per cent. limit of the aggregate Outstanding Principal Balance of the Eligible Cover Pool and the above provisions shall cease to apply, provided however that, should the Issuer Default Notice consist of an Article 74 Event, such provisions will again apply upon delivery of an Article 74 Cure Notice.

For the purpose of allowing the Guarantor to fund the purchases referred to above:

(a) each Relevant Seller, in its capacity as Subordinated Lender, has undertaken to advance to the Guarantor a Term Loan in accordance with the relevant Subordinated Loan Agreement in an amount equal to the purchase price to be paid by the Guarantor for the Eligible Assets and/or Top- Up Assets to be transferred by such Relevant Seller, also acknowledging that the Total Commitment set out from time to time under the relevant Subordinated Loan Agreement shall not be a limitation with respect to the Relevant Seller's obligation to advance the Term Loans to the Guarantor in order to fund the purchase price for the relevant Eligible Assets and Top-Up Assets;

(b) the Issuer has undertaken to advance a subordinated loan to the Guarantor on substantially the same terms as provided for under the Subordinated Loan Agreements in an amount equal to the purchase price to be paid by the Guarantor for the Eligible Assets and/or Top-Up Assets to be transferred by the Issuer; and

(c) each other Seller, in its capacity as Subordinated Lender, has undertaken to advance to the Guarantor a Term Loan in accordance with the relevant Subordinated Loan Agreement in an amount equal to the purchase price to be paid by the Guarantor for the Eligible Assets and/or Top- Up Assets to be transferred by such other Seller.

The Guarantor will not be allowed under the Cover Pool Management Agreement to purchase Eligible Assets and/or Top-Up Assets from any other entities that are not part of the UBI Banca Group.

If, within the Test Grace Period, the relevant breach of the Tests is not remedied in accordance with the terms of the Cover Pool Management Agreement, the Representative of the Covered Bondholders will deliver:

1. an Issuer Default Notice to the Issuer and the Guarantor; or

2. a Guarantor Default Notice, if an Issuer Default Notice has already been served (*provided that*, should such Issuer Default Notice consist of an Article 74 Event, it has not served an Article 74 Event Cure Notice).

Upon receipt of an Issuer Default Notice or a Guarantor Default Notice, the Guarantor shall dispose of the assets included in the Cover Pool.

After the service of an Issuer Default Notice on the Issuer and the Guarantor, but prior to service of a Guarantor Default Notice, the Guarantor will sell, refinance or otherwise liquidate the Eligible Assets and Top-Up Assets included in the Cover Pool, subject to the rights of pre-emption in favour of the Sellers to buy such Eligible Assets and, if applicable, Top-Up Assets pursuant to the relevant Master Loans Purchase Agreements, *provided that*, in case the Issuer Event of Default consists of an Article 74 Event, such provisions will only apply for as long as the Representative of the Covered Bondholders will have delivered an Article 74 Event Cure Notice.

The Eligible Assets to be sold or liquidated will be selected from the Cover Pool by the Master Servicer on behalf of the Guarantor (any such Eligible Assets, together with any relevant Top-Up Assets, the "**Selected Assets**") and the proceeds from any sale of Selected Assets shall be credited to the Reserve Fund Account and applied as part of the Guarantor Available Funds in accordance with the applicable Priority of Payments. The Selected Assets shall be selected on a random basis and so to ensure that the ratio between the aggregate Outstanding Principal Balance of the Cover Pool and the Outstanding Principal Amount of all Series of Covered Bonds remains unaltered both prior to and following the sale or liquidation of the relevant Selected Assets and repayment of the Earliest Maturing Covered Bonds.

Before offering Selected Assets for sale or liquidating them, the Guarantor shall ensure that the Selected Assets have an aggregate Outstanding Principal Balance in an amount which is as close as possible to:

1. the Outstanding Principal Amount in respect of the Earliest Maturing Covered Bonds, multiplied by 1+ Negative Carry Factor x (days to maturity of the relevant Series of Covered Bonds/365); *minus*

2. amounts standing to the credit of the English Principal Collection Accounts; *minus*

3. the principal amount of any Top-Up Assets consisting of deposits,

excluding, with respect to items 1 and 2 above, all amounts to be applied on the next following Guarantor Payment Date to repay higher ranking amounts in the applicable Priority of Payments (the "**Required Outstanding Principal Balance**").

The Guarantor will offer the Selected Assets for sale or liquidate them for the best price or proceeds reasonably available but in any event for an amount not less than the Required Outstanding Principal Balance (the "**Required Outstanding Principal Balance Amount**").

If the Selected Assets have not been sold or otherwise liquidated in an amount equal to the Required Outstanding Principal Balance Amount by the date which is six months prior to, as applicable, the Maturity Date (if the relevant Series of Covered Bonds is not subject to an Extended Maturity Date) or the Extended Maturity Date (if the relevant Series of Covered Bonds is subject to an Extended Maturity Date) of the Earliest Maturing Covered Bonds, and the Guarantor does not have sufficient other funds standing to the credit of the Accounts available to repay the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto), then the Guarantor will offer the Selected Assets for sale or liquidate them for the best price reasonably available notwithstanding that such amount may be less than the Required Outstanding Principal Balance Amount.

With respect to any sale or liquidation to be carried out, the Guarantor shall instruct the Portfolio Manager (as defined below) — to the extent possible taking into account the time left before the Maturity Date or Extended Maturity Date (if applicable) of the Earliest Maturing Covered Bonds — to sell or liquidate any Top-Up Assets included in the Cover Pool before any Eligible Assets are sold in accordance herewith.

The Guarantor may offer for sale or otherwise liquidate part of any portfolio of Selected Assets (a "**Partial Portfolio**"). Except in certain circumstances described in the Cover Pool Management Agreement, the sale price or liquidation proceeds of the Partial Portfolio (as a proportion of the Required Outstanding Principal Balance Amount) shall be at least equal to the proportion that the Partial Portfolio bears to the relevant portfolio of Selected Assets.

Upon the occurrence of an Issuer Event of Default, the Guarantor will through a tender process (to be carried out by the Guarantor Corporate Servicer on behalf of the Guarantor) appoint a portfolio manager (the "**Portfolio Manager**") of recognised standing on a basis intended to incentivise the Portfolio Manager to achieve the best proceeds for the sale or liquidation of the Selected Assets (if such terms are commercially available in the market) and to advise it in relation to the sale to purchasers (except where a Seller is buying the Selected Assets in accordance with its right of pre-emption under the Master Loans Purchase Agreement) or liquidation of the Selected Assets. The terms of the agreement giving effect to the appointment in accordance with such tender, as well as the terms and conditions of the sale of the Selected Assets, shall be approved by the Representative of the Covered Bondholders (which may, but will never be obliged to, seek instructions from the Covered Bondholders

to this end, in accordance with the Transaction Documents and the Rules of the Organisation of the Covered Bondholders).

Following the delivery of an Issuer Default Notice consisting of an Article 74 Event, the obligation of the Guarantor to sell or liquidate Selected Assets, as described above, shall cease to apply starting from the date on which the Representative of the Covered Bondholders delivers to the Issuer, the Sellers, the Guarantor and the Asset Monitor an Article 74 Event Cure Notice in accordance with the provisions of the Covered Bond Guarantee.

Following the delivery by the Representative of the Covered Bondholders of a Guarantor Default Notice, the Guarantor shall immediately sell or liquidate all assets included in the Cover Pool in accordance with the procedures described above and the proceeds thereof will be applied as Guarantor Available Funds, *provided that* the Guarantor (or, in the absence, the Representative of the Covered Bondholders) will instruct the Portfolio Manager to use all reasonable endeavours to procure that such sale or liquidation is carried out as quickly as reasonably practicable taking into account the market conditions at that time.

Governing law

The Cover Pool Management Agreement is governed by Italian law.

The Swap Agreements

Liability Swap Agreements

The Guarantor may enter into one or more Liability Swap Agreements on or about each Issue Date of a Series of Covered Bonds with one or more Liability Swap Providers to hedge certain interest rate, currency and other risks in respect of amounts payable by the Guarantor in respect of the Series of Covered Bonds issued on that Issue Date. The aggregate notional amount of the Liability Swap Agreements entered into on each Issue Date shall be linked to the Outstanding Principal Amount of the relevant Series of Covered Bonds.

Under the Liability Swap Agreements, on each Guarantor Payment Date following the delivery of an Issuer Default Notice, it is expected that the Guarantor will pay to the Liability Swap Provider an amount calculated by reference to the notional amount of the relevant Series of Covered Bonds multiplied by either a fixed rate or EURIBOR, possibly increased by a margin. In return, it is anticipated that the Liability Swap Provider(s) will pay to the Guarantor, on the payment dates elected in the relevant confirmation, under the relevant Liability Swap Agreement, an amount calculated by reference to the notional amount multiplied by a rate linked to the interest rate applicable to the relevant Series of Covered Bonds.

It is intented that each Liability Swap Agreement would terminate on the date corresponding to the Maturity Date of the Covered Bonds of the relevant Series and may or may not take account of any extension of the Maturity Date under the terms of such Series of Covered Bonds as specified in the relevant Liability Swap Agreement.

Asset Swap Agreements

Some of the Mortgage Loans in the portfolio purchased by the Guarantor from each Seller from time to time will pay a variable rate of interest and other Mortgage Loans will pay a fixed rate of interest. The Guarantor may enter into an Asset Swap Agreement to mitigate variations between the rate of interest payable on the Mortgage Loans in the Cover Pool and EURIBOR and to ensure sufficient funding of the payment obligations of the Guarantor.

Rating Downgrade Event

Under the terms of each Swap Agreement, in the event that the rating(s) of a Swap Provider or its credit support provider are downgraded by a Rating Agency below the rating(s) specified in the relevant Swap Agreement (in accordance with the criteria of the Rating Agencies), then such Swap Provider will, in accordance with the relevant Swap Agreement, be required to take certain remedial measures which may include:

(a) providing collateral for its obligations under the Swap Agreement, or

(b) arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the ratings required by the relevant Rating Agency in order to maintain the rating of the Covered Bonds, or

(c) procuring another entity, with the ratings meeting the relevant Rating Agency's criteria in order to maintain the rating of the Covered Bonds, to become a guarantor in respect of such Swap Provider's obligations under the Swap Agreement.

A failure by the relevant Swap Provider to take such steps within the time periods specified in the Swap Agreement may allow the Guarantor to terminate the relevant Swap Agreement(s).

Any Swap Provider that does not have the adequate rating on the day of entry into a Swap Agreement shall have its obligations to the Guarantor under the relevant Swap Agreement guaranteed by an appropriately rated entity.

Swap Agreement Credit Support Document

Each Swap Agreement will be supplemented and complemented by a credit support document in the form of the ISDA 1995 Credit Support Annex (Transfer English Law) to the ISDA Master Agreement (a "**Credit Support Annex**"). The Credit Support Annex will provide that the relevant Swap Provider, if required to do so following its downgrade or the downgrade of its credit support provider and subject to the conditions specified in such Credit Support Annex, will transfer collateral ("**Swap Collateral**"), and the Guarantor will be obliged to return equivalent collateral in accordance with the terms of the Swap Agreement.

Cash and securities (and all income in respect thereof) transferred as collateral will only be available to be applied in returning collateral (and income thereon) or in satisfaction of amounts owing by the relevant Swap Provider in accordance with the terms and within the limits of the Swap Agreement.

Any Swap Collateral will be returned by the Guarantor to the relevant Swap Provider directly in accordance with the terms of the Swap Agreement Credit Support Document and not under the Priorities of Payments.

Governing law

The Swap Agreements and any non-contractual obligations arising out of or in connection therewith are governed by English Law.

Mandate Agreement

On 30 July 2008, the Guarantor and the Representative of the Covered Bondholders entered into a mandate agreement (the "**Mandate Agreement**"), pursuant to which the Representative of the Covered Bondholders shall be authorised, subject to a Guarantor Default Notice being delivered to the Guarantor or upon failure by the Guarantor to exercise its rights under the Transaction Documents and, subject to certain conditions, to exercise, in the name and on behalf of the Guarantor, in the interest of the Covered Bondholders and for the benefit of the Other Creditors all the Guarantor's right with reference to certain Transaction Documents.

Governing law

The Mandate Agreement is governed by Italian law.

Deed of Pledge

On 30 July 2008, the Guarantor and the Representative of the Covered Bondholders entered into the Deed of Pledge under which, without prejudice and in addition to any security, guarantee and other right provided by the Securitisation and Covered Bond Law and the Deed of Charge securing the discharge of the Guarantor's obligations to the Covered Bondholders and the Other Creditors, the Guarantor has pledged in favour of the Covered Bondholders and the Other Creditors all monetary claims and rights and all the amount arising (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Guarantor is or will be entitled to from time to time pursuant to certain Transaction Documents, with the exclusion of the Cover Pool and the Collections. The security created pursuant to the Deed of Pledge will become enforceable upon the service of a Guarantor Default Notice.

Governing law

The Deed of Pledge is governed by Italian law.

Deed of Charge

The Guarantor has entered into the Deed of Charge with the Representative of the Covered Bondholders. Pursuant to the Deed of Charge, without prejudice and in addition to any security, guarantees and other rights provided for in the Securitisation and Covered Bond Law securing the discharge of the Guarantor's obligations to the Covered Bondholders and the Other Creditors, the Guarantor will charge and assign in favour of the Representative of the Covered Bondholders as trustee for the Covered Bondholders and the Other Creditors all right, title, benefit and interest in or to the English Accounts, the Swap Collateral Accounts, the English Account Bank Agreement and the Custody Agreement. The security created by the Deed of Charge will become enforceable upon the service of a Guarantor Default Notice.

Governing law

The Deed of Charge is governed by English law.

Corporate Services Agreement

The Guarantor Corporate Servicer and the Guarantor have entered into a corporate services agreement with the Guarantor Corporate Servicer on 30 July 2008 (the "**Corporate Services Agreement**"), pursuant to which the Guarantor Corporate Servicer has agreed to provide certain corporate and administrative services to the Guarantor.

Governing law

The Corporate Services Agreement is governed by Italian law.

Quotaholders' Agreement

For a description of the Quotaholders' Agreement, see "*The Guarantor*".

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unconditional obligations of the Issuer. The Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Representative of the Covered Bondholders of an Issuer Default Notice on the Issuer and on the Guarantor or, if earlier, following the occurrence of a Guarantor Event of Default, service by the Representative of the Covered Bondholders of a Guarantor Default Notice on the Guarantor.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Covered Bondholders, as follows:

- the Covered Bond Guarantee provides credit support;
- the Statutory Tests are periodically performed with the intention of ensuring that the Cover Pool is at all times sufficient to repay the Covered Bonds;
- the Amortisation Test is periodically performed, following the occurrence of an Issuer Event of Default and service of an Issuer Default Notice on the Issuer and the Guarantor, for the purpose of testing the asset coverage of the Guarantor's assets in respect of the Covered Bonds; and
- a Reserve Fund Account will be established which will build up over time using excess cash flow from Interest Available Funds and Principal Available Funds, in order to ensure that the Guarantor will have sufficient funds set aside to fulfil its obligation to pay interest accruing with respect to the Covered Bonds.

Certain of these factors are considered more fully in the remainder of this section.

Guarantee

The Covered Bond Guarantee provided by the Guarantor guarantees payment of Guaranteed Amounts when they become due for payment in respect of all Covered Bonds issued under the Programme.

See "*Overview of the Transaction Documents — Covered Bond Guarantee*" above, as regards the terms of the Covered Bond Guarantee. See "*Cashflows — Guarantee Priority of Payments*" further, as regards the payment of amounts payable by the Guarantor to Covered Bondholders and the Other Issuer's Creditors following the occurrence of an Issuer Event of Default.

Under the terms of the Cover Pool Management Agreement, each Relevant Seller (and failing which, the Issuer, failing which, the other Seller(s)) must ensure that, on each Calculation Date prior to service of an Issuer Default Notice, the Cover Pool is in compliance with the Tests described below. If on any Calculation Date the Cover Pool is not in compliance with the Tests, then the Sellers (and failing which, the Issuer, failing which, the other Seller(s)) will sell Eligible Assets or Top-Up Assets to the Guarantor for an amount sufficient to allow the Tests to be met on the next following Calculation Date, in accordance with the relevant Master Loans Purchase Agreements and the Cover Pool Management Agreement, to be financed through the proceeds of Term Loans to be granted by the Relevant Seller(s), and/or the Issuer and/or the other Seller(s) (each only in respect of the Eligible Assets and/or Top-Up Assets transferred by it — see "*The Cover Pool Management Agreement*".

Statutory Tests

The Statutory Tests are intended to ensure that the Guarantor can meet its obligations under the Covered Bond Guarantee. In order to ensure that the statutory tests provided for under Article 3 of Decree 310 (the "**Statutory Tests**") are satisfied and that the Cover Pool is at all times sufficient to repay

the Covered Bonds, each Seller (and failing the Seller to do so, the Issuer) must ensure that the three tests set out below are satisfied on each Calculation Date.

Nominal Value Test

The Calculation Agent shall verify that on each Calculation Date, the aggregate Outstanding Principal Balance of the Eligible Cover Pool shall be higher than or equal to the Outstanding Principal Amount of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Final Terms at the relevant Calculation Date.

For the purpose of the above, the Calculation Agent shall consider the Outstanding Principal Balance of the Eligible Cover Pool as an amount equal to the "**Nominal Value**", which will be calculated on each Calculation Date, by applying the following formula:

$$A + B + C - Y - W - Z$$

where,

"**A**" stands for the "**Adjusted Outstanding Principal Balance**" of each Mortgage Loan, which shall be the lower of:

(i) the actual Outstanding Principal Balance of the relevant Mortgage Loan as calculated on the relevant Calculation Date; and

(ii) the Latest Valuation relating to that Mortgage Loan multiplied by M,

where

(a) for all Residential Mortgage Loans that are not Defaulted Loans, M = 0.80;

(b) for all Commercial Mortgage Loans that are not Defaulted Loans, M = 0.60; and

(c) for all Mortgage Loans that are Defaulted Loans M = 0;

minus

the aggregate sum of the following deemed reductions to the aggregate Adjusted Outstanding Principal Balance of the Mortgage Loans in the Cover Pool, if any of the following occurred during the previous Calculation Period:

(1) a Mortgage Loan (or any security granted in relation thereto, the "**Related Security**") was, in the immediately preceding Calculation Period, in breach of the representations and warranties contained in the Warranty and Indemnity Agreement or was subject to any other obligation of the relevant Seller to repurchase the relevant Mortgage Loan and its Related Security, and in each case the Seller has not repurchased the Mortgage Loan or Mortgage Loans of the relevant Debtor to the extent required by the terms of the Master Loans Purchase Agreement (each such loan being an "**Affected Loan**"). In this event, the aggregate Adjusted Outstanding Principal Balance of the Mortgage Loans in the Cover Pool (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the Adjusted Outstanding Principal Balance of the relevant Affected Loan or Affected Loans (as calculated on the relevant Calculation Date); and/or

(2) the Issuer or any other Seller, in the preceding Calculation Period, was in breach of any other material warranty under the relevant Master Loans Purchase Agreement and/or the Master

Servicer or any Sub-Servicer was, in the preceding Calculation Period, in breach of a material term of the Master Servicing Agreement. In this event, the aggregate Adjusted Outstanding Principal Balance of the Mortgage Loans in the Cover Pool (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Calculation Period (such financial loss to be calculated by the Guarantor or on its behalf without double counting and to be reduced by any amount paid (in cash or in kind) to the Guarantor by the Issuer, the relevant Seller and/or the Master Servicer or the relevant Sub-Servicer to indemnify the Guarantor for such financial loss);

multiplied by the Asset Percentage;

"**B**" stands for the aggregate amount standing to the credit of the English Principal Collection Accounts, the principal amount to standing to the credit of the Italian Collection Accounts or the principal amount of any Eligible Assets and Top-Up Assets qualifying as Eligible Investment;

"**C**" stands for the aggregate Outstanding Principal Balance of any Eligible Assets other than Mortgage Loans, *provided that* any such Eligible Assets (other than Mortgage Loans) will be weighted according to the then applicable Rating Agencies' criteria;

"**Y**" is equal to (i) nil, if the Issuer's long term and short term ratings are at least "A2" and "P-1" by Moody's and the Issuer's long term rating, taking into account, as long as UBI is the Master Servicer, the higher of (i) the long term unsecured, unsubordinated and unguaranteed rating by DBRS and (ii) the DBRS Covered Bonds Attachment Point assigned to the Programme (provided that a rating by DBRS is (a) the highest of the public rating assigned by DBRS and the public DBRS Critical Obligations Rating or, if there is no public DBRS rating, (b) the highest of the private rating assigned by DBRS and the private DBRS Critical Obligations Rating. In absence of a private rating or a public rating by DBRS, then it is the DBRS Rating) is at least the DBRS Long Term Rating-Institution by DBRS, or (ii) otherwise, the Potential Set-Off Amount;

"**W**" is equal to (i) nil, if (a) the Issuer's long term and short term ratings are at least "A2" and "P-1" by Moody's and the Issuer's long term rating, taking into account, as long as UBI is the Master Servicer, the higher of (i) the long term unsecured, unsubordinated and unguaranteed rating by DBRS and (ii) the DBRS Covered Bonds Attachment Point assigned to the Programme (provided that a rating by DBRS is (a) the highest of the public rating assigned by DBRS and the public DBRS Critical Obligations Rating or, if there is no public DBRS rating, (b) the highest of the private rating assigned by DBRS and the private DBRS Critical Obligations Rating. In absence of a private rating or a public rating by DBRS, then it is the DBRS Rating) is at least the DBRS Long Term Rating-Institution by DBRS, or (b) any of the remedies under Clause 12 of the Master Servicing Agreement have been implemented; or (ii) otherwise, the Commingling Amount; and

"**Z**" stands for the sum of the minimum between (a) the monthly outstanding aggregate Principal Amount of the Covered Bonds and (b) the monthly cash balance on the Collection Accounts, multiplied by the monthly Negative Carry Factor.

The "**Asset Percentage**" means the lower of (i) 93.00 per cent and (ii) such other percentage figure as may be determined by the Issuer on behalf of the Guarantor in accordance with the methodologies published by the Rating Agencies (after procuring the level of overcollateralization in line with the target rating). Notwithstanding that, in the event the Issuer chooses not to apply such other percentage figure (item (ii) above) of the Asset Percentage, this will not result in a breach of the Nominal Value Test.

Net Present Value Test

The Calculation Agent shall verify on each Calculation Date that the Net Present Value Test is met with respect to the Eligible Cover Pool. The Net Present Value Test will be considered met if, on the relevant Calculation Date, the Net Present Value of the Eligible Cover Pool, net of the transaction costs to be borne by the Guarantor (including the payments of any nature expected to be borne or due with respect to any Swap Agreement) shall be higher than or equal to the net present value of all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Final Terms at the relevant Calculation Date.

The "**Net Present Value**" is an amount equal to:

A + B

where:

"**A**" stands for the net present value of all Eligible Assets and Top-Up Assets comprised in the Eligible Cover Pool; and

"**B**" stands for the net present value of each Asset Swap Agreement and Liability Swap Agreement.

Interest Coverage Test

The Issuer and the Sellers must ensure that on each Calculation Date the amount of interest and other revenues generated by the assets included in the Eligible Cover Pool, net of the costs borne by the Guarantor (including the payments of any nature expected to be borne or due with respect to any Swap Agreement), shall be higher than the amount of interest due on all Series of Covered Bonds issued under the Programme and not cancelled or redeemed in full in accordance with their Final Terms at the relevant Calculation Date, taking into account the Swap Agreements entered into in connection with the Programme.

The Interest Coverage Test will be considered met if, on the relevant Calculation Date, the Expected Revenue Income (as defined below) is in an amount equal to or greater than the Expected Revenue Liability (as defined below), both as calculated on the relevant Calculation Date.

The "**Expected Revenue Income**" will be an amount calculated on each Calculation Date by applying the following formula:

A+B+C+D

where,

"**A**" stands for the aggregate amount standing to the credit of the English Interest Collection Accounts and the interest amount standing to the credit of the Italian Collection Accounts as of the relevant Calculation Date;

"**B**" stands for any payments that the Guarantor is expected to receive under any Swap Agreement as at the end of the relevant Collection Period;

"**C**" stands for the interest component of all the Instalments – relating to the Eligible Assets and Top Up Assets comprised in the Eligible Cover Pool – falling due from the relevant Calculation Date to the date falling 12 months thereafter (such interest payments to be calculated with respect to the applicable interest rates as of the relevant Calculation Date); and

"**D**" stands for any amount in respect of interest expected to be received from the Eligible Investments existing as of such date.

The "**Expected Revenue Liability**" will be an amount calculated on each Calculation Date by applying the following formula:

E+F+G

where,

"**E**" stands for the aggregate amount of all interest payments due under all outstanding Series of Covered Bonds on the Interest Payment Dates falling in the period starting from the relevant Calculation Date and ending on the date falling 12 months thereafter (such interest payments to be calculated with respect to the applicable interest rates as of the relevant Calculation Date);

"**F**" stands for any Senior Liabilities (net of any amount credited to the Reserve Fund Account and payments made under the Swap Agreements, if any) expected to be borne by the Guarantor during the period starting from the relevant Calculation Date and ending on the date falling 12 months thereafter; and

"**G**" stands for any payments expected to be borne or due by the Guarantor under any Swap Agreement as at the end of the relevant Collection Period.

The Interest Coverage Test will:

(i) be met if **A+B+C+D ≥ E+F+G**; or

(ii) not be met if **A+B+C+D<E+F+G**.

Amortisation Test

The Amortisation Test is intended to ensure that, following an Issuer Event of Default, the service of an Issuer Default Notice on the Issuer and on the Guarantor (but prior to service on the Guarantor of a Guarantor Default Notice), the Cover Pool contains sufficient assets to enable the Guarantor to meet its obligations under the Covered Bond Guarantee. The Amortisation Test will be considered met if the Amortisation Test Aggregate Loan Amount is an amount at least equal to the Outstanding Principal Amount of the issued Covered Bonds as calculated on the relevant Calculation Date. If the Amortisation Test Aggregate Loan Amount is less than the Outstanding Principal Amount of the issued Covered Bonds, then the Amortisation Test will be deemed to be breached and if such breach is not remedied by the Relevant Seller(s) (or failing which, the Issuer or, failing the Issuer, the other Seller(s)) by the immediately following Calculation Date, a Guarantor Default Notice will be served by the Representative of the Covered Bondholders on the Guarantor causing the acceleration of the Covered Bonds and a demand for enforcement of the Covered Bond Guarantee. The Calculation Agent, whilst Covered Bonds are outstanding, will immediately notify the Representative of the Covered Bondholders of any breach of the Amortisation Test. Following a Guarantor Default Notice, the Guarantor will be required to make payments in accordance with the Post-Enforcement Priority of Payments.

The "**Amortisation Test Aggregate Loan Amount**" will be calculated on each Calculation Date as follows:

A + B + C – Z

where,

"**A**" stands for the aggregate "**Amortisation Test Outstanding Principal Balance**" of each Mortgage Loan, which shall be the lower of:

(i) the actual Outstanding Principal Balance of the relevant Mortgage Loan as calculated on the relevant Calculation Date; and

(ii) the Latest Valuation relating to that Mortgage Loan multiplied by M,

where

(a) for all Residential Mortgage Loans that are not Defaulted Loans, M = 0.80;

(b) for all Commercial Mortgage Loans that are not Defaulted Loans, M = 0.60; and

(c) for all Mortgage Loans that are Defaulted Loans M = 0;

"**B**" stands for the aggregate amount standing to the credit of the English Principal Collection Accounts and the principal amount of any Top-Up Assets or Eligible Assets qualifying as Eligible Investment;

"**C**" stands for the aggregate Outstanding Principal Balance of any Eligible Assets other than Mortgage Loans; and

"**Z**" stands for the sum of the minimum between (a) the monthly outstanding aggregate Principal Amount of the Covered Bonds and (b) the monthly cash balance on the Collection Accounts, multiplied by the monthly Negative Carry Factor.

Reserve Fund Account

The Reserve Fund Account is held in the name of the Guarantor for the purpose of setting aside, on each Guarantor Payment Date, the relevant Reserve Fund Amount. Such Reserve Fund Amount will be determined on or prior to each Calculation Date in an amount sufficient to ensure that, in the event that a payment is required to the Guarantor under the Covered Bond Guarantee, the Guarantor would have sufficient funds set aside and readily available to pay (i) interest amounts accruing, from time to time, with respect to the Covered Bonds plus (ii) all costs and expenses ranking under items (a) to (c) of each of the Pre-Issuer Event of Default Interest Priority of Payments and the Pre-Issuer Event of Default Principal Priority of Payments. The required Reserve Fund Amount will be credited by the Guarantor to the Reserve Fund Account on each Guarantor Payment Date in accordance with the Pre-Issuer Event of Default Interest Priority of Payments and the Pre-Issuer Event of Default Principal Priority of Payments.

Set-Off Risk and Commingling Risk

Pursuant to the Cover Pool Management Agreement, the Issuer has undertaken, upon occurrence of an Issuer Downgrading Event, to notify on a quarterly basis the Rating Agencies of each of the Potential Set-Off Amount and the Commingling Amount.

CASHFLOWS

As described above under "*Credit Structure*", until an Issuer Default Notice is served on the Issuer and the Guarantor, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not it has received any corresponding payment from the Guarantor.

This section summarises the cashflows of the Guarantor only, as to the allocation and distribution of amounts standing to the credit of the Accounts and their order of priority (all such orders of priority, the "**Priority of Payments**") (a) prior to an Issuer Event of Default and a Guarantor Event of Default, (b) following an Issuer Event of Default (but prior to a Guarantor Event of Default) and (c) following a Guarantor Event of Default.

Definitions

For the purposes hereof:

"**Interest Available Funds**" means, in respect of any Calculation Date, the aggregate of:

(a) interest collected by the Master Servicer or the Sub-Servicer in respect of the Cover Pool and credited into the English Interest Collection Accounts;

(b) all recoveries in the nature of interest received by the Master Servicer or the Sub-Servicer and credited to the English Interest Collection Accounts;

(c) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts;

(d) any payment received on or immediately prior to such Guarantor Payment Date from any Swap Provider other than any Swap Collateral Excluded Amounts;

(e) all interest amounts received from any Seller by the Guarantor pursuant to the relevant Master Loans Purchase Agreement;

(f) the Reserve Fund Amount standing to the credit of the Reserve Fund Account; and

(g) any amount (other than the amounts already allocated under other items of the Guarantor Available Funds) received by the Guarantor from any party to the Transaction Documents.

"**Principal Available Funds**" means, in respect of any Calculation Date, the aggregate of:

(a) all principal amounts collected by the Master Servicer or any Sub-Servicer in respect of the Cover Pool and credited to the English Principal Collection Accounts net of the amounts applied to purchase Eligible Assets and Top-Up Assets during the immediately preceding Collection Period;

(b) all other recoveries in the nature of principal received by the Master Servicer or any Sub-Servicer and credited to the English Principal Collection Accounts;

(c) all principal amounts received from each Seller by the Guarantor pursuant to the relevant Master Loans Purchase Agreement;

(d) the proceeds of any disposal of Eligible Assets and any disinvestment of Top-Up Assets;

(e) any swap principal payable under the Swap Agreements; and

(f) all the amounts allocated pursuant to item *Sixth* of the Pre-Issuer Event of Default Interest Priority of Payments.

Pre-Issuer Event of Default Interest Priority of Payments

Prior to service of an Issuer Default Notice on the Guarantor and the Issuer or service of a Guarantor Default Notice on the Guarantor, Interest Available Funds will be applied by or on behalf of the Guarantor on each Guarantor Payment Date in making the following payments and provisions (the "**Pre-Issuer Event of Default Interest Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *First*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any Expenses of the Guarantor;

(b) *Second*, to pay any amount due and payable to the Representative of the Covered Bondholders;

(c) *Third*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable to the Master Servicer, the Sub-Servicer, the Italian Account Bank, the Calculation Agent, the Guarantor Corporate Servicer, the Asset Monitor, the English Account Bank, the Swap Collateral Account Bank, the Principal Paying Agent, the Registered Paying Agent (if any) and the Registrar (if any);

(d) *Fourth*, to pay any amount due and payable to any Swap Provider (including any termination payments due and payable by the Guarantor except where the relevant Swap Provider is the Defaulting Party or the Sole Affected Party) other than the swap principal;

(e) *Fifth*, to transfer to the Reserve Fund Account the relevant Reserve Fund Amount;

(f) *Sixth,* to allocate to the Principal Available Funds an amount equal to the amounts, if any, allocated on the immediately preceding Guarantor Payment Date and on any preceding Guarantor Payment Date pursuant to item (b) of the Pre Issuer Event of Default Principal Priority of Payments, net of any amount already allocated under this item six on any previous Guarantor Payment Date;

(g) *Seventh*, to pay the Base Interest due to the Subordinated Lenders under the relevant Term Loans;

(h) *Eighth*, to pay any termination payments due and payable by the Guarantor to any Swap Provider not paid under item Fourth above; and

(i) *Ninth*, to pay any Premium due to the Subordinated Lenders under the relevant Term Loans.

Pre-Issuer Event of Default Principal Priority of Payments

Prior to service of an Issuer Default Notice on the Issuer and the Guarantor or service of a Guarantor Default Notice on the Guarantor, all Principal Available Funds will be applied by or on behalf of the Guarantor on each Guarantor Payment Date in making the following payments and provisions (the "**Pre-Issuer Event of Default Principal Priority of Payments**"):

(a) *First*, to pay any swap principal due to any Swap Provider;

(b) *Second*, to transfer any amount to the Reserve Fund Account necessary in order to make up any shortfall in the Reserve Fund Amount;

(c) *Third*, to repay the Term Loans advanced by the Subordinated Lenders under the relevant Subordinated Loan Agreements, provided the Tests and the Relevant Portfolio Test are complied with and the relevant Subordinated Lender has requested the repayment of the relevant Subordinated Loan pursuant to clause 6.2 of the relevant Subordinated Loan Agreement; and

(d) *Fourth*, to the extent that any Subordinated Lender has not received amounts as repayment of the Term Loans under item (c) *Third* above, to deposit, pursuant to clause 6.2.2 of the Subordinated Loan Agreements, the relevant amounts in the appropriate English Principal Collection Account(s).

Guarantee Priority of Payments

On each Guarantor Payment Date after the service of an Issuer Default Notice on the Issuer and the Guarantor (but prior to the service of a Guarantor Default Notice), the Guarantor Available Funds shall be applied on each Guarantor Payment Date at the direction of the Guarantor in making the following payments or provisions in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *First*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any Expenses of the Guarantor owed to third parties;

(b) *Second*, to pay any amount due and payable to the Representative of the Covered Bondholders;

(c) *Third*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable to the Master Servicer, the Sub-Servicer, the Italian Account Bank, the Calculation Agent, the Guarantor Corporate Servicer, the Asset Monitor, the English Account Bank, the Swap Collateral Account Bank, the Principal Paying Agent, the Registered Paying Agent (if any) and the Registrar (if any);

(d) *Fourth*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount, other than in respect of principal, due and payable on such Guarantor Payment Date or during the period commencing on (and including) such Guarantor Payment Date and ending on (but excluding) the immediately following Guarantor Payment Date (the "**Guarantor Payment Period**") (i) to any Swap Provider (including any termination payments due and payable by the Guarantor except where the relevant Swap Provider is the Defaulting Party or the Sole Affected Party); and (ii) on the Covered Bonds;

(e) *Fifth*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount in respect of principal due and payable on such Guarantor Payment Date or during the immediately following Guarantor Payment Period (i) to any Swap Provider (including any termination payments due and payable by the Guarantor except where the relevant Swap Provider is the Defaulting Party or the Sole Affected Party); and (ii) on the Covered Bonds;

(f) *Sixth*, to deposit in the Reserve Fund Account any cash balances until the Covered Bonds have been repaid in full or sufficient amounts have been accumulated to pay outstanding Covered Bonds;

(g) *Seventh*, to pay any termination payments due and payable by the Guarantor to the Swap Providers not paid under item *Fourth* or *Fifth* above;

(h) *Eighth*, to pay to the Sellers any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items above;

(i) *Ninth*, to pay any Base Interest due to the Subordinated Lenders under the relevant Term Loans;

(j) *Tenth*, to pay any principal due and payable to the Subordinated Lenders under the relevant Term Loans; and

(k) *Eleventh*, to pay any Premium due to the Subordinated Lenders under the relevant Term Loans.

Application of Moneys following Occurrence of a Guarantor Event of Default

Following the occurrence of a Guarantor Event of Default and service of a Guarantor Default Notice on the Guarantor, the Guarantor Available Funds will be applied in the following order of priority (the "**Post-Enforcement Priority of Payments**") (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

(a) *First*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any Expenses of the Guarantor owed to third parties;

(b) *Second*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable to the Representative of the Covered Bondholders and the remuneration due to any Receiver and any proper costs and expenses incurred by it;

(c) *Third*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable to the Master Servicer, the Sub-Servicer, the Italian Account Bank, the Calculation Agent, the Guarantor Corporate Servicer, the Asset Monitor, the English Account Bank, the Swap Collateral Account Bank, the Principal Paying Agent, the Registered Paying Agent (if any) and the Registrar (if any);

(d) *Fourth*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, (i) any amount due and payable to any Swap Provider (including any termination payments due and payable by the Guarantor except where the relevant Swap Provider is the Defaulting Party or the Sole Affected Party); and (ii) any interest and any Outstanding Principal Amount due under all outstanding Series of Covered Bonds;

(e) *Fifth*, to pay any termination payments due and payable by the Guarantor to any Swap Provider not paid under item *Fourth* above;

(f) *Sixth*, to pay to the Sellers any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items above;

(g) *Seventh*, to pay any Base Interest due to the Subordinated Lenders under the relevant Term Loans;

(h) *Eighth*, to pay any principal due and payable to the Subordinated Lenders under the relevant Term Loans; and

(i) *Ninth*, to pay any Premium due to the Subordinated Lenders under the relevant Term Loans.

DESCRIPTION OF THE COVER POOL

The Cover Pool is comprised of (i) the Portfolio, which is in turn comprised of Mortgage Loans and related collateral assigned to the Guarantor by the Sellers in accordance with the terms of the Master Loans Purchase Agreement and (ii) any other Eligible Assets and Top-Up Assets held by the Guarantor.

The Initial Portfolio and each New Portfolio acquired by the Guarantor (the "**Portfolio**"), consists of Mortgage Loans sold by any of the Sellers to the Guarantor from time to time, in accordance with the terms of the Master Loans Purchase Agreement, as more fully described under "*Overview of the Transaction Documents — Master Loans Purchase Agreements*".

For the purposes hereof:

"**Initial Portfolio**" means the initial portfolio of Receivables, comprising Eligible Assets, purchased by the Guarantor from each Seller pursuant to the relevant Master Loans Purchase Agreement;

"**New Portfolio**" means any portfolio of Receivables (other than the Initial Portfolio), comprising Eligible Assets, which may be purchased by the Guarantor from any Seller pursuant to the terms and subject to the conditions of the relevant Master Loans Purchase Agreement.

Eligibility Criteria

The sale of Loans and their Related Security and the transfer of any other Eligible Asset or Top-Up Asset to the Guarantor will be subject to various conditions (the "**Eligibility Criteria**") being satisfied on the relevant Transfer Date (except as otherwise indicated). The Eligibility Criteria with respect to each asset type will vary from time to time but will at all times include criteria so that both Italian law and Rating Agency requirements are met.

The following assets (*attivi idonei* or "**Eligible Assets**") are considered eligible under Article 2, sub-paragraph 1, of Decree 310:

(a) residential mortgage loans that have an LTV that does not exceed 80 per cent and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed;

(b) commercial mortgage loans that have an LTV that does not exceed 60 per cent and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed;

(c) receivables owed by, securities issued by, or receivables or securities which have the benefit of a guarantee eligible for credit risk mitigation granted by:

  (i) public entities, including ministerial bodies and local or regional bodies, located within the European Economic Area or Switzerland for which a risk weight not exceeding 20 per cent. is applicable in accordance with the Bank of Italy's prudential regulations for Banks — standardised approach; and

  (ii) public entities, located outside the European Economic Area or Switzerland, for which a 0 per cent. risk weight is applicable in accordance with the Bank of Italy's prudential regulations for Banks — standardised approach — or regional or local public entities or non-economic administrative entities, located outside the European Economic Area or Switzerland, for which a risk weight not exceeding 20 per cent. is applicable in accordance with the Bank of Italy's prudential regulations for Banks — standardised approach;

(d) asset backed securities for which a risk weight not exceeding 20 per cent. is applicable in accordance with the Bank of Italy's prudential regulations for Banks — standardised approach — *provided that* at least 95 per cent. of the relevant securitised assets are:

(i) residential mortgage loans that have an LTV that does not exceed 80 per cent. and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed;

(ii) commercial mortgage loans that have an LTV that does not exceed 60 per cent. and for which the hardening period with respect to the perfection of the relevant mortgage has elapsed;

(iii) receivables or securities satisfying the requirements indicated under item (c) above;

provided that the assets described under item (d)(ii) above may not amount to more than 10 per cent. of the aggregate nominal value of the Cover Pool.

Eligibility Criteria for Residential Mortgage Loans

Under the Master Loans Purchase Agreements, the relevant Sellers and the Guarantor have agreed the following Common Criteria and Specific Criteria (see "*Overview of the Transaction Documents — Master Loans Purchase Agreements*" above) that will be applied in selecting the Residential Mortgage Loans that will be transferred thereunder to the Guarantor.

Common Criteria

Receivables arising from loans:

- which are residential mortgage receivables (i) with a risk weight not higher than 35 per cent. and in respect of which the relevant principal amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80 per cent of the value of the property, in accordance with Decree 310, or (ii) in case of at least one residential real estate that guarantees the loans with other not residential real estate, which have a risk weight higher than 35 per cent. and in respect of which the relevant principal amount outstanding added to the principal amount outstanding of any higher ranking mortgage loans secured by the same property, does not exceed 80 per cent of the value of the residential property;
- in respect of which the hardening period (*periodo di consolidamento*) applicable to the relevant mortgage has elapsed and the relevant mortgage is not capable of being challenged pursuant to Article 67 of the Bankruptcy Law and, if applicable, of article 39, fourth paragraph of the Consolidated Banking Act;
- loans granted or acquired by the relevant Seller;
- which are governed by Italian law;
- which are performing and in respect of which no instalments are due but not paid since more than one day from the relevant payment date (five days for the second, third, fourth, fifth, sixth , seventh, eighth, nineth, tenth, eleventh, twelfth, thirteenth, fourteenth, fifteenth and sixteenth sale of Receivables);

- which do not include any clauses limiting the possibility for the relevant Seller to assign the receivables arising thereunder or providing the Debtor's consent for such assignment and the relevant Seller has obtained such consent;
- which provide for the payment by the Debtor of monthly, bimonthly, quarterly, four-monthly, semi-annual or annual instalments;
- which provide for all payments due by the Debtor thereunder to be made in Euro;
- which are fully disbursed;
- which have not been granted to employees of any company of the UBI Banca Group;
- which have been granted to one or more individuals (*persone fisiche o cointestatari*);
- which did not provide at the time of disbursement for any subsidy or other benefit in relation to principal or interest (*mutui agevolati)*;
- the payment of which is secured by a first ranking mortgage (*ipoteca di primo grado economico*), such term meaning (i) a first ranking mortgage or (ii) (A) a second or subsequent ranking priority mortgage in respect of which the lender secured by the first ranking priority mortgage is the relevant Seller and with respect to which the obligations secured by the mortgage(s) ranking prior to such second or subsequent mortgage have been fully satisfied, or (B) a second or subsequent ranking priority mortgage in respect of which the lender secured by the mortgage(s) ranking prior to such second or subsequent mortgage is the relevant Seller (even if the obligations secured by such ranking priority mortgage(s) have not been fully satisfied) and the receivables secured by such priority mortgages arise from loans meeting the Common Criteria.

THE ASSET MONITOR

The Bank of Italy Regulations require that the Issuer appoints a qualified entity to be the asset monitor to carry out controls on the regularity of the transaction and the integrity of the Guarantee and, following the latest amendments to the Bank of Italy Regulations introduced by way of inclusion of the new Part III, Chapter 3 (*Obbligazioni Bancarie Garantite*) in Bank of Italy's Circular No. 285 of 17 December 2013, the information to be provided to investors.

Pursuant to the Bank of Italy Regulations, the asset monitor must be an independent auditor enrolled with the Register of Certified Auditors held by the Ministery for Economy and Finance pursuant to Legislative Decree No. 39 of 27 January 2010 and the Ministerial Decree No. 145 of 20 June 2012 and shall be independent from the Issuer and any other party to the Programme and from the accounting firm who carries out the audit of the Issuer.

Based upon controls carried out, the asset monitor shall prepare annual reports, to be addressed also to the Supervisory Board of the Issuer.

BDO Italia S.p.A., a *società per azioni* incorporated under the laws of the Republic of Italy, having its registered office at Viale Abruzzi, 94, 20131, Milan, Italy, fiscal code and enrolment with the companies register of Milan No. 07722780967.

BDO Italia S.p.A. is included in the Register of Certified Auditors held by the Ministery for Economy and Finance – Stage general accounting office, at no. 167911.

Pursuant to an engagement letter entered into on 30 July 2008, as amended on 25 March 2015, the Issuer has appointed the Asset Monitor in order to perform, subject to receipt of the relevant information from the Issuer, specific monitoring activities concerning, *inter alia*, (i) the compliance with the issuing criteria set out in Decree No. 310 in respect of the issuance of covered bonds; (ii) the fulfilment of the eligibility criteria set out under Decree No. 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (iii) the compliance with the limits on the transfer of the Eligible Assets and Top-Up Assets set out under Decree No. 310; (iv) the compliance with the limits set out in Decree No. 310 with respect to covered bonds issued and the Eligible Assets and Top-Up Assets included in the Portfolios as determined in the Statutory Tests; (iv) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme, (v) the arithmetical accuracy of the calculations performed by the Calculation Agent in respect of the Mandatory Tests and (v) the completeness, truthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7, of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013.

The engagement letter is in line with the provisions of the Bank of Italy Regulations in relation to the reports to be prepared and submitted by the Asset Monitor also to the Supervisory Board of the Issuer.

The engagement letter provides for certain matters such as the payment of fees and expenses by the Issuer to the Asset Monitor and the resignation of the Asset Monitor.

The engagement letter is governed by Italian law.

Furthermore, on 30 July 2008, the Issuer, the Calculation Agent, the Asset Monitor, the Guarantor and the Representative of the Covered Bondholders entered into the Asset Monitor Agreement, as more fully described under "*Overview of the Transaction Documents — Asset Monitoring Agreement*".

DESCRIPTION OF CERTAIN RELEVANT LEGISLATION IN ITALY

The following is a general description of the Italian Securitisation and Covered Bond Law (as defined below) and other legislation that may be relevant to investors in assessing the Covered Bonds, including recent legislation affecting the rights of mortgage borrowers. It does not purport to be a complete analysis of the legislation described below or of the other considerations relating to the Covered Bonds arising from Italian laws and regulations. Furthermore, this overview is based on Italian Legislation as in effect on the date of this Prospectus, which may be subject to change, potentially with retroactive effect. This description will not be updated to reflect changes in laws. Accordingly, prospective Covered Bondholders should consult their own advisers as to the risks arising from Italian legislations that may affect any assessment by them of the Covered Bonds.

The Securitisation and Covered Bond Law

The legal and regulatory framework with respect to the issue of covered bonds in Italy comprises the following:

- Article 7-*bis* and article 7-*ter* of the Law No. 130 of 30 April 1999 (as amended and supplemented from time to time, the "**Italian Securitisation and Covered Bond Law**");
- the regulations issued by the Italian Ministry for the Economy and Finance on 14 December 2006 under Decree No. 310 (the "**MEF Regulation**");
- the C.I.C.R. Decree dated 12 April 2007; and
- Part III, Chapter 3 of the "*Disposizioni di Vigilanza per le Banche*" (*Circolare* No. 285 of 17 December 2013), as amended and supplemented from time to time (the "**Bank of Italy Instructions**").

Law Decree No. 35 of 14 March 2005, converted by Law No. 80 of 14 May 2005, amended the Italian Securitisation and Covered Bond Law by adding two new articles, Articles 7-*bis* and 7-*ter*, which enable banks to issue covered bonds. Articles 7-*bis* and 7-*ter*, however, required both the Italian Ministry of Economy and Finance and the Bank of Italy to issue specific regulations before the relevant structures could be implemented.

The Italian Securitisation and Covered Bond Law was further amended by Law Decree no. 145 of 23 December 2013 (the "**Destinazione Italia Decree**") as converted with amendments into Law n. 9 of 21 February 2014 and by Law Decree no. 91 of 24 June 2014 (the "**Decreto Competitività**") as converted with amendments into Law No. 116 of 11 August 2014.

The Bank of Italy published new supervisory regulations on banks in December 2013 (*Circolare* of the Bank of Italy No. 285 of 17 December 2013) which came into force on 1 January 2014, implementing CRD IV Package and setting out additional local prudential rules concerning matters not harmonised on EU level. Following the publication on 24 June 2014 of the 5th update to Circular of the Bank of Italy No. 285 of 17 December 2013, which added a new Chapter 3 ("*Obbligazioni bancarie garantite*") in Part III contained therein, the provisions set forth under Title V, Chapter 3 of *Circolare* No. 263 of 27 December 2006 have been abrogated.

The Bank of Italy Instructions introduced provisions, among other things, regulating:

- the capital adequacy requirements that issuing banks must satisfy in order to issue covered bonds and the ability of issuing banks to manage risks;

- limitations on the total value of eligible assets that banks, individually or as part of a group, may transfer as cover pools in the context of covered bond transactions;
- criteria to be adopted in the integration of the assets constituting the cover pools;
- the identification of the cases in which the integration is permitted and its limits; and
- monitoring and surveillance requirements applicable with respect to covered bond transactions and the provision of information relating to the transaction.

Basic structure of a covered bond issue

The structure provided under Article 7-*bis* with respect to the issue of covered bonds may be summarised as follows:

- a bank transfers a pool of eligible assets (i.e. the cover pool) to an Article 7-*bis* special purpose vehicle (the "**SPV**");
- the bank grants the SPV a subordinated loan in order to fund the payment by the SPV of the purchase price due for the cover pool;
- the bank issues the covered bonds which are supported by a first demand, unconditional and irrevocable guarantee issued by the SPV for the exclusive benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction. The Guarantee is backed by the entire cover pool held by the SPV.

Article 7-*bis* however also allows for structures which contemplate different entities acting respectively as cover pool provider, subordinated loan provider and covered bonds issuer.

The SPV

The Italian legislator chose to implement the new legislation on covered bonds by supplementing the Italian Securitisation Law, thus basing the new structure on a well established platform and applying to covered bonds many provisions with which the market is already familiar in relation to Italian securitisations. Accordingly, as is the case with the special purpose entities which act as issuers in Italian securitisation transactions, the SPV is required to be established with an exclusive corporate object that, in the case of covered bonds, must be the purchaser of assets eligible for cover pools and the person giving guarantees in the context of covered bond transactions.

The guarantee

The MEF Regulation provides that the guarantee issued by the SPV for the benefit of the bondholders must be irrevocable, first-demand, unconditional and independent from the obligations of the issuer of the covered bonds. Furthermore, upon the occurrence of a default by the issuer in respect of its payment obligations under the covered bonds, the SPV must provide for the payment of the amounts due under the covered bonds, in accordance with their original terms and with limited recourse to the amounts available to the SPV from the cover pool. The acceleration of the issuer's payment obligations under the covered bonds will not therefore result in a corresponding acceleration of the SPV's payment obligations under the guarantee (thereby preserving the maturity profile of the covered bonds).

Upon an insolvency of the issuer, the SPV will be solely responsible for the payment obligations of the issuer owed to the covered bond holders, in accordance with their original terms and with limited

recourse to the amounts available to the SPV from the cover pool. In addition, the SPV will be exclusively entitled to exercise the rights of the covered bond holders vis à vis the issuer's bankruptcy in accordance with the applicable bankruptcy law. Any amount recovered by the SPV from the bankruptcy of the issuer become part of the cover pool.

Finally, if a moratorium is imposed on the issuer's payments, the SPV will fulfil the issuer's payment obligations, with respect to amounts which are due and payable and with limited recourse to the cover pool. The SPV will then have recourse against the issuer for any such payments.

Segregation and subordination

Article 7-*bis* provides that the assets comprised in the cover pool and the amounts paid by the debtors with respect to the receivables and/or debt securities included in the cover pool are exclusively designated and segregated by law for the benefit of the holders of the covered bonds and the hedging counterparties involved in the transaction.

In addition, Article 7-*bis* expressly provides that the claim for reimbursement of the loan granted to the SPV to fund the purchase of assets in the cover pool is subordinated to the rights of the covered bond holders and of the hedging counterparties involved in the transaction.

Exemption from claw-back

Article 7-*bis* provides that the guarantee and the subordinated loan granted to fund the payment by the SPV of the purchase price due for the cover pool are exempt from the bankruptcy claw-back provisions set out in Article 67 of the Italian Bankruptcy Law (Royal Decree No. 267 of 16 March 1942).

In addition to the above, any payments made by an assigned debtor to the SPV may not be subject to any claw-back action according to Article 65 of the Italian Bankruptcy Law.

The issuing bank

The Bank of Italy Instructions provide that covered bonds may only be issued by banks which individually satisfy, or which belong to banking groups which, on a consolidated basis:

- have own funds of at least Euro 250,000,000; and
- have a minimum total capital ratio of not less than 9 per cent.

The Bank of Italy Instructions specify that the requirements above also apply to the bank acting as cover pool provider (in the case of structures in which separate entities act respectively as issuing bank and as cover pool provider).

The Bank of Italy Instructions furthermore provide that the total amount of eligible assets that a bank may transfer to cover pools in the context of covered bond transactions is subject to limitations linked to the tier 1 ratio and common equity tier 1 ratio of the individual bank (or of the relevant banking group, if applicable) as follows:

Ratios		Transfer Limitations
"A" range	- Tier 1 ratio≥ 9%	No limitation
	- Common Equity Tier 1 ratio ≥ 8%	
"B" range	- Tier 1 ratio ≥ 8%	Up to 60% of eligible assets may be

		transferred
	– Common Equity Tier 1 ratio ≥ 7%	
"C" range	– Tier 1 ratio ≥ 7%	Up to 25% of eligible assets may be transferred
	– Common Equity Tier 1 ratio ≥ 6%	

The Bank of Italy Instructions clarify that the ratios provided with respect to each range above must be satisfied jointly: if a bank does not satisfy both ratios with respect to a specific range, the range applicable to it will be the following, more restrictive, range. Accordingly, if a bank (or the relevant banking group) satisfies the "b" range tier 1 ratio but falls within the "c" range with respect to its common equity tier 1 ratio, the relevant bank will be subject to the transfer limitations applicable to the "c" range.

In addition to the above, certain further amendments have been introduced in respect of the monitoring activities to be performed by the asset monitor.

The Cover Pool

For a description of the assets which are considered eligible for inclusion in a cover pool under Article 7-*bis*, see "*Description of the Cover Pool – Eligibility Criteria*".

Ratio between cover pool value and covered bond outstanding amount

The MEF Regulation provides that the cover pool provider and the issuer must continually ensure that, throughout the transaction:

- the aggregate nominal value of the cover pool is at least equal to the nominal amount of the relevant outstanding covered bonds;
- the net present value of the cover pool (net of all the transaction costs borne by the SPV, including in relation to hedging arrangements) is at least equal to the net present value of the relevant outstanding covered bonds;
- the interest and other revenues deriving from the cover pool (net of all the transaction costs borne by the SPV) are sufficient to cover interest and costs due by the issuer with respect to the relevant outstanding covered bonds, taking into account any hedging agreements entered into in connection with the transaction.

In respect of the above, under the Bank of Italy Instructions, strict monitoring procedures are imposed on banks for the monitoring of the transaction and of the adequacy of the guarantee on the cover pool. Such activities must be carried out both by the relevant bank and by an asset monitor, to be appointed by the bank, which is an independent accounting firm. The asset monitor must prepare and deliver to the issuing bank's s board of auditors, on an annual basis, a report detailing its monitoring activity and the relevant findings.

The Bank of Italy Instructions require banks to carry out the monitoring activities described above at least every 6 months with respect to each covered bond transaction. Furthermore, the internal auditors of banks must comprehensively review every 12-months the monitoring activity carried out with respect to each covered bond transaction, basing such review, among other things, on the evaluations supplied by the asset monitor.

In addition to the above, pursuant to the Bank of Italy Instructions provide that the management body of the issuing bank must ensure that the internal structures delegated to the risk management verify at least every six months and for each transaction completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013.

In order to ensure that the monitoring activities above may be appropriately implemented, the Bank of Italy Instructions require that the entities participating in covered bond transactions be bound by appropriate contractual undertakings to communicate to the issuing bank, the cover pool provider and the entity acting as servicer in relation to the cover pool assets all the necessary information with respect to the cover pool assets and their performance.

Substitution of assets

The MEF Regulation and the Bank of Italy Instructions provide that, following the initial transfer to the cover pool, the eligible assets comprised in the cover pool may only be substituted or supplemented in order to ensure that the requirements described under "*Ratio between cover pool value and covered bond outstanding amount*", or the higher over-collateralisation provided for under the relevant covered bond transaction documents, are satisfied at all times during the transaction.

The eligible assets comprised in the cover pool may only be substituted or supplemented by means of:

- the transfer of further assets (eligible to be included in the cover pool in accordance with the criteria described above);
- the establishment of deposits held with banks ("**Qualified Banks**") which have their registered office in a member state of the European Economic Area or in Switzerland or in a state for which a 0 per cent. risk weight is applicable in accordance with the prudential regulations' standardised approach; and
- the transfer of debt securities, having a residual life of less than one year, issued by the Qualified Banks.

The MEF Regulation and the Bank of Italy Instructions, however, provide that the assets described in the last two paragraphs above, cannot exceed 15 per cent. of the aggregate nominal value of the cover pool. This 15 per cent. limitation must be satisfied throughout the transaction and, accordingly, the substitution of cover pool assets may also be carried out in order to ensure that the composition of the assets comprised in the cover pool continues to comply with the relevant threshold.

The Bank of Italy Instructions clarify that the limitations to the overall amount of eligible assets that may be transferred to cover pools described under "*The Issuing Bank*" above do not apply to the subsequent transfer of supplemental assets for the purposes described under this paragraph.

Taxation

Article 7-*bis*, sub-paragraph 7, provides that any tax is due as if the granting of the subordinated loan and the transfer of the cover pool had not taken place and as if the assets constituting the cover pool were registered as on-balance sheet assets of the cover pool provider, *provided that*:

- the purchase price paid for the transfer of the cover pool is equal to the most recent book value of the assets constituting the cover pool; and
- the subordinated loan is granted by the same bank acting as cover pool provider.

The provision described above would imply, as a main consequence, that banks issuing covered bonds will be entitled to include the receivables transferred to the cover pool as on-balance receivables for the purpose of tax deductions applicable to reserves for the depreciation on receivables in accordance with Article 106 of Presidential Decree No. 917 of 22 December 1986.

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TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Covered Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

*Law Decree No. 66 of 24 April 2014, as converted with amendments by Law No. 89 of 23 June 2014 published in the Official Gazette No. 143 of 23 June 2014 ("**Law No. 89**") has increased from 20 per cent. to 26 per cent the rate of withholding and substitute taxes of interest accrued, and capital gains realised, as of 1 July 2014 on financial instruments (including the Covered Bonds) other than government bonds.*

Prospective purchasers of the Covered Bonds are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Covered Bonds.

Republic of Italy

Tax treatment of Covered Bonds issued by the Issuer

Decree No. 239 sets out the applicable regime regarding the tax treatment of interest, premium and other income from certain securities issued, *inter alia*, by Italian resident banks (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**"). The provisions of Decree No. 239 only apply to Covered Bonds issued by the Issuer which qualify as obbligazioni (bonds) or titoli similari alle obbligazioni (securities similar to bonds) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**"). Pursuant to Article 44 of Decree No. 917, for securities to qualify as titoli similari alle obbligazioni (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not less than that therein indicated and (ii) attribute to the holders no direct or indirect right to control or participate in the management of the Issuer.

Italian resident Covered Bondholders

Where an Italian resident Covered Bondholders is:

(e) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected (unless he has opted for the application of the risparmio gestito regime – see under "Capital gains tax" below);

(f) a non-commercial partnership;

(g) a private or public institution other than companies, and trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or

(h) an investor exempt from Italian corporate income taxation,

Interest relating to the Covered Bonds, accrued during the relevant holding period, are subject to a withholding tax, referred to as "imposta sostitutiva", levied at the rate of 26 per cent.. In the event that

the Covered Bondholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Covered Bonds are connected, the imposta sostitutiva applies as a provisional tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the imposta sostitutiva, on interest, premium and other income relating to the Covered Bonds if the Covered Bonds are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the "**Finance Act 2017**").

Where an Italian resident Covered Bondholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Covered Bonds are effectively connected, and the Covered Bonds are deposited with an authorised intermediary, Interest from the Covered Bonds will not be subject to imposta sostitutiva. It must, however, be included in the relevant Covered Bondholder's income tax return and is therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Covered Bondholder, also to IRAP (the regional tax on productive activities).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree No. 351**"), as clarified by the Italian Revenue Agency (Agenzia delle Entrate) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of Interest in respect of the Covered Bonds made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994, and to Italian Real Estate SICAFs ("Società di investimento a capitale fisso") ("**Italian Real Estate SICAFs**") to which the provisions of Decree No. 351 apply are subject neither to imposta sostitutiva nor to any other income tax in the hands of a real estate investment fund or Italian Real Estate SICAFs. However, a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders/shareholders of the real investment fund or the Italian Real Estate SICAF.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF or a SICAV ("Società di investimento a capital variabile") established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the "**Fund**"), and the relevant Covered Bonds are held by an authorised intermediary, Interest accrued during the holding period on the Covered Bonds will not be subject to imposta sostitutiva, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Tax**").

Where an Italian resident Covered Bondholders is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Covered Bonds are deposited with an authorised intermediary, Interest relating to the Covered Bonds and accrued during the holding period will not be subject to imposta sostitutiva, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax.

Pursuant to Decree No. 239, imposta sostitutiva is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and (b) intervene, in any way, in the collection of Interest or in the

transfer of the Covered Bonds. For the purpose of the application of the imposta sostitutiva, a transfer of Covered Bonds includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Covered Bonds or in a change of the Intermediary with which the Covered Bonds are deposited.

Where the Covered Bonds are not deposited with an Intermediary, the imposta sostitutiva is applied and withheld by any Italian financial intermediary paying Interest to a Covered Bondholders or, absent that, by the Issuer.

Non-Italian resident Covered Bondholders

Where the Covered Bondholder is a non-Italian resident, without a permanent establishment in Italy to which the Covered Bonds are effectively connected, an exemption from the imposta sostitutiva applies provided that the non-Italian resident beneficial owner is:

(i) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy and listed in a Ministerial Decree to be issued under Article 11, par. 4, let. c) of Decree no. 239 (the "**White List**"). The White List will be updated every six months period. Currently, reference has to be made to to the list set out by the Italian Ministerial Decree dated 4 September 1996, as amended by Ministerial Decree of 23 March 2017 and further amended from time to time; or

(j) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or

(k) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or

(l) an "institutional investor", whether or not subject to tax, which is established in a State included in the White List. In absence of the issuance of the White List, reference has to be made to the Italian Ministerial Decree dated 4 September 1996, as amended from time to time.

In order to ensure gross payment, non-Italian resident Covered Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected must be the beneficial owners of the payments of Interest and must:

(a) deposit, directly or indirectly, the Covered Bonds with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and

(b) file with the relevant depository, prior to or concurrently with the deposit of the Covered Bonds, a statement of the relevant Covered Bondholder, which remains valid until withdrawn or revoked, in which the Covered Bondholder declares to be eligible to benefit from the applicable exemption from imposta sostitutiva. This statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, inter alia, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001.

The imposta sostitutiva will be applicable at the rate of 26 per cent. to Interest paid to Covered Bondholders who do not qualify for the exemption.

Covered Bondholders who are subject to the substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant Covered Bondholder.

Payment made by an Italian resident guarantor

There is no authority directly on point regarding the Italian tax regime of payments made by an Italian resident guarantor under the Guarantee. Accordingly, there can be no assurance that the Italian revenue authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian court would not sustain such an alternative treatment.

With respect to payments on the Covered Bonds made to certain Italian resident Covered Bondholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any payment of liabilities equal to interest and other proceeds from the Covered Bonds may be treated, in certain circumstances, as a payment by the relevant Issuer and will thus be subject to the tax regime described in the previous paragraphs of this section.

In accordance with another interpretation, any such payment made by the Italian resident Guarantor may be subject to an advance or final withholding tax at a rate of 26 per cent. pursuant to Presidential Decree No. 600 of 29 September 1973, as subsequently amended. In the case of payments to non-Italian resident Covered Bondholders, double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax.

Capital gains tax

Any gain obtained from the sale or redemption of the Covered Bonds would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Covered Bondholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Covered Bonds are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Covered Bonds are connected.

Where an Italian resident Covered Bondholder is an individual not engaged in an entrepreneurial activity to which the Covered Bonds are connected, any capital gain realised by such Covered Bondholder from the sale or redemption of the Covered Bonds would be subject to an imposta sostitutiva, levied at the rate of 26 per cent.. The Covered Bondholders may set off any losses with their gains.

In respect of the application of imposta sostitutiva, taxpayers may opt for one of the three regimes described below:

(a) Under the tax declaration regime (regime della dichiarazione), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Covered Bonds are connected, the imposta sostitutiva on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident individual Covered Bondholders holding the Covered Bonds. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Covered Bonds carried out during any given tax year. Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial

activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the imposta sostitutiva on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. However, according to Law No. 89, capital losses realized up to 30 June 2014 may be offset against capital gains realized after that date for an amount equal to 76.92% of the capital losses realized from 1 January 2012 to 30 June 2014

(b) As an alternative to the tax declaration regime, Italian resident individual Covered Bondholders holding the Covered Bonds not in connection with an entrepreneurial activity, resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities may elect to pay the imposta sostitutiva separately on capital gains realised on each sale or redemption of the Covered Bonds (the risparmio amministrato regime). Such separate taxation of capital gains is allowed subject to:

(i) the Covered Bonds being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and

(ii) an express election for the risparmio amministrato regime being timely made in writing by the relevant Covered Bondholder.

The depository must account for the imposta sostitutiva in respect of capital gains realised on each sale or redemption of the Covered Bonds (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Covered Bondholders or using funds provided by the Covered Bondholders for this purpose. Under the risparmio amministrato regime, any possible capital loss resulting from a sale or redemption or certain other transfer of the Covered Bonds may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. However, according to Law No. 89, capital losses realized up to 30 June 2014 may be offset against capital gains realized after that date for an amount equal to 76.92% of the capital losses realized from 1 January 2012 to 30 June 2014. Under the risparmio amministrato regime, the Covered Bondholders are not required to declare the capital gains in the annual tax return.

(c) In the "risparmio gestito" regime, any capital gains realised by Italian resident individuals holding the Covered Bonds not in connection with an entrepreneurial activity, resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities who have entrusted the management of their financial assets (including the Covered Bonds) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year-end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Pursuant to Law No. 89, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of 76.92 per cent. of the depreciations in value registered from

1 January 2012 to 30 June 2014. The Covered Bondholders are not required to declare the capital gains realised in the annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity may be exempt from Italian capital gain taxes, including the imposta sostitutiva, on capital gains realised upon sale or redemption of the Covered Bonds if the Covered Bonds are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017.

Any capital gains realised by a Covered Bondholder who is a Fund will neither be subject to imposta sostitutiva on capital gains, nor to any other income tax in the hands of the relevant Covered Bondholders; the Collective Investment Fund Tax will be levied on proceeds distributed by the Fund or received by certain categories of unitholders upon redemption or disposal of the units.

Italian real estate funds created under Article 37 of Italian Legislative Decree No. 58 of 24 February 1998 and Article 14 bis of Italian Law No. 86 of 25 January 1994, and Italian Real Estate SICAFs are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund or Italian Real Estate SICAF. However, a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders/shareholders of the real estate investment fund or the Italian Real Estate SICAF.

Any capital gains realised by a Covered Bondholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax.

Capital gains realised by non-Italian resident Covered Bondholders without a permanent establishment in Italy to which the Covered Bonds are effectively connected, from the sale or redemption of Covered Bonds traded on regulated markets are not subject to the imposta sostitutiva. The exemption applies provided that the non-Italian resident Covered Bondholders file in due course with the authorised financial intermediary an appropriate affidavit (autocertificazione) stating that the Covered Bondholder is not resident in Italy for tax purposes.

Capital gains realised by non-Italian resident Covered Bondholders, without a permanent establishment in Italy to which the Covered Bonds are effectively connected, from the sale or redemption of Covered Bonds not traded on regulated markets are not subject to the imposta sostitutiva, provided that the effective beneficiary is:

(a) resident in a State included in the White List;

(b) an international entity or body set up in accordance with international agreements which have entered into force in Italy;

(c) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or

(d) an "institutional investor", whether or not subject to tax, which is established in a State included in the White List.

If none of the conditions above is met, capital gains realised by non-Italian resident Covered Bondholders, without a permanent establishment in Italy to which the Covered Bonds are effectively connected, from the sale or redemption of Covered Bonds issued by an Italian resident issuer and not traded on regulated markets are subject to the imposta sostitutiva at the current rate of 26 per cent..

However, Covered Bondholders may benefit from an applicable tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Covered Bonds are to be taxed only in the resident tax country of the recipient.

Inheritance and gift taxes

Transfers of any valuable asset (including shares, Covered Bonds or other securities) as a result of death or donation are taxed as follows:

(e) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or gift exceeding, for each beneficiary, Euro 1,000,000;

(f) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or gift exceeding, for each beneficiary, Euro 100,000; and

(g) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, Euro 1,500,000.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 200.00 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

Stamp Duty

Pursuant to Article 13 of the tariff attached to Presidential Decree No. 642 of 26 October 1972 ("**Decree No. 642**"), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Covered Bondholder in respect of any Covered Bonds which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.20 per cent.; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Covered Bonds held. The stamp duty cannot exceed € 14,000.00 if the Covered Bondholder is not an individual.

The statement is deemed to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release nor the drafting of the statement. In case of reporting periods less than 12 months, the stamp duty is payable on a pro-rata basis.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on 24 May 2012, the stamp duty applies to any investor who is a client – regardless of the fiscal residence of the investor – (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on securities deposited abroad

According to the provisions set forth by Law No. 214 of 22 December 2011, as amended and supplemented, Italian resident individuals holding the Covered Bonds outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent. In this case the above mentioned stamp duty provided for by Article 13 of the tariff attached to Decree No. 642 does not apply.

This tax is calculated on the market value of the Covered Bonds at the end of the relevant year or – if no market value is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Financial assets held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries pursuant to an administration agreement. In this case, the above mentioned stamp duty provided for by Article 13 of the tariff attached to Decree No. 642 does apply.

Tax Monitoring

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (società semplici or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax the amount of investments (including the Covered Bonds) directly or indirectly held abroad.

The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Covered Bonds deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through the intervention of qualified Italian financial intermediaries, upon condition that the items of income derived from the Covered Bonds have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a €15,000 threshold throughout the year.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Covered Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Covered Bonds, such withholding would not apply prior to 1 January 2019 and Covered Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign

passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Covered Bonds (as described under "Terms and Conditions—Further Issues") that are not distinguishable from previously issued Covered Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Covered Bonds, including the Covered Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Covered Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Covered Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Covered Bonds may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Covered Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in the Programme Agreement. Under the Programme Agreement, the Issuer and the Dealer(s) have agreed that any Covered Bonds of any Series which may from time to time be agreed between the Issuer and any Dealer(s) to be issued by the Issuer and subscribed for by such Dealer(s) shall be issued and subscribed for on the basis of, and in reliance upon, the representations, warranties, undertakings and indemnities made or given or provided to be made or given pursuant to the terms of the Programme Agreement. Any such agreement will, *inter alia*, make provision for the terms and conditions of the relevant Covered Bonds, the price at which such Covered Bonds will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Covered Bonds.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, (i) the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, (ii) the expression **Prospectus Directive** means Directive 2003/71/EC (and the amendments thereto, including Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United States of America

The Covered Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States of America or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the

registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it will not offer, sell or deliver Covered Bonds, (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in case of an issue of the Covered Bonds on a syndicated basis, the relevant lead manager, of all Covered Bonds of the Tranche of which such Covered Bonds are a part within the United States of America or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed and each further Dealer appointed under the Programme will be required to agree, that it will send to each Dealer to which it sells Covered Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States of America or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Covered Bonds an offer or sale of such Covered Bonds within the United States of America by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise that in accordance with an available exemption from registration under the Securities Act.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Covered Bonds Guarantor, as the case may be; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Covered Bonds to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the relevant

Final Terms or any other offering material relating to the Covered Bonds and that such offers, sales and distributions have been and will be made in France only to qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1, L.533-16 and L.533-20 of the French Code *monétaire et financier*.

The Republic of Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell any Covered Bonds except in conformity with the provisions of the Prospectus Directive and, where applicable, implementing measures in Ireland and the provisions of the Companies Acts 2014 of Ireland and every other enactment that is to be read together with any of those Acts;

(b) in respect of Covered Bonds issued by UBI Banca which are not listed on a stock exchange and which do not mature within two years its action in any jurisdiction will comply with the then applicable laws and regulations of that jurisdiction, it will not knowingly offer to sell such Covered Bonds to an Irish resident, or to persons whose usual place of abode is Ireland, and that it will not knowingly distribute or cause to be distributed in Ireland any offering material in connection with such Covered Bonds. In addition, such Covered Bonds must be cleared through Euroclear, Clearstream, Luxembourg, or Depository Trust Company (or any other clearing system recognised for this purpose by the Revenue Commissioners) and have a minimum denomination of £300,000 or its equivalent at the date of issuance;

(c) in respect of Covered Bonds issued by UBI Banca which are not listed on a stock exchange and which mature within two years, such Covered Bonds must have a minimum denomination of €500,000 or US$500,000 or, in the case of Covered Bond which are denominated in a currency other than euro or US dollars, the equivalent in that other currency of €500,000 (such amount to be determined by reference to the relevant rate of exchange at the date of first publication of this Programme). In addition, such Covered Bonds must be cleared through Euroclear, Clearstream, Luxembourg or Depository Trust Company (or any other clearing system recognised for this purpose by the Revenue Commissioners);

(d) it has only issued or passed on, and will only issue or pass on, any document received by it in connection with the issue of Covered Bonds to persons who are persons to whom the document may otherwise lawfully be issued or passed on;

(e) it has complied and will comply with all applicable provisions of S.I. No. 60 of 2007, the European Communities (Markets in Financial Instruments) Regulations 2007 and the provisions of the Investor Compensation Act 1998, with respect to anything done by it in relation to the Covered Bonds or operating in, or otherwise involving, Ireland is acting under and within the terms of an authorisation to do so for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of the European Union of 21 April 2004 and it has complied with any applicable codes of conduct or practice made pursuant to implementing measures in respect of the foregoing Directive in any relevant jurisdiction;

(f) it has not offered or sold or will not offer or sell any Covered Bonds other than in compliance with the provisions of the Central Bank Acts 1942-2013 (as amended) and any codes of conduct rules made thereunder; and

(g) it has not offered or sold or will not offer or sell any Covered Bonds other than in compliance with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued under the Irish Companies Act 2014 by the Central Bank of Ireland.

Germany

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall only offer Covered Bonds in the Federal Republic of Germany in compliance with the provisions of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other laws applicable in the Federal Republic of Germany.

Republic of Italy

The offering of Covered Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Covered Bonds may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to any Covered Bonds be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of the Legislative Decree No. 58 of 24th February, 1998, as amended (the "**Financial Law**") and Article 34-*ter*, first paragraph, letter b, of CONSOB Regulation No. 11971 of 14 May 1999(as amended from time to time) ("**Regulation No. 11971**"); or

(b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Law and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Covered Bonds or distribution of copies of this Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Law, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1st September, 1993, as amended (the "**Banking Law**"); and

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable to the Dealers, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Covered Bonds or possesses, distributes or publishes this Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Covered Bonds or possess, distribute or publish this Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Prospectus.

GENERAL INFORMATION

Listing and Admission to Trading

This Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Directive by the Central Bank, as competent authority in Ireland under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under the Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Covered Bonds other than Covered Bonds issued in registered form and the N Covered Bonds) issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the Official List and trading on its regulated market.

However, Covered Bonds may be issued pursuant to the Programme which will be unlisted or be admitted to listing, trading and/or quotation by such other competent authority, stock exchange or quotation system as the Issuer and the relevant Dealer(s) may agree. Such Covered Bonds are not part of this Prospectus and neither the Central Bank nor the Irish Stock Exchange has approved or reviewed information contained in this Prospectus in connection with such Covered Bonds.

The Central Bank may, at the request of the Issuer, send to the competent authority of another Member State of the European Economic Area: (i) a copy of this Prospectus; and (ii) a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Directive.

Authorisations

The update of the Programme has been duly authorised by a resolution of the management board of the Issuer dated 28 February 2017 and a resolution of the board of directors of the Guarantor dated 8 March 2017 and the giving of the Covered Bond Guarantee has been duly authorised by the resolutions of the board of directors of the Guarantor dated 25 June 2008 and 21 July 2008.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware), which may have, or have had during the 12-months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer and/or its Subsidiaries or the Guarantor.

Trend Information

Since 31 December 2016, there has been no material adverse change in the prospects of UBI Banca and the UBI Banca Group.

Since 31 December 2016, there has been no material adverse change in the prospects of the Guarantor.

No Significant Change

There has been no significant change in the financial or trading position of UBI Banca and the UBI Banca Group since 31 March 2017.

Since 31 December 2016, there has been no significant change in the financial or trading position of the Guarantor.

Minimum Denomination

Where Covered Bonds issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Covered Bonds will not have a denomination of less than Euro 100,000 (or, where the Covered Bonds are issued in a currency other than Euro, the equivalent amount in such other currency).

Documents on Display

So long as Covered Bonds are capable of being issued under the Programme, physical or electronic copies of the following documents will, when published, be available (in English translation, where necessary) free of charge during usual business hours on any weekday (except for Saturdays, Sundays and public holidays) for inspection at the registered office of the Issuer:

(a) the By-laws of the Issuer and the constitutive documents of the Guarantor;

(b) the consolidated audited financial statements of the Issuer as at and for the years ended 31 December 2015 and 31 December 2016;

(c) the unaudited consolidated financial statements of the Issuer as at and for the three months ended 31 March 2017;

(d) the non-consolidated audited financial statements of the Guarantor as at and for the years ended 31 December 2015 and 31 December 2016;

(e) the most recently published audited annual financial statements of the Issuer and the Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuer;

(f) a copy of this Prospectus;

(g) any future offering circulars, prospectuses, information memoranda and supplements to this Prospectus including Final Terms and any other documents incorporated herein or therein by reference; and

(h) each of the Transaction Documents.

Auditors

Deloitte & Touche S.p.A. are the auditors of UBI Banca for the period 2012 to 2020, pursuant to article 13, first paragraph and 17, first paragraph, of Legislative Decree No. 39 of 2010. Deloitte & Touche S.p.A., with registered office in Milan, Via Tortona No. 25, are registered in the Register of Certified Auditors (*Registro dei Revisori Legali*) held by the Ministery for Economy and Finance pursuant to Legislative Decree No. 39 of 27 January 2010 and the Ministerial Decree No. 145 of 20 June 2012. Deloitte & Touche S.p.A. is also member of Assirevi, the Italian association of auditing firms.

Deloitte & Touche S.p.A. has audited and rendered unqualified audit reports on the consolidated financial statements of the Issuer for the years ended 31 December 2015 and 31 December 2016.

Deloitte & Touche S.p.A. are the auditors of the Guarantor for the period 31 December 2014 - 31 December 2016 and are registered in Register of Certified Auditors (*Registro dei Revisori Legali*) held by the Ministery for Economy and Finance pursuant to Legislative Decree No. 39 of 27 January 2010 and the Ministerial Decree No. 145 of 20 June 2012. Deloitte & Touche S.p.A. is also a member of Assirevi, the Italian association of auditing firms.

Deloitte & Touche S.p.A. has audited and rendered unqualified audit report on the financial statements of the Guarantor for the year ended 31 December 2014 and 31 December 2015.

Post-issuance Information

Unless otherwise required by any applicable laws or regulations, the Issuer does not intend to provide any post-issuance information.

Material Contracts

Neither the Issuer nor any of its subsidiaries nor the Guarantor has entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Covered Bondholders.

Clearing of the Covered Bonds

The Covered Bonds issued in dematerialised form have been accepted for clearance through Monte Titoli, Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Covered Bonds of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system for the Covered Bonds issued in dematerialised form as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information.

GLOSSARY

"**Accounts**" means, collectively, the Italian Accounts, the English Accounts and any other account opened from time to time in connection with the Programme.

"**Adjusted Outstanding Principal Balance**" has the meaning ascribed to such term in the section named "*Credit Structure*" above.

"**Agents**" means each of the Italian Account Bank, the Calculation Agent, the Principal Paying Agent, the Registered Paying Agent, the Registrar, the English Account Bank, the Swap Collateral Account Bank and the Guarantor Corporate Servicer.

"**Amortisation Test**" has the meaning ascribed to such term in the section named "Credit Structure" above.

"**Amortisation Test Aggregate Loan Amount**" has the meaning ascribed to such term in the section named "*Credit Structure*" above.

"**Amortisation Test Outstanding Principal Balance**" has the meaning ascribed to such term in the Section named "*Credit Structure*" above.

"**Appointment Agreement**" means the appointment agreement entered into on 10 December 2014 between the Guarantor, the Issuer, the Representative of the Covered Bondholders, the English Account Bank, the Swap Collateral Account Bank and the Guarantor Corporate Servicer, pursuant to which the Guarantor has appointed BNP Paribas Securities Services, London Branch as Swap Collateral Account Bank in the context of the Programme.

"**Arranger**" means Barclays Bank PLC.

"**Article 74 Event**" has the meaning ascribed to such term in the Section named "*Overview of the Programme — The Guarantor and the Covered Bond Guarantee*".

"**Article 74 Event Cure Notice**" has the meaning ascribed to such term in the Section named "*Overview of the Programme — The Guarantor and the Covered Bond Guarantee*".

"**Asset Monitor**" means BDO Italia S.p.A., acting in its capacity as asset monitor pursuant to the engagement letter entered into with the Issuer on or about 30 July 2008 as amended and supplemented from time to time and the Asset Monitoring Agreement.

"**Asset Monitoring Agreement**" means the asset monitoring agreement entered into on or about 30 July 2008 between, *inter alios*, the Asset Monitor and the Issuer.

"**Asset Monitor Report**" means the report to be prepared and delivered by the Asset Monitor to the Guarantor, the Calculation Agent, the Representative of the Covered Bondholders and the Issuer in accordance with the Asset Monitoring Agreement.

"**Asset Percentage**" has the meaning ascribed to such term in the section named "*Credit Structure*" above.

"**Asset Swap Agreements**" means the swap agreements entered on or about each Transfer Date between the Guarantor and an Asset Swap Provider.

"**Asset Swap Provider**" means any entity acting as asset swap provider to the Guarantor pursuant to an Asset Swap Agreement.

"**Availability Period**" means, for the purposes of each Subordinated Loan Agreement, the period starting on date of the signing of the relevant Subordinated Loan Agreement and ending on the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with the respective Final Terms.

"**Bank of Italy Regulations**" means the supervisory instructions of the Bank of Italy relating to covered bonds (*Obbligazioni Bancarie Garantite*) under Part III, Chapter 3, of the Circular No. 285 dated 17 December 2013, as subsequently amended and supplemented, containing the "*Disposizioni di vigilanza per le banche*".

"**Bankruptcy Law**" means Royal Decree No. 267 of 16 March 1942.

"**Base Interest**" means 0.001 per cent. per annum.

"**BNYM English Accounts**" means the English Interest Collection Account, the English Principal Collection Account (together the "**English Collection Accounts**") and the Reserve Fund Account, or any other account which may be opened from time to time with the English Account Bank.

"**Business Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET 2) (or any successor thereto) is open.

"**Calculation Agent**" means Unione di Banche Italiane S.p.A., acting as calculation agent pursuant to the Cash Allocation, Management and Payments Agreement.

"**Calculation Date**" means the third day of each month (or, if such day is not a Business Day, then the immediately preceding Business Day).

"**Calculation Period**" means each monthly period starting on a Calculation Date (included) and ending on the following Calculation Date (excluded).

"**Cash Allocation, Management and Payments Agreement**" means the cash allocation, management and payments agreement entered into on or about 30 July 2008 between, *inter alios*, the Guarantor, the Representative of the Covered Bondholders, the Principal Paying Agent, the Calculation Agent, the English Account Bank and the Italian Account Bank.

"**Cash Management Report**" means the report which the English Account Bank shall deliver, upon request of the Representative of the Covered Bondholders, to the Issuer, the Guarantor, the Representative of the Covered Bondholders, the Guarantor Corporate Servicer, the Calculation Agent, the Italian Account Bank and the Sellers, substantially in the form of schedule 5 (*Form of Cash Management Report*) to the Cash Allocation, Management and Payments Agreement.

"**Cash Management Report Date" means the fifth Business Day of each month.**

"Central Bank" means the Central Bank of Ireland.

"Clearstream" means Clearstream Banking S.A.

"Collateral Security" means any security (including any loan mortgage insurance and excluding Mortgages) granted to any Seller by any Debtor in order to guarantee or secure the payment and/or repayment of any amount due under the relevant Mortgages Loan Agreements.

"**Collection Period**" means each monthly period, commencing on (and including) the first calendar day of each month and ending on (and including) the last calendar day of the same month.

"**Collections**" means all amounts received or recovered by the Master Servicer and/or the Sub-Servicer in respect of the Receivables comprised in the Cover Pool.

"**Commercial Assets**" means the Real Estate Assets with respect to Commercial Mortgage Loans.

"**Commercial Mortgage Loan**" means "crediti ipotecari commerciali" – as defined under article 1, sub-paragraph 1, letter (c) of Decree 310 – having the features set forth under article 2, sub-paragraph 1, of Decree 310.

"**Commercial Mortgage Loan Agreement**" means any commercial mortgage loan agreement out of which Receivables arise.

"**Commingling Amount**" means an amount calculated by the Issuer on a monthly basis equal to the maximum of the total amount of Collections and Recoveries expected to be credited to the Italian Collection Account on any of the following 12 (twelve) calendar months and considering a 15 per cent. cumulative prepayment ratio.

"**Commission Regulation No. 809/2004**" means the Commission Regulation (EC) No. 809/2004 of 29 April 2004, implementing the Prospectus Directive, as supplemented and amended from time to time.

"**Common Criteria**" means the criteria of selection of the Portfolio, as described in section "*Description of the Cover Pool*" above.

"**Conditions**" means the Terms and Conditions of the Covered Bonds and "**Condition**" means a clause of them.

"**CONSOB**" means *Commissione Nazionale per le Società e la Borsa*.

"**Consolidated Banking Act**" means Legislative Decree No. 385 of 1 September 1993.

"**Corporate Services Agreement**" means the corporate services agreement entered into on or about 30 July 2008 between the Guarantor and the Guarantor Corporate Servicer.

"**Covered Bonds**" means any and all the covered bonds (*obbligazioni bancarie garantite*) issued or to be issued by the Issuer pursuant to the terms and subject to the conditions of the Programme Agreement, including the Covered Bonds issued in registered form and the N Covered Bonds.

"**Covered Bond Guarantee**" means the guarantee issued by the Guarantor for the purpose of guaranteeing the payments due by the Issuer in respect of the Covered Bonds and the Other Issuer's Creditors, in accordance with the provisions of the Securitisation and Covered Bond Law, Decree 310 and the Bank of Italy Regulations.

"**Covered Bond Instalment Amount**" means the principal amount of a Series of Covered Bonds to be redeemed on a Covered Bond Instalment Date as specified in the relevant Final Terms.

"**Covered Bond Instalment Date**" means a date on which a principal instalment is due on a Series of Covered Bonds as specified in the relevant Final Terms.

"**Covered Bond Instalment Extension Determination Date**" means, with respect to any Covered Bond Instalment Date, the date falling seven Business Days after such Covered Bond Instalment Date.

"**Covered Bondholders**" means the holders of each Series of Covered Bonds.

"**Cover Pool**" means the cover pool constituted by, collectively, any assets held by the Guarantor in accordance with the provisions of the Securitisation and Covered Bond Law, the Decree 310 and the Bank of Italy Regulations.

"**Cover Pool Management Agreement**" means the cover pool management agreement entered into on 30 July 2008 between the Issuer, the Guarantor, the Sellers, the Representative of the Covered Bondholders, the Calculation Agent and the Asset Monitor.

"**Credit and Collection Policy**" means the procedures for the management, collection and recovery of Receivables attached as schedule 1 (*Procedure di Riscossione*) to the Master Servicing Agreement.

"**Criteria**" means, collectively, the Common Criteria, the Specific Criteria and any Further Criteria.

"**DBRS**" means (i) for the purpose of identifying the entity which has assigned the credit rating to the Covered Bonds, DBRS Ratings Limited, and (ii) in any other case, any entity of DBRS Ratings Limited which is either registered or not under the CRA Regulation, as it appears from the last available list published by European Securities and Markets Authority (ESMA) on the ESMA website.

"DBRS Covered Bonds Attachment Point" or "**DBRS CBAP"** means the DBRS covered bonds attachment point –designating the probability that the source of payment of the Covered Bonds will switch from the Issuer to the Guarantor –expressed on the basis of the rating scale, as set out in the table included under the definition of "DBRS Equivalent Rating", in the column named "DBRS", of the long-term unsecured, unsubordinated and unguaranteed debt obligations of the Issuer, provided that (i) if the DBRS Rating assigned to the Issuer is public, the DBRS CBAP will be indicated on the web site of DBRS (www.dbrs.com), or (ii) if the DBRS Rating assigned to the Issuer is private, the Issuer shall give notice to the relevant Parties and the Representative of the Covered Bondholders upon the occurrence of any change relevant for the purpose of the applicability of the DBRS CBAP in the Transaction Documents.

"DBRS Critical Obligations Rating (COR)" means the DBRS rating addressing the risk of default of particular obligations/exposures of certain banks that have a higher probability of being excluded from bail-in and remaining in a continuing bank in the event of the resolution of a troubled bank than other senior unsecured obligations. It is expressed in the rating scale, as set out in the table included under the definition of "DBRS Equivalent Rating", in the column named "DBRS", provided that (i) if the COR assigned by DBRS to the relevant counterparty is public, it will be indicated on the web site of DBRS (www.dbrs.com), or (ii) if the COR assigned by DBRS to the counterparty is private, such counterparty shall give notice to the relevant Parties and the Representative of the Covered Bondholders upon the occurrence of any change relevant for the purpose of the applicability of the COR in the Transaction Documents.

"DBRS Eligible Investment Rating" means the rating corresponding to the current rating of the Covered Bonds, according to the following table:

Current rating of the Covered Bonds	**DBRS Eligible Investment Rating**
AAA	A or R-1 (low)
AA (high)	A (low) or R-1 (low)
AA	BBB (high) or R-1 (low)
AA (low)	BBB (high) or R-1 (low)
A (high)	BBB or R-2 (high)
A	BBB (low) or R-2 (middle)

A (low)	BBB (low) or R-2 (low)
BBB (high)	BBB (low) or R-2 (low)
BBB	BBB (low) or R-2 (low)
BBB (low)	BBB (low) or R-2 (low)
BB (high)	BB (high) or R-3
BB	BB or R-4
BB (low)	BB (low) or R-4
B (high)	B (high) or R-4
B	B or R-4
B (low)	B (low) or R-5

provided that a rating by DBRS is (a) the public rating assigned by DBRS or, if there is no public DBRS rating, (b) the private rating assigned by DBRS. In absence of a private rating or a public rating from DBRS, then it is the DBRS Rating.

"**DBRS Equivalent Rating**" means the DBRS rating equivalent of any of the below ratings by Fitch, Moody's or S&P Global Ratings:

Moody's		**S&P**		**Fitch**		**DBRS**	
Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
Aaa		AAA		AAA		AAA	R-1H
Aa1		AA+		AA+		AA(high)	
Aa2	P-1	AA	A-1+	AA	F1+	AA	R-1M
Aa3		AA-		AA-		AA(low)	
A1		A+	A-1	A+	F1	A(high)	R-1L
A2		A		A		A	
A3	P-2	A-	A-2	A-	F2	A(low)	
Baa1		BBB+		BBB+		BBB(high)	R-2H
Baa2	P-3	BBB	A-3	BBB	F3	BBB	R-2M
Baa3		BBB-		BBB-		BBB(low)	R-2 (Low) or R3

Ba1		BB+	BB+	B	BB(high)	R-4
Ba2		BB	BB		BB	
Ba3		BB-	BB-		BB(low)	
B1		B+	B+		B(high)	
B2		B	B		B	R-5
B3		B-	B-		B(low)	
Caa1		CCC+	CCC+	C	CCC(high)	
Caa2		CCC	CCC		CCC	
Caa3		CCC-	CCC-		CCC(low)	
C		D	D	I	D	

"**DBRS Long Term Rating - *Institution***" means:

(a) if the current rating of the Covered Bonds by DBRS is AAA, then the DBRS Long Term Rating is A;

(b) if the current rating of the Covered Bonds by DBRS is AA (high), then the DBRS Long Term Rating is A (low);

(c) if the current rating of the Covered Bonds by DBRS is AA or AA(low), then the DBRS Long Term Rating is BBB (high);

(d) if the current rating of the Covered Bonds by DBRS is A(high), then the DBRS Long Term Rating is BBB;

(e) if the current rating of the Covered Bonds by DBRS is A, A (low), BBB (high), BBB or BBB (low), then the DBRS Long Term Rating is BBB (low);

(f) if the current rating of the Covered Bonds by DBRS is below BBB(low), then the DBRS Long Term Rating corresponds to the then current Covered Bonds rating by DBRS;

provided that a rating by DBRS is (a) the highest of the public rating assigned by DBRS and one notch below the public DBRS Critical Obligations Rating or, if there is no public DBRS rating, (b) the highest of the private rating assigned by DBRS and one notch below the private DBRS Critical Obligations Rating. In absence of a private rating or a public rating from DBRS, then it is the DBRS Rating; and

provided that for Unione di Banche Italiane S.p.A.: a rating by DBRS is (a) the highest of the public rating assigned by DBRS, the DBRS CBAP, and one notch below the public DBRS Critical Obligations Rating or, if there is no public DBRS rating, (b) the highest of the private rating assigned by DBRS, the DBRS CBAP, and one notch below the private DBRS Critical Obligations Rating. In absence of a private rating or a public rating from DBRS, then it is the DBRS Rating.

"**DBRS Rating**" means:

(a) if a public rating by Fitch Ratings Limited ("Fitch"), a public rating by Moody's and a public rating by S&P Global Ratings ("**S&P Global Ratings**") are all available at such date, the DBRS Rating will

be the DBRS Equivalent Rating of such public rating remaining after disregarding the highest and lowest of such public ratings from such rating agencies (provided that (i) if such public rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below, and (ii) if more than one public rating has the same highest DBRS Equivalent Rating or the same lowest DBRS Equivalent Rating, then in each case one of such public ratings shall be so disregarded);

(b) if the DBRS Rating cannot be determined under paragraph (a) above, but public ratings by any two of Fitch, Moody's and S&P Global Ratings are available at such date, the DBRS Equivalent Rating of the lower such public rating (provided that if such public Rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below);

(c) if the DBRS Rating cannot be determined under paragraphs (a) and (b) above, but public ratings by any one of Fitch, Moody's and S&P Global Ratings are available at such date, then the DBRS Equivalent Rating will be such public rating (provided that if such public rating is under credit watch negative, or the equivalent, then the DBRS Equivalent Rating will be considered one notch below).

If at any time the DBRS Rating cannot be determined under paragraphs (a) to (c) above, then a DBRS Rating of "C" shall apply at such time.

"**CRR**" means the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended and supplemented from time to time.

"**Dealer**" means each of Barclays Bank PLC, Crédit Agricole Corporate and Investment Bank, Commerzbank Aktiengesellschaft, Deutsche Bank Aktiengesellschaft, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, ING Bank N.V., Landesbank Baden-Württemberg, Natixis, Nomura International plc, Société Générale, UBS Limited, UniCredit Bank AG, Goldman Sachs International and any other entity which may be nominated as such by the Issuer upon execution of a letter in the terms or substantially in the terms set out in schedule 6 (*Form of Dealer Accession Letter)* to the Programme Agreement on any other terms acceptable to the Issuer and such entity.

"**Debtor**" means any borrower and any other person, other than a Mortgagor, who entered into a Mortgage Loan Agreement as principal debtor or guarantor or who is liable for the payment or repayment of amounts due in respect of a Mortgage Loan, as a consequence, *inter alia*, of having granted any Collateral Security or having assumed the borrower's obligation under an *accollo*, or otherwise.

"**Decree 239**" means Italian Legislative Decree number 239 of 1 April 1996.

"**Decree 310**" means the ministerial decree No. 310 of 14 December 2006 issued by the Ministry of the Economy and Finance.

"**Deed of Charge**" means the English law deed of charge entered into between the Guarantor and the Representative of the Covered Bondholders (acting on behalf of the Covered Bondhodlers and the Other Creditors) on 8 November 2011 in order to charge the rights arising under the English Accounts, the Swap Collateral Accounts, the English Account Bank Agreement and the Custody Agreement in favour of the Covered Bondholders and the Other Creditors.

"**Deed of Pledge**" means the Italian law deed of pledge entered into on or about 30 July 2008 between the Guarantor and the Representative of the Covered Bondholders (acting on behalf of the Covered Bondholders and of the Other Creditors).

"**Defaulted Loans**" means any Mortgage Loan in relation to which there are one or more Defaulted Receivables.

"**Defaulted Receivable**" means any Receivable arising from Mortgage Loan Agreements included in the Cover Pool which has been classified as "*attività finanziarie deteriorate*" pursuant to the Circular of the Bank of Italy No. 272 of 30 July 2008 containing the "*Matrice dei Conti*", as subsequently amended and supplemented.

"**Defaulting Party**" has the meaning ascribed to that term in the relevant Swap Agreement.

"**Delinquent Loan**" means any Mortgage Loan in relation to which there are one or more Delinquent Receivables.

"**Delinquent Receivable**" means any Receivable arising from Mortgage Loan Agreements included in the Cover Pool in respect of which there are one or more Instalments due and not paid by the relevant Debtor and which has not been classified as Defaulted Receivable.

"**Drawdown Date**" means the date on which a Term Loan is advanced under the relevant Subordinated Loan Agreement during the Availability Period and that corresponds to the date on which the purchase price of the relevant Initial Portfolio or New Portfolio has to be paid to the relevant Seller by the Guarantor pursuant to the terms of the relevant Master Loans Purchase Agreement**.**

"**Earliest Maturing Covered Bonds**" means, at any time, the Series of Covered Bonds that has or have the earliest Maturity Date (if the relevant Series of Covered Bonds is not subject to an Extended Maturity Date) or Extended Maturity Date (if the relevant Series of Covered Bonds is subject to an Extended Maturity Date) as specified in the relevant Final Terms.

"**Early Termination Amount**" has the meaning ascribed to such term in the Terms and Conditions.

"**Eligible Assets**" means the following assets contemplated under article 2, sub-paragraph 1, of Decree 310:

(i) the Residential Mortgage Loans;

(ii) the Commercial Mortgage Loans;

(iii) the Public Entities Receivables; and

(iv) the Public Entities Securities.

"**Eligible Cover Pool**" means the aggregate amount of Eligible Assets and Top-up Assets (including any sum standing to the credit of the Accounts) included in the Cover Pool provided that (i) any Defaulted Receivable and those Eligible Assets and Top-up Assets for which a breach of the representations and warranties granted under each Warranty and Indemnity Agreement has occurred and has not been remedied will not be considered for the purpose of the calculation and (ii) any Mortgage Loan in respect of which the LTV exceeds the percentage limit set forth under Article 2, para. 1, of the Decree 310, will be calculated up to an amount of principal which – taking into account the market value of the relevant Real Estate Asset – allows the compliance with such percentage limit.

"**Eligible Institution**" means:

(A) any bank organised under the laws of any country which is a member of the European Union or of the United States (to the extent that United States are a country for which a 0% risk weight is

applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach),

(i) whose short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least "P-1" by Moody's, and whose long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least the DBRS Long Term Rating - Institution by DBRS, or

(ii) whose obligations are guaranteed (in compliance with the relevant criteria respectively of Moody's and DBRS on the guarantee) by an entity whose short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least "P-1" by Moody's and whose long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least (a)"Aa3" by Moody's, and (b) the DBRS Long Term Rating - Institution by DBRS, or

(iii) any other rating level from time to time provided for in the Rating Agencies' criteria,

provided however that any such bank qualifies for the "credit quality step 1" pursuant to Article 129, let. (c) of the CRR unless (a) it is an entity in the European Union and (b) the exposure vis-à-vis such bank have a maturity not exceeding 100 (one-hundred) days, in which case it may qualify for the "credit quality step 2" pursuant to Article 129, let. (c) of the CRR;

(B) with exclusive reference to Clauses 5.3.1 (Italian Account Bank no longer an Eligible Institution) and 11.2.9 (Eligible Institution) of the Cash Allocation, Management and Payments Agreement and with reference to the sole Italian Account Bank until Unione di Banche Italiane S.p.a. acts in such role, any bank organized under the laws of any country which is a member of the European Union, (i) whose short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least "P-3" by Moody's, and whose long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least the DBRS Long Term Rating - Institution by DBRS, or (ii) whose obligations are guaranteed (in compliance with the relevant criteria respectively of Moody's and DBRS on the guarantee) by an entity whose short term unsecured, unsubordinated and unguaranteed debt obligations are rated at least "P-3" by Moody' and whose long term unsecured, unsubordinated and unguaranteed debt obligations are rated at least (a) "A3" by Moody's, and (b) the DBRS Long Term Rating - Institution by DBRS.

"**Eligible Investment**" means any Eligible Assets or Top-up Assets which meet the following requirements:

(i) any Euro denominated security rated at least "P-3" by Moody's and the DBRS Eligible Investment Rating by DBRS, where they have a maturity of up to 30 calendar days or, if greater than 30 calendar days, which may be liquidated without loss within 30 days of a downgrade below "P-3" by Moody's and the DBRS Eligible Investment Rating by DBRS, and/or

(ii) Euro denominated reserve accounts, deposit accounts, and other similar accounts that provide direct liquidity and/or credit enhancement held at a financial institution rated at least "P-3" by Moody's and whose long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least the DBRS Long Term Rating - Institution by DBRS,

provided that any such investments mature or are disposable at no loss on or before the relevant Eligible Investment Maturity Date, and

provided that the relevant exposure qualifies for the "credit quality step 1" pursuant to Article 129, let. (c) of the CRR or, in case of exposure vis-à-vis an entity in the European Union which has a maturity

not exceeding 100 (one-*hundred) days, it may qualify for "credit quality step 2" pursuant to Article 129, let. (c) of the CRR*.

"**Eligible Investment Maturity Date"** means two Business Days before each Guarantor Payment Date.

"**English Account Bank**" means The Bank of New York Mellon, London branch, acting in its capacity as English account bank pursuant to the English Account Bank Agreement or any such other depository institution as may be appointed in accordance with such English Account Bank Agreement.

"**English Accounts**" means the English Collection Accounts and any Swap Collateral Account and the Reserve Fund Account.

"**English Collection Accounts**" means, collectively, the English Principal Collection Accounts and the English Interest Collection Accounts.

"**English Interest Collection Accounts**" means jointly, the English IWB Interest Collection Account and the English UBI Interest Collection Account, and any other English interest collection accounts which shall be opened by the Guarantor upon any entity part of the UBI Group becoming part of the Programme as Seller, Sub-Servicer and Subordinated Lender.

"**English IWB Interest Collection Account**" means the Euro denominated account established in the name of the Guarantor with the English Account Bank for the deposit of the interest Collections received by the Guarantor on the Italian IWB Collection Account, with number 2411979780 (IBAN: GB37IRVT70022524119780), or such other substitute account as may be opened in accordance with the English Account Bank Agreement.

"**English IWB Principal Collection Account**" means the Euro denominated account established in the name of the Guarantor with the English Account Bank for the deposit of the principal Collections received by the Guarantor on the Italian IWB Collection Account, with number 2412069780 (IBAN: GB84IRVT70022524120680), or such other substitute account as may be opened in accordance with the English Account Bank Agreement.

"**English UBI Interest Collection Account**" means the Euro denominated account established in the name of the Guarantor with the English Account Bank for the deposit of the interest Collections received by the Guarantor on the Italian UBI Collection Account, with number 7829099780, IBAN GB91IRVT70022578290980, or such other substitute account as may be opened in accordance with the English Account Bank Agreement.

"**English UBI Principal Collection Account**" means the Euro denominated account established in the name of the Guarantor with the English Account Bank for the deposit of the principal Collections received by the Guarantor on the Italian UBI Collection Account, with number 7829109780, IBAN GB10IRVT70022578291080, or such other substitute account as may be opened in accordance with the English Account Bank Agreement.

"**English Principal Collection Accounts**" means, jointly, the English IWB Principal Collection Account and the English UBI Principal Collection Account any other English principal collection accounts which shall be opened by the Guarantor upon any entity part of the UBI Group becoming part of the Programme as Seller, Sub-Servicer and Subordinated Lender.

"**EURIBOR**" means the Euro-Zone Inter-Bank offered rate for Euro deposits, as determined from time to time pursuant to the Transaction Documents.

"**Euro**", "**€**" and "**EUR**" refer to the single currency of member states of the European Union which adopt the single currency introduced in accordance with the treaty on the Functioning of the European Union.

"**Euroclear**" means Euroclear Bank SA/NV, with offices at 1 Boulevard du Roi Albert II, B-1210 Bruxelles.

"**European Economic Area** means the region comprised of member states of the European Union as well as Iceland, Liechtenstein and Norway.

"**Excess Receivables**" means, in relation to the Cover Pool and on each Calculation Date, those Receivables the aggregate Outstanding Principal of which is equal to: (i) any amount by reason of which the Portfolios comprised in the Cover Pool are in excess (as nominal value, interest coverage and net present value) of any Eligible Assets necessary to satisfy all Tests on the relevant Calculation Date; *minus* (ii) the aggregate Outstanding Principal of those Receivables indicated by the Calculation Agent as Affected Receivables pursuant to the provisions of clause 9.1 (*Payment of Indemnity*) of the Warranty and Indemnity Agreement.

"**Expenses**" means any documented fees, costs, expenses and taxes required to be paid to any third party creditors (other than the Covered Bondholders, the Other Issuer's Creditors and the Other Creditors) arising in connection with the Programme, and required to be paid (as determined in accordance with the Corporate Services Agreement) in order to preserve the existence of the Guarantor or to comply with applicable laws and legislation.

"**Expenses Account**" means the Euro denominated account established in the name of the Guarantor with the Italian Account Bank, with number 201/89284 (IBAN: IT18S0311111299000000089284), or such other substitute account as may be opened in accordance with the Cash Allocation Management and Payments Agreement.

"**Expiry Date**" means the date falling one year and one day after the date on which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their terms and conditions.

"**Extended Instalment Date**" means the date on which a principal instalment in relation to a Series of Covered Bonds becomes due and payable pursuant to the extension of the relevant Covered Bond Instalment Date as specified in the relevant Final Terms.

"**Extended Maturity Date**" means the date on which final redemption payments in relation to a specific Series of Covered Bonds becomes due and payable pursuant to the extension of the relevant Maturity Date in accordance with the relevant Final Terms.

"**Extension Determination Date**" means, with respect to any Series of Covered Bonds, the date falling seven Business Days after (and including) the Maturity Date of such Series of Covered Bonds.

"**Facility**" means the facility to be granted by each Subordinated Lender pursuant to the terms of clause 2 (*Il Finanziamento*) of the relevant Subordinated Loan Agreement.

"**Final Redemption Amount**" means, in respect of any Series of Covered Bonds, the principal amount of such Series.

"**Final Terms**" means, in relation to any issue of any Series of Covered Bonds, the relevant terms contained in the applicable Transaction Documents and, in case of any Series of Covered Bonds to be admitted to listing, the final terms submitted to the appropriate listing authority on or before the Issue Date of the applicable Series of Covered Bonds.

"**First Interest Period**" means, in relation to any Term Loan, the period starting on the relevant Drawdown Date and ending on the first Guarantor Payment Date.

"**Further Criteria**" means the criteria identified in accordance with clause 2.4.3 (*Criteri Ulteriori*) of each Master Loans Purchase Agreement.

"**Guarantee Priority of Payments**" means the order of priority pursuant to which the Guarantor Available Funds shall be applied, on each Guarantor Payment Date following the delivery of an Issuer Default Notice, but prior to the delivery of a Guarantor Default Notice, in accordance with the terms of the Intercreditor Agreement.

"**Guaranteed Amounts**" means the amounts due from time to time from the Issuer to (i) the Covered Bondholders with respect to each Series of Covered Bonds (excluding any additional amounts payable to the Covered Bondholders under Condition 11(a) (*Gross-up by the Issuer*) and (ii) the Other Issuer's Creditors pursuant to the relevant Transaction Documents.

"**Guarantor**" means UBI Finance S.r.l., acting in its capacity as guarantor pursuant to the Covered Bond Guarantee.

"**Guarantor Available Funds**" means, collectively, the Interest Available Funds and the Principal Available Funds.

"**Guarantor Corporate Servicer**" means TMF Management Italy S.r.l., acting in its capacity as corporate servicer of the Guarantor pursuant to the Corporate Services Agreement.

"**Guarantor Default Notice**" means the notice to be delivered by the Representative of the Covered Bondholders to the Guarantor upon the occurrence of a Guarantor Event of Default.

"**Guarantor Event of Default**" has the meaning ascribed to such expression in the Conditions.

"**Guarantor Payments Account**" means the Euro denominated account established in the name of the Guarantor and held with the Principal Paying Agent, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**Guarantor Payment Date**" means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 18th day of each month or, if such day is not a Business Day, the immediately following Business Day; and (b) following the delivery of a Guarantor Default Notice, any day on which any payment is required to be made by the Representative of the Covered Bondholders in accordance with the Post-Enforcement Priority of Payments, the relevant Final Terms and the Intercreditor Agreement.

"**Guarantor Payment Period**" has the meaning ascribed to that term in the Section "*Cashflows*" above.

"**Individual Purchase Price**" means, with respect to each Receivable transferred pursuant to the Master Loan Purchase Agreements: (i) the most recent book value (*ultimo valore di iscrizione in bilancio*) of the relevant Receivable *minus* all principal and interest collections (with respect only to the amounts of interest which constitute the most recent book value) received by the Seller with respect to the relevant Receivables up to the relevant Transfer Date and increased of the amount of interest accrued and not yet collected on such Receivables as at the relevant Transfer Date; or, at the option of the relevant Seller (ii) such other value, as indicated by the relevant Seller in the Transfer Notice, as will allow the Seller to consider each duty or tax due as if the relevant Receivables had not been transferred for the purpose of article 7-*bis*, sub-paragraph 7, of the Securitisation and Covered Bond Law.

"**Initial Portfolio**" means the initial portfolio of Receivables, comprising Eligible Assets, purchased by the Guarantor from each Seller pursuant to the relevant Master Loans Purchase Agreement.

"**Insolvency Event**" means in respect of any company, entity, or corporation that:

(i) such company, entity or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition with creditors or insolvent reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*", "*accordi di ristrutturazione*" and (other than in respect of the Issuer) "*amministrazione straordinaria*", each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including the seeking of liquidation, winding-up, insolvent reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company, entity or corporation are subject to a *pignoramento* or any procedure having a similar effect (other than in the case of the Guarantor, any portfolio of assets purchased by the Guarantor for the purposes of further programme of issuance of Covered Bonds), unless in the opinion of the Representative of the Covered Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), such proceedings are being disputed in good faith with a reasonable prospect of success; or

(ii) an application for the commencement of any of the proceedings under (i) above is made in respect of or by such company or corporation or such proceedings are otherwise initiated against such company, entity or corporation and, in the opinion of the Representative of the Covered Bondholders (who may in this respect rely on the advice of a legal adviser selected by it), the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or

(iii) such company, entity or corporation takes any action for a re-adjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (other than, in case of the Guarantor, the creditors under the Transaction Documents) or is granted by a competent court a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or applies for suspension of payments (other than, in respect of the Issuer, the issuance of a resolution pursuant to article 74 of the Consolidated Banking Act); or

(iv) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company, entity or corporation or any of the events under article 2484 of the Italian Civil Code occurs with respect to such company, entity or corporation (except in any such case a winding-up or other proceeding for the purposes of or pursuant to a solvent amalgamation, merger, corporate reorganization or reconstruction, the terms of which have been previously approved in writing by the Representative of the Covered Bondholders); or

(v) such company, entity or corporation becomes subject to any proceedings equivalent or analogous to those above under the law of any jurisdiction in which such company or corporation is deemed to carry on business.

"**Instalment**" means with respect to each Mortgage Loan Agreement, each instalment due from the relevant Debtor thereunder and which consists of an Interest Instalment and a Principal Instalment.

"**Insurance Policies**" means the insurance policies taken out with the insurance companies in relation to each Real Estate Asset and each Mortgage Loan.

"**Intercreditor Agreement**" means the intercreditor agreement entered into on or about 30 July 2008, between, *inter alios*, the Guarantor and the Other Creditors.

"**Interest Available Funds**" has the meaning ascribed to such term in the Section named "*Cashflows*" above.

"**Interest Coverage Test**" has the meaning ascribed to such term in the Section named "*Credit Structure*" above.

"**Interest Instalment**" means the interest component of each Instalment.

"**Interest Payment Date**" has the meaning ascribed to such term in the Conditions.

"**Issue Date**" has the meaning ascribed to such term, with respect to each Series of Covered Bonds, in the relevant Final Terms.

"**Issuer**" means Unione di Banche Italiane S.p.A., acting in its capacity as issuer pursuant to the Programme Agreement.

"**Issuer Downgrading Event**" means the Issuer being downgraded below "P-1" by Moody's and the DBRS Long Term Rating – Institution by DBRS.

"**Issuer Default Notice**" means the notice to be delivered by the Representative of the Covered Bondholders to the Issuer and the Guarantor upon the occurrence of an Issuer Event of Default.

"**Issuer Event of Default**" has the meaning ascribed to such expression in the Conditions.

"**Italian Account Bank**" means Unione di Banche Italiane S.p.A., in its capacity as Italian account bank pursuant to the Cash Allocation Management and Payments Agreement.

"**Italian Accounts**" means the Expenses Account, the Quota Capital Account, the Guarantor Payment Account and the Italian Collection Accounts.

"**Italian IWB Collection Account**" means the Euro denominated account established in the name of the Guarantor with the Italian Account Bank for the deposit of any amount related to the Collections pertaining to the IWB Portfolios, IBAN: IT55J0311111299000000089328, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**Italian UBI Collection Account**" means the Euro denominated account established in the name of the Guarantor with the Italian Account Bank for the deposit of any amount related to the Collections pertaining to the UBI Portfolios, number: 89571, IBAN IT21Q0311111299000000089571, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

"**Italian Collection Accounts**" means, jointly, the Italian IWB Collection Account, the Italian UBI Collection Account and any other Italian collection account which shall be opened by the Guarantor upon any entity part of the UBI Group becoming part of the Programme as Seller, Sub-Servicer and Subordinated Lender], for the purpose of crediting therein collections pertaining to the Portfolios transferred to the Guarantor by such entity in its capacity as Seller.

"**IWB**" means IW Bank S.p.A., a *società per azioni* incorporated under the laws of the Republic of Italy, having its registered office at Piazzale Fratelli Zavattari, 12, 20149 Milan, Italy, fiscal code and enrolment with the companies register of Milan number 00485260459, enrolled under number

03083.3, with the register of banks held by the Bank of Italy pursuant to article 13 of the Consolidated Banking Act and part of the UBI Group.

"**IWB Portfolios**" means the portfolios transferred by IWB to the Guarantor pursuant to the relevant Master Loans Purchase Agreement.

"**Latest Valuation**" means, at any time with respect to any Real Estate Asset, the value given to the relevant Real Estate Asset by the most recent valuation (to be performed in accordance with the requirements provided for under the Prudential Regulations) addressed to the Sellers or obtained from an independently maintained valuation model, acceptable to reasonable and prudent institutional mortgage lenders in Italy.

"**Liability Swap Agreements**" means the swap agreements entered on or about each Issue Date between the Guarantor and a Liability Swap Provider.

"**Liability Swap Provider**" means any entity acting as a liability swap provider to the Guarantor pursuant to a Liability Swap Agreement.

"**Listing Agent**" means the Bank of New York Mellon SA/NV, Dublin Branch.

"**Loan Interest Period**" means, in relation to any Term Loan: (i) the relevant First Interest Period; and thereafter (ii) each monthly period starting on a Guarantor Payment Date (excluded) and ending on the following Guarantor Payment Date (included).

"**LTV**" means, with respect to a Mortgage Loan, the Loan-to-Value ratio, determined as the ratio between the value of a Real Estate Asset and the value of the relevant Mortgage Loan.

"**Mandate Agreement**" means the mandate agreement entered into on or about 30 July 2008 between the Representative of the Covered Bondholders and the Guarantor.

"**Margin**" has the meaning ascribed to such term under the Final Terms.

"**Master Definitions Agreement**" means the master definitions agreement entered into on or about 30 July 2008, between the Issuer, the Guarantor and the Other Creditors.

"**Master Loans Purchase Agreement**" means each master loans purchase agreement entered into between the Guarantor and a Seller.

"**Master Servicer**" means Unione di Banche Italiane S.p.A., in its capacity as master servicer pursuant to the Master Servicing Agreement.

"**Master Servicer Termination Event**" means any of the events set out under clause 10.1 (*Casi di revoca del mandato del Master Servicer*) of the Master Servicing Agreement, which allows the Guarantor to terminate the Master Servicer's appointment and appoint a Substitute Master Servicer.

"**Master Servicing Agreement**" means the master servicing agreement entered into on 30 June 2008 between the Guarantor, the Issuer, the Master Servicer and the Sub-Servicer.

"**Maturity Date**" means each date on which final redemption payments for a Series of Covered Bonds become due in accordance with the Final Terms but subject to it being extended to the Extended Maturity Date.

"**Monte Titoli**" means Monte Titoli S.p.A., a *società per azioni* having its registered office at Piazza degli Affari 6, 20123 Milan, Italy.

"**Moody's**" means Moody's Investors Service Ltd.

"**Mortgage Loan Agreement**" means any Residential Mortgage Loan Agreement or Commercial Mortgage Loan Agreement, as the case may be, out of which the Receivables arise.

"**Mortgage Loan**" means a Residential Mortgage Loan or a Commercial Mortgage Loan, as the case may be.

"**Mortgages**" means the mortgage security interests (*ipoteche*) created on the Real Estate Assets or the Commercial Assets, as the case may be, pursuant to Italian law in order to secure claims in respect of the Receivables.

"**Mortgagor**" means any person, either a borrower or a third party, who has granted a Mortgage in favour of a Seller to secure the payment or repayment of any amount payable in respect of a Mortgage Loan, and/or his/her successor in interest.

"**Negative Carry Factor**" means a percentage (which will never be less than 0.5 per cent.) calculated by reference to the weighted average margin of the Covered Bonds.

"**Net Deposit Amount of Previous Transfers**" means for each Debtor

(A) while the Covered Bonds are rated "AAA" by Fitch and "Aaa" by Moody's and "AAA" by DBRS, an amount equal to the lower of:

(i) the Outstanding Principal Balance of the assets transferred to the Guarantor until 30 October 2011 and included in the Cover Pool in relation to which such Debtor is a debtor, and;

(ii) the higher of:

(a) the lower of (a) the aggregate amount of cash or saving accounts deposited by such Debtor with the relevant Seller, as of 31 October 2011, and (b) the monthly aggregate amount of cash or saving accounts deposited by such Debtor with the relevant Seller, calculated at the end of the previous calendar month; and

(b) an amount calculated by the Calculation Agent which will be made public and notified to the Rating Agencies. With respect to Moody's, such amount will be calculated in accordance with the methodologies and/or the calculations set out with Moody's.

(B) if the Covered Bonds cease to be rated "AAA" by Fitch and "Aaa" by Moody's and "AAA" by DBRS, an amount calculated by the Calculation Agent which will be made public and notified to the Rating Agencies. With respect to Moody's, such amount will be calculated in accordance with the methodologies and/or the calculations set out with Moody's.

"**Net Deposit Amount of Future Transfers**" means, for each Debtor, an amount equal to the lower of:

(A) while the Covered Bonds are rated "Aaa" by Moody's and "AAA" by DBRS, an amount equal to the lower of;

(i) the Outstanding Principal Balance of the assets transferred to the Guarantor since 31 October 2011 and included in the Cover Pool in relation to which such Debtor is a debtor, and

(ii) the higher of:

(a) the lower of the (a) the aggregate amount of cash or saving accounts deposited by such Debtor with the relevant Seller, as of the date on which all the formalities relating to the assignment of the assets relating to such Debtor, as provided for under the Master Loan Purchase Agreement, have been complied with, and (b) the monthly aggregate amount of cash or saving accounts deposited by such Debtor with the relevant Seller, calculated at the end of the previous calendar month, and

(b) an amount calculated by the Calculation Agent which will be made public and notified to the Rating Agencies. With respect to Moody's, such amount will be calculated in accordance with the methodologies and/or the calculations set out with Moody's.

(B) if the Covered Bonds cease to be rated "Aaa" by Moody's and "AAA" by DBRS, an amount calculated by the Calculation Agent which will be made public and notified to the Rating Agencies. With respect to Moody's, such amount will be calculated in accordance with the methodologies and/or the calculations set out with Moody's.

"**Net Present Value Test**" has the meaning ascribed to such term in the Section named "*Credit Structure*" above.

"**Net Present Value**" has the meaning ascribed to such term in the Section named "*Credit Structure*" above.

"**New Portfolio**" means any portfolio (other than the Initial Portfolio), comprising Eligible Assets, and/or Top-Up Assets which may be purchased by the Guarantor from any Seller pursuant to the terms and subject to the conditions of the relevant Master Loans Purchase Agreement.

"**Nominal Value**" has the meaning ascribed to such term in the Section named "*Credit Structure*" above.

"**Nominal Value Test**" has the meaning ascribed to such term in the Section named "*Credit Structure*" above.

"**N Covered Bonds**" means the German law governed covered bonds issued in registered form (*Gedeckte Namensschuldverschreibungen*).

"**N Covered Bond Agreement**" means, in respect of any Series of N Covered Bonds, an agreement to be entered into between the Issuer, the Guarantor, the Representative of the Covered Bondholders and the relevant N Covered Bondholder.

"**N Covered Bond Assignment Agreement**" means, in respect of any N Covered Bonds, an assignment agreement attached to each N Covered Bond Certificate."

"**N Covered Bond Certificate**" means the certificate evidencing the N Covered Bonds.

"**N Covered Bond Conditions**" means the terms and conditions of each N Covered Bond.

"**Official Gazette** " means *La Gazzetta Ufficiale della Repubblica Italiana*.

"**Organisation of the Covered Bondholders**" means the association of the Covered Bondholders, organised pursuant to the Rules of the Organisation of the Covered Bondholders.

"**Other Creditors**" means, the Sellers, the Master Servicer, the Sub-Servicer, the Representative of the Covered Bondholders, the Calculation Agent, the Guarantor Corporate Servicer, the Principal Paying Agent, the Italian Account Bank, the English Account Bank, the Asset Monitor, the Swap Providers, the Swap Collateral Account Bank, the Registered Paying Agent and the Registrar, and any other creditors which may, from time to time, be identified as such in the context of the Programme.

"**Other Issuer's Creditors**" means the Principal Paying Agent, any Liability Swap Provider, the Asset Monitor and any other Issuer's creditors which may from time to time be identified as such in the context of the Programme.

"**Outstanding Principal**" means, on any given date and in relation to any Receivable, the sum of all (i) Principal Instalments due but unpaid at such date; and (ii) the Principal Instalments not yet due at such date.

"**Outstanding Principal Amount**" has the meaning ascribed to such term in the Conditions.

"**Outstanding Principal Balance**" means, on any date, in relation to a loan, a bond or any other asset included in the Cover Pool, the aggregate nominal principal amount outstanding of such loan, bond or asset at such date.

"**Portfolio**" means, in respect of each Seller, collectively, the Initial Portfolio and any New Portfolios which has been purchased and will be purchased by the Guarantor pursuant to the relevant Master Loans Purchase Agreement it being understood that the Portfolio of each Seller will include other portfolios of Eligible Assets transferred to the Guarantor from other sellers merged into the relevant Seller.

"**Portfolio Manager**" means the entity appointed as such in accordance with of the Cover Pool Management Agreement.

"**Post-Enforcement Priority of Payments**" means the order of priority pursuant to which the Guarantor Available Funds shall be applied on each Guarantor Payment Date, following the delivery of a Guarantor Default Notice, in accordance with the Intercreditor Agreement.

"**Potential Set-Off Amount**" means the sum of the Potential Set-Off Amount of Previous Transfers and the Potential Set-Off Amount of Future Transfers.

"**Potential Set-Off Amount of Future Transfers**" means an amount equal to the aggregate Outstanding Principal Balance of the assets transferred to the Guarantor since 31 October 2011 and included in the Cover Pool that could potentially be set-off by the relevant Debtors against any credit owed by any such Debtor towards the relevant Seller. Such amount, which in any case will never be lower than the Net Deposits of Future Transfers, will be calculated by the Calculation Agent (based on the aggregate information provided by the Master Servicer) on a quarterly basis on each Calculation Date and/or on each other date on which the Nominal Value Test is to be carried out pursuant to the provisions of the Cover Pool Management Agreement.

"**Potential Set-Off Amount of Previous Transfers**" means an amount equal to the aggregate Outstanding Principal Balance of the assets transferred to the Guarantor until 30 October 2011 and included in the Cover Pool that could potentially be set-off by the relevant Debtors against any credit owed by any such Debtor towards the relevant Seller. Such amount, which in any case will never be lower than the Net Deposits of Previous Transfers, will be calculated by the Calculation Agent (based on the aggregate

information provided by the Master Servicer) on a quarterly basis on each Calculation Date and/or on each other date on which the Nominal Value Test is to be carried out pursuant to the provisions of the Cover Pool Management Agreement.

"**Pre-Issuer Event of Default Interest Priority of Payments**" means the order of priority pursuant to which the Interest Available Funds shall be applied on each Guarantor Payment Date, prior to the delivery of an Issuer Default Notice in accordance with the Intercreditor Agreement.

"**Pre-Issuer Event of Default Principal Priority of Payments**" means the order of priority pursuant to which the Principal Available Funds shall be applied on each Guarantor Payment Date, prior to the delivery of an Issuer Default Notice in accordance with the Intercreditor Agreement.

"**Premium**" means the premium payable by the Guarantor to each Seller in accordance with the relevant Subordinated Loan Agreement, as determined thereunder.

"**Principal Available Funds**" has the meaning ascribed to such term in the Section named "*Cashflows*".

"**Principal Instalment**" means the principal component of each Instalment.

"**Principal Paying Agent**" means The Bank of New York Mellon (Luxembourg) S.A., Italian Branch, acting in its capacity as principal paying agent pursuant to the Cash Allocation, Management and Payments Agreement.

"**Priority of Payments**" means each of the Pre-Issuer Event of Default Interest Priority of Payments, the Pre-Issuer Event of Default Principal Priority of Payments, the Guarantee Priority of Payments and the Post-Enforcement Priority of Payments.

"**Privacy Law**" means the Italian Legislative Decree number 196 of 30 June 2003, as subsequently amended, modified or supplemented, together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*.

"**Programme**" means the programme for the issuance of each Series of Covered Bonds (*obbligazioni bancarie garantite*) by the Issuer in accordance with article 7-*bis* of the Securitisation and Covered Bond Law.

"**Programme Agreement**" means the programme agreement entered into on or about 30 July 2008 between, *inter alios*, the Guarantor, the Sellers, the Issuer, the Representative of the Covered Bondholders and the Dealers.

"**Prospectus**" means the prospectus prepared in connection with the issue of the Covered Bonds and the establishment and any update of the Programme, as supplemented from time to time.

"**Prospectus Directive**" means Directive 2003/71/EC of 4 November 2003, as amended from time to time.

"**Prudential Regulations**" means the prudential regulations for banks issued by the Bank of Italy on 17 December 2013 with Circular No. 285 (D*isposizioni di vigilanza per le banche*) as subsequently amended and supplemented.

"**Public Entities**" means:

(i) public entities, including ministerial bodies and local or regional bodies, located within the European Economic Area or Switzerland for which a risk weight not exceeding 20 per cent. is

applicable in accordance with the Bank of Italy's prudential regulations for banks — standardised approach;

(ii) public entities, located outside the European Economic Area or Switzerland, for which a 0 per cent. risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks — standardised approach — or regional or local public entities or non-economic administrative entities, located outside the European Economic Area or Switzerland, for which a risk weight not exceeding 20 per cent. is applicable in accordance with the Bank of Italy's prudential regulations for banks — standardised approach.

"**Public Entity Receivables**" means, pursuant to article 2, sub-paragraph 1, of Decree 310, any receivables owed by, or receivables which have been benefit of a guarantee eligible for credit risk mitigation granted by, Public Entities.

"**Public Entity Securities**" means pursuant to article 2, sub-paragraph 1, of Decree 310, any securities issued by, or which have benefit of a guarantee eligible for credit risk mitigation granted by, Public Entities.

"**Purchase Price**" means, in relation to the Initial Portfolio and each New Portfolio transferred by a Seller, the consideration paid by the Guarantor to such Seller for the transfer thereof, calculated in accordance with the relevant Master Loans Purchase Agreement.

"**Quotaholders' Agreement**" means the agreement entered into on or about 30 July 2008, between UBI, Stichting Mara, the Guarantor and the Representative of the Covered Bondholders.

"**Quotaholders**" means Unione di Banche Italiane S.p.A. and Stichting Mara.

"**Quota Capital**" means the quota capital of the Guarantor, equal to Euro 10,000.

"**Quota Capital Account**" means the Euro denominated account established in the name of the Guarantor with the Italian Account Bank, with number 201/89283 (IBAN: IT41R0311111299000000089283) for the deposit of the Quota Capital.

"**Rating Agencies**" means DBRS and Moody's.

"**Real Estate Assets**" means the real estate properties which have been mortgaged in order to secure the Receivables.

"**Receivables**" means specifically each and every right arising under the Mortgage Loans pursuant to the Mortgage Loan Agreements, including but not limited to:

(i) all rights in relation to all Outstanding Principal of the Mortgage Loans as at the relevant Transfer Date;

(ii) all rights in relation to interest (including default interest) amounts which will accrue on the Mortgage Loans as from the relevant Transfer Date;

(iii) all rights in relation to the reimbursement of expenses and in relation to any losses, costs, indemnities and damages and any other amount due to each Seller in relation to the Mortgage Loans, the Mortgage Loan Agreements, including penalties and any other amount due to each Seller in the case of prepayments of the Mortgage Loans, and to the warranties and insurance related thereto, including the rights in relation to the reimbursement of legal, judicial and other possible expenses incurred in connection with the collection and recovery of all amounts due in relation to the Mortgage Loans up to and as from the relevant Transfer Date;

(iv) all rights in relation to any amount paid pursuant to any Insurance Policy or guarantee in respect of the Mortgage Loans of which each Seller is the beneficiary or is entitled pursuant to any liens (*vincoli*);

(v) all of the above together with the Mortgages and any other security interests (garanzie reali o garanzie personali) assignable as a result of the assignment of the Receivables (except for the fidejussioni omnibus which have not been granted exclusively in relation to or in connection with the Mortgage Loans), including any other guarantee granted in favour of the Sellers in connection with the Mortgage Loans or the Mortgage Loan Agreements and the Receivables.

"**Receiver**" means any receiver, manager or administrative receiver appointed in accordance with clause 8 (*Appointment of Receiver*) of the Deed of Charge.

"**Recoveries**" means any amount received or recovered by the Master Servicer, or by each Sub-Servicer in accordance with the terms of the Master Servicing Agreement, in relation to any Defaulted Receivable and any Delinquent Receivable.

"**Register**" means the register of the holders of the Covered Bonds issued in registered form and/or the N Covered Bonds to be maintained by the Registrar.

"**Registered Paying Agent**" means the Issuer or any other institution which shall be appointed by the Issuer to act as paying agent in respect of the Covered Bonds issued in registered form and/or the N Covered Bonds under the Programme.

"**Registrar**" means the Issuer or any other institution which shall be appointed by the Issuer to act as registrar in respect of the Covered Bonds issued in registered form and/or the N Covered Bonds under the Programme.

"**Relevant Portfolio**" means, in respect of each Asset Swap Agreement, the Portfolio transferred to the Guarantor by the Asset Swap Provider which is party thereto.

"**Relevant Seller Portfolio Test**" means each of the IWB Porortfolio Test and the UBI Portfolio Test.

"**Representative of the Covered Bondholders**" means BNY Mellon Corporate Trustee Services Limited, acting in its capacity as representative of the Covered Bond holders pursuant to the Intercreditor Agreement, the Programme Agreement, the Conditions and the Final Terms of each Series of Covered Bonds.

"**Reserve Fund Account**" means the Euro denominated account established in the name of the Guarantor with the English Account Bank with number 2372349780 (IBAN: GB84IRVT70022524120680), or such other substitute account as may be opened in accordance with the English Account Bank Agreement.

"**Reserve Fund Amount**" means, on each Guarantor Payment Date, an aggregate amount, as calculated by the Calculation Agent on or prior to each Calculation Date in relation to all the outstanding Series of Covered Bonds, equal to the sum of, the aggregate amount to be paid by the Guarantor on the immediately following Guarantor Payment Date in respect of the items (*first*) to (*third*) of the Pre-Issuer Event of Default Interest Priority of Payments or the Guarantee Priority of Payments, as the case may be and:

(A) if a Liability Swap Agreement has been entered into in relation to the relevant Series of Covered Bonds and the Issuer is the Liability Swap Provider, any interest amounts due in relation to all the outstanding Series of Covered Bonds in the immediately following six months provided that in

case of floating rate Covered Bonds with quarterly coupons, the amount reserved will be twice the amount of the immediately following quarterly coupons; and/or

(B) if a Liability Swap Agreement has been entered into in relation to the relevant Series of Covered Bonds and the Issuer is not the Liability Swap Provider, the sum of:

1) an amount equal to any interest amounts actually received from, and any amount which would have been due to be paid, but for the application of netting have not been paid, by the respective Liability Swap Provider after the last relevant Interest Payment Date (or, with regard to Series in respect of which no Interest Payment Date occurred, the Issue Date) of the Series in respect of which the relevant Liability Swap Agreement has been entered into, and until the entire amount of the maturing coupon of each Series of Covered Bonds is fully reserved for,

2) an amount equal to any interest amounts due in relation to all un-hedged portions of each Series of Covered Bonds in the immediately following six months:

3) an amount equal to any interest amounts due in the immediately following six months to the respective Liability Swap Provider in respect of the relevant Liability Swap Agreement, calculated by applying the specified Euribor rate increased by the applicable spread for each relevant Liability Swap Agreement and determined on a forward basis; and

4) Euro 400,000;

provided that the sum of the amounts under (1) and (2) above will not at any time exceed the amounts due in relation to that Series of Covered Bonds on the following Interest Payment Date, and

(C) if no Liability Swap Agreement has been entered into in relation to a Series of Covered Bonds, any interest amounts due in relation to that Series of Covered Bonds in the immediately following six months.

"**Residential Mortgage Loan**" means "crediti ipotecari residenziali" – as defined under article 1, sub-paragraph 1, letter (b) of Decree 310 – having the features set forth under, pursuant to article 2, sub-paragraph 1, of Decree 310.

"**Residential Mortgage Loan Agreement**" means any residential mortgage loan agreement out of which Receivables arise.

"**Securities Accounts**" means the accounts (if any) that will be opened in the name of the Guarantor with the Italian Account Bank or the English Account Bank, upon purchase by the Guarantor from any Seller of Eligible Assets and/or Top-Up Assets represented by bonds, debentures, notes or other financial instruments in book entry form in accordance with and subject to the conditions of the Cash Allocation Management and Payment Agreement and the English Account Bank Agreement.

"**Securities Act**" means the U.S. Securities Act of 1933.

"**Securitisation and Covered Bond Law**" means Italian Law No. 130 of 30 April 1999.

"**Seller**" means any seller in its capacity as such pursuant to the relevant Master Loans Purchase Agreement.

"**Series of Covered Bonds**" means each series of Covered Bonds issued in the context of the Programme.

"**Sole Affected Party**" means an Affected Party as defined in the relevant Swap Agreement which at the relevant time is the only Affected Party under such Swap Agreement.

"**Specific Criteria**" means the criteria as described in Section named "*Description of the Cover Pool*" above.

"**Specified Currency**" means the currency as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Representative of the Covered Bondholders (as set out in the applicable Final Terms).

"**Statutory Tests**" means such tests provided for under article 3 of Decree 310 and namely: (i) the Nominal Value Test, (ii) the Net Present Value Test and (iii) the Interest Coverage Test, as further described in the Section named "*Credit Structure*" above.

"**Subordinated Lender**" means each Seller, in its capacity as subordinated lender pursuant to the relevant Subordinated Loan Agreement.

"**Subordinated Loan Agreement**" means each subordinated loan agreement entered into between a Subordinated Lender and the Guarantor.

"**Substitute Master Servicer**" means the successor to the Master Servicer which may be appointed by the Guarantor, upon the occurrence of a Master Servicer Termination Event, pursuant to clause 10.4 (*Sostituto del Master Servicer*) of the Master Servicing Agreement.

"**Sub-Servicer**" means IW Bank S.p.A..

"**Substitute Master Servicer**" means the successor of the Master Servicer upon the occurrence of a Master Servicer Termination Event, which may be appointed by the Guarantor pursuant to clause 10.4 (*Sostituto del Master Servicer*) of the Master Servicing Agreement.

"**Swap Agreements**" means, jointly and severally, as the case may require, each Asset Swap Agreement, each Liability Swap Agreement, each being a 1992 ISDA Master Agreement (*Multicurrency – Cross Border*) (including the respective schedule credit support annexes thereto and any confirmation evidencing a swap transaction entered into thereunder) that may be entered into from time to time, and any other swap agreement that may be entered into in connection with the Programme.

"**Swap Calculation Period**" has the meaning given to the term "Calculation Period" in each Asset Swap Agreement.

"**Swap Collateral**" means the collateral which may be transferred by the relevant Swap Provider to the Issuer or, as the case may require, the Guarantor in support of its obligations under the Swap Agreements.

"**Swap Collateral Account Bank**" means BNP Paribas Securities Services, London Branch acting in its capacity as swap collateral account bank pursuant to the Cash Allocation Management and Payment Agreement and the English Account Bank Agreement or any such other bank as may be appointed as such in accordance with the Cash Allocation Management and Payment Agreement and the English Account Bank Agreement.

"**Swap Collateral Accounts**" means, collectively, any Swap Collateral Cash Account and any Swap Collateral Securities Account.

"**Swap Collateral Cash Account**" means any collateral account with respect to each Swap Provider, opened, in name and on behalf of the Guarantor, with the English Account Bank on which the Swap Collateral in the form of cash is and/or will be posted in accordance with the relevant Swap Agreement and the English Account Bank Agreement.

"**Swap Collateral Cash Account**" means the account IBAN No. GB29 PARB 6095 8870 2266 71 and any collateral account with respect to each Swap Provider, opened, in name and on behalf of the Guarantor, with the Swap Collateral Account Bank on which each Swap Collateral in the form of cash is and/or will be posted in accordance with the relevant Swap Agreement and the English Account Bank Agreement.

"**Swap Collateral Securities Account**" means the account No. 1040702266G and any collateral account (if any) related to each Swap Provider which may be opened, in name and on behalf of the Guarantor, with the Swap Collateral Account Bank on which the Swap Collateral in the form of securities may be posted in accordance with the relevant Swap Agreement.

"**Swap Collateral Excluded Amounts**" means at any time, the amounts of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the Guarantor or, as the case may be, the Issuer including Swap Collateral which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement.

"**Swap Providers**" means, jointly and severeally, as the case may require, the Asset Swap Providers, the Liability Swap Providers and any other entity that may act as counterparty to the Guraantor by entering into a Swap Agreement.

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET 2) system.

"**Term Loan**" means a loan made or to be made available to the Guarantor under the Facility or the principal amount outstanding for the time being of that loan, in accordance with each Subordinated Loan Agreement.

"**Tests**" means, collectively, the Statutory Tests and the Amortisation Test.

"**Test Grace Period**" means the period starting from the Calculation Date on which the breach of a test is notified by the Calculation Agent and ending on the immediately following Calculation Date.

"**Test Performance Report**" means the report to be delivered, not later than the tenth Business Day of each month, by the Calculation Agent pursuant to the terms of the Cover Pool Management Agreement.

"**Top-Up Assets**" means, in accordance with article 2, sub-paragraph 3.2 and 3.3 of Decree 310, each of the following assets:

(i) deposits held with banks which (a) have their registered office in the European Economic Area or Switzerland or in a country for which a 0% risk weight is applicable in accordance with the Bank of Italy's prudential regulations for banks - standardised approach and (b) qualify as Eligible Institutions; and

(ii) securities issued by the banks indicated in item (i) above, which have a residual maturity not exceeding one year.

"**Total Commitment**" with respect to each Subordinated Lender, has the meaning ascribed to such term under the relevant Subordinated Loan Agreement.

"**Tranche**" means the tranche of Covered Bonds (excluding any Series of Covered Bonds issued in registered form and the N Covered Bonds, which may be issued only in Series) issued under the Programme to which each Final Terms relates, each such tranche forming part of a Series.

"**Transaction Documents**" means each Master Loans Purchase Agreement, the Master Servicing Agreement, each Warranty and Indemnity Agreement, the Cash Allocation, Management and Payments Agreement, the Programme Agreement, each Subscription Agreement, the Cover Pool Management Agreement, the Intercreditor Agreement, each Subordinated Loan Agreement, the Asset Monitoring Agreement, the Covered Bond Guarantee, the Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, the Conditions, the Deed of Pledge, the Deed of Charge, the English Account Bank Agreement, the Master Definitions Agreement, each Final Term, each N Covered Bond Certificate, each N Covered Bond Agreements, each N Covered Bond Assignment Agreement and the N Covered Bond Conditions, and any other agreement which will be entered into from time to time in connection with the Programme.

"**Transfer Date**" means: (a) with respect to the Initial Portfolio, 1 July 2008; and (ii) with respect to New Portfolios, the date designated by each Seller in the relevant Transfer Notice.

"**Transfer Notice**" means, in respect to each New Portfolio, such transfer notice which will be sent by each Seller and addressed to the Guarantor in the form set out in the relevant Master Loans Purchase Agreement.

"**Treaty**" means the Treaty on the Functioning of the European Union.

"**UBI**" means Unione di Banche Italiane S.p.A., a joint-stock co-operative company (società co-operativa per azioni) incorporated under the laws of the Republic of Italy with its registered office at Piazza Vittorio Veneto 8, 24122 Bergamo, fiscal code and enrolment in the companies register of Bergamo No. 03053920165, enrolled under No. 5678 with the register of banks held by the Bank of Italy in accordance with article 13 of the Consolidated Banking Act and enrolled under No. 3111.2 with the register held by the Bank of Italy in accordance with article 64 of the Consolidated Banking Act.

"**UBI Portfolios**" means the portfolios transferred by UBI and by Banca Popolare di Bergamo S.p.A., Banco di Brescia S.p.A., Banca Popolare Commercio e Industria S.p.A., Banca Regionale Europea S.p.A., Banca Popolare di Ancona S.p.A., Banca Carime S.p.A. e Banca di Valle Camonica S.p.A., subsequently imerged into UBI, to the Guarantor pursuant to the relevant Master Loans Purchase Agreement.

"**UBI Group**" means a banking group whose structure includes Unione di Banche Italiane S.c.p.A. as parent company.

"**VAT**" means *Imposta sul Valore Aggiunto (IVA)* as defined in D.P.R. number 633 of 26 October 1972.

"**Warranty and Indemnity Agreement**" means each warranty and indemnity agreement entered into between a Seller and the Guarantor.

"**Weighted Average Balance**" means in respect of Loans in a Swap Calculation Period, the aggregate outstanding balance of the Loans in the Relevant Portfolio on the first day of such Swap Calculation Period plus the aggregate outstanding balance of the Loans in the Relevant Portfolio on the last day of such Swap Calculation Period divided by two.

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