



**BANCO DI DESIO E DELLA BRIANZA S.P.A.**

*(incorporated with limited liability as a "Società per Azioni" under the laws of the Republic of Italy and registered at the Companies' Registry of Milano-Monza e Brianza e Lodi under registration number 01181770155)*

**Euro 3,000,000,000 Covered Bond (*Obbligazioni Bancarie Garantite*) Programme**

**unconditionally and irrevocably guaranteed as to payments**

**of interest and principal by**

**DESIO OBG S.r.l.**

*(incorporated as a limited liability company in the Republic of Italy and registered at the Companies' Registry of Treviso – Belluno under registration number 04864650264)*

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

Under this Euro 3,000,000,000 covered bond programme (the "**Programme**"), Banco di Desio e della Brianza S.p.A. ("**Banco Desio**" or the "**Issuer**") may from time to time issue *obbligazioni bancarie garantite* (the "**Covered Bonds**") denominated in any currency agreed between the Issuer and the relevant Arranger and Dealer(s). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed Euro 3,000,000,000 (or its equivalent in other currencies calculated as described herein). Desio OBG 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 Seller and certain other assets held by the Guarantor, including funds generated by the portfolio and such assets, pursuant to Article 7-*bis* of Italian law No. 130 of 30 April 1999, as amended from time to time (the "**Securitisation and Covered Bond Law**") and regulated by the Decree of the Ministry of Economy and Finance of 14 December 2006, No. 310, as amended from time to time (the "**Decree No. 310**") and the supervisory guidelines of the Bank of Italy set out in 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**"). Recourse against the Guarantor under the Covered Bond Guarantee is limited to the Cover Pool.

This Base Prospectus constitutes a base prospectus for the purposes of Article 8 of the Prospectus Regulation. When used in this Base Prospectus, "**Prospectus Regulation**" means Regulation (EU) 2017/1129 (as amended from time to time), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

This Base Prospectus has been approved by the Central Bank of Ireland, as Irish competent authority under the Prospectus Regulation. The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the Guarantor or of the quality of the Covered Bonds that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Covered Bonds. Such approval relates only to the Covered Bonds which are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin

("Euronext Dublin"), or other regulated markets for the purposes of Directive 2014/65/EU (as amended, the "MiFID II") and the Regulation 2014/600/EU (as amended, the "MiFIR").

Application has also been made for Covered Bonds issued under the Programme during the period of 12 (twelve) months from the date of this Base Prospectus to be listed on the official list of Euronext Dublin and admitted to trading on the regulated market of Euronext Dublin, which is a regulated market for the purposes of Directive 2014/65/EU. By approving this Base Prospectus, in accordance with Article 20 of the Prospectus Regulation, the Central Bank of Ireland does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the Issuer.

This Base Prospectus is valid for 12 months from its date in relation to Covered Bonds which are to be admitted to trading on a regulated market in the European Economic Area. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid..

Under the Programme the Issuer may issue *Gedekte Namensschuldverschreibungen* (the "**N Covered Bonds**"), 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 Base Prospectus does not relate to Covered Bonds issued in registered form and to 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 Base Prospectus, after having made the necessary amendments.

For the avoidance of doubt, the defined term "Covered Bonds" in this Base Prospectus does not include N Covered Bonds or Covered Bonds in registered form.

**The approval of this Base 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 the section entitled "Risk Factors" of this Base Prospectus for a discussion of certain risks and other factors to be considered in connection with an investment in the Covered Bonds.**

The Covered Bonds will be issued in dematerialised form and will be held on behalf of their ultimate owners by Monte Titoli S.p.A. whose registered office is in Milan, at Piazza degli Affari, No.6, Italy, ("**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*, 42 Avenue JF Kennedy, L-1855, Luxembourg ("**Clearstream**"). The Covered Bonds issued in dematerialised form will at all times be held in book entry form and title to the Covered Bonds will be evidenced by book-entries in accordance with the provisions of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented (the "**Financial Laws Consolidated Act**") and implementing regulations and with the joint regulation of the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") and the Bank of Italy dated 13 August 2018 and published in the Official Gazette No. 201 of 30 August 2018, 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 or in the United Kingdom (“UK”) and registered under Regulation (EC) No. 1060/2009 on credit rating agencies as amended from time to time (the “**CRA Regulation**”) will be disclosed in the Final Terms. The credit ratings included or referred to in this Base Prospectus have been issued by the Rating Agency, which is established in the European Union or in the UK and has been registered under 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 (“**ESMA**”) pursuant to the CRA Regulation (for more information please visit the ESMA webpage <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 or in the UK and registered under the CRA Regulation (and such registration has not been withdrawn or suspended).

**A credit rating is not a recommendation to buy, sell or hold Covered Bonds and may be revised or withdrawn by the Rating Agency and each rating shall be evaluated independently of any other.**

The Covered Bonds of each Series or Tranche may mature on the date mentioned in the applicable Final Terms (each a “**Maturity Date**”). Before the relevant Maturity Date, the Covered Bonds of each Series or Tranche will be subject to mandatory and/or optional redemption in whole or in part in certain circumstances (as set out in the Conditions (as defined below)).

**Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Base Prospectus.**

Amounts payable on Floating Rate Covered Bonds may be calculated by reference to one of LIBOR and EURIBOR as specified in the relevant Final Terms. As at the date of this Base Prospectus, the European Money Markets Institute, as administrator of EURIBOR, and the ICE Benchmark Administration, as administrator of LIBOR, are included in ESMA’s register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the “**Benchmarks Regulation**”).

The language of the base 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.

*Arranger and Dealer for  
the Programme*

**BNP PARIBAS**

The date of this Base Prospectus is 21 August 2020.

## RESPONSIBILITY STATEMENTS

The Issuer accepts responsibility for the information contained in this Base Prospectus.

To the best of the knowledge and belief of the Issuer, (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Guarantor accepts responsibility for the information included in this Base Prospectus in the sections headed "*The Guarantor*", "*Terms and Conditions of the Covered Bonds – 1.(c) Covered Bond Guarantee*" and any other information contained in this Base Prospectus relating to itself. To the best of the knowledge and belief of the Guarantor, (which has taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

## NOTICE

This Base Prospectus is a base prospectus for the purposes of Article 8 of the Prospectus Regulation 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.

This Base Prospectus should be read and understood in conjunction with any supplement thereto and with any document incorporated herein by reference (see section "*Information incorporated by reference*"). Full information on the Issuer and any Series of Covered Bonds is only available on the basis of the combination of the Base Prospectus and the relevant Final Terms.

**Capitalised terms used in this Base Prospectus shall have the meaning ascribed to them in the "*Terms and Conditions of the Covered Bonds*" below, unless otherwise defined in the single section of this Base Prospectus in which they are used. For the ease of reading this Base Prospectus, the "*Glossary*" below indicates the page of this Base Prospectus on which each capitalised term is first defined.**

The Issuer has confirmed to the Arranger and Dealer (as defined herein) that this Base Prospectus contains all information with regard to the Issuer and the Covered Bonds which is material in the context of the Programme and the issue and offering of Covered Bonds thereunder; that the information contained herein is accurate in all material respects and is not misleading; that any opinions and intentions expressed by it herein are honestly held and based on reasonable assumptions; that there are no other facts with respect to the Issuer, the omission of which would make this Base Prospectus as a whole or any statement therein or opinions or intentions expressed therein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

No person has been authorised by the Issuer to give any information which is not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as in the public domain and, if given or made, such information must not be relied upon as having been authorised by the Issuer, the Arranger and the Dealer or any party to the Transaction Documents (as defined in the Conditions).

This Base Prospectus is valid for twelve months following its date of publication and it and any supplement hereto as well as any Final Terms filed within these twelve months reflects the status as of their respective dates of issue. The offering, sale or delivery of any Covered Bonds may not be taken as an implication that the information contained in such documents is accurate and complete subsequent to their respective dates of issue or that there has been no adverse change in the financial condition of the Issuer since such date or that

any other information supplied in connection with the Programme is accurate at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Issuer has undertaken with the Arranger and the Dealer to supplement this Base Prospectus or publish a new Base Prospectus if and when the information herein should become materially inaccurate or incomplete and has further agreed with the Arranger and the Dealer to furnish a supplement to the Base Prospectus in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of the Covered Bonds and which arises or is noted between the time when this Base Prospectus has been approved and the final closing of any Series or Tranche of Covered Bonds offered to the public or, as the case may be, when trading of any Series or Tranche of Covered Bonds on a regulated market begins, in respect of Covered Bonds issued on the basis of this Base Prospectus.

Neither the Arranger nor the Dealer nor any person mentioned in this Base Prospectus, with exception of the Issuer and the Guarantor, is responsible for the information contained in this Base Prospectus, any document incorporated herein by reference, or any supplement thereof, or any Final Terms or any document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents.

The Arranger and the Dealer have not verified the information contained in this Base Prospectus. None of the Dealer 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 Base Prospectus. Neither this Base 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 Dealer that any recipient of this Base 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 Base Prospectus and its purchase of Covered Bonds should be based upon such investigation as it deems necessary. None of the Dealer or the Arranger undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Desio Group during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in Covered Bonds of any information coming to the attention of any of the Dealer or the Arranger.

The distribution of this Base Prospectus, any document incorporated herein by reference and any Final Terms and the offering, sale and delivery of the Covered Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms come are required by the Issuer and the Arranger and the Dealer to inform themselves about and to observe any such restrictions.

For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on the distribution of the Base Prospectus or any Final Terms and other offering material relating to the Covered Bonds, see section "*Subscription and Sale*" of this Base Prospectus. In particular, the Covered Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended. Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States of America or to U.S. persons.

Neither this Base Prospectus, any supplement thereto, nor any Final Terms (or any part thereof) constitutes an offer, nor may they be used for the purpose of an offer to sell any of the Covered Bonds, or a solicitation of an offer to buy any of the Covered Bonds, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The language of the Base Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of the Base Prospectus.

This Base Prospectus may only be used for the purpose for which it has been published.

This Base Prospectus and any Final Terms may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

In this Base Prospectus, references to “€” or “euro” or “Euro” are to the single currency introduced at the start of the Third Stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended; references to “U.S.\$” or “U.S. Dollar” are to the currency of the United States of America; references to “£” or “UK Sterling” are to the currency of the United Kingdom; reference to “Japanese Yen” is to the currency of Japan; reference to “Swiss Franc” or “CHF” are to the currency of the Swiss Confederation; references to “Italy” are to the Republic of Italy; references to laws and regulations are, unless otherwise specified, to the laws and regulations of Italy; and references to “billions” are to thousands of millions.

Certain monetary amounts and currency conversions included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which preceded them.

Each initial and subsequent purchaser of a Covered Bond will be deemed, by its acceptance of the purchase of such Covered Bond, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof as set forth therein and described in this Base Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases.

The Arranger is acting for the Issuer and no one else in connection with the Programme and will not be responsible to any person other than the Issuer for providing the protection afforded to clients of the Arranger or for providing advice in relation to the issue of the Covered Bonds.

**In connection with the issue of any Series under the Programme, the Arranger and Dealer which is specified in the relevant Final Terms as the stabilising manager (the “Stabilising Manager”) or any person acting for the Stabilising Manager may over-allot any such Series or effect transactions with a view to supporting the market price such Series at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this and there is no assurance that the 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 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 Series and 60 days after the date of the allotment of any such Series. Such stabilising shall be in compliance with all applicable laws, regulations and rules.**

**PRIIPs / IMPORTANT – EEA AND UK RETAIL INVESTORS** – Unless the Final Terms in respect of any Cover Bonds specifies “Prohibition of Sales to EEA and UK Retail Investors” as “Not Applicable”, the Covered Bonds are not intended to be offered, sold or otherwise made available to and 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 of the European Parliament and of the Council on markets in financial instruments (as amended or superseded, “MiFID II”); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended or superseded, the “Insurance Mediation Directive”), 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 Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the “**PRIPs Regulation**”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA or UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

**MIFID II product governance / target market** – The Final Terms in respect of any Covered Bonds will include a legend entitled “MIFID II Product Governance” which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate and may outline further details in connection therewith. Any person subsequently offering, selling or recommending the Covered Bonds (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

#### **FORWARD-LOOKING STATEMENTS**

This Base Prospectus includes “forward-looking statements”. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. Important factors that could cause the Issuer's actual results, performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, those discussed in the section entitled “Risk Factors”. These forward-looking statements speak only as at the date of this Base Prospectus or as at such earlier date at which such statements are expressed to be given. Subject to any continuing disclosure obligation under applicable law (including, without limitation, the obligation to prepare a supplement to this Base Prospectus pursuant to Article 23 of the Prospectus Regulation), the Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

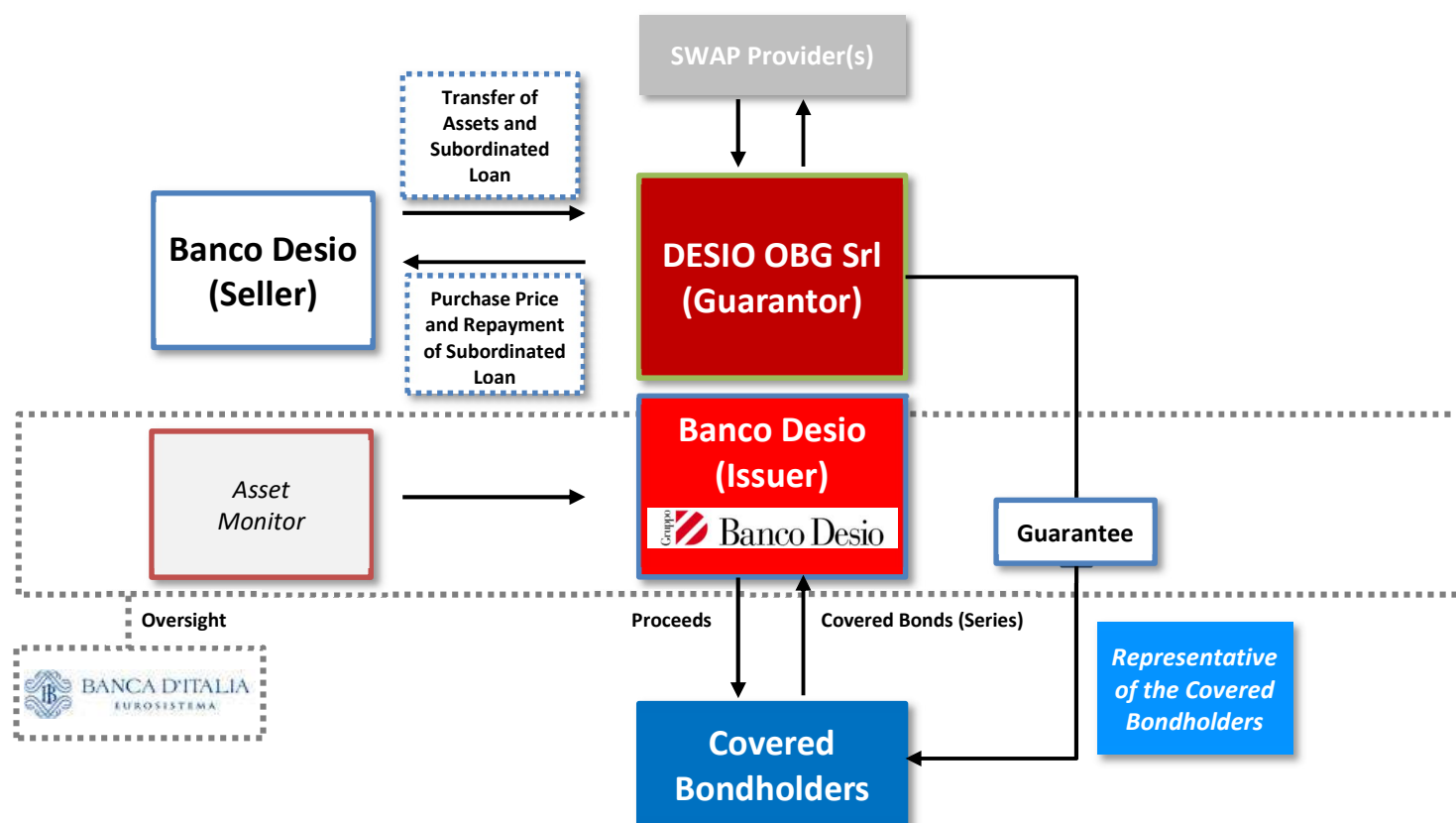
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## GENERAL DESCRIPTION OF THE PROGRAMME

*This section constitutes a general description of the structure relating to the Programme. The following section does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base 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 Base Prospectus shall have the same meaning in this section.*

**Structure Diagram**



## PARTIES

### Issuer

Banco di Desio e della Brianza S.p.A., a company limited by shares incorporated under the laws of Italy, whose registered office is at Desio (MB), via Rovagnati No. 1, Italy, Fiscal Code and enrolment with the Companies' Register of Milano-Monza e Brianza e Lodi under No. 01181770155, with fully paid-up share capital of Euro 70,692,590.28, member of the Fondo Interbancario di Tutela dei Depositi and of the Fondo Nazionale di Garanzia, enrolled in the register of the banks held by the Bank of Italy under ABI code No. 3440/5 and parent company of the Banking Group Banco di Desio e

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|                                    | della Brianza, enrolled in the register of Banking Groups under No. 3440/5.  |
| <b>Issuer Legal Entity ("LEI")</b> | 81560026D234790EB288   |
| <b>Guarantor</b>                   | Desio OBG S.r.l., a limited liability company incorporated under the laws of Italy, whose registered office is at Conegliano (TV), via V. Alfieri No. 1, Italy, Fiscal Code and enrolment with the Companies' Register of Treviso – Belluno under No. 04864650264 VAT Group "Gruppo IVA BANCO DESIO" – VAT number 10537880964, and part of the Banco di Desio e della Brianza group, enrolled under No. 3440 in the register held by the Bank of Italy in accordance with article 64 of the Consolidated Banking Act, with quota capital of Euro 10,000, fully paid up.  |
| <b>Guarantor's LEI</b>             | 81560029A817A3152836   |
| <b>Seller</b>                      | Banco di Desio e della Brianza S.p.A.  |
| <b>Subordinated Loan Provider</b>  | Banco di Desio e della Brianza S.p.A.  |
| <b>Arranger</b>                    | BNP Paribas, a company incorporated under the laws of the Republic of France as a société anonyme, whose registered office is at 16 boulevard des Italiens, 75009 Paris, France, registered with the Chamber of Commerce of Paris under No. 662 042 449 RCS ("BNP Paribas"), which acts for the purposes hereof through its Italian branch, whose offices are located in Piazza Lina Bo Bardi n. 3, Milan, enrolled in the register of the banks held by the Bank of Italy under No. 548250, Fiscal code and VAT code No. 04449690157, REA No. 731270.   |
| <b>Dealer(s)</b>                   | BNP Paribas, a company incorporated under the laws of the Republic of France as a société anonyme, whose registered office is at 16 boulevard des Italiens, 75009 Paris, France, registered with the Chamber of Commerce of Paris under No. 662 042 449 RCS, 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.   |
| <b>Guarantor Calculation Agent</b> | Pursuant to the terms of the Cash Allocation Management and Payments Agreement, Securitisation Services S.p.A. a <i>società per azioni</i> , incorporated under the laws of the Republic of Italy, having its registered office at Via Vittorio Alfieri 1, 31015 Conegliano (TV), Italy, equity capital of € 2,000,000.00 fully paid-up, fiscal code and enrolment with the companies register of Treviso–Belluno number 03546510268, VAT Group "Gruppo IVA FININT S.P.A." – VAT number 04977190265, enrolled under number 50 in the register of Financial Intermediaries ( <i>albo degli intermediari finanziari</i> ) held by the Bank of Italy pursuant to article 106 of the Consolidated Banking Act, |

belonging to the banking group known as “*Gruppo Banca Finanziaria Internazionale*”, registered with the register of the banking group held by the Bank of Italy, company subject to the activity of management and coordination (*soggetta all’attività di direzione e coordinamento*) pursuant to article 2497 of the Italian civil code of Banca Finanziaria Internazionale S.p.A., will act as Guarantor Calculation Agent.

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| <b>Test Calculation Agent</b>                    | Pursuant to the Cash Allocation Management and Payments Agreement, Banco di Desio e della Brianza S.p.A. will be appointed as Test Calculation Agent.  |
| <b>Guarantor Paying Agent</b>                    | Pursuant to the terms of the Cash Allocation Management and Payments Agreement, Crédit Agricole Corporate and Investment Bank, Milan Branch (“ <b>CA-CIB</b> ”) will act as Guarantor Paying Agent.  |
| <b>Issuer Paying Agent</b>                       | Pursuant to the terms of the Cash Allocation Management and Payments Agreement, Banco di Desio e della Brianza S.p.A. will act as Issuer Paying Agent.   |
| <b>Master Servicer</b>                           | Pursuant to the terms of the Master Servicing Agreement, Banco di Desio e della Brianza S.p.A. will act as Master Servicer.  |
| <b>Back-up Servicer</b>                          | Pursuant to the terms of the Back-up Servicing Agreement Securitisation Services S.p.A. will act as Back-up Servicer.  |
| <b>Representative of the Covered Bondholders</b> | Securitisation Services S.p.A., as Representative of the Covered Bondholders. The Representative of the Covered Bondholders will act as such pursuant to the Intercreditor Agreement, the Mandate Agreement, the Programme Agreement, the Conditions and the Deed of Charge. |
| <b>Asset Monitor</b>                             | 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 is BDO Italia S.p.A..   |
| <b>Asset Swap Providers</b>                      | means any counterparty under any Asset Swap Agreement that may be entered into.  |
| <b>Liability Swap Providers</b>                  | means any entity acting as a liability swap provider to the Guarantor pursuant to a Liability Swap Agreement.  |
| <b>Account Bank</b>                              | CA-CIB will act as Account Bank pursuant to the Cash Allocation Management and Payments Agreement.   |
| <b>Cash Manager</b>                              | Banco di Desio e della Brianza S.p.A.  |
| <b>Corporate Servicer</b>                        | Securitisation Services S.p.A., a company incorporated under the laws of Italy, will be appointed as Corporate Servicer pursuant to the Corporate Services Agreement.  |

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| <b>Stichting Corporate Servicer</b> | Wilmington Trust Sp Services (London) Limited, a private limited liability company incorporated under the laws of England, having its registered office at Third Floor, 1 King's Arms Yard, London EC2R 7AF, England |
| <b>Back-Up Servicer Facilitator</b> | Securitisation Services S.p.A., a company incorporated under the laws of Italy, will be appointed as Back-Up Servicer Facilitator pursuant to the Cash Allocation Management and Payments Agreement                  |
| <b>Listing Agent</b>                | McCann FitzGerald Listing Services Limited will act as listing agent under the Programme.  |

## THE PROGRAMME

|                              |  |
|------------------------------|--|
| <b>Programme description</b> | A covered bond issuance programme under which Covered Bonds ( <i>Obbligazioni Bancarie Garantite</i> ) will be issued by the Issuer to the Covered Bondholders, and guaranteed by the Guarantor.   |
| <b>Programme size</b>        | The aggregate nominal amount of the Covered Bonds at any time outstanding will not exceed Euro 3,000,000,000 (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. |

## THE COVERED BONDS

|   |   |
|---|---|
| <b>Form of Covered Bonds</b>                        | The Covered Bonds will be issued in dematerialised form or in any other form as set out in the relevant Final Terms. The Covered Bonds issued in dematerialised form are held on behalf of their ultimate owners, until redemption or cancellation thereof, 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, in accordance with the provisions of Article 83- <i>bis</i> of Italian Legislative Decree No. 58 of 24 February 1998 and with the Rules governing central depositories, settlement services, guarantee systems and related management companies (adopted by the Bank of Italy and the <i>Commissione Nazionale per le Società e la Borsa</i> (“ <b>CONSOB</b> ”) on 13 August 2018) as subsequently amended. No physical document of title will be issued in respect of the Covered Bond issued in dematerialised form. |
| <b>Registered Covered Bonds and N Covered Bonds</b> | Under the Programme the Issuer may issue <i>Gedekte Namensschuldverschreibungen</i> (the “ <b>N Covered Bonds</b> ”), 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 holders of the N Covered Bond 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 un-subordinated 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 and the N Covered Bond Assignment Agreement, 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.

A transfer of N Covered Bonds is deemed 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.

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 (Gedekte 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 entity 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 the 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 Regulation 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 guaranteed by the Guarantor 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, liquidation, dissolution or bankruptcy (*liquidazione coatta amministrativa*) of the Issuer, any funds realised and payable to the Covered Bondholders will be collected by the Guarantor on their behalf in accordance with the Securitisation and Covered Bond Law.

**Rating**

Each Series or Tranche may, on or after the relevant issue, be assigned a rating as specified in the relevant Final Terms by Fitch Ratings Ltd. (“**Fitch**”) and any other 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 or may be unrated as specified in the relevant Final Terms.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any of the rating agencies.

**Specified Currency**

Subject to any applicable legal or regulatory or central bank requirements, the Covered Bonds will be issued in such currency or currencies as may be agreed from time to time by the Issuer, the

relevant Dealer(s), the Issuer Paying Agent and the Representative of the Covered Bondholders (as set out in the applicable Final Terms).

#### **Maturities**

The Covered Bonds of each Series 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 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 and on other terms as may be agreed between the Issuer and the Dealer(s) as set out in the applicable Final Terms and (c) that such Covered Bonds will be redeemable at the option of the Covered Bondholders, as provided in Condition 7 (*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 indicated in the relevant Final Terms.

## **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 as defined in the relevant Final Terms 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 indicated in the Final Terms.

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.

## **Statutory Tests and Tests**

The Programme provides that the assets of the Guarantor are subject to the statutory tests provided for under Article 3 of Decree no. 310, which are intended to ensure that the Guarantor can meet its obligations under the Covered Bond Guarantee. Accordingly, for so long as Covered Bonds remain outstanding, the Seller and the Issuer must always ensure that the following tests are satisfied on each Calculation Date:

the Nominal Value Test;

the Net Present Value Test;

the Interest Coverage Test;

(**"Statutory Tests"**); and

the Asset Coverage Test.

## **Amortisation Test**

Further to the Statutory Tests and the Asset Coverage Test, the Amortisation Test is intended to ensure that if, following an Issuer Event of Default and service of an Issuer Default Notice on the Issuer and the Guarantor (but prior to service on the Guarantor of a Guarantor Default Notice), the assets of the Guarantor available to meet its obligations under the Covered Bond Guarantee fall to a level where Covered Bondholders may not be repaid, a Guarantor Event of Default will occur and all obligations owing under the Covered Bond Guarantee may be accelerated. Under the Cover Pool Management

Agreement, the Guarantor must ensure that, on each Calculation Date following service of an Issuer Default Notice on the Issuer and the Guarantor but prior to a Guarantor Event of Default and service of a Guarantor Default Notice, the Amortisation Test Aggregate Loan Amount will be in an amount at least equal to the aggregate principal amount of the Covered Bonds as calculated on the relevant Calculation Date. For further details on the above, see "*Credit Structure*" below.

**Breach of the Statutory Tests  
and/or the Asset Coverage Test**

On each relevant Test Calculation Date, the Test Calculation Agent shall verify, on the basis of the information provided to it pursuant to the Transaction Documents, that the Statutory Tests and the Asset Coverage Test are met.

If, on any such Test Calculation Date, the Test Calculation Agent notifies, through the Test Performance Report, the Issuer, the Seller and the Guarantor that any Statutory Test and/or the Asset Coverage Test and/or the Amortisation Test (if applicable) is/are not met, then during the period starting on the date on which the breach is notified by the Test Calculation Agent and ending on the 1st (first) following Test Calculation Date (the "**Test Grace Period**"), the Guarantor will purchase Eligible Assets and/or Top-Up Assets, to be transferred by the Issuer in an aggregate amount sufficient to ensure that as of the Test Calculation Date falling at the end of the Test Grace Period, all Tests are satisfied with respect to the Cover Pool in accordance with the Master Loans Purchase Agreement and the Cover Pool Management Agreement.

If, after the end of the relevant Test Grace Period, the relevant breach has not been remedied during the applicable Test Grace Period, then the Representative of the Covered Bondholders will deliver, as the case may be:

- an Issuer Default Notice to the Issuer and the Guarantor; or
- a Guarantor Default Notice on the Guarantor, 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) and the Amortisation Test is breached.

The Issuer will not issue further Series of Covered Bonds following the breach of Tests which have not been cured or otherwise remedied and the provision of the Cover Pool Management Agreement will apply.

For further details, see sections headed “*Credit Structure*” and “*Overview of the Transaction Documents – Cover Pool Management Agreement*”.

#### **Asset Monitor**

Pursuant to an engagement letter the Issuer will appoint 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 under the Bank of Italy Regulations with respect to the Covered Bonds’ issuance; (ii) the fulfilment of the eligibility criteria set out under the Decree 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (iii) the compliance with the limits to the transfer of the Eligible Assets and Top-Up Assets set out under the Decree 310 and the Bank of Italy Regulations, (iv) the arithmetical accuracy of the calculation performed by the Test Calculation Agent in respect of the Statutory Tests, the Asset Coverage Test and the Amortisation Test and the compliance with the limits set out under the Decree 310 with respect to the Covered Bonds issued and the Eligible Assets and Top-Up Assets included in the Portfolios as determined in the Statutory Tests and in the Asset Coverage Test (v) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme and (vi) the completeness, truthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7 of CRD IV Regulation. Furthermore, under the terms of the Asset Monitor Agreement entered into between the Issuer, the Test Calculation Agent, the Asset Monitor, the Guarantor and the Representative of the Covered Bondholders, the Asset Monitor has agreed with the Issuer and, upon delivery of an Issuer Default Notice, with the Guarantor, to verify, subject to due receipt of the information to be provided by the Test Calculation Agent to the Asset Monitor, the arithmetic accuracy of the calculations performed by the Test Calculation Agent under the Statutory Tests, the Asset Coverage Test and the Amortisation Test carried out pursuant to the Cover Pool Management Agreement, with a view to confirming whether such calculations are accurate.

#### **Issue Price**

Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid, as specified in the relevant Final Terms.

#### **Interest**

Unless otherwise specified in the Conditions and the relevant Final Terms, the Covered Bonds will be interest-bearing. Interest (if any) will be calculated on the principal amount outstanding of the relevant Covered Bonds and may accrue at a fixed rate or a floating rate or other variable 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). 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 respect of the Covered Bonds will be made without any tax deduction or withholding, unless a deduction or a withholding is required to be made pursuant to any applicable law. If a tax deduction or a withholding is required to be made, the payments in respect of the Covered Bonds shall be increased by an additional amount which (after making such tax deduction or withholding) leaves an amount equal to the payment which would have been due if no tax deduction had been required, subject to some exceptions including Decree 239 Deduction.

Under the Covered Bond Guarantee, the Guarantor will not be liable to pay any additional amount to any Covered Bondholders in respect of the tax deduction or withholding to be made pursuant to any applicable law.

**Recourse**

In accordance with the legal framework established by the Decree 310 and with the terms and conditions of the relevant Transaction Documents, the Covered Bondholders will benefit from recourse on the Issuer and limited recourse on the Guarantor. The obligation of the Guarantor under the Covered Bond Guarantee shall be limited recourse to the Available Funds.

**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 on the Guarantor, such Guarantor Default Notice will accelerate each Series of outstanding Covered Bonds issued under the Programme.

**Listing and admission to trading**

Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Base Prospectus to be listed on the official list of Euronext Dublin and admitted to trading on the regulated market of Euronext Dublin.

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.

**Provisions of Transaction Documents**

The Covered Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all provisions of the Transaction Documents applicable to them. In particular, each Covered Bondholder, by reason of holding Covered Bonds, recognises the Representative of the Covered Bondholders as its legal representative and accepts to be bound by the terms of each of the Transaction Documents signed by the Representative of the Covered Bondholders as if such Covered Bondholder was a signatory thereto.

## **Governing Law**

The Covered Bonds (other than Covered Bonds issued in registered form and the N Covered Bonds) and any non-contractual obligations arising out of, or in connection, thereof will be governed by Italian law. The Transaction Documents and any non-contractual obligations arising out of, or in connection, thereof will be governed by Italian law, except for the Swap Agreements, and the Deed of Charge if any, relating to such 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, irrespective of any invalidity, irregularity or unenforceability of any of the guaranteed obligations of the Issuer.

### **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 No. 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 No. 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 service 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.

## **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 or redemption, as the case may be; or
- (ii) *Breach of other obligations*: a material breach by the Issuer of any obligation under or in respect of the Covered Bond (of any Series or Tranche outstanding) or under any of the Transaction Documents (other than any obligation pursuant to paragraph (i) (*Non-payment*) above or (vii) (*Breach of Tests*) below) to which it is a party 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 (because of the loss of its banking licence or otherwise); or
- (vii) *Breach of Tests*: any of the Tests are breached and are not remedied within the Test Grace Period,

then the Representative of the Covered Bondholders will 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, unless the Representative of the Covered Bondholders, having exercised its discretion, resolves otherwise or an Extraordinary Resolution is passed resolving otherwise.

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 the 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 letter (b) above is in any way challenged or revoked and (ii) a Programme Resolution of the Covered Bondholders has been passed pursuant to which the Covered Bonds will become immediately due and payable by the Issuer, at their Early Termination Amount together with accrued interest thereon the Guarantor will no longer be entitled to request from the Issuer the amount set out under letter (b) above;
- (iii) *Disposal of Assets:* the Guarantor or any third party appointed by the Representative of the Covered Bondholders 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 Period will be in force and effect. Accordingly (A) the Guarantor, in accordance with Decree No. 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.

#### **Guarantor Events of Default**

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

- (i) *Non-payment*: following the service 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 or redemption, as the case may be; or
- (ii) *Insolvency*: an Insolvency Event occurs with respect to the Guarantor; or
- (iii) *Breach of other obligation*: a material breach of any obligation under the Transaction Documents by the Guarantor occurs (other than payment obligations referred to in letter (i) above) 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*: following the service of an Issuer Default Notice (provided that, in case the Issuer Event of Default consists of an Article 74 Event, the Representative of the Covered Bondholders has not delivered an Article 74 event Cure Notice), 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 letter (iii) (*Breach of other obligation*) above shall, if so directed by a Programme Resolution, serve a Guarantor Default Notice on the Guarantor.

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 and will rank pari passu among themselves in accordance with the Post-Enforcement Priority of Payments;
- (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 the Issuer*)) in accordance with the Post-Enforcement Priority of Payments;
- (iii) *Disposal of assets*: the Guarantor or any third party appointed by the Representative of the Covered Bondholders 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.

#### **Guarantor Available Funds**

Prior to the service of an Issuer Default Notice on the Issuer and the Guarantor under the Covered Bond Guarantee the Guarantor will:

- apply the Interest Available Funds to pay interest due on the Subordinated Loans, but only after payment of certain items ranking higher in the Pre-Issuer Event of Default Interest Priority of Payments (including, but not limited to, the Reserve Fund Amount to be credited to the Reserve Fund Account). For further details of the Pre-Issuer Event of Default Interest Priority of Payments, see "*Cashflows*" below; and
- apply the Principal Available Funds towards (subject to compliance with the Tests and, in relation to the Seller of the Seller Portfolio Test) repaying the Subordinated Loans but

only after payment of certain items ranking higher in the relevant Pre-Issuer Event of Default Principal Priority of Payments. For further details of the Pre-Issuer Event of Default Principal Priority of Payments, see "*Cashflows*" below.

Following the service on the Issuer and the Guarantor of an Issuer Default Notice (but prior to a Guarantor Event of Default and service of a Guarantor Default Notice on the Guarantor) the Guarantor will use all monies to pay Guaranteed Amounts in respect of the Covered Bonds and payments to the Other Issuer Creditors and Other Creditors when due for payment subject to paying certain higher ranking obligations of the Guarantor under the Guarantee/Post-Issuer Event of Default Priority of Payments. In such circumstances, the Seller will only be entitled to receive payment from the Guarantor of interest and repayment of principal under the Subordinated Loans after all amounts due under the Covered Bond Guarantee in respect of the Covered Bonds, the Other Issuer Creditor and the Other Creditors have been paid in full (or sufficient funds have been set aside for such purpose).

Following the occurrence of a Guarantor Event of Default and service of a Guarantor Default Notice on the Guarantor, the Covered Bonds will become immediately due and repayable and Covered Bondholders will then have a claim against the Guarantor under the Covered Bond Guarantee for an amount equal to the Early Termination Amount in respect of each Covered Bond, together with accrued interest and any other amounts due under the Covered Bonds, and Guarantor Available Funds will be distributed according to the Post-Enforcement Priority of Payments, as to which see "*Cashflows*" below.

#### **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 Seller in accordance with the terms of the Master Loans Purchase Agreements, (ii) payments received from Liability Swap Provider under the Liability Swap Agreement, and (iii) 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.

#### **Limited recourse**

The obligations owed by the Guarantor to the Covered Bondholders and, in general, to the Seller, the Other Issuer Creditors and the Other Creditors are limited recourse obligations of the Guarantor,

which will be payable in accordance with the applicable Priority of Payments. The Covered Bondholders, the Seller, the Other Issuer Creditors and the Other Creditors will have a claim against the Guarantor only to the extent of the Guarantor Available Funds, including any amounts 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.

**Subordinated Loan**

The Seller has granted to the Guarantor a Subordinated Loan with a maximum amount equal to the Total Commitment for the purpose of funding the purchase from the Seller of the Eligible Assets included in the initial Cover Pool. Subsequently, the Seller will grant further Subordinated Loans to the Guarantor for the purposes of funding the purchase from the Seller of Eligible Assets and Top-Up Assets in order to remedy a breach of the Tests or to support further issues of Covered Bonds. The Guarantor will pay interest in respect of each Subordinated Loan but will have no liability to gross up for withholding. Payments from the Guarantor to the Seller under the Subordinated Loan Agreements will be limited recourse and subordinated and payable in accordance with the Priorities of Payments to the extent the Guarantor has sufficient Guarantor Available Funds for such purposes.

**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 Seller with the proceeds of the new or amended relevant Subordinated Loan Agreements entered into by the Seller 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. The Receivables which have been assigned to the Covered Bonds Guarantor may also be repurchased by the Seller in accordance with and subject to the conditions provided in the relevant Master Loans Purchase Agreement and the Cover Pool Management Agreement.

**Segregation of Guarantor's rights and collateral**

The Covered Bonds benefit from the provisions of Article 7-*bis* of the Securitisation and Covered Bond Law, pursuant to which the Cover 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 Creditors and to the Other Creditors in satisfaction of the transaction costs of the Programme.

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 Seller 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.

**Claims under the 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.

**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 Seller in respect of the Eligible Assets pursuant to the Master Loans Purchase Agreement. The proceeds from any such sale will be applied as set out in the applicable Priority of Payments.

**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 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.

## 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. All of these factors are contingencies which may or may not occur. In addition, factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below. Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Covered Bonds issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Covered Bonds may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on the information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including any document incorporated by reference) and reach their own views prior to making any investment decision.*

### 1. FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE COVERED BOND

*The risks below have been classified into the following sub-categories:*

*Risks relating to the Issuer's financial position;*

*Risks relating to the Issuer's business activity and industry;*

*Risks related to the internal control of the Issuer; and*

*Risks related to the political and governance environment of the issuer.*

#### **Risks relating to the Issuer's financial position**

##### ***Liquidity risk***

Liquidity risk refers to the Issuer's and its Group's capacity to raise the necessary funds (by increasing liabilities or converting assets) to meet a financial obligation.

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.

Any 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 adversely impact

on the Issuer's credit rating, borrowing costs and access to liquidity. An 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 concerns may impact the ability of the Issuer and its Group 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 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 adverse 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. These factors may adversely impact the Issuer's profitability and financial performance and position and, ultimately, impact its ability to pay interest and repay principal of the Covered Bonds in full.

#### ***Risks associated with the Issuer's rating***

The risk associated with the ability of the Issuer to meet its obligations, generated by the issue of debt instruments and money market instruments, is defined by reference to credit ratings assigned by independent rating agencies. A credit rating is a measurement of solvency or credit worthiness of debtors and/or issuers of bonds, made in accordance with consolidated procedures for credit analysis. These measurements, and the relating research, help investors in analysing credit risks associated with financial instruments, since they give detailed information on Issuer's ability to meet its obligations. The lower the rating assigned on the respective scale the higher the risk, measured by the respective rating agency, that the bonds will not be repaid or that they will not be repaid fully and/or promptly.

The credit ratings assigned to the Issuer by rating agencies are instrumental to its access to sources of wholesale funding and the cost of such funding. The current long-term counterparty credit ratings of the Issuer is "BB+", short term "B"; the current short-term counterparty credit ratings is "B"; both as provided by Fitch. These ratings and any other ratings may be revised or withdrawn at any time by the relevant agencies. There is no assurance that a rating will remain for any given period of time or that a rating will not be suspended, lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances so warrant.

A rating downgrade might restrict the availability of funding, result in higher funding and refinancing costs for the Issuer in the capital markets, reduce its access to capital markets or increase its cost for individuals and companies at a local level. 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. This might have a material adverse effect on the Desio Group's operating results, financial conditions and business outlook and, as a consequence, on the rating assigned to the Covered Bonds.

In the event that a rating assigned to the Issuer or the Covered Bonds is suspended, lowered or withdrawn for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Covered Bonds. As a result, the Issuer, the market value of the Covered Bonds and the ability of the Issuer to make payments under the Covered Bonds may all be adversely affected.

## **Risks relating to the Issuer's business activity and industry**

### ***Credit and market risk***

Credit risk is the risk of losses resulting from a borrower's, guarantor's, issuer's or counterparty's failure to honour its contractual obligations, whether or not such obligations appear on the Issuer's consolidated balance sheets.

Market risk refers to the risk of changes in the fair value of financial instruments resulting from fluctuations in the parameters affecting this value, in particular, interest rates, exchange rates, credit spreads and their volatility.

To the extent that any of the instruments and strategies used by the Desio Group and already in place to hedge or otherwise manage its exposure to credit or market risk are not effective, the Desio Group may not be able to hedge effectively its risk exposure. The Desio 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 and on how effectively it determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

There can, however, be no guarantee that the credit procedures put in place by the Issuer can assess accurately and hedge all of the risks of exposure to borrowers, guarantors, issuers or other counterparty's failure to honour contractual obligations, and increased defaults of these borrowers and/or inadequate loans provisioning, as well as a worsening of the credit rating of counterparties or a material failure to hedge exposures to them, may negatively impact the Issuer's and Banco Desio Group's financial condition and results of operation. Moreover, the Issuer and Banco Desio Group remain exposed to the risk of loss as a result of market risk and, principally, the risks of interest rate and exchange rate volatility.

### ***Operational risk***

The Desio Group, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty information technology or telecommunication systems. The Desio 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.

Failure to adequately manage this risk may result in increased losses from theft, fraud, damages to tangible assets, non-compliance with legislation or regulations, systems failures, unauthorized access to computer systems, cyber threats, or problems or errors in process management and may ultimately impact the Issuer's financial performance and result in reputational damage for the Issuer and Banco Desio Group..

### ***Legal Proceedings***

The Desio 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”).

The outcome of the many legal proceedings which the Banco Desio Group is a party to is intrinsically difficult to forecast and, therefore, it cannot be ruled out that an unfavourable outcome of some of them might impact the Group’s financial, income and equity situation.

For other information on the pending legal proceedings which the Group is a party to, reference is made to Section “*Banco desio as Issuer and Seller*” of the Base Prospectus.

### **Risks related to the internal control of the Issuer**

#### ***The Issuer’s operations are dependent on the correct functioning of our IT systems, which exposes the Issuers to risk***

The Issuer’s operations depend on, among other things, the correct and adequate operation of the Issuer’s IT systems, as well as their continuous maintenance and constant updating.

The Issuer has always invested significant resources in upgrading their relevant IT systems and improving their defense and monitoring systems. However, possible risks remain with regard to the reliability of the system (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 Issuers’ business, results of operations or financial condition.

Among the risks that the Issuers face relating to the management of IT systems are the possible violations of their systems due to unauthorized access to the Issuer’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. Both the aggregation of new services for members and clients and the exposure of online services are becoming increasingly complex and gradually extending to more and more areas and products. In addition, the authors of cyber threats are using increasingly sophisticated methods and strategies for criminal purposes.

Cyber attacks can therefore threaten the protection of information relating to the Issuer and its customers and can have negative effects on the integrity of the Issuer’s IT systems, as well as on the confidence of its customers and on the Issuer’s reputation, with possible negative effects on the Issuer’s business, results of operations or financial condition.

In addition, the Issuer’s substantial investment in resources in software development creates the risk that when one or more of the above-mentioned circumstances occurs, the Issuer’s may suffer financial losses or impacts on the Issuer’s operations if the software is destroyed or seriously damaged, or will incur repair costs for the violated IT systems. The Issuer may also be subject to regulatory sanctions. Finally, there is no indication that Banco Desio Group would be less at risk than other Italian financial institutions. In the event of a successful cyber attack, Banco Desio Group would be exposed to financial loss, reputational loss, the risk of not achieving its business objectives as well as major disruption in its operations.

### ***Risks relating to the merger of Banca Popolare di Spoleto***

On 1 July 2019, the Issuer completed the merger by incorporation (the “**Merger**”) of the of 100% stake of Banca Popolare di Spoleto S.p.A. (the “**Merged Bank**”) pursuant to the merger plan announced on 7 May 2019, (the “**Merger Plan**”).

In addition to the standard risks relating to acquisition transactions, integrating the Merged Bank entails other specific risks related to losses and liabilities of the Merged Bank deriving from its activities prior to the Merger. Furthermore, third parties may bring legal actions against the Merged Bank relating to its activities prior to the Merger, including legal actions based on, or connected with, the findings of the supervisory authorities (including the Bank of Italy and CONSOB), and may use the findings of the inspections 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. A loss or liability relating to the Merged Bank or its activities or liabilities could have an adverse effect on the Issuer’s business, financial condition and results of operations, ultimately impacting the ability of the Issuer to fulfill its obligations in respect of the Covered Bonds.

### **Risks related to the political and governance environment of the issuer**

#### ***Risks associated with the general economic, financial and other business conditions***

The results of the Desio 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 Desio 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 Desio 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 Desio Group.

Pressures on sovereign bond prices, as a result of speculation, may directly affect the fair value of Desio 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.

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 the Desio 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 Desio Group may not recover the full expected amount due.

The Issuer is therefore exposed by its very nature to potential changes in the value of financial instruments, including securities issued by sovereign states, due to fluctuations in interest rates, exchange rates and currencies, stock market and commodities prices and credit spreads, and/or other risks, all of which may significantly affect its revenues and surplus earnings and, ultimately, its ability to pay interest and repay principal of the Covered Bonds in full.

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

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, intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the 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 for the Issuer in procuring liquidity in the market and/or result in higher costs for the procurement by the Issuer of such liquidity, thereby adversely affecting the Issuer's and Banco Desio Group's business, financial condition and results of operations.

***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 Desio Group faces risks related to the impact of COVID –19***

As has been widely reported in the press, there has been an outbreak of a novel and highly contagious form of coronavirus disease ("COVID-19") in China, which has spread to certain countries throughout the world, including Italy. This outbreak (and any future outbreaks) of COVID-19 has led (and may continue to lead) to disruptions in China's economy and/or the economies of other nations where the COVID-19 has arisen and may in the future arise, and may result in adverse impacts on the global economy in general. The outbreak has been declared as a pandemic by the World Health Organization, and the Health and Human Services Secretary has declared a public health emergency in the United States in response to the outbreak; likewise, the Italian Government has also declared a state of emergency and passed a number of emergency measures to deal with

the outbreak, including restrictions on travel, people free circulation and possible institutional closure. These circumstances have led to volatility in the capital markets, which may lead to volatility in or disruption of the credit markets at any time and may adversely affect the value of the Covered Bonds. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. If the spread of COVID-19 increases or persists for a significant period of time, or “second wave” restrictions or other measures are put in place, this could have a materially negative impact on the global economy.

Investors should note the risk that the virus, or any governmental or societal response to the virus, may affect the business activities and financial results of the Issuer and the Desio Group, and/or may impact the functioning of the financial system(s) needed to make regular and timely payments under the Receivables, and therefore the ability of the Issuer to make payments on the Covered Bonds.

## **2. RISKS RELATED TO THE COVERED BONDS**

*The risks below have been classified into the following sub-categories:*

*Risks related to the Covered Bonds generally;*

*Risks related to the Guarantor;*

*Risks related to the underlying; and*

*Risks related to the market generally.*

### **Risks related to the Covered Bonds generally**

#### ***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..

#### ***Extraordinary Resolutions and 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.

A meeting of Covered Bondholders may also 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, holders of the Covered Bonds should be aware that, unless they have made arrangements to promptly receive notices sent to Covered Bondholders from any custodians or other intermediaries through which they hold their Covered Bonds and give the same their prompt attention, meetings may be convened or resolutions may be proposed and considered and passed or rejected or deemed to be passed or rejected without their involvement even if, were they to have been promptly informed by such custodians or other intermediaries as aforesaid, they would have voted in an affirmative manner to the holders of the Covered Bonds which passed or rejected the relevant proposal or 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.

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.

Notwithstanding the above, no guarantee can be given on the fact that the parties to the Programme will comply with the contractual provisions which have been inserted in the relevant Transaction Documents in order to limit the ability of individual Covered Bondholders to commence multiple proceedings against the Issuer. The starting of multiple enforcement proceedings against the Issuer and/or Guarantor in breach of the contractual provisions of the Programme may have a negative impact on the ability of the Issuer and/or Guarantor to fulfil its obligations in favour of all Covered Bondholders who will have no further actions available in respect of any such unpaid amounts.

#### ***Extendible obligations under the Covered Bond Guarantee***

Perspective investors should be aware of the possibility that amounts to be paid with respect to one or more Series of Covered Bonds may be paid at a later date than the one originally expected and provided under the relevant Final Terms.

More in particular, 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 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 7(b) (*Extension of maturity*) and 10(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 7(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.

#### ***Covered Bonds issued under the Programme***

Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds (in which case they will form part of such Series) or have different terms to an existing Series of Covered Bonds (in which case they will constitute a new Series).

In order to ensure that any further issue of Covered Bonds under the Programme does not adversely affect existing holders of the Covered Bonds:

- (a) the Subordinated Loan granted by the Seller to the Guarantor under the terms of the Subordinated Loan

Agreement may only be used by the Guarantor (i) as consideration for the acquisition of the Eligible Assets from the Seller pursuant to the terms of the Master Loans Purchase Agreement; and (ii) as consideration for the acquisition of the Top-Up Assets and/or other Eligible Assets from the Seller pursuant to the terms of the Cover Pool Management Agreement; and

- (b) the Issuer must always ensure that the Tests are satisfied on each Calculation Date (and Test Calculation Date when required by Transaction Documents) in order to ensure that the Guarantor can meet its obligations under the Guarantee.

However, should the above mentioned provisions not be followed by the relevant Parties pursuant to the relevant Transaction Documents, then no assurance can be given as to the impact of any further issue of Covered Bonds under the Programme and to the adverse affect it may have on existing holders of the Covered Bonds.

### ***Limits to Integration***

The integration of the Cover Pool, whether through Eligible Assets or through Top-Up Assets, shall be carried out in accordance with the methods, and subject to the limits, set out in the Bank of Italy Regulations. More specifically, integration is allowed exclusively for the purpose of (a) complying with the tests provided for under the Decree No. 310; (b) complying with any contractual overcollateralisation requirements agreed by the parties to the relevant agreements or (c) complying with the limit of 15.00% in relation to certain Top-Up Asset including in the Cover Pool. Investors should note that integration is not allowed in circumstances other than as set out in the Bank of Italy Regulations and specified above; therefore no assurance can be given on the potential negative impact that the need to integrate the Cover Pool outside the circumstances set out in the Bank of Italy Regulations and specified above may have on the interests of the Covered Bondholders.

### ***Future discontinuance of LIBOR may adversely affect the value of Floating Rate Covered Bonds which reference LIBOR***

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021 (the “**FCA Announcement**”). The FCA Announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. These developments, and the related uncertainty over the potential variance in the timing and manner of implementation in each jurisdiction, introduce risks that may have adverse consequences on the Issuer, its clients and the financial services industry.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Covered Bonds which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Covered Bonds. Depending on the manner in which the LIBOR rate is to be determined, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time) or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. There is also uncertainty as to the establishment of an alternative interest rate which would apply if LIBOR were discontinued and the adequacy of any such alternative rate. Amendments to the Conditions and/or relevant fall-back provisions may be required to reflect such discontinuance and there can be no assurance that any such amendments will fully or effectively hedge all future relevant interest rate

risks. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Covered Bonds which reference LIBOR; indeed, the use of an alternative interest rate may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Covered Bonds if the relevant benchmark remained available in its current form.

***The regulation and reform of benchmarks may adversely affect the value of Covered Bonds referencing such benchmarks***

Interest rates and indices which are deemed to be “benchmarks” (including EURIBOR and LIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bonds referencing such a benchmark.

The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. The Benchmarks Regulation introduces a regime for benchmark administrators that ensures the accuracy and integrity of benchmarks and applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. The Benchmarks Regulation, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed); (ii) prevent certain uses by EU supervised entities (such as the Issuers) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed); and (iii) requires supervised entities to have in place robust written plans setting out the actions that they would take in the event that a benchmark materially changes or ceases to be provided (including contractual indication of one or more alternative fallback benchmarks that could be referenced to substitute the benchmarks no longer provided).

The Benchmarks Regulation could have a material impact on any Covered Bonds referencing a benchmark, in particular, if the methodology or other terms of the relevant benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect, amongst other things, of: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Covered Bonds referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Covered Bonds referencing a benchmark.

***Tax consequences of holding the Covered Bonds – No Gross-up for Taxes***

Potential investors should consider the tax consequences of investing in the Covered Bonds and consult their tax adviser about their own tax situation. Notwithstanding anything to the contrary in this Base Prospectus, 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 Issuer or, as the case may be, 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. The Issuer shall be obliged to pay an additional amount pursuant to Condition 9 (*Taxation*) subject to customary exceptions including Decree No. 239 withholdings. Neither the Issuer nor the Guarantor shall be obliged to pay any additional amounts to the Covered Bondholders or to gross up in relation to withholdings or deductions on payments made by the Guarantor. As a result, investors may receive amounts that are less than expected. Perspective investors should therefore be aware of the potential negative result of such lack of gross-up or compensation by the Issuer and the Guarantor on the expected amounts to be received by the Covered Bondholders.

There is no authority directly on point regarding the Italian tax regime of payments made by an Italian resident Guarantor under the Guarantee. For further details see the section entitled "*Taxation*".

### ***Securitisation and Covered Bond Law***

The Securitisation and Covered Bond Law was enacted in Italy in April 1999 and further amended to allow for the issuance of covered bonds in 2005. As at the date of this Base 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 No. 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 Base Prospectus. Any changes of the rules and/or changes of the interpretation and/or implementation of the same by the competent authorities could give rise to new burdens and obligations for the Issuer, with possible negative impacts on the operational results and the economic and financial situation of the Issuer and of the Programme.

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

Investors will not be able to calculate in advance their rate of return. 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, as no assurance can be given as to the potential negative effect such changes in fees may have on their return on an investment in 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.

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 were 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.

#### *Redemption for tax reasons*

In the event that the Issuer would be obliged to pay additional amounts as provided or referred to in Condition 9 (*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 Issue Date, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may redeem all outstanding Covered Bonds in accordance with the Conditions.

In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Covered Bonds.

#### *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. In such circumstances an investor may not be able to receive the expected interest.

#### *Fixed rate risks*

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds. In such circumstances an investor may not be able to obtain the expected return on the sale of the relevant Covered Bonds.

#### *Floating rate risks*

Investment in Floating Rate Covered Bonds involves the risk for the Covered Bondholders of fluctuating interest rate levels and uncertain interest earnings. In such circumstances, due to varying interest income, investors are not able to determine a definite yield of Floating Rate Covered Bonds at the time they purchase them, so that their return on investment cannot be compared with that of investments having a fixed interest rate. If the terms and conditions of the Covered Bonds provide for frequent interest payment dates, investors are even more exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates at the prevailing time of any such interest payment.

In addition, the Issuer's ability to issue Fixed Rate Covered Bonds may negatively affect the market value and secondary market (if any) of the Floating Rate Covered Bonds (and vice versa).

*Covered Bonds issued at a substantial discount or premium*

The issue price of Covered Bonds specified in the applicable Final Terms may be more than the market value of such Covered Bonds as of the issue date, and the price, if any at which a Dealer or any other person willing to purchase the Covered Bonds in secondary market transactions may be lower than the issue price.

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. This may negatively affect the market value and secondary market (if any) of the Covered Bonds.

*Modification, waivers and substitution*

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

***In respect of any Covered Bonds issued with a specific use of proceeds, such as a 'Green Bond', "Social Bond" and "Sustainable Bond", there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor***

The applicable Final Terms relating to any specific Series (or Tranche) of Covered Bonds may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Covered Bonds specifically for projects and activities that promote climate-friendly and other environmental purposes ("**Green Eligible Projects**") and or that promote access to labour market and accomplishment of general interest initiatives ("**Social Eligible Projects**"). Prospective investors should have regard to the information in the applicable Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Covered Bonds together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer or the Dealer(s) that the use of such proceeds for any Green Eligible Projects and for any Social Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Green Eligible Projects or the relevant Social Eligible Projects). It should be noted that the definition (legal, regulatory or otherwise) of, and market consensus as to what constitutes or may be classified as, a "sustainable", "green" or equivalently-labelled project or a loan that may finance such activity, and the requirements of any such label are currently under development. On 18 December 2019, the Council and the European Parliament reached a political agreement on a regulation to establish a framework to facilitate sustainable development (the "**EU Taxonomy**"). On 9 March 2020, the European Union Technical Expert Group published its final report on the EU Taxonomy containing recommendations relating to the overarching design

of the EU Taxonomy, as well as extensive implementation guidance on how companies and financial institutions can use and disclose against the taxonomy, including in relation to a future European standard for green bonds proposed by the Technical Expert Group on Sustainable Finance in 2019 (the “**EU Green Bond Standard**”). On 15 April 2020, the Council adopted by written procedure its position at first reading with respect to the Taxonomy Regulation. The European Parliament will have to vote on the text pursuant to the “early second reading agreement” procedure. On 12 June 2020, the European Commission launched a public consultation on the creation of the EU Green Bond Standard. These texts are still to be implemented and the final texts may vary from the current recommendations, which may have an impact on the Covered Bonds that cannot be predicted at this stage. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green Eligible Projects or any Social Eligible Projects will meet any or all investor expectations regarding such “green”, “social” or “sustainable” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Eligible Projects and any Social Eligible Projects. Any such consequences could have an adverse effect on the liquidity and value of and return on any such Covered Bonds. As at the date of this Base Prospectus, the Issuer has not published a framework relating to an investment in Green Eligible Projects and in Social Eligible Projects although the Issuer intends to publish such framework prior to the issuance of any Covered Bonds which specify that the relevant proceeds will be used for Green Eligible Projects and for Social Eligible Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Covered Bonds and in particular with any Green Eligible Projects or Social Eligible Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealer(s) or any other person to buy, sell or hold any such Covered Bonds. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Covered Bonds. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Covered Bonds are listed or admitted to trading on any dedicated “green”, “social”, “sustainable” or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealer(s) or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Eligible Projects and to any Social Eligible Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealer(s) or any other person that any such listing or admission to trading will be obtained in respect of any such Covered Bonds or, if obtained, that any

such listing or admission to trading will be maintained during the life of the Covered Bonds.

While it is the intention of the Issuer to apply an amount equivalent to the proceeds of any Covered Bonds so specified for Green Eligible Projects and/or Social Eligible Projects in, or substantially in, the manner described in the applicable Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green Eligible Projects and any Social Eligible Projects will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally applied for the specified Green Eligible Projects and for the specified Social Eligible Projects. Nor can there be any assurance that such Green Eligible Projects or such Social Eligible Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

Any such event or failure by the Issuer will not constitute an Issuer Event of Default under the Covered Bonds. Any such event or failure to apply the proceeds of any issue of Covered Bonds for any Green Eligible Projects and for any Social Eligible Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Covered Bonds no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Covered Bonds and also potentially the value of any other Covered Bonds which are intended to finance Green Eligible Projects and to finance Social Eligible Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

### **Risks related to the Guarantor**

#### ***VAT Group***

Italian Law no. 232 of 11 December 2016 (the “**2017 Budget Law**”) has introduced new rules regarding the creation of a single entity for value added tax purposes (articles from 70-bis to 70-duodecies of Presidential Decree no. 633 of 26 October 1972) (“**VAT Group Regime**”), which, if so elected by an entity, apply from 1 January 2019. Pursuant to such rules, by virtue of the role it takes on in compliance with the VAT Group Regime, the Issuer, in its quality of VAT group representative, assumes the obligations and rights resulting from the application of VAT provisions. Therefore, all rights and obligations arising from the application of the VAT Group Regime are attributed to the VAT group and shall be exercised and fulfilled by the VAT group representative which, *in primis*, will assume any liabilities arising therefrom. All other entities included in the VAT group are jointly and severally liable with the VAT group representative *vis-à-vis* the Italian Tax Authority for the sums due as a result of the liquidation and controlling activities of the Italian Tax Authority

On 31 October 2018, the Italian Tax Authority issued the circular letter No. 19 (“**Circular Letter 19/2018**”) whereby it has specified – with respect to asset management companies (società di gestione del risparmio – SGR) – that funds, as pools of segregated assets, would not be held directly responsible for the sums due as taxes, interest and penalties as a consequence of the liquidation and controlling activities of the Italian Tax Authority, except for the VAT payment obligations specifically related to their assets. Nevertheless, it has not been expressly specified that the same limitation applies also to the assets held by a covered bond guarantor.

Banco di Desio e della Brianza S.p.A. has opted for the new VAT Group Regime in respect of the Issuer's group (including the Guarantor) with effect from 1 January 2019 and for the three-year period 2019–2021, with tacit renewal for each subsequent year unless revoked.

Pending further clarification on the scope of application of the new rules, the Issuer has undertaken to hold harmless and indemnify on demand the Guarantor for any costs, expenses, losses, liabilities, damages, fines, penalties and other charges which the Guarantor may incur as a result of its participation in the VAT group to the fullest extent permitted by applicable laws.

In such a context, the Issuer and the Guarantor have jointly asked for a specific ruling to the Italian Tax Authorities on September 2019, in order to obtain clarifications with reference to the potential joint and several liability of the Guarantor under the VAT group regime.

In answering the request, the Italian Tax Authority confirmed that the interpretation expressed with regard to the funds in the Circular Letter No. 19/2018 applies also with respect to covered bond guarantors, being also their pools of assets segregated by law with the sole aim of servicing payments due to the covered bondholders. As a consequence, the segregated pool of assets established by the Guarantor in relation to the Programme is deemed to be liable, pursuant to article 70-*octies* of Presidential Decree No. 633 of 26 October 1972, only for the portion of VAT, interest and penalties – due in case of audit or assessment – which arise in connection with the management of such pools of assets. Such principles are also consistent with the conclusions reached by the Italian Tax Authorities with the ruling No. 487 of 15 November 2019.

However, no assurance can be given as to any different interpretation and or provision to be issued in the future by the Italian Tax Authority, which could require the Guarantor to incur in costs, expenses, losses, liabilities, damages, fines, penalties and other charges as a result of its participation in the VAT group. Such circumstance could negatively affect the ability of the Guarantor to comply with its obligations under the Covered Bonds Guarantee and the Transaction Documents.

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

The Guarantor has no obligation to pay any Guaranteed Amounts payable under the Covered Bond Guarantee until the occurrence of a Issuer Default Notice. 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 amounts 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. 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***

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 of the Guarantor 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. Holders of the Covered Bonds should therefore be aware of the fact that, in such circumstances, the Guarantor may not be able to pay interest and repay principal of the Covered Bonds in full.

#### ***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 has been appointed to service Portfolios sold to the Guarantor and the Guarantor 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 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 meeting their obligations under the Swap Agreements entered into in order to hedge the obligations of the Guarantor 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 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. Moreover, the substitute servicer may charge higher servicing fees that it agrees to with the Guarantor, which servicing fees will be entitled to priority over payments to holders of the Covered Bonds.

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.

The Master Servicer has no 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 under the Master Servicing Agreement.

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

### ***Reliance on Swap Providers***

To provide a hedge against possible variances 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 provide a hedge against interest rate, basis risk, currency and/or other risks in respect of each Series of Covered Bonds issued under the Programme, the Guarantor has entered and 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, or otherwise fails to meet its obligations, under any Swap Agreement that may be entered into, 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 obligations including 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 amounts not paid by the Guarantor to a Swap Provider may in such circumstances incur additional amounts of interest by the Guarantor, which would rank senior to the amounts due on the Covered Bonds.

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 due to be paid to the Guarantor under the relevant Swap Agreement 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 is terminated, 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 swap provider, nor can there be any assurance that such swap provider agrees to enter into a replacement swap agreement on substantially the same terms as the terminated swap agreement. 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 (other than in circumstance in which the relevant Swap Provider is not the Defaulting Party or the Sole

Affected Party), 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, including any termination payment due and payable by the Guarantor (other than in circumstances in which the relevant Swap Provider is the Defaulting Party or the Sole Affected Party), will rank pari passu and pro rata with 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 Issuer and the Guarantor to meet their obligations under the Covered Bonds and the Covered Bond Guarantee, respectively. Additionally, the failure of the Guarantor to receive a termination payment from the relevant Swap Provider may adversely affect the ability of the Guarantor to meet its obligations under 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. Each Liability Swap Provider is expected to make corresponding swap payments to the Guarantor on or about 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 many Guarantor Payment Dates, the Guarantor will be required to make a payment to the Liability Swap Provider without receiving a payment in return and therefore there can be no netting of payments except on the date when the Liability Swap Provider is required to make a payment to the Guarantor.

If the Liability Swap Provider does not meet its payment obligations to the Guarantor under the Liability Swap Agreement and the Liability Swap Provider does not make a termination payment that has become due from it to the Guarantor, the Guarantor may have a larger shortfall in funds with which to meet its obligations under the Covered Bond Guarantee than if the Liability Swap Provider's payment obligations coincided with Guarantor's payment obligations under the Covered Bond Guarantee. As a result, the difference in timing between the obligations of the Guarantor under the Liability Swap Agreement and the obligations of the Liability Swap Provider under the Liability Swap Agreement could adversely affect the Guarantor's ability to meet its obligations under the Covered Bond Guarantee.

#### ***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.

However, the provision of the Required Outstanding Principal Balance Amount does not assure that the Guarantor may realize sufficient proceeds to pay the Covered Bonds in full.

#### ***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. Perspective investors should therefore be aware that following the occurrence of a Guarantor Event of Default the Guarantor may not be able to repay all amounts due under the Covered Bonds.

#### **Risks related to the underlying**

##### ***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 Seller 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 Seller 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 Eligible 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 Guarantor Calculation Agent will provide monthly reports that will set out certain information in relation to the Statutory Tests.

#### ***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 Seller;
- set-off risks in relation to some types of Mortgage Loans in the Cover Pool; 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 (although there is no assurance) 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. Perspective investors should be aware that the above mentioned circumstances may have a negative impact on the future cashflows of the Issuer and on its ability to pay interest and principal of the Covered Bonds.

#### ***Changes to the lending criteria of the Seller***

Each of the Mortgage Loans originated by the Seller 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 Seller, but originated by a person other than the Seller (the "**Originator**"), will have been originated in accordance with the lending criteria of such Originator at the time of origination. It is expected that the Seller's or the 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 Seller warranted and 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 Seller retains the right to revise its 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 not be considered for the purpose of the calculation of the Statutory Tests and the Amortisation Test.

### ***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, including rights of set-off on claims arising existing prior to notification in the Official Gazette and registration at the local Companies' Registry, having a negative impact on its recoveries and, therefore, its ability to make payments under the Covered Bond Guarantee. 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 Agency of the Potential Set-Off Amount.

Moreover, further to certain amendments to article 4 of the Securitisation and Covered Bond Law, 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 Seller 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 No. 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.

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.

To solve such a contrast between different Italian Supreme Court (Corte di Cassazione) decisions, a recent decision by the Italian Supreme Court (Corte di Cassazione) joint sections (Sezioni Unite) (n. 24675 dated 18 July 2017) finally stated that interest rates which were compliant with the Usury Rate as at the time of the execution of the financing agreements but exceeded such threshold thereafter, are lawful also from a civil law perspective falling outside of the scope of the Usury Law. In this respect, due to the recent date of this last decision, it remains unclear how such decision will be applied by the merit courts. Therefore, no assurance can be given as to the impact of application by the merits courts of the usury provisions on interest rates relating to the Mortgage Loans that give rise to the Receivables assigned to the Guarantor.

If the Usury Law were to be applied to the Receivables and the Mortgage Loan Agreements, the amount payable by the Issuer to the Covered Bondholders may be subject to reduction, renegotiation or repayment. The occurrence of such event shall reduce the amount of collections and recoveries of the Issuer with a negative impact of its ability to pay interest and repay principal under the Covered Bonds.

### ***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. Therefore, potential investors should be aware of the potential negative impact of application by the merits courts of such interpretation of the Italian Civil Code on the recoveries and cash flows of the Issuer.

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.

Finally, 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 Consolidated Banking Act, has been published. Given the absence of any jurisprudential interpretation, the impact of such new legislation may not be predicted as at the date of this Base Prospectus, and may have a potential negative impact on the Portfolio. Indeed, 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. The occurrence of such event shall reduce the amount of collections and recoveries of the Guarantor with a negative impact of its ability to fulfil its obligations under the Covered Bond Guarantee.

### ***Mortgage borrower protection***

Certain legislation enacted in Italy has given new rights and certain benefits to mortgage debtors and/or reinforced existing rights, including, *inter alia*:

- the right of prepayment of the principal amount of the mortgage loan, without incurring a penalty or, in respect of mortgage loan agreements entered into before 2 February 2007, at a reduced penalty rate (article 120-ter of the Consolidated Banking Act, introduced by Legislative Decree no. 141 of 13 August 2010 as amended by Legislative Decree no. 218 of 14 December 2010);
- the right to the substitution (portabilità) of a mortgage loan with another mortgage loan and/or the right to request subrogation by an assignee bank into the rights of their creditors in accordance with article 1202 (surrogazione per volontà del debitore) of the Civil Code, by eliminating the limits and costs previously borne by the borrowers for the exercise of such right (article 120-quater of the Consolidated Banking Act, introduced by Legislative Decree no. 141 of 13 August 2010 as amended by Legislative Decree no. 218 of 14 December 2010);
- the right of first home-owners to suspend instalment payments under mortgage loans up to a maximum of two times and for a maximum aggregate period of 18 months (Italian Law no. 244 of 24 December 2007 through the intervention of the “Solidarity Fund for first home-owners” (*Fondo di sospensione mutui per l’acquisto della prima casa*)). In addition, Law Decree No. 18 of 17 March 2020 extended for a 9-month period starting from 17 March 2020 the provisions relating to the Solidarity Fund – which initially applied exclusively to employees – to the self-employed and self-employed professionals. Eligibility is subject to completing a self-certification that in any quarterly period following 21 February 2020 – or, if shorter, the period between the date of the application and 21 February 2020 – the relevant individual has suffered a decrease in turnover of more than 33% in the

last quarter of 2019 as a result of the closure or restriction of its activity due to Covid-19;

- the right to suspend the payment of principal instalments relating to mortgage loans for a 12 month period, where requested by the relevant Debtor during the period from 1 June 2015 to 31 December 2017 (Convention between ABI and the consumers' associations stipulated on 31 March 2015) (the "**2015 Credit Agreement**"). On 27 November 2017, ABI and the consumers' associations, in order to provide continuity to the abovementioned measures, have agreed to extend the agreement until 31 July 2018. On 15 November 2018 the Italian Banking Association (*Associazione Bancaria Italiana – ABI*) and the Associations representing companies signed a new Credit Agreement (*Accordo per il Credito 2019*) providing for the introduction of some adjustments to the measures addressed to "Enterprises in Recovery", relating to the suspension and extension of loans to small and medium-sized enterprises, provided for in the 2015 Credit Agreement (the "**2019 Italian Credit Agreement**"). Additional measures connected with the Covid-19 outbreak were introduced on 6 March 2020 and 22 May 2020 through an addendum to the 2019 Italian Credit Agreement in order to extend the provisions contained therein to facilities outstanding as of 31 January 2020 granted in favour of otherwise sound companies negatively impacted by a temporary interruption/reduction of activity as a consequence of Covid-19;
- the right to renegotiate, subject to certain conditions and up to 31 December 2012, the floating rate or the final maturity of the Residential Mortgage Loans executed prior to (and excluding) 14 May 2011 for the purpose of purchasing, building or for the maintenance of the debtors' principal residence (law decree number 70 of 13 May 2011, as converted into Law no. 106 of 12 July 2011, the Decreto Sviluppo);
- automatic suspension of instalment payments of mortgages and loans, up to 31 December 2016, to residents, both individuals and businesses, in 62 municipalities affected by the earthquake and listed in the relevant decree (law decree number 189 of October 2016);
- extension of suspension of instalment payments as per Decree 189 to further municipalities, up to 31 December 2016 (Council of Ministers Order of 15 November 2016, published in the Official Gazette of the Republic of Italy (Gazzetta Ufficiale della Repubblica Italiana) no. 283 of 3 December 2016);
- automatic suspension of instalment payments of mortgages and loans, up to 31 December 2017, to residents, both individuals and businesses, in certain municipalities affected by the earthquake and listed in the relevant decree (law decree number 244 of 30 December 2016, the Decreto Milleproroghe). In relation to individuals the Decreto Milleproroghe provide first home-owners with the right to suspend instalment payments under mortgage loans up to 30 December 2017 in case of damages which do not permit access thereto. In relation to businesses, the Decreto Milleproroghe provide with the automatic suspension of instalment payments under mortgage loans up to 30 December 2017 only to certain municipalities listed therein.

The consequence of the above is that a material part of the Portfolio could be subject to suspension of payments, as consequence of which the Issuer may envisage certain negative impacts, which may not be predicted as at the date of this Base Prospectus, including negative cash shortfalls which could affect the ability of the issuer to pay timely interest on the Covered Bonds and/or increase in the activities necessary for the servicing of the Portfolio.

#### ***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 Base Prospectus, the Issuer is not in a position to fully predict its impact.

#### *Mortgage Credit Directive*

In Italy the Government has approved the Legislative Decree no. 72 of 21 April 2016 (the “**Mortgage Legislative Decree**”), implementing the 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**”) setting 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 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 assets.

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 without prejudice to article 2744 of Italian civil code, the parties may expressly agree in a specific clause at the closing of a loan agreements that in case of breach of the borrower's payment obligations under the agreement (i.e. non-payment of an amount equal to 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 shall enact implementing provisions of such decree. In this respect, on 30 September 2016, the Bank of Italy has amended the supervisory regulations on transparency and correctness in the relationships between intermediaries and clients (*disposizioni di vigilanza in materia di trasparenza delle operazioni e dei servizi bancari e finanziari; correttezza delle relazioni tra intermediari e clienti*) of 29 July 2009, as subsequently amended, in order to implement the transparency provisions of laid down by the Mortgage Credit Directive and by the Mortgage Credit Legislative Decree, while on January 2018 the Ministry of Economy and Finance has submitted to public consultation the draft of the Interministerial Decree implementing the Mortgage Legislative Decree. The final version of the Interministerial Decree has not yet been published. Therefore, as at the date of this Base Prospectus, the Issuer is not in a position to fully predict its impact.

#### **Risks related to the market generally**

##### ***Limited secondary market for the Covered Bonds***

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 "*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 be sensitive to changes in financial markets 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 comparable to similar investments that have a developed liquid secondary market. 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.

##### ***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. Governments may use a variety of techniques, such as intervention by a country's central bank, the imposition of regulatory controls or taxes or changes in interest rates to influence the exchange rates of their currencies. Governments may also alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. There can be no assurance that exchange controls will not restrict or prohibit payments of principal or interest denominated in any such Specified Currency. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***Credit ratings may not reflect all risks and may be suspended, lowered or withdrawn at any time***

One or more independent credit rating agencies may assign credit ratings to the Covered Bonds. 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.

The ratings 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.

According to Fitch, the rating assigned to the Covered Bonds may address:

- (i) the likelihood of full and timely payment to Covered Bondholders of all payments of interest on each Interest Payment Date; and
- (ii) the likelihood of ultimate payment of principal in relation to the Covered Bonds on (a) the Maturity Date thereof or (b) if the Covered Bonds are subject to an Extended Maturity Date in accordance with the applicable Final Terms, the Extended Maturity Date thereof.

The ratings that may be assigned by Fitch incorporate both an indication of the probability of default and of the recovery given a default of the relevant Covered Bonds.

One or more independent credit rating agencies may assign credit ratings to the Issuer, or the Covered Bond (also where such credit rating agencies have not been engaged or solicited by the Issuer). Any 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 Bond. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

The expected ratings of the Covered Bonds are set out in the relevant Final Terms for each Series of Covered Bonds. Whether or not a rating in relation to any 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.

Any Rating Agency 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 suspended, lowered or withdrawn for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Covered Bonds. As a result, the market value of the Covered Bonds may reduce.

Furthermore, in accordance with the current rating criteria of each of the Rating Agency, the rating of the Covered Bonds may be linked, under certain circumstances, to the then current rating of the Issuer.

***Risks relating to controls over the transaction***

The Bank of Italy Regulations require that certain controls be performed by the Issuer aimed at, *inter alia*, limiting 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. Moreover, any failure to properly implement the respective policies and controls could have an adverse effect on the Issuer's or the Guarantor's ability to perform their obligations under the Covered Bonds and, ultimately, negatively affect their ability to pay interest and repay principal on the Covered Bonds.

***Risks relating to changes of law***

The structure of the issue of the Covered Bonds is based on Italian law (and, in the case of the Swap Agreements and the Deed of Charge, English law) in effect as at the date of this Base 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 or that any such change will not negatively impact the structure of the Programme and the treatment of the Covered Bonds. Except to the extent that any such changes represent a significant new factor or result in this Base 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 Base Prospectus to reflect such changes.

On 18 December 2019, the following provisions were published on the Official Journal of the European Union:

- (i) Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (the “**Directive**”); and
- (ii) Regulation (EU) 2019/2160 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) No 575/2013 as regards exposures in the form of covered bonds (the “**Regulation**”).

The Regulation and the Directive amend certain provisions of the CRR on covered bonds and introduce standards on the issuance of covered bonds and covered bond public supervision. More in particular, the new Regulation makes certain amendments to the CRR to strengthen the quality of the covered bonds eligible for favorable capital treatment, and the new Directive aims to harmonize the regulation and treatment of covered bonds across EU Member States.

Member States will have to implement the Directive by 8 July 2021 and the transposing provisions will apply from 8 July 2022 at the latest. The Regulation shall apply from 8 July 2022.

As of the date of this Base Prospectus, the Issuer is not capable of assessing the potential negative impact that the application of the above provisions will have on the Issuer, the Guarantor, the Programme and the Covered Bonds.

Moreover, in the event of any change in the law and/or tax regulations and/or their official interpretations after the date hereof, the performance of the Covered Bonds and the ratings assigned to the Covered Bonds may be

affected. In addition, it should be noted that regulatory requirements may be recast or amended and there can be no assurance that any such changes will not adversely affect the compliance position of any transaction described in this Base Prospectus or of any party and perspective investors under any applicable law or regulation, nor can any assurance be given as to whether any such changes could adversely affect the ability of the Issuer to meet its obligations in respect of the Covered Bonds or the Guarantor to meet its obligations under the Covered Bond Guarantee. Any such change could adversely impact the value of the Covered Bonds.

***Risks relating to the applicable regulatory framework***

The Issuer is subject to a complex and strict regulation, as well as to the supervisory activity performed by the relevant institutions (in particular, the European Central Bank, the Bank of Italy and CONSOB). Both aforementioned regulation and supervisory activity are subject, respectively, to continuous updates and practice developments.

Furthermore and among others, Banco Desio – as a bank – is subject to the Directive 2014/59/EU, that is the so-called Bank Recovery and Resolution Directive (“BRRD”), as implemented in the Italian legal framework.

Moreover, the Issuer is required to comply with further provisions issued by CONSOB.

The Issuer, besides the supranational and national rules and the primary or regulatory rules of the financial and banking sector, is also subject to specific rules on anti-money laundering, usury and consumer protection. Although the Issuer undertakes to comply with the set of rules and regulations, any changes of the rules and/or changes of the interpretation and/or implementation of the same by the competent authorities could give rise to new burdens and obligations for the Issuer, with possible negative impacts on the operational results and the economic and financial situation of the Issuer.

For further details, please see the “*Certain regulatory aspects relating to the Issuer*” on page 180 of this Base Prospectus.

***Risks connected with the political and economic decisions of EU and Eurozone countries and the United Kingdom leaving the European Union (Brexit)***

On 23 June 2016, the United Kingdom voted, in a referendum, to leave the European Union (Brexit). On 29 March 2017, the British Prime Minister gave formal notice to the European Council under Article 50 of the Treaty on European Union of the intention to withdraw from the European Union (the “**Article 50 Withdrawal Agreement**”).

On 31 January 2020, the UK withdrew from the European Union. According to Articles 126 and 127 of the Article 50 Withdrawal Agreement (approved by the European Parliament on 29 January 2020), the UK entered an implementation period during which it will negotiate its future relationship with the European Union. During such implementation period – which is due to operate until 31 December 2020 – the Union law shall continue to apply in the United Kingdom.

Regardless those facts, the result of the referendum in June 2016 created significant uncertainties with regard to the political and economic outlook of the United Kingdom and the European Union.

The possibility that other European Union countries could hold similar referendums to the one held in the United Kingdom and/or call into question their membership of the European Union; and the possibility that one or more countries that adopted the Euro as their national currency might decide, in the long term, to adopt an alternative currency or prolonged periods of uncertainty connected to these eventualities could have significant negative impacts on global economic conditions and the stability of international financial markets. These could

include further falls in equity markets, a further fall in the value of the pound and, more in general, increase in financial markets volatility, reduction of global markets liquidities with possible negative consequences on the asset prices, operating results and capital and/or financial position of the Issuer and/or the Banco Desio Group and the market value and/or liquidity of the Covered Bonds in the secondary market.

In addition to the above and in consideration of the fact that at the date of this Base Prospectus there is no legal procedure or practice aimed at facilitating the exit of a Member State from the Euro, the consequences of these decisions are exacerbated by the uncertainty regarding the methods through which a Member State could manage its current assets and liabilities denominated in Euros and the exchange rate between the newly adopted currency and the Euro. A collapse of the Eurozone could be accompanied by the deterioration of the economic and financial situation of the European Union and could have a significant negative effect on the entire financial sector, creating new difficulties in the granting of sovereign loans and loans to businesses and involving considerable changes to financial activities both at market and retail level. This situation could therefore have a significant negative impact on the operating results and capital and financial position of the Issuer and/or the Banco Desio Group and/or the Issuer's ability to pay interest and repay principal under the Covered Bonds, as well as the market value and/or the liquidity of the Covered Bonds in the secondary market.

## INFORMATION INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the following information, which has been previously published or are published simultaneously with this Base Prospectus and which have been or are filed with the Central Bank of Ireland and Euronext Dublin:

- (a) Issuer's half-year consolidated financial statements as at 30 June 2020, available on the following website: <https://www.bancodesio.it/en/content/consolidated-interim-financial-report-30-june-2020>
- (b) Issuer's press release dated 22 May 2020 on the SREP requirements, available on the following website: <https://www.bancodesio.it/en/content/srep-requirements-group-solidity-confirmed-bank-italy-has-communicated-decision-capital>
- (c) Issuer's press release dated 19 May 2020 stating the downgrade of the Issuer, available on the following website: <https://www.bancodesio.it/en/content/result-rating-action-carried-out-fitch-ratings-19-may-2020>
- (d) Issuer's press release dated 23 April 2020 concerning the new corporate bodies and amendments to the bylaws, available on the following website: <https://www.bancodesio.it/en/content/press-release-after-extraordinary-and-ordinary-shareholders-meeting>
- (e) Issuer's press release dated 1 April 2020 on the suspension of dividend's payment, available on the following website: <https://www.bancodesio.it/en/content/banco-desio-complies-regulatory-requirements-suspending-payment-2019-dividend>
- (f) Issuer's audited consolidated annual financial statements as at and for the years ended 31 December 2019, available on the following website: <https://www.bancodesio.it/en/content/report-operations-and-consolidated-financial-statements-31-december-2019>
- (g) Issuer's audited non consolidated annual financial statements as at and for the years ended 31 December 2019, available on the following website: <https://www.bancodesio.it/en/content/report-operations-and-financial-statements-31-december-2019>
- (h) the non-consolidated audited financial statements of the Guarantor as at and for the year ended on 31 December 2019, available on the following website: [https://www.bancodesio.it/sites/default/files/docs/guarantor\\_annual\\_financial\\_statement\\_2019.pdf](https://www.bancodesio.it/sites/default/files/docs/guarantor_annual_financial_statement_2019.pdf)
- (i) Issuer's audited consolidated annual financial statements as at and for the years ended 31 December 2018, available on the following website: <https://www.bancodesio.it/en/content/report-operations-and-consolidated-financial-statements-31-december-2018>
- (j) Issuer's audited non consolidated annual financial statements as at and for the years ended 31 December 2018, available on the following website: <https://www.bancodesio.it/en/content/report-operations-and-financial-statements-31-december-2018>
- (k) the non-consolidated audited financial statements of the Guarantor as at and for the year ended on 31 December 2018, available on the following website: [https://www.bancodesio.it/sites/default/files/docs/guarantor\\_annual-financial-statement\\_2018\\_0.pdf](https://www.bancodesio.it/sites/default/files/docs/guarantor_annual-financial-statement_2018_0.pdf).

Such documents shall be incorporated into, and form part of, this Base Prospectus, save that any statement contained in information which is incorporated by reference herein shall be modified or superseded for the purpose of this Base 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 Base Prospectus.

The audited consolidated financial statements referred to above, together with the audit reports thereon, are available both in the original in Italian language and in English language. The English language versions represent a direct translation from the Italian language documents. The Issuer and the Guarantor are responsible for the English translations of the financial reports incorporated by reference in this Base Prospectus as applicable and declare that such is an accurate and not misleading translation in all material respects of the Italian language version of the Issuer's and the Guarantor's financial reports.

Copies of documents containing information incorporated by reference into this Base Prospectus may be obtained from the registered office of the Issuer and the Issuer's website (<https://www.bancodesio.it/en/content/yearly-and-interim-reports>). This Base Prospectus will also be available on Euronext Dublin's web site ([www.ise.ie](http://www.ise.ie)).

### **Cross-reference List**

The following table shows, *inter alia*, the information required under Annex VII, of the Prospectus Regulation (in respect of the Issuer and the Guarantor) that can be found in the above-mentioned financial statements incorporated by reference into this Base Prospectus.

#### ***Issuer's half-year consolidated financial statements as at 30 June 2020***

|   |       |         |
|---|-------|---------|
| Auditors' Review Report                                   | Pages | 191–192 |
| Consolidated Balance Sheet                                | Page  | 62      |
| Consolidated Income Statement                             | Page  | 63      |
| Statement of Consolidated Comprehensive Income            | Page  | 64      |
| Statement of Changes in Consolidated Shareholders' Equity | Pages | 65–66   |
| Consolidated Cash Flow Statement                          | Pages | 67–68   |
| Consolidated Income Statement                             | Page  | 69      |
| Explanatory Notes   | Pages | 70–188  |

|   |       |                        |
|---|-------|------------------------|
| <b><i>Press release dated 22 May 2020 headed “SREP requirements: Group solidity confirmed – The Bank of Italy has communicated decision on the capital conclusion of the periodic prudential review process (SREP)”</i></b> | Pages | <i>Entire document</i> |
|---|-------|------------------------|

|  |       |                        |
|--|-------|------------------------|
| <b><i>Press release dated 19 May 2020 headed “Result of the rating action carried out by Fitch Ratings on 19 May 2020”</i></b> | Pages | <i>Entire document</i> |
|--|-------|------------------------|

*Press release dated 23 April 2020 headed "Press release after the extraordinary and ordinary shareholders' meeting"*

Pages

*Entire document*

*Press release dated 1 April 2020 headed "Banco Desio complies with regulatory requirements by suspending the payment of the 2019 dividend"*

Pages

*Entire document*

## **Issuer's Reports and Accounts**

**2018**

**2019**

### ***Audited consolidated financial statements of the Issuer***

|  |       |         |         |
|--|-------|---------|---------|
| Auditors' Report                               | Pages | 262–272 | 237–243 |
| Consolidated Balance Sheet                     | Pages | 88–89   | 55–56   |
| Consolidated Income Statement                  | Pages | 90      | 57      |
| Statement of consolidated comprehensive Income | Pages | 91      | 58      |
| Statement of Changes in Shareholders' Equity   | Pages | 92      | 59      |
| Consolidated Statement of Cash Flows           | Pages | 94      | 61      |
| Consolidated explanatory notes                 | Pages | 96–259  | 63–234  |
| Direct funding from customers                  | Pages | 164–166 | 133–135 |
| Direct funding from banks                      | Pages | 163     | 133     |
| Loans to Customers                             | Pages | 141     | 233–234 |
| Loans to banks                                 | Pages | 139     | 232–233 |
| Indirect funding                               | Pages | 54      | 27      |
| Legal and arbitration proceedings              | Pages | 172     | 141     |

### ***Audited non consolidated financial statements of the Issuer***

**2018**

**2019**

|                                 |       |         |         |
|---------------------------------|-------|---------|---------|
| Auditors' Report                | Pages | 223–233 | 226–233 |
| Statement of Financial Position | Pages | 49–56   | 43–51   |
| Income Statement                | Pages | 52      | 46      |
| Statement of Changes in Equity  | Pages | 54–55   | 48–50   |
| Statement of Cash Flows         | Pages | 56      | 50–52   |
| Explanatory Notes               | Pages | 57–220  | 52–223  |

## Guarantor's Reports and Accounts

### *Guarantor's Financial Statements as at and for the year ended on 31 December 2019*

|                     |                    |
|---------------------|--------------------|
| Balance Sheet       | Page 11 of 53      |
| Income Statement    | Page 12 of 53      |
| Cash flow Statement | Page 13 of 53      |
| Explanatory Notes   | Pages 14– 50 of 53 |
| Audit Report        | Pages 51–53 of 53  |

## Guarantor's Reports and Accounts

### *Guarantor's Financial Statements as at and for the year ended on 31 December 2018*

|                     |                   |
|---------------------|-------------------|
| Balance Sheet       | Page 10–11 of 52  |
| Income Statement    | Page 11–12 of 52  |
| Cash flow Statement | Page 13–14 of 52  |
| Explanatory Notes   | Pages 14–49 of 52 |
| Audit Report        | Pages 50–52 of 52 |

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of the Base Prospectus Regulation.

## SUPPLEMENT TO THE BASE PROSPECTUS

The Issuer has undertaken, in connection with the listing of the Covered Bonds on the official list of Euronext Dublin, that if there shall occur any adverse change in the business or financial position of the Issuer or any change in the information set out under “Terms and Conditions of the Covered Bonds”, that is material in the context of issuance of Covered Bonds under the Programme, the Issuer will prepare or procure the preparation of a supplement to this Base Prospectus or, as the case may be, publish a new Base Prospectus, for use in connection with any subsequent issue by the Issuer of Covered Bonds to be admitted to trading on the regulated market of Euronext Dublin.

## 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**"). In these Conditions, references to the "**holder**" of Covered Bonds and to the "**Covered Bondholders**" are to the ultimate owners of the Covered Bonds. The Covered Bond will be held by Monte Titoli (as defined below) on behalf of the Covered Bondholders until redemption and cancellation for the account of each relevant Monte Titoli Account Holder. Monte Titoli shall act as depository for Clearstream and Euroclear. The Covered Bonds will at all times be in book entry form and title to the bonds be evidenced by book entries with Monte Titoli in accordance with the provisions of (i) Italian Legislative Decree No. 58 of 24 February 1998 and (ii) the joint regulation, regarding post-trading systems, of CONSOB and the Bank of Italy dated 13 August 2018 and published in the Official Gazette No. 201 of 30 August 2018, 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 may specify issue-specific details not known on the date of approval which shall, to the extent so specified or to the extent inconsistent with the Conditions, complete the Conditions for the purpose of such Tranche.*

### 1. Introduction

#### (a) **Programme**

Banco di Desio e della Brianza S.p.A. ("**Banco Desio**" or the "**Issuer**") has established a Covered Bond Programme (the "**Programme**") for the issuance of up to Euro 3,000,000,000 in aggregate principal amount of covered bonds (the "**Covered Bonds**") guaranteed by Desio OBG S.r.l. (the "**Guarantor**"). Covered Bonds are issued pursuant to Article 7-*bis* of Law No. 130 of 30 April 1999, as amended and supplemented from time to time (the "**Securitisation and Covered Bond Law**"), Ministerial Decree No. 310 of the Ministry for the Economy and Finance of 14 December 2006, as amended and supplemented from time to time ("**Decree No. 310**") 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 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 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 19 July 2017 (as amended and supplemented from time to time) (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 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 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 19 July 2017 (as amended and supplemented from time to time) (the "**Programme Agreement**") between the Issuer, the Guarantor, the Seller, the Representative of the Covered Bondholders and the dealer(s) named therein (the "**Dealers**"), as supplemented (if applicable) by a subscription agreement entered into by 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 Securitisation Services S.p.A. as representative of the Covered Bondholders (in such capacity, the "**Representative of the Covered Bondholders**"), as described in Condition 12 (*Representative of the Covered Bondholders*).

(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 19 July 2017 (as amended and supplemented from time to time) (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 Issuer 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:

**"Accounts"** means, collectively, the Expenses Account, the Quota Capital Account, the Guarantor Payment Account, the Collection Account, the Reserve Fund Account, the Swap Collateral Cash Account, the Swap Collateral Securities Account (if any), the Securities Account (if any) and any other account opened from time to time in connection with the Programme but excluding any account related to swap collection.

**"Account Bank"** means Crédit Agricole Corporate and Investment Bank, Milan Branch, in its capacity as account bank, or any other depositary institution that may be appointed as such pursuant to the Cash Allocation, Management and Payments Agreement.

**"Account Bank Report"** means the report to be prepared and delivered by the Account Bank to the Guarantor, the Seller, the Representative of the Covered Bondholders, the Master Servicer, the Issuer and the Guarantor Calculation Agent, in accordance with the Cash Allocation, Management and Payments Agreement.

**"Account Bank Report Date"** means the date falling on the first Business Day of each month.

**"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.

**"Adjusted Outstanding Principal Balance"** has the meaning ascribed to such term in clause 3.2.1 (*Amortisation Test*) of the Cover Pool Management Agreement.

**"Affected Receivables"** has the meaning ascribed to the definition of "Crediti Colpiti" under art. 8.1 (*Payment of Indemnity*) of the Warranty and Indemnity Agreement.

**"Agents"** means each of the Account Bank, the Cash Manager, the Guarantor Calculation Agent, the Test Calculation Agent, the Issuer Paying Agent, the Guarantor Paying Agent and the Corporate Servicer.

**"Amortisation Test"** means the test which will be carried out pursuant clause 3 (*Amortisation Test*) of the Cover Pool Management Agreement in order to ensure, inter alia, that, on each Test 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 principal amount of the issued Covered Bonds as calculated on the relevant Test Calculation Date.

**"Amortisation Test Aggregate Loan Amount"** has the meaning ascribed to such term in clause 3.2 (*Amortisation Test*) of the Cover Pool Management Agreement.

**"Arranger"** means BNP Paribas, acting through its Italian branch.

**"Article 74 Event"** means, in respect of the Issuer, the issue of a resolution pursuant to Article 74 of the Consolidated Banking Act.

**"Article 74 Event Cure Notice"** means the notice to be served by the Representative of the Covered Bondholders to the Issuer, the Seller, the Guarantor and the Asset Monitor informing that an Article 74 Event has been revoked.

**"Asset Monitor"** means BDO Italia S.p.A., acting in its capacity as asset monitor, or any other entity that may be appointed as such, pursuant to the engagement letter entered into with the Issuer on 19 July 2017 and to the Asset Monitor Agreement entered on the same date.

**"Asset Monitor Agreement"** means the asset monitor agreement entered into on or about the date hereof between, *inter alios*, the Asset Monitor and the Issuer.

**"Asset Percentage"** has the meaning ascribed to such term in clause 1.2 (*Other Definitions*) of the Cover Pool Management Agreement.

**"Asset Swap Agreements"** means any asset swap agreement that may be entered into between the Guarantor and a counterparty under the Asset Swap Agreement.

**"Asset Swap Provider"** means any counterparty under any Asset Swap Agreement that may be entered into.

**"Attività Finanziarie Deteriorate"** or **"AFD"** means any Receivable 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.

**"Back-Up Servicer"** means the entity which may be appointed by the Guarantor, with the approval by Representative of the Covered Bondholders, pursuant to Clause 7 (*Back-Up Servicer*) of the Master Servicing Agreement.

**"Back-up Servicing Agreement"** means the back-up master servicing agreement entered into on 29 July 2020 between the Guarantor, the Issuer, the Master Servicer and the Back-up Servicer, as amended and/or supplemented from time to time.

**"Back-Up Servicer Facilitator"** means Securitisation Services S.p.A., acting in its capacity as back-up servicer facilitator of the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

**"Banco Desio"** means Banco di Desio e della Brianza S.p.A.

**"Bank of Italy Regulations"** (*Regolamento della Banca d'Italia*) 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 as amended from time to time.

**"Base Interest"** means the interest payable by the Guarantor to the Subordinated Lender in accordance with the Subordinated Loan Agreement.

**"Base Prospectus"** means the Base 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.

**"Beneficiaries"** means the Covered Bondholders and the Other Issuer Creditors as beneficiaries of the Covered Bond Guarantee.

**"Business Day"** means any day on which the Trans-European Automated Real Time Gross Transfer System (TARGET 2) (or any successor thereto) is open.

**"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:

- (i) **"Following Business Day Convention"** means that the Relevant Date shall be postponed to the first following day that is a Business Day;

- (ii) **"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;
- (iii) **"Preceding Business Day Convention"** means that the Relevant Date shall be brought back to the first preceding day that is a Business Day;
- (iv) **"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
- (v) **"No Adjustment"** means that the Relevant Date shall not be adjusted in accordance with any Business Day Convention.

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

**"Calculation Date"** means both prior to and after the delivery of a Guarantor Event of Default Notice, the date falling on the second Business Day immediately preceding each Guarantor Payment Date.

**"Calculation Period"** means each Collection Period and, after the delivery of a Test Performance Report assessing that a breach of Test has occurred, each period beginning on (and including) the first day of the month and ending on (and including) the last day of the same calendar month until such time the relevant breach of Test has been cured or otherwise remedied in accordance with the Cover Pool Management Agreement).

**"Cash Allocation, Management and Payments Agreement"** means the cash allocation, management and payments agreement, entered into on or about the date hereof between, *inter alios*, the Guarantor, the Representative of the Covered Bondholders, the Issuer Paying Agent, the Cash Manager, the Guarantor Paying Agent, the Guarantor Calculation Agent, the Test Calculation Agent and the Account Bank.

**"Cash Manager"** means Banco di Desio e della Brianza S.p.A., acting as cash manager pursuant to the Cash Allocation, Management and Payments Agreement.

**"Cash Manager Report"** means the cash manager report provided by the Cash Manager in accordance with the Cash Allocation Management and Payments Agreement.

**"Civil Code"** means the Italian civil code, enacted by Royal Decree No. 262 of 16 March 1942.

"**Clearstream**" means Clearstream Banking, société anonyme, Luxembourg, with offices at 42 avenue JF Kennedy, L-1855 Luxembourg.

"**Collateral Security**" means any security (including any loan mortgage insurance in respect of the Mortgage Loan and excluding Mortgages) granted to the Seller by any Debtor in order to guarantee or secure the payment and/or repayment of any amounts due under the relevant Mortgages Loan Agreements.

"**Collection Account**" means the Euro denominated account established in the name of the Guarantor with the Account Bank, IBAN IT72A0343201600002212123975 and any other Italian collection account which shall be opened by the Guarantor upon any entity part of the Desio Group becoming part of the Programme as Seller 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.

"**Collection Date**" means the last calendar day of March, June, September and December.

"**Collection Period**" means each quarterly period commencing on (and including) the first calendar day of January, April, July and October and ending on (and including) the last calendar day of March, June, September and December and, in the case of the first Collection Period, commencing on (and including) the Valuation Date and ending on (and including) the 30 September 2017.

"**Collections**" means all amounts received or recovered by the Master Servicer in respect of the Receivables comprised in the Cover Pool.

"**Commingle Amount**" means (a) if no Issuer Downgrading Event has occurred or is outstanding an amount equal to 0 (zero) or (b) if an Issuer Downgrading Event has occurred and is outstanding, 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 Collection Account on the following 3 (three) calendar months and considering a 10 per cent cumulative prepayment ratio.

"**Common Criteria**" means the criteria listed in schedule 2 (Criteri Comuni per la selezione ed identificazione dei Crediti) to the Master Loans Purchase Agreement.

"**Conditions**" means this 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, as amended and supplemented from time to time.

"**Corporate Servicer**" means Securitisation Services S.p.A., acting in its capacity as corporate servicer of the Guarantor pursuant to the Corporate Services Agreement.

"**Corporate Services Agreement**" means the corporate services agreement entered into on or about the Transfer Date, between the Guarantor and the Corporate Servicer, pursuant to which the Corporate Servicer will provide certain administration services to the Guarantor.

"**Covered Bonds**" means each Series of 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.

**"Covered Bond Guarantee"** means the guarantee issued by the Guarantor for the purpose of guaranteeing the payments due by the Issuer to the Covered Bondholders and the Other Issuer Creditors, in accordance with the provisions of the Securitisation and Covered Bond Law, Decree No. 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 from time to time of Covered Bonds, title to which is evidenced in the manner described in Condition 3 (*Form, Denomination and Title*).

**"Cover Pool"** means the cover pool constituted by, collectively, any Eligible Assets and Top-Up Assets held by the Guarantor in accordance with the provisions of the Securitisation and Covered Bond Law, the Decree No. 310 and the Bank of Italy Regulations.

**"Cover Pool Management Agreement"** means the cover pool management agreement to be entered into between the Issuer, the Guarantor, the Seller, the Representative of the Covered Bondholders, the Test Calculation Agent, the Guarantor Calculation Agent, and the Asset Monitor.

**"Cover Pool for Statutory Tests"** means, for the purpose of the calculation of the Statutory Test, 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 Attività Finanziaria Deteriorata ("AFD") and any Defaulted Receivable will be excluded and (ii) any Mortgage Loan in respect of which the LTV on the basis of the Latest Valuation exceed the percentage limit set forth under Article 2, para, 1, of the Decree No. 310, will be calculated up to an amount of principal which – taking into account the Latest Valuation of the relevant Real Estate Asset – allows the compliance with such percentage limit.

**"CRD IV Regulation"** means 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.

**"Credit and Collection Policy"** means the procedures for the management, collection and recovery of the Receivables attached as Schedule 1 (*Procedura di Riscossione*) to the Master Servicing Agreement.

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the "Relevant 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:

- |                          |   |
|--------------------------|---|
| " <b>Y<sub>1</sub></b> " | is the year, expressed as a number, in which the first day of the Calculation Period falls;   |
| " <b>Y<sub>2</sub></b> " | is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;   |
| " <b>M<sub>1</sub></b> " | is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;   |
| " <b>M<sub>2</sub></b> " | is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;   |
| " <b>D<sub>1</sub></b> " | is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D <sub>1</sub> will be 30; and   |
| " <b>D<sub>2</sub></b> " | 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 <sub>1</sub> is greater than 29, in which case D <sub>2</sub> 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 <sub>1</sub> " | is the year, expressed as a number, in which the first day of the Calculation Period falls;   |
| "Y <sub>2</sub> " | is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;   |
| "M <sub>1</sub> " | is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;   |
| "M <sub>2</sub> " | is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;   |
| "D <sub>1</sub> " | is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D <sub>1</sub> will be 30; and                                       |
| "D <sub>2</sub> " | 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 <sub>2</sub> 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 <sub>1</sub> " | is the year, expressed as a number, in which the first day of the Calculation Period falls;  |
| "Y <sub>2</sub> " | is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;  |
| "M <sub>1</sub> " | is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;  |
| "M <sub>2</sub> " | is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;  |
| "D <sub>1</sub> " | 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 <sub>1</sub> will be 30; and |

"D<sub>2</sub>" 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<sub>2</sub> 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.

"**Dealer(s)**" means BNP Paribas 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.

"**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 pursuant to a Mortgage Loan Agreement under an *accollo*, or otherwise.

"**Decree No. 239**" means Italian Legislative Decree No. 239 of 1 April 1996, as amended and/or supplemented from time to time.

"**Decree No. 310**" means the Italian ministerial decree No. 310 of 14 December 2006 issued by the Ministry of the Economy and Finance, as amended and/or supplemented from time to time.

"**Deed of Charge**" means the English law deed of charge entered into on 19 July 2017 between the Guarantor and the Representative of the Covered Bondholders (acting on behalf of the Covered Bondholders and the Other Creditors) in order to create security over the rights of the Guarantor arising under the Swap Agreements, as amended and/or supplemented from time to time.

"**Deed of Pledge**" means the Italian law deed of pledge to be entered into between the Guarantor and the Representative of the Covered Bondholders (acting on behalf of the Covered Bondholders and of the Other Creditors), as amended and/or supplemented from time to time.

"**Defaulted Receivable**" means a Receivable arising from a Mortgage Loan Agreement included in the Cover Pool which has been for at least 180 consecutive days In Arrears, or which has been classified as a *credito in sofferenza* pursuant to the Master Servicing Agreement.

"**Defaulting Party**" has the meaning ascribed to that term in the relevant Swap Agreement.

"**Delinquent Receivable**" means any Receivable in respect of which there are 1 (one) or more Instalments due and not paid by the relevant Debtor for more than 31 days and which has not been classified as Defaulted Receivable.

"**Desio Group**" means a banking group whose structure includes Banco di Desio e della Brianza S.p.A. as parent company.

"**Determination Date**" has the meaning given to it in the applicable Final Terms.

"**Downgrade Termination Event**" has the meaning ascribed to it in the relevant Liability Swap 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 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.

**“Eligible Assets”** means in accordance with article 2, sub-paragraph 1, of Decree No. 310, the Residential Mortgage Loans.

**“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 will be excluded and (ii) any Mortgage Loan in respect of which the LTV on the basis of the Latest Valuation exceed the percentage limit set forth under Article 2, para. 1, of the Decree No. 310, will be calculated up to an amount of principal which – taking into account the Latest Valuation of the relevant Real Estate Asset – allows the compliance with such percentage limit;

**“Eligible Institution”** means 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 “F1” by Fitch or (ii) whose long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least “A” by Fitch or in case of Account Bank the Deposit Rating (if any) is at least “A” by Fitch or any other lower rating that do not affect the current rating of the outstanding Covered Bonds, 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, and it being understood that, in case the Account Bank is an unrated branch of a rated parent bank, the Deposit Rating (if any) of the rated parent bank is not automatically assigned to the unrated branch if the unrated branch operates outside the rated parent bank’s country of incorporation.

**“Eligible Investment”** means any senior (unsubordinated) debt securities or other debt instruments (including without limitation, commercial paper, certificate of deposits and bonds) which:

- a) are denominated in Euro;
- b) have a maturity not exceeding the next following Eligible Investment Maturity Date or which are repayable on demand at par together with accrued and unpaid interest, without penalty;
- c) (except in case of deposits) are in the form of bonds, notes, commercial papers or other financial instruments (i) rated at least A and/or F1 by Fitch, if the relevant maturity is up to the earlier of the next Eligible Investment Maturity Date and 30 calendar days, or (ii) rated AA- and/or F1+ by Fitch, if the relevant maturity is up to mature the earlier of the next Eligible Investment Maturity Date and 365 calendar days; or

- d) in the case of a deposits, to the extent that such deposit are held by (i) an Eligible Institution at its branch located in the Republic of Italy or in the United Kingdom if the relevant maturity is up to the earlier of the next Eligible Investment Maturity Date and 30 calendar days or (ii) any depository institution located in the Republic of Italy or in the United Kingdom rated AA- and/or F1+ by Fitch, if the relevant maturity is up to mature the earlier of the next Eligible Investment Maturity Date and 365 calendar days,

*provided that* (i) such Eligible Investment shall not prejudice the rating assigned to each Series of Covered Bond and shall provide a fixed principal amount at maturity (such amount not being lower than the initially invested amount), (ii) in any event such debt securities or other debt instruments do not consist, in whole or in part, actually or potentially of credit-linked notes or similar claims nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in asset-backed securities, irrespective of their subordination, status, or ranking at any time, and (iii) 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 the third Business Days before each Guarantor Payment Date.

**“EURIBOR”** means (i) the Euro-Zone Inter-Bank offered rate for Euro deposits, as determined from time to time pursuant to the Transaction Documents, or (ii) if such rate is unavailable at such time for Euro deposits, then the rate for the relevant Interest Period shall be calculated pursuant to Condition 6 (j) (*Fallback Provisions*).

**“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 establishing the European Community.

**“Euro Equivalent”** means has the meaning ascribed to such term in clause 1.2 (*Other Definitions*) of the Cover Pool Management Agreement.

**“Euroclear”** means Euroclear Bank S.A./N.V., 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 which adopt the Euro in accordance with the Treaty.

**“Excess Receivables”** means, in relation to the Cover Pool and on each Test 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 of any Eligible Assets necessary to satisfy all Tests on the relevant Test Calculation Date; minus (ii) the aggregate Outstanding Principal of those Receivables indicated by the Master Servicer as Affected Receivables pursuant to the provisions of clause 8.1 (*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 Creditors and the Other Creditors) arising in connection with the Programme, and required to be paid 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 Account Bank, IBAN IT49B0343201600002212123976, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

**"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;

**"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 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.

**"Extraordinary Resolution"** has the meaning ascribed to such term in the Rules of Organisation of the Covered Bondholders attached to these Conditions.

**"Facility"** means the facility to be granted by the Subordinated Lender pursuant to the terms of clause 2 (*Il Finanziamento*) of the Subordinated Loan Agreement.

**"Final Maturity Date"** means the date on which all the Series of Covered Bond are redeemed in full or cancelled.

**"Final Redemption Amount"** means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

**"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.

**"Financial Law Consolidation Act"** or **"Financial Law"** means Legislative Decree number 58 of 24 February 1998 as amended from time to time.

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

**"First Issue Date"** means the date of issuance of the first Series of Covered Bonds.

**"Fitch"** means Fitch Ratings Limited.

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

**"Further Criteria"** means the criteria identified in accordance with clause 2.4.3 (*Criteri Ulteriori*) of the 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 service of an Issuer Default Notice, but prior to the service of a Guarantor Default Notice, in accordance with 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 9(a) (*Gross-up by the Issuer*)) and (ii) the Other Issuer Creditors pursuant to the relevant Transaction Documents.

**“Guaranteed Obligations”** means the Issuer's payments obligations with respect to the Guaranteed Amounts.

**“Guarantor”** means Desio OBG 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 Calculation Agent”** means Securitisation Services S.p.A. acting as guarantor calculation agent, or any such other institution as may be appointed pursuant to the Cash Allocation, Management and Payments Agreement;

**“Guarantor Default Notice”** means the notice to be served by the Representative of the Covered Bondholders to the Guarantor and the Issuer upon the occurrence of a Guarantor Event of Default.

**“Guarantor Event of Default”** has the meaning given to it in Condition 10(d) (*Guarantor Events of Default*).

**“Guarantor Paying Agent”** means Crédit Agricole Corporate and Investment Bank, Milan Branch, acting in its capacity as guarantor paying agent, or any such other institution as may be appointed pursuant to the Cash Allocation, Management and Payments Agreement.

**“Guarantor Payment Date”** means (a) prior to the service of a Guarantor Default Notice, the date falling on the 27th day of each January, April, July and October or, if such day is not a Business Day, the immediately following Business Day; and (b) following the service 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”** means any period commencing on (and including) a Guarantor Payment Date and ending on (but excluding) the immediately following Guarantor Payment Date.

**“Guarantor Payments Account”** means the Euro denominated account established in the name of the Guarantor and held with the Account Bank, IBAN IT03D0343201600002212123978 or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

**“IFRS”** means the International Financial Reporting and Accounting Standards issued by the International Accounting Standard Board (IASB).

**“In Arrears”** means, in respect of any Mortgage Loans, any amount which has become due and payable by the relevant obligor or guarantor but has remained unpaid for more than one calendar day.

**“Initial Portfolio”** means the initial portfolio of Receivables, comprising Eligible Assets, purchased by the Guarantor from the Seller (or any other entity prior to its merger by incorporation into the Seller) pursuant to the 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.

**"Insolvency Official"** means the official receiver appointed in the context of any insolvency procedure which may be opened following the occurrence of an Insolvency Event.

**"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 Companies"** means the companies with whom the Insurance Policies are held.

**"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 the date hereof 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 Available Funds"** means in respect of any Calculation Date, the aggregate of:

- (i) interest collected by the Master Servicer and/or each relevant Service Provider in respect of the Cover Pool and credited into the Collection Account during the Collection Period preceding the relevant Calculation Date;
- (ii) all recoveries in the nature of interest and fees received by the Master Servicer and/or each relevant Service Provider and credited to the Collection Account during the Collection Period preceding the relevant Calculation Date;
- (iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts (excluding the Swap Collateral Cash Account and the Swap Collateral Securities Account) during the Collection Period preceding the relevant Calculation Date;
- (iv) all interest deriving from the Eligible Investments made with reference to the immediately preceding Collection Period;
- (v) any payment received on or immediately prior to such Guarantor Payment Date from any Swap Provider under the Swap Agreements in the nature of interest (other than for the avoidance of doubt any Swap Collateral Excluded Amounts);
- (vi) all interest amounts received from the Seller by the Guarantor pursuant to the Master Loans Purchase Agreement;
- (vii) the Reserve Fund Amount standing to the credit of the Reserve Fund Account;
- (viii) any amounts (other than the amounts already allocated under other items of the Guarantor Available Funds and other than any principal amounts) received by the Guarantor from any party to the Transaction Documents; and
- (ix) interest amount recovered by the Guarantor from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

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

**"Interest Coverage Test"** has the meaning ascribed to such term in clause 2.2.3 (*Interest Coverage Test*) of the Cover Pool Management Agreement.

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

**"Interest Instalment"** means the interest component of each Instalment.

**"Interest Payment Date"** means any date or dates determined in accordance with the provisions of the Conditions and specified in 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).

**"Investor Report Date"** means the date falling 2 (two) Business Days after each Guarantor Payment Date.

**"Investors Report"** means the report to be prepared and delivered by the Guarantor Calculation Agent on or prior to the Investors Report Date, to the Issuer, the Guarantor, the Seller, the Representative of the Covered Bondholders, the Rating Agency, the Master Servicer, the Guarantor Paying Agent and the Issuer Paying Agent, setting out certain information with respect to the Covered Bond and the Cover Pool.

**"Interest Period"** means each period beginning on (and including) a Interest Payment Date (or, in case of the first Interest Period, the Interest Commencement Date) and ending on (but excluding) the next Interest Payment Date (or, in case of the last Interest Period, the Maturity 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 ascribed to such term, with respect to each Series of Covered Bonds, in the relevant Final Terms.

**"Issuer"** means Banco di Desio e della Brianza S.p.A., acting in its capacity as issuer pursuant to the Programme Agreement.

**"Issuer Downgrading Event"** means (i) with reference to the Potential Set-Off Amount, the Issuer being downgraded below "BBB-" or "F3" by the Rating Agency and (ii) with reference to the Commingling Amount, the Issuer being downgraded below "BB+" (long term) or "B" (short term) by the Rating Agency.

**"Issuer Default Notice"** means the notice to be served 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 10(a) (*Issuer Events of Default*).

**"Latest Valuation"** means, at any time with respect to any Real Estate Asset the most recent valuation of the relevant property performed in accordance with the Bank of Italy's "New regulations for the prudential supervision of banks" (Circular No. 263 of 27 December 2006, as from time to time amended).

**"Liability Swap Agreements"** means the swap agreements that may be entered into 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.

**"LIBOR"** means the London inter-bank offered rate.

**"Loan Event of Default"** means any of the events specified as such in clause 8 (*Eventi Rilevanti – Decadenza dal Beneficio del Termine*) of the Subordinated Loan Agreement.

"**LTV**" means, with respect to a Mortgage Loan, the Loan-to-Value ratio, determined as the ratio between the Outstanding Principal Balance and the Latest Valuation of the relevant Real Estate Assets relating to the relevant Mortgage Loan.

"**Mandate Agreement**" means the mandate agreement entered into, on or about the date hereof 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 19 July 2017 between the Issuer, the Guarantor and the Other Creditors, as amended and supplemented from time to time.

"**Master Loans Purchase Agreement**" means the master loans purchase agreement entered into on 5 July 2017 between the Guarantor and the Seller, as amended and supplemented from time to time.

"**Master Servicer**" means Banco di Desio e della Brianza S.p.A. in its capacity master servicer pursuant to the Master Servicing Agreement.

"**Master Servicer Quarterly Report**" means the report to be prepared and delivered by the Master Servicer in accordance with the provisions of the Master Servicing Agreement.

"**Master Servicer Termination Event**" means any of the events set out under clause 8.1 (*Casi di revoca del mandato del Master Servicer*) of the Master Servicing Agreement, which allows the Guarantor to terminate the Servicer's appointment and appoint a Substitute Servicer pursuant to the Master Servicing Agreement.

"**Master Servicing Agreement**" means the master servicing agreement entered into on 5 July 2017 between the Guarantor, the Issuer and the Master Servicer, as amended and supplemented from time to time.

"**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.

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

"**Member State**" means a member State of the European Union.

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

"**Monte Titoli**" means Monte Titoli S.p.A., a joint stock company (*società per azioni*) having its registered office at Piazza degli Affari 6, 20123 Milan, Italy.

"**Monte Titoli Account Holders**" 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-*quater* of the Financial Law Consolidated Act.

"**Monte Titoli Mandate Agreement**" means the agreement entered into on or about the First Issue Date between the Issuer and Monte Titoli.

"**Monthly Master Servicer's Report**" means the monthly report prepared by the Master Servicer on each Monthly Servicer's Report Date and containing details on the Collections of the Receivables during the relevant Collection Period, prepared in accordance with the Master Servicing Agreement and delivered by the Master Servicer, *inter alios*, to the Guarantor and the Asset Monitor.

**"Monthly Master Servicer's Report Date"** means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the thirteenth calendar day of each month of each year, or if such day is not a Business Day, the immediately following Business Day; and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Covered Bondholders.

**"Monthly Test Calculation Date"** means, following the delivery of a Test Performance Report assessing that a breach of Tests has occurred, the 20<sup>th</sup> day of the month immediately following the date on which such Test Performance Report was sent and, thereafter, the 20<sup>th</sup> day of each month until the end of the relevant Test Grace Period in accordance with the Cover Pool Management Agreement, or, if any such day is not a Business Day, the immediately following Business Day.

**"Mortgage Loan Agreement"** means any Residential Mortgage Loan Agreement out of which the Receivables arise.

**"Mortgage Loan"** means a Residential Mortgage Loan.

**"Mortgages"** means the mortgage security interests (*ipoteche*) created on the Real Estate Assets 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 the Seller to secure the payment or repayment of any amounts payable in respect of a Mortgage Loan, and/or his/her successor in interest.

**"Negative Carry Factor"** means "0.5%" or such other percentage procured by the Issuer on behalf of the Guarantor and notified to the Representative of the Covered Bondholders and to the Test Calculation Agent.

**"Net Present Value Test"** has the meaning ascribed to such term in clause 2.2.2 (*Net Present Value Test*) of the Cover Pool Management Agreement.

**"Net Present Value"** has the meaning ascribed to such term in clause 2.4 (*Net Present Value Test*) of the Cover Pool Management Agreement.

**"New Portfolio"** means any portfolio of Receivables (other than the Initial Portfolios), comprising Eligible Assets and Top-Up Assets, which may be purchased by the Guarantor from the Seller pursuant to the terms and subject to the conditions of the Master Loans Purchase Agreement.

**"Nominal Value"** has the meaning ascribed to such term in clause 2.3.1 (*Nominal Value*) of the Cover Pool Management Agreement.

**"Nominal Value Test"** has the meaning ascribed to such term in clause 2.2.1 (*Nominal Value Test*) of the Cover Pool Management Agreement.

**"Obligations"** means all the obligations of the Guarantor created by or arising under the Transaction Documents.

**"Offer Date"** means, with respect to each New Portfolio, the date falling 5 (five) Business Days prior to each Transfer Date, pursuant to clause 3.1 (*Offerta*) of the Master Loans Purchase Agreement.

**"Official Gazette of the Republic of Italy"** or **"Official Gazette"** means the *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 Issuer, the Seller, the Subordinated Lender, the Master Servicer, the Back-up Servicer, the Back-Up Servicer Facilitator, the Representative of the Covered Bondholders, the Guarantor Calculation Agent, the Test Calculation Agent, the Corporate Servicer, the Issuer Paying Agent, the Guarantor Paying Agent, the Account Bank, the Asset Monitor, the Stitching Corporate Servicer, the Asset Swap Providers, the Liability Swap Provider, the Portfolio Manager (if any), the Cash Manager and any other creditors which may, from time to time, be identified as such in the context of the Programme.

**"Other Issuer Creditors"** means any entity – other than the Issuer – acting as Issuer Paying Agent, any Liability Swap Provider, the Asset Monitor and any other Issuer's creditor 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"** 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.

**"Outstanding Principal Balance"** means any principal balance outstanding in respect of a Mortgage Loan or any principal balance outstanding or in respect of a Series of Covered Bond, as the case may be .

**"Paying Agents"** means the Issuer Paying Agent and the Guarantor Paying Agent.

**"Payments Report"** means the report to be prepared and delivered by the Guarantor Calculation Agent pursuant to the Cash Allocation, Management and Payments Agreement on the second Business Day prior to each Guarantor Payment Date with respect to the immediately preceding Collection Period.

**"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.

**"Pledged Accounts"** means the Swap Collateral Cash Account and any future account that might be pledged in the context of the Programme.

**"Portfolio"** means the portfolios transferred by Banco Desio to the Guarantor pursuant to the Master Loans Purchase Agreement it being understood that the Portfolio of the Seller will include other portfolios of Eligible Assets transferred to the Guarantor from other sellers merged into the Seller.

**"Portfolio Manager"** means the entity appointed as such in accordance with clause 5.6 (*Portfolio Manager*) 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 (a) if no Issuer Downgrading Event has occurred or is outstanding an amount equal to 0 (zero) or (b) if an Issuer Downgrading Event has occurred and is outstanding, an amount of the Cover Pool that could potentially be set-off by the relevant Debtors against any credit owed by any such Debtor towards the Seller. Such amount will be calculated by the Test Calculation Agent (based on the aggregate information provided by the Master Servicer) on a quarterly basis on each Test Calculation Date and/or on each other date on which the Asset Coverage 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 Interest"** means the premium payable by the Guarantor to the Seller in accordance with the Subordinated Loan Agreement, as determined thereunder.

**"Principal Available Funds"** means, in respect of any Calculation Date, the aggregate of:

- (i) all principal amounts collected by the Master Servicer and/or each relevant Service Provider in respect of the Cover Pool and credited to the Collection Account net of the amounts applied to purchase Eligible Assets and Top Up Assets during the Collection Period preceding the relevant Calculation Date;
- (ii) all other recoveries in the nature of principal received by the Master Servicer and/or each relevant Service Provider and credited to the Collection Account during the Collection Period preceding the relevant Calculation Date;
- (iii) all principal amounts received from the Seller by the Guarantor pursuant to the Master Loans Purchase Agreement;
- (iv) the proceeds of any disposal of Eligible Assets and any disinvestments of Top Up Assets;
- (v) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Date;
- (vi) any principal amounts (other than the amounts already allocated under other items of the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;

- (vii) any payment made under the Swap Agreements other than any Swap Collateral Excluded Amounts and payments in the nature of interest;
- (viii) any amount paid under the Subordinated Loan and not repaid, standing to the credit of the Collection Accounts;
- (ix) all the amounts allocated pursuant to item Sixth of the Pre-Issuer Event of Default Interest Priority of Payments; and
- (x) principal amount recovered by the Guarantor from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

**"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 Guarantor 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 Guarantor Calculation Agent.

**"Principal Instalment"** means the principal component of each Instalment.

**"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 or the Post-Enforcement Priority of Payments, as the case may be.

**"Privacy Law"** means the Italian Legislative Decree No. 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 the date hereof between, *inter alios*, the Guarantor, the Issuer and the Dealers.

**"Programme Amount"** means € 3,000,000,000.

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

**"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 Regulation"** means Regulation (EU) 2017/1129, 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 (*Disposizioni di vigilanza per le banche*) as amended and supplemented from time to time.

**"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 0 (zero) 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 Securities"** means pursuant to article 2, sub-paragraph 1, of Decree No. 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 the Seller, the consideration paid by the Guarantor to the Seller for the transfer thereof, calculated in accordance with the Master Loans Purchase Agreement.

**"Put Option Notice"** means a notice of exercise relating to the put option contained in Condition 7 (f) (*Redemption at the option of the Covered Bondholders*), substantially in the form set out in schedule 5 to the Cash Allocation, Management and Payments Agreement, or such other form which may, from time to time, be agreed between the Issuer and the Issuer Paying Agent or Guarantor Paying Agent, as the case may be;

**"Put Option Receipt"** means a receipt issued by the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, to a depositing Covered Bondholder upon deposit of Covered Bonds with the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, by any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

**"Quarterly Master Servicer's Report"** means the quarterly report delivered by the Master Servicer on each Quarterly Master Servicer's Report Date and containing details on the Collections of the Receivables during the relevant Collection Periods prepared in accordance with the Servicing Agreement and delivered by the Servicer to, inter alios, the Guarantor, the Corporate Servicer, the Guarantor Calculation Agent, the Representative of the Covered Bondholders and the Rating Agency.

**"Quarterly Master Servicer's Report Date"** means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 14th calendar day of January, April, July and October of each year or if such day is not a Business Day, the immediately following Business Day and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Covered Bondholders.

**"Quotaholders' Agreement"** means the agreement entered into on or about the date hereof, between Banco di Desio e della Brianza S.p.A., Stichting Morricone, the Guarantor and the Representative of the Covered Bondholders;

**"Quotaholders"** means each of Stichting Morricone and Banco di Desio e della Brianza S.p.A..

**"Quota Capital"** means the quota capital of the Guarantor, equal to Euro 10,000.00.

**"Quota Capital Account"** means the Euro denominated account established in the name of the Guarantor with Banca Finanziaria Internazionale S.p.A., IT 44 D 03266 61620 000014006035 for the deposit of the Quota Capital.

**"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 calculated or determined in accordance with the provisions of these Conditions and specified in the relevant Final Terms.

**"Rating Agency"** means Fitch.

**"Real Estate Assets"** means the real estate properties which have been mortgaged in order to secure the Receivables and each of them the **"Real Estate Asset"**.

**"Receivables"** means 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 (but excluding any collection expenses applicable to the Instalments) and in relation to any losses, costs, indemnities and damages and any other amount due to the Seller in relation to the Mortgage Loans, the Mortgage Loan Agreements, including penalties and any other amount due to the 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 the 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 Seller in connection with the Mortgage Loans or the Mortgage Loan Agreements and the Receivables.

**"Receivables In Arrears"** means, in respect of any Mortgage Loans, any Receivable which has one or more instalment that has become due and payable by the relevant obligor or guarantor but has remained unpaid for more than one calendar day.

**"Receiver"** means any receiver, manager or administrative receiver appointed in accordance with clause 7 (*Appointment of Receiver*) of the Deed of Charge.

**"Records"** means the records prepared pursuant to clause 10.1 (*Duty to maintain Records*) of the Cash Allocation, Management and Payments Agreement.

**"Recoveries"** means any amounts received or recovered by the Master Servicer or by each Service Provider in accordance with the terms of the Master Servicing Agreement, in relation to any Defaulted Loans and any Delinquent Receivable.

**"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 Guarantor 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"** has the meaning given 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 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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.

**"Representative of the Covered Bondholders"** means Securitisation Services S.p.A., acting in its capacity as representative of the Covered Bondholders pursuant to the Intercreditor Agreement, the Programme Agreement, the Deed of Pledge, the Deed of Charge, 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 Account Bank IBAN IT26C0343201600002212123977, or such other substitute account as may be opened in accordance with the Cash Allocation Management and Payments Agreement.

**"Reserve Fund Amount"** means, on each Guarantor Payment Date, an amount calculated by the Guarantor Calculation Agent as being equal to the sum of:

- (i) (A) interest accruing in respect of all outstanding Series of Covered Bonds during the immediately following Guarantor Payment Period (such that, (a) if Liability Swap Agreements are in place for a Series of Covered Bonds, such interest amounts accruing will be the higher of the net amount due to the Liability Swap Provider or the amount due to the Covered Bondholders of such Series, (b) if Liability Swap Agreements are not in place for a Series of Covered Bonds, such interest amounts accruing will be the amount due to the Covered Bondholders of such Series and (c) if Liability Swap Agreements are in place for a portion of a Series of Covered Bonds, such interest amounts accruing will be the sum of (i) for the portion of the Series covered by the Liability Swap Agreement, the higher of the amount due to the Liability Swap Provider and the amount due to the Covered Bondholders of such Series, and (ii) for the remaining portion, the interest amounts accruing will be the proportional amount due the Covered Bondholders of such Series) in each case as calculated by the Guarantor Calculation Agent on or prior to each Calculation Date, *plus* (B) prior to the service of an Issuer Default Notice, the aggregate amount to be paid by the Guarantor on the second Guarantor Payment Date following the relevant Calculation Date in respect of the items *(First)(a)* to *(Third)* (each inclusive) of the Pre- Issuer Event of Default Interest Priority of Payments; *plus*
- (ii) any additional amount that the Issuer has voluntarily resolved to accumulate as reserve in order to create an additional stock to procure that the Statutory Tests are met with respect to the Cover Pool.

**"Residential Assets"** means the Real Estate Assets with respect to Residential Mortgage Loans.

**"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 article 2, sub-paragraph 1, letter (a) of Decree 310.

**"Residential Mortgage Loan Agreement"** means any mortgage loan agreement out of which Receivables arise and secured by mortgage over Residential Assets.

**"Retention Amount"** means Euro 50,000.

**"Rules of the Organisation of the Covered Bondholders"** or **"Rules"** means the rules of the Organisation of the Covered Bondholders attached as exhibit to the Conditions of the Covered Bonds.

**"Secured Creditors"** means, collectively, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Covered Bondholders), the Issuer, the Seller, the Subordinated Lender, the Master Servicer, the Back-Up Servicer Facilitator, the Guarantor Calculation Agent, the Test Calculation Agent, the Stichting Corporate Servicer, the Corporate Servicer, the Issuer Paying Agent, the Guarantor Paying Agent, the Account Bank, the Asset Monitor, any Asset Swap Provider(s), any Liability Swap Provider(s), the Portfolio Manager (if any), the Cash Manager, together with any other entity acceding to the Intercreditor Agreement.

**"Securities Account"** means the account which may be opened in the name of the Guarantor with the Account Bank, upon purchase by the Guarantor from the Seller of Eligible 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 and Payments Agreement.

**"Securities Act"** means the U.S. Securities Act of 1933, as amended and supplemented from time to time.

**"Securitisation and Covered Bond Law"** means Italian Law No. 130 of 30 April 1999 as amended from time to time.

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

**"Security Interest"** means:

- (a) any mortgage, charge, pledge, lien, privilege (*privilegio speciale*) or other security interest securing any obligation of any person;
- (b) any arrangement under which money or claims to money, or the benefit of a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge or any sum owed or payable to any person; or
- (c) any other type or preferential arrangement having a similar effect.

**"Seller"** means Banco Desio pursuant to the Master Loans Purchase Agreement.

**"Series"** or **"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 (i) with respect to each Initial Portfolio, the criteria listed in Schedule 3 to the Master Loans Purchase Agreement, or (ii) with respect to each New Portfolio, the criteria listed in Annex A of the relevant Transfer Notice of the New Portfolio.

**"Specified Currency"** means the currency as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Issuer Paying Agent and the Representative of the Covered Bondholders (as set out in the applicable Final Terms).

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

**"Specified Office"** means with respect to the Account Bank and Guarantor Paying Agent Piazza Lina Bo Bardi 3, Milan, with respect to the Cash Manager, Test Calculation Agent and Issuer Paying Agent Via Rovagnati, 1, Desio (MB), Italy, and with respect to the Guarantor Calculation Agent and Corporate Servicer Via V. Alfieri, 1, Conegliano (TV), Italy .

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

**"Stabilisation Manager"** means each Dealer or any other person acting in such capacity in accordance with the terms of the Programme Agreement.

**"Statutory Tests"** means such tests provided for under article 3 of Decree No. 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 (*Statutory Tests and Asset Coverage Tests*) of the Cover Pool Management Agreement.

**"Stichting Corporate Servicer"** means Wilmington Trust Sp Services (London) Limited.

**"Stichting Corporate Services Agreement"** means the agreement entered into on or about the date hereof, between Stichting Morricone, the Guarantor and Wilmington Trust SP Services (London) Limited.

**"Stock Exchange"** means the Euronext Dublin.

**"Subordinated Lender"** means the Seller, in its capacity as subordinated lender pursuant to the Subordinated Loan Agreement.

**"Subordinated Loan"** means each 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 the Subordinated Loan Agreement.

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

**"Subscription Agreements"** means each subscription agreement entered into on or about the Issue Date of each Series of Covered Bonds between each Dealer and the Issuer.

**"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 8.4 (*Back-up Servicer*) of the Master Servicing Agreement.

**"Subsidiary"** has the meaning ascribed to such term it in Article 2359 of the Italian Civil Code.

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

**"Swap Basic Term Modification"** means any amendment to any of the Transaction Documents aimed at: (i) altering the Priority of Payments by affecting the position of a Swap Provider if compared to the position of the Covered Bondholders, (ii) changing a payment date under a Swap Agreement; (iii) providing a reduction or cancellation or increase in the payments due under a Swap Agreement; (iv) altering the currency for each relevant payment under a Swap Agreement; (v) extending the termination date under the Swap Agreement and (vi) modifying this definition.

**"Swap Collateral"** means the collateral which may be transferred by the Swap Providers to the Guarantor in support of its obligations under the Swap Agreements.

**"Swap Collateral Accounts"** means collectively the Swap Collateral Cash Account, the Swap Collateral Securities Account and any swap collateral cash account, any swap collateral securities account and any other collateral account that may be opened, in name and on behalf of the Guarantor, with an account bank on which each Swap Collateral in the form of cash and/or securities and will be posted in accordance with the relevant Swap Agreement.

**"Swap Collateral Cash Account"** means the Euro denominated collateral account established in the name of the Guarantor with the Account Bank, IBAN IT77E0343201600002212123979, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

**"Swap Collateral Excluded Amounts"** means, in respect of a Swap Agreement, an amount (which will be transferred directly and outside the Priorities of Payments to the relevant Swap Provider as calculated in accordance with the Swap Agreement) equal to the amount (i) by which the value of the Swap Collateral provided by the Swap Provider to the Guarantor pursuant to the Swap Agreement (and accrued interest and any distributions received in respect thereof) exceeds the Swap Provider's liability (if any) under the Swap Agreement upon termination of the relevant Swap Agreement (such liability for the avoidance of doubt shall be calculated prior to any netting of an Unpaid Amount and shall be determined in accordance with the terms of the Swap Agreement except that, for the purpose of this definition only, the value of the collateral will not be applied as an unpaid amount owed by the Guarantor to the Swap Provider) or (ii) which the Swap Provider is otherwise entitled to have returned to it from time to time under the terms of the Swap Agreement including any Return Amount as defined in the credit support annex forming part of the relevant Swap Agreement.

**"Swap Collateral Securities Account"** means the Euro denominated account which may be established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments 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.

**"Tax"** means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein.

**"Term Loan"** means the term loan to be granted by the Subordinated Lender pursuant to the terms of clause 2 (*Il Finanziamento Subordinato*) of the Subordinated Loan Agreement.

**"Test Calculation Agent"** means Banco di Desio e della Brianza S.p.A., acting as test calculation agent or any other institution that, from time to time, may be appointed as such pursuant to the Cash Allocation, Management and Payments Agreement.

**"Test Calculation Date"** means the date which falls 3 (three) Business Days prior to each Guarantor Payment Date. The first Test Calculation Date will fall on 24 October 2017. **"Test Grace Period"** means the period starting from the Test Calculation Date on which the breach of a test is notified by the Test Calculation Agent and ending on the 1<sup>st</sup> Monthly Test Calculation Date.

**"Test Performance Report"** means the report to be delivered, not later than each Test Calculation Date (or Monthly Test Calculation Date, after the occurrence of a breach of Test), by the Test Calculation Agent pursuant to the terms of the Cover Pool Management Agreement.

**"Tests"** means, collectively, the Statutory Tests, the Asset Coverage Test and the Amortisation Test.

**"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 1 (one) year.

**"Total Commitment"** with respect to the Subordinated Lender, has the meaning ascribed to such term under the Subordinated Loan Agreement.

**"Trade Date"** means the date on which the issue of the relevant Series of Covered Bonds is priced.

**"Tranche"** means the tranche of Covered Bonds issued under the Programme to which each Final Terms relates, each such tranche forming part of a Series.

**"Transaction Documents"** means the Master Loans Purchase Agreement, the Master Servicing Agreement, the Back-up Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payments Agreement, the Programme Agreement, the Subscription Agreement, the Cover Pool Management Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Covered Bond Guarantee, the Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, the Stichting Corporate Services Agreement, the Conditions, each Final Terms, the Deed of Charge, the Deed of Pledge, the Master Definitions Agreement and any other agreement entered into from time to time in connection with the Programme.

**"Transfer Agreement"** means any subsequent transfer agreement for the purchase of each New Portfolio entered into in accordance with the terms of the Master Loans Purchase Agreement.

**"Transfer Date"** means: (a) with respect to the Initial Portfolio, 5 July 2017; and (ii) with respect to New Portfolios, the date designated by the Seller in the relevant Transfer Notice.

**"Transfer Notice"** means, in respect to each New Portfolio, such transfer notice which will be sent by the Seller and addressed to the Guarantor in the form set out in the Master Loans Purchase Agreement.

**"Treaty"** means the treaty establishing the European Community.

**"Unpaid Amount"** has the meaning ascribed to it in the relevant Liability Swap Agreement.

**"Valuation Date"** means (a) with reference to the Initial Portfolio, 5 July 2017 and (b) with reference to New Portfolios, the date indicated as such in the relevant Transfer Notice.

**"Warranty and Indemnity Agreement"** means the warranty and indemnity agreement entered into on 5 July 2017 between the Seller and the Guarantor, as amended and supplemented from time to time.

- (j) ***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 **Errore. L'origine riferimento non è stata trovata.** (*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 **Errore. L'origine riferimento non è stata trovata.** (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) if an expression is stated in Condition **Errore. L'origine riferimento non è stata trovata.** **Errore. L'origine riferimento non è stata trovata.** (*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 of Euro 100,000 (or, where Specified Currency is a currency other than Euro, the equivalent amount in such Specified Currency) and higher integral multiples of a smaller amount, in each case as specified in the relevant Final Terms. The Covered Bonds will be issued in bearer form and in dematerialised form (*emesse in forma dematerializzata*) and will be wholly and exclusively deposited with Monte Titoli in accordance with Article 83-*bis* of Italian Legislative Decree No. 58 of 24 February 1998, as amended, through the authorised institutions listed in Article 83-*quater* of such legislative decree. 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, regarding post training systems, of CONSOB and the Bank of Italy dated 13 August 2018 and published in the Official Gazette No. 201 of 30 August 2018, 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. Monte Titoli Account Holder will be act as depository for Clearstream and Euroclear. 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 these Conditions and 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 **Error. L'origine riferimento non è stata trovata.** 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 on their Outstanding Principal Balance from (and including) the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition **Error. L'origine riferimento non è stata trovata.** (*Payments*) up to (and excluding) the Maturity Date or, as the case may be, the Extended Maturity Date. 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 **Error. L'origine riferimento non è stata trovata.** (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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 Provisions

### (a) *Application*

This Condition **Errorre. L'origine riferimento non è stata trovata.** 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 on their Outstanding Principal Balance from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition **Errorre. L'origine riferimento non è stata trovata.** (*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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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, subject to Condition 6(j) (*Fallback Provisions*), determined by the Guarantor Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Guarantor 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 Guarantor 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 Guarantor Calculation Agent will:

- (C) 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
- (D) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Guarantor Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Guarantor Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Guarantor 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 Guarantor 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 Guarantor Calculation Agent under an interest rate swap transaction if the Guarantor Calculation Agent were acting as Guarantor Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter bank 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 Specified Currency other than Euro, the lowest amount of such Specified Currency that is available as legal tender in the country of such Specified 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, then the Issuer Paying Agent or the Guarantor Paying 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 Issuer Paying Agent or the Guarantor Paying Agent in the manner specified in the relevant Final Terms.

(h) ***Publication***

The Issuer Paying Agent or the Guarantor Paying 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 Issuer and the Guarantor Calculation Agent, as the case may be, 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 Issuer Paying Agent or the Guarantor Paying 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 Issuer Paying Agent or the Guarantor Paying Agent will (in the absence of manifest error, wilful default or gross negligence) be binding on the Issuer, the Guarantor, the Master Servicer, the Guarantor Calculation Agent, the Corporate Servicer, the Covered Bondholders and (subject as aforesaid) no liability to any such Person will attach to the Issuer Paying Agent or the Guarantor Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(j) ***Fallback Provisions***

***(i) Independent Adviser***

Notwithstanding the provisions above in respect of Covered Bonds whose Final Terms specifies the Floating Rate Provisions as being applicable, if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 6(j)(ii) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 6(j)(iii) (*Adjustment Spread*)) and whether any Benchmark Amendments (in accordance with Condition 6(j)(iv) (*Benchmark Amendments*)) are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

An Independent Adviser appointed pursuant to this Condition 6(j)(i) shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer. In the absence of bad faith, fraud and gross negligence, the Independent Adviser shall have no liability whatsoever to the Issuer, the party responsible for determining the Rate of Interest applicable to the Covered Bond (being the Paying Agent, or such other party specified in the form of Final Terms), any Paying Agent or the Covered Bondholders for any determination made by it pursuant to this Condition 6(j).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 6(j)(i) prior to the relevant Interest Determination Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, failing which, an Alternative Rate, provided however that if the Issuer is unable or unwilling to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 6(j)(i) prior to the relevant Interest Determination Date in the case of the Rate of Interest on Covered Bonds whose Final Terms specifies the Floating Rate Provisions as being applicable, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Covered Bonds whose Final Terms specifies the Floating Rate Provisions as being applicable in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest for Covered Bonds whose Final Terms specifies the Floating Rate Provisions as being applicable shall be the initial Rate of Interest. Where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest (as applicable) is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest (as applicable) relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of

Interest relating to that last preceding Interest Period (as applicable). For the avoidance of doubt, this Condition 6(j)(i) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(j)(i).

**(ii) Successor Rate or Alternative Rate**

If the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 6(j)(i) (*Independent Adviser*) prior to the relevant Interest Determination Date) acting in good faith and in a commercially reasonable manner determines that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 6(j)(iii) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Covered Bonds (subject to the operation of this Condition 6(j)); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 6(j)(iii) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Covered Bonds (subject to the operation of this Condition 6(j)).

**(iii) Adjustment Spread**

If the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 6(j)(i) (*Independent Adviser*) prior to the relevant Interest Determination Date) acting in good faith and in a commercially reasonable manner determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

**(iv) Benchmark Amendments**

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 6(j) and the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 6(j)(i) prior to the relevant Interest Determination Date) acting in good faith and in a commercially reasonable manner determines (i) that amendments to these Conditions and the other Transaction Documents, including but not

limited to Relevant Screen Page, are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread and/or necessary or appropriate to comply with any applicable regulation or guidelines on the use of benchmarks or other related document issued by the competent regulatory authority (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 6(j)(v) (*Notices*) and subject (to the extent required) to giving any notice required to be given to, and receiving any consent required from, or non-objection from, the competent regulatory authority, without any requirement for the consent or approval of Covered Bondholders vary these Conditions and the other Transaction Documents to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, the Representative of the Covered Bondholders together with the Guarantor, without any requirement for the consent or approval of the Covered Bondholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of an amendment agreement to the Transaction Documents) and the Representative of the Covered Bondholders shall not be liable to any party for any consequences thereof, provided that if, in the opinion of the Covered Bondholders doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or the protective provisions afforded to the Covered Bondholders in these Conditions or the Transaction Documents (including for the avoidance of doubt, any amendment to the Transaction Documents), the Representative of the Covered Bondholders shall give effect to such Benchmark Amendments (including, *inter alia*, by the execution of any amendment agreement to the Transaction Documents), subject to being indemnified and/or secured to its satisfaction by the Issuer.

In connection with any such variation in accordance with this Condition 6(j)(iv), the Issuer shall comply with the rules of any stock exchange on which the Covered Bonds are for the time being listed or admitted to trading.

Where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest or First Margin or Subsequent Margin (as applicable) is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest or First Margin or Subsequent Margin (as applicable) relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest or First Margin or Subsequent Margin relating to that last preceding Interest Period.

**(v) Notices**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 6(j) will be notified promptly by the Issuer to the Representative of the Covered Bondholders, the Guarantor Calculation Agent, the Test Calculation Agent and the Paying Agent and, in accordance with Condition 16 (*Notices*), the Covered Bondholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

***(vi) Survival of Original Reference Rate***

Without prejudice to the obligations of the Issuer under Conditions 6(j)(i) (*Independent Adviser*) to 6(j)(iv) (*Benchmark Amendments*), the Original Reference Rate and the fallback provisions provided for in Condition 6 (*Floating Rate Interest Provisions*) will continue to apply unless and until a Benchmark Event has occurred.

***(vii) Definitions***

For the purposes of this Condition 6(j):

**“Adjustment Spread”** means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Covered Bondholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (b) the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner), is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged); or
- (c) the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

**“Alternative Rate”** means an alternative benchmark or screen rate which the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) in accordance with Condition 6(j)(ii) (*Successor Rate or Alternative Rate*) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Covered Bonds;

**“Benchmark Amendments”** has the meaning given to it in Condition 6(j)(iv) (*Benchmark Amendments*);

**“Benchmark Event”** means:

- (a) the Original Reference Rate ceasing be published for a period of at least 5 Business Days or ceasing to exist; or
- (b) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (c) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Covered Bonds, in each case within the following six months; or
- (e) it has become unlawful for, the Paying Agent, the Guarantor Calculation Agent, the Test Calculation Agent the Issuer or other party to calculate any payments due to be made to any Covered Bondholders using the Original Reference Rate;

**“Independent Adviser”** means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 6(j)(i) (*Independent Adviser*);

**“Original Reference Rate”** means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Covered Bonds;

**“Relevant Nominating Body”** means, in respect of a benchmark or screen rate (as applicable):

- (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

**“Successor Rate”** means the rate that the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) is a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

## 7. 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 7 (*Redemption and Purchase*) and Condition 8 (*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 Guarantor 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 unpaid 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, shall not affect the validity or effectiveness of the extension.

The Guarantor or the Guarantor Paying Agent, as the case may be shall notify the relevant holders of the Covered Bonds (in accordance with Condition 16 (*Notices*), any relevant Swap Provider(s) and the Representative of the Covered Bondholders, as the case may be, as soon as reasonably practicable and in any event at least three 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.

In the circumstances outlined above, the Guarantor shall 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 amounts 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 not 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:

- (E) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*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
- (F) 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, with a copy to the Listing Agent and the Representative of the Covered Bondholders, (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 7(c), the Issuer shall be bound to redeem the Covered Bonds in accordance with this Condition 7(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 7(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 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 7(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 7(f), the Covered Bondholder must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put), deposit with the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, a duly completed Put Option Notice (which notice shall be irrevocable) in the form obtainable from the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be. The Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, shall deliver a duly completed Put Option Receipt to the depositing Covered Bondholder. Once deposited in accordance with this Condition 7(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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be in accordance with this Condition 7(f), the Covered Bondholder and not the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 7 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 7(h) (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 an 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 Guarantor 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 Extended Instalment Date *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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, shall not affect the validity or effectiveness of the extension.

The Guarantor or the Guarantor Calculation Agent on its behalf, shall notify the relevant holders of the Covered Bonds (in accordance with Condition 16 (*Notices*), any relevant Swap Provider(s), the Representative of the Covered Bondholders and the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, as soon as reasonably practicable and in any event at least three 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.

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 Extended Maturity Date for the relevant Series.

(k) ***Redemption due to illegality***

The Covered Bonds of all Series or Tranche may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Representative of the Covered Bondholders and Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, and, in accordance with Condition 16 (*Notices*), all Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Representative of the Covered Bondholders immediately before the giving of such notice that it has, or will, before the next Interest Payment Date of any Covered Bond of any Series or Tranche, become unlawful for the Issuer to make any payments under the Covered Bonds as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date

## **8. 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 9 (*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.

**9. 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 relation to any payment or deduction of any interest or principal on account of *imposta sostitutiva* pursuant to Decree No. 239, as amended from time to time with respect to any Covered Bonds and in all circumstances in which the procedures set forth in Decree No. 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) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or any other amount is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or
- (iii) where the Covered Bondholder would have been able to lawfully avoid (but has not so avoided) such deduction or withholding by complying, or procuring that any third party complies, with any statutory requirements;
- (iv) where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983, as amended or supplemented from time to time; or

- (v) 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
- (vi) held by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond to another Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, in a Member State of the EU; or
- (vii) held by or on behalf of a Bondholder who is entitled to avoid such withholding or deduction in respect of such Covered Bonds by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non/residence or other similar claim for exemption; or
- (viii) 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.

## 10. 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 or redemption, as the case may be; or
- (ii) ***Breach of other obligations:*** a material breach by the Issuer of any obligation under or in respect of the Covered Bond (of any Series or Tranche outstanding) or under any of the Transaction Documents (other than any obligation pursuant to paragraph (i) (***Non-payment***) above or (vii) (***Breach of Tests***) below) to which it is a party 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 (because of the loss of its banking licence or otherwise); or
- (vii) *Breach of Tests*: any of the Tests are breached and are not remedied within the Test Grace Period, then the Representative of the Covered Bondholders will 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, unless the Representative of the Covered Bondholders, having exercised its discretion, resolves otherwise or an Extraordinary Resolution is passed resolving otherwise.

(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 the 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 letter (b) above is in any way challenged or revoked and (ii) a Programme Resolution of the Covered Bondholders has been passed pursuant to which 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 letter (b) above;
- (iii) *Disposal of Assets*: the Guarantor or any third party appointed by the Representative of the Covered Bondholders 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 Period will be in force and effect. Accordingly (A) the Guarantor, in accordance with Decree No. 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) ***Issuer cross-default***

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.

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

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

- (i) *Non-payment*: following the service 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 or redemption, as the case may be; or
- (ii) *Insolvency*: an Insolvency Event occurs with respect to the Guarantor; or
- (iii) *Breach of other obligation*: a material breach of any obligation under the Transaction Documents by the Guarantor occurs (other than payment obligations referred to in letter (i) above) 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*: following the service of an Issuer Default Notice (provided that, in case the Issuer Event of Default consists of an Article 74 Event, the Representative of the Covered Bondholders has not delivered an Article 74 event Cure Notice), 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 letter (iii) (*Breach of other obligation*) above shall, if so directed by a Programme Resolution, serve a Guarantor Default Notice on the Guarantor.

(e) ***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 and will rank pari passu among themselves in accordance with the Post-Enforcement Priority of Payments;
- (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 the Issuer*)) in accordance with the Post-Enforcement Priority of Payments;

- (iii) *Disposal of assets*: the Guarantor or any third party appointed by the Representative of the Covered Bondholders 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.
- (f) ***Guarantor cross-default***

Where a Guarantor Event of Default occurs, the Representative of the Covered Bondholders will serve on 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.

(g) ***Determinations, etc***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 10 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.

## **11. 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.

## **12. 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, in the Mandate 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.

### **13. Agents**

In acting under the Cash Allocation Management and Payments Agreement and in connection with the Covered Bonds, the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, and its initial Specified Offices are set out in these Conditions. The Guarantor Calculation Agent (if not the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be or) 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, and to appoint a successor Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, or the Guarantor Calculation Agent; *provided, however, that:*

- (i) the Issuer and the Guarantor shall at all times maintain a Issuer Paying Agent or the Guarantor Paying Agent, as the case may be; and
- (ii) the Issuer and the Guarantor shall at all times procure that the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 Guarantor Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor shall at all times maintain a Guarantor 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be or in its Specified Offices shall promptly be given to the Covered Bondholders.

#### **14. 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.

#### **15. Limited Recourse and Non Petition**

##### **(a) *Limited Recourse***

The obligations owed by the Guarantor to the Covered Bondholders and, in general, to each of the Seller, the Other Issuer Creditors and the Other Creditors are limited recourse obligations of the Guarantor, which will be payable in accordance with the applicable Priority of Payments. The Covered Bondholders, the Seller, the Other Issuer Creditors and the Other Creditors will have a claim against the Guarantor only to the extent of the Guarantor Available Funds, including any amounts 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.

##### **(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.

## **16. 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) *Notices through Euronext Dublin***

Any notice regarding the Covered Bonds, as long as the Covered Bonds are admitted to trading on the regulated market of the Euronext Dublin and the rules of such exchange so require, shall be deemed to have been duly given if published on the website of the Euronext Dublin ([www.ise.ie](http://www.ise.ie)) and shall also be considered sent for the purposes of Directive 2004/109/EC. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in accordance with the rules and regulation of the Euronext Dublin.

### **(c) *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.

## **17. 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.

## **18. 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 Swap Agreements and the Deed of Charge, 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 Act, 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 Banco di Desio e della Brianza 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be:

- (a) certifying that specified Covered Bonds are held to the order of the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 surrender to the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, which is to be issued not less than 48 hours before the time fixed for the Meeting (or, if the meeting has been adjourned, the time fixed for its resumption), of confirmation that the Covered Bonds are Blocked Covered Bonds and notification of the release thereof by the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, to the Issuer and Representative of the Covered Bondholders certifying that the Holder of the relevant Blocked Covered Bonds or a duly authorised person on its behalf has notified the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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;
- (b) 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
- (c) authorising a named individual to vote in accordance with such instructions;

**"Blocked Covered Bonds"** means 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, for the purpose of obtaining from the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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;

**"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 10(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;

**"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 the Financial Law Consolidated Act;

**"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 (i) to direct the Representative of the Covered Bondholders to take action pursuant to Condition 10(b)(ii)(c) (*Effect of an Issuer Default Notice – Covered Bond Guarantee*), Condition 10(d)(iii) (*Guarantor Event of Default – Breach of other obligation*) or Condition 10(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:

- (a) any person whose appointment has been revoked and in relation to whom the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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

- (b) 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;

**"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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, or a Proxy named in a Block Voting Instruction;

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

- (a) a certificate issued by a Monte Titoli Account Holder in accordance with the regulation issued jointly by the Bank of Italy and CONSOB on 13 August 2018, as amended from time to time; or
- (b) a certificate issued by the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, stating:
- (i) that Blocked Covered Bonds will not be released until the earlier of:
    - (A) a specified date which falls after the conclusion of the Meeting; and
    - (B) the surrender of such certificate to the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be; and
  - (ii) 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 Issuer 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 Articles 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 13 August 2018, as amended from time to time; or

- 4.2 A Covered Bondholder may also obtain a Voting Certificate from the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, or require the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be to issue a Block Voting Instruction by arranging for Covered Bonds to be (to the satisfaction of the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be) 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 this Article 4 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be), and any Proxy named therein (in the case of a Block Voting Instruction issued by the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be) 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.

**5. VALIDITY OF BLOCK VOTING INSTRUCTIONS AND VOTING CERTIFICATE**

A Block Voting Instruction or a Voting Certificate shall be valid for the purpose of the relevant Meeting only if it is deposited at the Specified Offices of the Issuer Paying Agent, or the Guarantor Paying Agent, as the case may be, 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 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, or separate meetings if in its opinion there is a conflict of interest among 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.

Meetings may be held in case Voters are located in different places and are connected via audio-conference or video-conference, *provided that*:

- (a) the Chairman can ascertain and verify the identity and legitimacy of those Voters, monitor the Meeting, acknowledge and announce to those Voters the outcome of the voting process;
- (b) the person drawing up the minutes can clearly hear the meeting events being the subject-matter of the minutes;
- (c) each Voter attending via audio-conference or video-conference can follow and intervene in the discussions and vote the items on the agenda in real time;
- (d) the notice of the Meeting expressly states, where applicable, how Voters may obtain the information necessary to attend the relevant Meeting via audio-conference and/or videoconference equipment; and

for the avoidance of doubt, the Meeting is deemed to take place where the Chairman and the person drawing up the minutes will be.

## **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 and the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 and the Guarantor, 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 13 August 2018, as amended from time to time and that for the purpose of obtaining Voting Certificates from the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, or appointing Proxies under a Voting Certificate or a Block Voting Instruction, Covered Bondholders must (to the satisfaction of the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be) be held to the order of or placed under the control of the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, or blocked in an account with a clearing system not later than 48 hours before the relevant 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 one third 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
- 9.1.2 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be has received evidence that 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 be adjourned (i) until such date (which shall be not less than 14 days and not more than 42 days later) and to such place as the Chairman determines or (ii) on the date and at the place indicated in the notice convening the Meeting (if such notice sets out the date and place of any adjourned Meeting); provided that, in any case:

(a) a Meeting may be adjourned more than once for want of a quorum; and

(b) the Meeting shall be dissolved if the Issuer and the Representative of the Covered Bondholders together so decide.

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 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 and the Representative of the Covered Bondholders; and
- 13.6 any 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 Euro 1,000 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 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 direct the Representative of the Covered Bondholders to issue an Issuer Default Notice as a result of an Event of Default pursuant to Condition 10(a) (*Issuer Event of Default*) or a Guarantor Default Notice as a result of a Guarantor Event of Default pursuant to Condition 10(d) (*Guarantor Event of Default*);
- 18.2.5 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;
- 18.2.6 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;
- 18.2.7 grant any authority, order or sanction which, under the provisions of these Rules or of the Conditions, must be granted by an Extraordinary Resolution;
- 18.2.8 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;
- 18.2.9 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
- 18.2.10 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 10(b)(ii)(c) (*Issuer Event of Default – Covered Bond Guarantee*) or Condition 10(c)(iii) (*Guarantor Event of Default – Breach of other obligation*) or Condition 10(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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be (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 15 (*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 16 (*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 Euro 1.00 (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 Securitisation Services S.p.A..

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 (together with its advisers) 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. The Representative of the Covered Bondholders shall not be responsible for any loss, costs, damages, expenses or other liabilities that may result from the exercise or non-exercise thereof except insofar as the same are incurred as a result of its gross negligence (*colpa grave*) or wilful misconduct (*dolo*).

#### 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 or request and/or obtain any legal opinion in connection therewith, 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:
  - (i) the nature, status, creditworthiness or solvency of the Issuer or the Guarantor;
  - (ii) 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;

- (iii) the suitability, adequacy or sufficiency of any collection procedure operated by the Master Servicer or compliance therewith;
  - (iv) 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
  - (v) any accounts, books, records or files maintained by the Issuer, the Guarantor, the Master Servicer and the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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 50 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 shall not (unless and to the extent ordered so to do by a court of competent jurisdiction) be under any obligation to disclose to any Covered Bondholders, any Other Creditor or any other person any confidential, financial, price sensitive or other information made available to the Representative of the Covered Bondholders by the Issuer, by the Guarantor or any other person in connection with these Rules, the Covered Bonds or any other Transaction Documents, and none of the Covered Bondholders, Other Creditors nor any other person shall be entitled to take any action to obtain from the Representative of the Covered Bondholders any such information;
- 29.2.19 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 interest of the Covered Bondholders if, along with other factors, it has accessed the view of, and, in any case, with prior written notice to, the Rating Agency, and has ground to believe that the then current rating of the Covered Bonds would not be adversely affected by such exercise. If the Representative of the Covered Bondholders, in order to properly exercise its rights or fulfil its obligations, deems it necessary to obtain the valuation of the Rating Agency regarding how a specific act would affect the rating of the Covered Bonds, the Representative of the Covered Bondholders shall so inform the Issuer and the Guarantor, which will have to obtain the valuation at Issuer's expense on behalf of the Representative of the Covered Bondholders, unless the Representative of the Covered Bondholders wishes to seek and obtain the valuation itself;

29.2.20 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

29.2.21 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 13 August 2018, 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 ***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,

30.6.1 in respect of every matter and circumstance for which a certificate is expressly provided for under the Conditions or any Transaction Document;

30.6.2 as any matter or fact *prima facie* within the knowledge of such party; or

30.6.3 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.

30.7 ***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.

The Representative of the Covered Bondholders acknowledges and agrees that at the Issuer request, pursuant to Condition 6(j)(iv) (*Benchmark Amendments*) it will be obliged together with the Guarantor, without any requirement for the consent or approval of the Covered Bondholders, subject (to the extent required) to the Issuer giving any notice required to be given to, and receiving any consent required from, or non-objection from, the competent regulatory authority to concur with the Issuer in effecting any Benchmark Amendments (including, inter alia, by the execution of an amendment agreement to the Transaction Documents).

31.2 ***Swap Basic Term Modification***

Any Swap Basic Term Modification must be previously approved in writing by the relevant Swap Provider. The relevant Swap Provider agrees to subscribe any other amendment of the Transaction Documents to which is party which have been agreed with the Representative of the Covered Bondholders in accordance with these Rules.

31.3 ***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 16 (*Notices*) as soon as practicable thereafter.

**31.4 *Establishing an error***

In establishing whether an error has occurred 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:

31.4.1 a certificate from the Arrangers:

- (i) stating the intention of the parties to the relevant Transaction Document;
- (ii) confirming nothing has been said to, or by, investors or any other parties which is in any way inconsistent with such stated intention; and
- (iii) stating the modification to the relevant Transaction Document that is required to reflect such intention; and

31.4.2 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.

**31.5 *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 Covered Bondholders and, if the Representative of the Covered Bondholders so requires, shall be notified to the Covered 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 a 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 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.

**32.5 *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 16 (*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 (including without limitation legal fees and any applicable value added tax or similar taxes) 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 the preparation and execution of 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 the Guarantor, 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 Deed 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 Deed of Pledge. The beneficiaries of the Deed 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 amounts 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 Deed 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 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

*Set out below is the form of Final Terms which, subject to any necessary amendments, will be completed for each Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.*

**[PRIIPs REGULATION / PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS** – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”) and in the United Kingdom (“**UK**”). 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 of the European Parliament and of the Council on markets in financial instruments (as amended or superseded “**MiFID II**”); (ii) a customer within the meaning of Directive (UE) 2016/97 (as amended or superseded, the “**Insurance Mediation Directive**”), 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 Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the “**PRIIPs Regulation**”) for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.]<sup>1</sup>

**[MiFID II Product Governance / Professional investors and ECPs only target market** – Solely for the purposes of each of the manufacturer’s product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instrument (as amended, “**MiFID II**”)]**[MiFID II]**; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.]

Final Terms dated [●]

**Banco di Desio e della Brianza S.p.A.**

**Issue of [Aggregate Nominal Amount of Tranche] Covered Bonds due [Maturity]**

**Guaranteed by**

**Desio OBG S.r.l.**

**under the Euro [3,000,000,000] Covered Bond (*Obbligazioni Bancarie Garantite*) Programme**

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<sup>1</sup> Legend to be included on front of the Final Terms if the Tranche of Covered Bonds potentially constitute “packaged” products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA and UK retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

## 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 base prospectus dated 21 August 2020 [and the supplement[s] to the base prospectus dated [●]] which [together] constitute[s] a base prospectus (the “**Base Prospectus**”) for the purposes of the Regulation (EU) 2017/1129, (as amended from time to time, the “**Prospectus Regulation**”). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 8.4 of the Prospectus Regulation. These Final Terms contain the final terms of the Covered Bonds and must be read in conjunction with this Base Prospectus [as so supplemented] in order to obtain all the relevant information. These Final Terms are available for viewing on the website of Euronext Dublin ([www.ise.ie](http://www.ise.ie)). Full information on the Issuer, the Guarantor and the offer of the Covered Bonds described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus, including the supplement[s] [is/are] available for viewing on the website of Euronext Dublin ([www.ise.ie](http://www.ise.ie)) and on the website of the Issuer at <https://www.bancodesio.it/>.

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

1.
  - (i) Series Number: [●]
  - (ii) Tranche Number: [●]
  - (iii) Date on which the Covered Bonds will be consolidated and form a single Series: [The Covered Bonds will be consolidated, form a single Series with and be interchangeable for trading purposes the [Series [●] Tranche [●] Covered Bonds due [●] issued on [●], ISIN Code [●]] on the Issue Date]/[Not Applicable]
2. Specified Currency or Currencies: [●]
3. Aggregate Nominal Amount: [●]
  - (i) Series: [●]
  - (ii) Tranche: [●]
4. Issue Price: [●] %. of the aggregate nominal amount [plus accrued interest from *[insert date]* (*in the case of fungible issues only, if applicable*)]

5. (i) Specified Denominations: [•] [plus integral multiples [•]] (as referred to under Condition 3) *(Include the wording in square brackets where the Specified Denomination is €100,000 or equivalent plus multiples of a lower principal amount.)*
- (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. Extended Maturity Date of Guaranteed Amounts corresponding to Final Redemption Amount under the Covered Bonds 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 3)
- 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]
- [[EURIBOR]/[LIBOR]] +/- [Margin]% Floating Rate]
- (further particulars specified in [14]/[15]/[16] 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 the Final Redemption Amount]
11. Change of Interest [Change of interest rate may be applicable in case an Extended Maturity Date is specified as applicable] / [Not Applicable]
- []

12. Put/Call Options: [Not Applicable]  
 [Investor Put (as referred in Condition 7(f))]  
 [Issuer Call (as referred in Condition 7(d))][further particulars specified in paragraph [17]/[18]below)]
13. [Date of [Board] approval for issuance of Covered Bonds [and Covered Bonds Guarantee] [respectively]] obtained: [•] [and [•], respectively]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. **Fixed Rate Provisions** [Applicable/Not Applicable (as referred in Condition 5)]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [•]% per annum payable in arrear on each Interest Payment Date.
- (ii) Interest Payment Date(s): [•] in each year [adjusted in accordance with [•] [*specify Business Day Convention* /*Following Business Day Convention* /*Modified Following Business Day Convention* or *Modified Business Day Convention* /*Preceding Business Day Convention* /*FRN Convention* or *Floating Rate Convention* or *Eurodollar 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] / [Eurobond Basis 30E/360 (ISDA)]
- (vi) Determination Date(s): [[•] in each year/Not Applicable]  
*(Only relevant where Day Count Fraction is Actual/Actual (ICMA).)*

15. **Floating Rate Provisions** [Applicable/Not Applicable (as referred to in Condition 6)]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [•]
- (ii) Specified Period: [•]  
*(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: [•]  
*(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (iv) First Interest Payment Date: [•]
- (v) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention or Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention or Floating Rate Convention or Eurodollar Convention]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Paying Agent): [[Name] shall be the Guarantor Calculation Agent *(no need to specify if the Fiscal Agent is to perform this function)*]
- (viii) Screen Rate Determination:
- Reference Rate: Reference Rate:[ •] month  
[[EURIBOR]/[LIBOR]]
  - Reference Banks [[•]/Not Applicable]
  - Interest Determination Date(s): [•]

- Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]
  - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
  - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (ix) ISDA Determination:
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
- (x) Margin(s): [+ / -][•]% per annum
- (xi) Minimum Rate of Interest: [•]% per annum
- (xii) Maximum Rate of Interest: [•]% per annum
- (xiii) Day Count Fraction: [Actual/Actual (ICMA)] / [Actual/Actual (ISDA)] / [Actual/365 (Fixed)] / [Actual/360] / [30/360] / [30E/360] / [Eurobond Basis 30E/360 (ISDA)]

#### PROVISIONS RELATING TO REDEMPTION

16. **Call Option** [Applicable/Not Applicable](as referred in Condition 7)  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) [•] per Calculation Amount of Covered Bonds and method, if any, of calculation of such amount(s):
- (iii) If redeemable in part:
- Minimum Redemption Amount: [•] per Calculation Amount
- Maximum Redemption Amount [•] per Calculation Amount
- (iv) Notice period: [•]
17. **Put Option** [Applicable/Not Applicable](as referred in Condition 7)  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) [•] per Calculation Amount of each Covered Bonds:
  - (iii) Notice period: [•]
18. **Final Redemption Amount of Covered Bonds** [•] per Calculation Amount (as referred in Condition 5 (a)) *[Note that the Final Redemption Amount shall be equal to the principal amount of the Series]*
- (i) Minimum Final Redemption Amount: [•] per Calculation Amount
  - (ii) Maximum Final Redemption Amount: [•] per Calculation Amount
19. **Early Redemption Amount** [Not Applicable/[•] per Calculation Amount](as referred in Condition [7])
- Early redemption amount(s) per Calculation Amount payable on redemption for taxation reasons or on acceleration following a Covered Bonds Guarantor Event of Default:

#### GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

20. Additional Financial Centre(s): [Not Applicable/[•]]
- [Note that this paragraph relates to the date and place of payment, and not interest period end dates]*

**THIRD PARTY INFORMATION** (*Relevant third party information*) has been extracted from (*specify source*). 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 (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of Banco di Desio e della Brianza S.p.A.

By: \_\_\_\_\_  
Duly authorised

Signed on behalf of Desio OBG S.r.l.

By: \_\_\_\_\_  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- |       |   |  |
|-------|---|--|
| (i)   | Listing   | [Official List of Euronext Dublin]/[Not Applicable]  |
| (ii)  | Admission to trading  | [Application 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 [Euronext Dublin] with effect from [•]]/[Not Applicable]. |
| (iii) | Estimate of total expenses related to admission to trading: | [•]  |

### 2. RATINGS

- |          |  |
|----------|--|
| Ratings: | <p>[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:][Not applicable]</p> <p>Fitch Ratings: [•]</p> <p>[●]: [•]</p> <p><i>(Need to include a brief explanation of the meaning of the rating if this has previously been published by the rating provider)</i></p> <p><i>(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)</i></p> <p>[Each of Fitch Ratings / [●] is established in the European Union and is registered under Regulation (EC) No 1060/2009, on credit rating agencies as amended by Regulation (EU) No 513/2011 and Regulation(EU) No. 462/2013 on credit rating agencies (as amended from time to time, 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</p> |
|----------|--|

Authority pursuant to the CRA Regulation (for more information please visit the European Securities and Markets Authority webpage) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) ] / [have not been issued or endorsed by any credit rating agency which is established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies on credit rating agencies as amended by Regulation (EU) No 513/2011 and Regulation(EU) No. 462/2013 on credit rating agencies (as amended from time to time, the "**CRA Regulation**")].

*(Include the relevant wording as applicable depending on the relevant rating agency assigning a rating to the Covered Bonds issued)*

### 3. REASONS FOR THE OFFER

#### (i) Reasons for the offer

[General funding purposes of the Desio Group]] / [The net proceeds from the issue of the Notes will be used to finance or refinance Green Eligible Projects or Social Eligible Projects (as defined in the "*Use of Proceeds*" section)].

*(If the Covered Bonds are Green Covered Bonds, Social Covered Bonds or Sustainability Covered Bonds describe the relevant projects to which the net proceeds of the Covered Bonds will be applied or make reference to the relevant bond framework to which the net proceeds of the Covered Bonds will be applied.)*

*(Applicable only in the case of securities to be classified as Green Covered Bonds, Social Covered Bonds or Sustainability*

*Covered Bonds. If not applicable, delete this paragraph.)*

[Further details on Green Eligible Projects and Social Eligible Projects are included in the [issuer Green Bond framework], made available on the Issuer's website in the investor relations section at [.]

*(See "Use of Proceeds" wording in Base Prospectus)*

(ii) Estimated net amount of the proceeds [.] / [Not Applicable]

#### **4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save for any fees payable to the [Arranger/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 [Arranger/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*]

#### **5. Fixed Rate Covered Bonds only – YIELD**

Indication of yield: [•]/[Not Applicable]

#### **6. Floating Rate Covered Bonds only – HISTORIC INTEREST RATES**

Details of historic [[*EURIBOR*]/[*LIBOR*]] rates can be obtained from [Reuters]/[•]/[Not Applicable]

#### **7. OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

CFI [•], [as published on the website of the Association of National Numbering Agencies ("ANNA") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] / [*Not Applicable*]

FISN [•], [as published on the website of the Association of National Numbering Agencies ("ANNA") or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] / [*Not Applicable*]

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/*give name(s), address(es) and number(s)*]

Delivery: Delivery [against/free of] payment

Names and Specified Offices of additional Paying Agent(s) (if any): [•]

Deemed delivery of clearing system notices for the purposes of Condition 16 (*Notices*): Any notice delivered to Covered Bondholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream.

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No][Not Applicable]

[Note that the designation “yes” simply means that the Covered Bonds are intended upon issue to be held in a form which would allow Eurosystem eligibility (i.e. issued in dematerialised form (*emesse in forma dematerializzata*) and wholly and exclusively deposited with Monte Titoli in accordance with article 83–*bis* of Italian Legislative Decree No. 58 of 24 February 1998, as amended, through the authorised institutions listed in article 83–*quater* of such legislative decree) and does not necessarily mean that the Covered Bonds will be recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## DISTRIBUTION

21. (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names and business address*]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/*give names and business address*]

22. If non-syndicated, name of Arranger: [Not Applicable/*give names and business address*]
23. U.S. Selling Restrictions: [Not Applicable/Compliant with Regulation S under the U.S. Securities Act of 1933]
24. Prohibition of Sales to EEA and UK Retail Investors: [Applicable/Not Applicable]  
*(If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*

## USE OF PROCEEDS

The net proceeds of the sale of each Tranche of Covered Bonds will be used by the Issuer, as indicated in the applicable Final Terms relating to the relevant Tranche of Covered Bonds, either:

- a. for general funding purposes of the Desio Group; or
- b. to finance or refinance, in whole or in part, Green Eligible Projects and Social Eligible Projects (as defined below).

According to the definition criteria set out by the International Capital Market Association (“**ICMA**”) Green Bond Principles, only Tranches of Covered Bonds financing or refinancing Green Eligible Projects (above mentioned at (b)) will be denominated “Green Covered Bonds”. Only Tranches of Bonds financing or refinancing Green Eligible Projects (above mentioned at (b)) will be denominated “Green Bonds”.

According to the definition criteria set out by the ICMA Social Bond Principles, only Tranches of Covered Bonds financing or refinancing Social Eligible Projects (above mentioned at (b)) will be denominated “Social Covered Bonds”. Only Tranches of Bonds financing or refinancing Social Eligible Projects (above mentioned at (b)) will be denominated “Social Bonds”.

According to the definition criteria set out by the ICMA Sustainability Bond Guidelines, only Tranches of Covered Bonds financing or refinancing Green Eligible Projects and Social Eligible Projects (above mentioned at (b)) will be denominated “Sustainable Covered Bonds”. Only Tranches of Bonds financing or refinancing Green Eligible Projects and Social Eligible Projects (above mentioned at (b)) will be denominated “Sustainability Bonds”.

Definitions:

“**Green Eligible Projects**” means financings of renewable energy, energy efficiency, sustainability mobility, sustainability water, circular economy and green buildings projects and assets which meet a set of environmental criteria.

“**Social Eligible Projects**” means small and medium-sized enterprises financing and financing of non-profit and civil economy to support access to essential services which meet a set of social criteria, including, but not limited to, access to labour market and social housing.

## BANCO DESIO AS ISSUER AND SELLER

### 1. History and development of the Issuer

As at the date of this Base Prospectus, the Issuer was the parent company of the Desio Group.

The Issuer was founded on 4 August 1909.

#### Company name

The Issuer's company name is Banco di Desio e della Brianza S.p.A.

#### Place of registration of the Issuer and its registration number

The Issuer is on the Business Register of Monza and Brianza, Italy, at entry No. 01181770155. The Issuer is also on the Register of Banks held by the Bank of Italy at entry No. 3440.5.

#### Date of incorporation and length of life of the Issuer, except where indefinite

The Issuer is a joint-stock company incorporated by deed of Mr. Innocente Arnaboldi, Notary public, with Record No. 4503/6221 of 4 August 1909. The Issuer has been originally incorporated as a “*società commerciale cooperativa in nome collettivo*” named “Cassa Rurale di Desio”, and was turned into a “*società anonima cooperativa a capitale illimitato*” named “Cassa Rurale di Depositi e Prestiti in Desio” with resolution of the extraordinary shareholders’ meeting of December 20, 1920. Subsequently, the Issuer was turned into a “*società anonima*” named “BANCO DI DESIO” with resolution of the extraordinary shareholders’ meeting of March 21, 1926, and acquired the current corporate name “BANCO DI DESIO E DELLA BRIANZA – Società per Azioni” on December 31, 1967, upon the merge with “Banca della Brianza S.p.A.”.

The Issuer is the parent company of the “Gruppo Banco di Desio e della Brianza” (Desio Group or Banco Desio Group).

The duration of the Issuer is set, pursuant to Article 3 of its Articles of Association, up to 31 December 2100 and may be extended.

#### Domicile and legal form of the Issuer, legislation under which the Issuer operates, its country of incorporation, website address and address and telephone number of its registered office.

Banco Desio is a joint-stock company incorporated in Desio, Italy and operating under the Italian law. The address of the Issuer's registered office is Via Rovagnati, 1, Desio, Italy, phone +39 0362 6131.

#### Declaration of the Financial Reporting Manager

The Financial Reporting Manager of the Issuer, Mauro Walter Colombo, declares pursuant to paragraph 2 of Article 154-bis of the Financial Law Consolidation Act that the accounting information contained in this Base Prospectus agrees with the supporting documents, books of account and accounting records.

#### Credit ratings

As at the date of this Base Prospectus the Issuer has been rated “BB+” (long-term issuer default rating) and “B” (short-term issuer default rating) by Fitch Ratings

#### Consolidated Financial Position of the Desio Group

The table below reports the main performance and financial ratios of the Desio Group, calculated based on the interim Financial Statements as at 30 June 2020 approved by the Board of Directors on 30 July 2020, subject to review report by the Independent Auditors, the consolidated Financial Statements for the years closed as at 31 December 2019 and 2018, which were approved by the Board of Directors, respectively, on 6 February 2020 and 7 February 2019 and subject to full audit by the Independent Auditors that issued their reports, respectively, on 5 March 2019 and 10 March 2020.

In this regard, it is pointed out that the Desio Group Annual Report and Consolidated Financial Statements as at 31 December 2018 approved by the Board of Directors on 7 February 2019, were prepared considering the Issuer's draft Annual Report and Separate Financial Statements as at 31 December 2019, approved without significant changes by the General Meeting of the Issuer's Shareholders held on 23 April 2020.

However, data for 2019 have been compared to those for 2018.

The consolidated balance sheet and income statement highlights of the Desio Group as at 30 June 2020, 31 December 2019 and 2018 are summarized hereinafter.

#### Accounting policies and reference accounting standards

The accounting standards adopted to prepare the accounting situation as at 31 December 2019, as pertains the classification, recognition, measurement and derecognition of assets and liabilities, as well as the recognition of costs and revenues, comply with the IAS/IFRS issued by the International Accounting Standard Board (IASB) and the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

#### Consolidated balance sheet

*The following balance sheet has undergone some adjustments in order to include the new financial instrument accounting categories introduced by update no. 5 of the Bank of Italy's Circular no. 262, to incorporate, among others, the international accounting standard IFRS 9 "Financial Instruments". More precisely, the prior aggregates have been added after the new aggregates following the progressive numbering of Circular no. 262, mentioned above, and/or inserting "old" to the numbering of the previous items.*

*(Data in Euro/000)*

| Assets   | 31 December 2018 | 31 December 2019 | 30 June 2020 |
|--|------------------|------------------|--------------|
| 10. Cash and cash equivalents  | 69,219           | 60,816           | 50,755       |
| 20. Financial assets designated at fair value through profit and loss        | 60,188           | 44,063           | 42,693       |
| <i>a) Financial assets held for trading</i>                                  | 8,186            | 5,807            | 4,472        |
| <i>c) Other financial assets that are necessarily measured at fair value</i> | 52,002           | 38,256           | 38,221       |
| 30. Financial assets designated at fair                                      |                  |                  | 522,093      |

|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| value through other comprehensive income                    | 296,421           | 559,634           |                   |
| 40. Financial assets measured at amortised cost             | 12,626,834        | 12,949,705        | 13,681,740        |
| <i>a) Due from banks</i>                                    | 555,965           | 915,019           | 1,375,279         |
| <i>b) Loans to customers</i>                                | 12,070,869        | 12,034,686        | 12,306,461        |
|   |                   |                   | 0                 |
| 50. Hedging derivatives                                     | 1                 | 0                 |                   |
| 60. Adjustment to financial assets with generic hedge (+/-) | 684               | 624               | 593               |
|   |                   |                   | 219,541           |
| 90. Property, plant and equipment                           | 179,418           | 226,305           | 18,085            |
| 100. Intangible assets                                      | 17,701            | 18,194            | 15,322            |
| <i>of which goodwill</i>                                    | 15,322            | 15,322            | 202,637           |
|   |                   |                   | 10,9541           |
| 110. Tax assets   | 226,537           | 202,765           |                   |
| <i>a) current</i>   | 29,227            | 7,812             | 91,683            |
| <i>b) deferred</i>  | 197,310           | 194,953           |                   |
|   |                   |                   | 122,722           |
| 130. Other assets   | 131,033           | 129,956           |                   |
| <b>Total assets</b>   | <b>13,608,036</b> | <b>14,192,062</b> | <b>14,860,859</b> |

(Data in Euro/000)

| Liabilities and shareholders' equity                 | 31 December 2018 | 31 December 2019 | 30 June 2020 |
|--|------------------|------------------|--------------|
| 10. Financial liabilities measured at amortised cost | 12,301,628       | 12,850,498       | 13,378,212   |
| <i>a) Due to banks</i>                               | 1,620,824        | 1,603,208        | 1,995,605    |
| <i>b) Due to customers</i>                           | 9,254,591        | 9,498,187        | 9,734,741    |
| <i>c) Debt securities in issue</i>                   | 1,426,213        | 1,749,103        | 1,647,866    |
| 20. Financial liabilities held for trading           | 6,046            | 8,138            | 7,729        |

|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| 40. Hedging derivatives                           | 5,175             | 2,157             | 1,914             |
| 60. Tax liabilities                               | 23,313            | 15,816            | 12,855            |
| <i>a) current</i>                                 | <i>1</i>          | <i>0</i>          | <i>0</i>          |
| <i>b) deferred</i>                                | <i>23,312</i>     | <i>15,816</i>     | <i>12,855</i>     |
| 80. Other liabilities                             | 273,634           | 289,279           | 440,172           |
| 90. Provision for termination indemnities         | 25,175            | 25,480            | 24,995            |
| 100. Provisions for risks and charges:            |                   | 35,582            | 36,086            |
| <i>a) commitments and guarantees given</i>        | 36,745            | <i>2,734</i>      | 4,593             |
|   | 2,377             |                   |                   |
| <i>c) other provisions for risks and charges</i>  | 34,368            | <i>32,848</i>     | 31,493            |
| 120. Valuation reserves                           | 43,920            | 45,373            | 44,016            |
| 150. Reserves                                     | 729,024           | 729,741           | 818,440           |
| 160. Share premium reserve                        | 16,145            | 16,145            | 16,145            |
| 170. Share capital                                | 67,705            | 70,693            | 70,693            |
| 190. Minority interests (+/-)                     | 44,266            | 4                 | 4                 |
| 200. Net profit (loss) for the period (+/-)       | 35,260            | 40,156            | 9,598             |
| <b>Total liabilities and shareholders' equity</b> | <b>13,608,036</b> | <b>14,192,062</b> | <b>14,860,859</b> |

#### Consolidated income statement

*The following income statement has undergone some adjustments in order to include the new financial instrument accounting categories introduced by update no. 5 of the Bank of Italy's Circular no. 262, to incorporate, among others, the international accounting standard IFRS 9 "Financial Instruments". More precisely, the prior aggregates have been added after the new aggregates following the progressive numbering of Circular no. 262, mentioned above, and/or inserting "old" to the numbering of the previous items.*

*(Data in Euro/000)*

|  | 31 December 2018 | 31 December 2019 | 30 June 2020   |
|--|------------------|------------------|----------------|
| 10. Interest and similar income  | 270,937          | 263,509          | 127,994        |
| 20. Interest and similar expense   | (51,869)         | (45,338)         | (19,533)       |
| <b>30. Net interest income</b>   | <b>219,068</b>   | <b>218,171</b>   | <b>108,461</b> |
| 40. Commission income  | 179,226          | 183,206          | 86,533         |
| 50. Commission expense   | (13,570)         | (16,083)         | (8,042)        |
| <b>60. Net commission income</b>   | <b>165,656</b>   | <b>167,123</b>   | <b>78,511</b>  |
| 70. Dividends and similar income   | 3,196            | 1,096            | 586            |
| 80. Net trading income   | 537              | 2,814            | 850            |
| 90. Net hedging gains (losses)   | 58               | (551)            | 0              |
| 100. Gains (losses) on disposal or repurchase of:  | (14,737)         | 903              | 1,660          |
| <i>a) financial assets measured at amortised cost</i>  | (23,998)         | (706)            | (667)          |
| <i>b) financial assets designated at fair value through other comprehensive income</i>                     | 9,944            | 1,765            | 2,332          |
| <i>c) financial liabilities</i>  | (683)            | (156)            | (5)            |
|  | (3,072)          | 229              | (480)          |
| 110. Net result of other financial assets and liabilities designated at fair value through profit and loss |                  |                  | (480)          |
| <i>a) financial assets and liabilities designated at fair value</i>  | (3,072))         |                  |                |
| <i>b) other financial assets that have to be measured at fair value</i>                                    |                  |                  |                |
| <b>120. Net interest and other banking income</b>  | <b>370,706</b>   | <b>389,785</b>   | <b>189,588</b> |
| 130. Net value adjustments/write-backs for credit risk relating to:  | (62,494)         | (52,777)         | (40,373)       |
|  | (63,104)         | (52,876)         | (40,257)       |

|  | 31 December 2018 | 31 December 2019 | 30 June 2020     |
|--|------------------|------------------|------------------|
| <i>a) financial assets measured at amortised cost</i>                                  | 610              | 99               | (116)            |
| <i>b) financial assets designated at fair value through other comprehensive income</i> | (69)             | (412)            | 225              |
| 140. Profit/losses from contractual changes without write-offs                         |                  |                  |                  |
| <b>150. Net profit from financial activities</b>                                       | <b>308,143</b>   | <b>336,596</b>   | <b>149,440</b>   |
| <b>180. Net profit from financial and insurance activities</b>                         | <b>308,143</b>   | <b>336,596</b>   | <b>149,440</b>   |
| 190. Administrative costs:   | (297,936)        | (293,901)        | (141,425)        |
| <i>a) payroll costs</i>  | (169,257)        | (172,039)        | (83,013)         |
| <i>b) other administrative costs</i>   | (128,679)        | (121,862)        | (58,412)         |
| 200. Net provisions for risks and charges  |                  |                  |                  |
| <i>a) commitments for guarantees given</i>   | (1,435)          | (6,802)          | (3,307)          |
|  | (417)            | (368)            | (1,878)          |
| <i>b) other net provisions</i>   | (1,018)          | (6,434)          | (1,429)          |
| 210. Net adjustments to property, plant and equipment                                  | (7,255)          | (17,927)         | (8,716)          |
| 220. Net adjustments to intangible assets  | (1,712)          | (1,254)          | (611)            |
| 230. Other operating charges/income  | 43,484           | 41,591           | 17,769           |
| <b>240. Operating costs</b>  | <b>(264,854)</b> | <b>(278,293)</b> | <b>(136,290)</b> |
| 280. Gains (losses) on disposal of investments   | 0                | (627)            | 0                |
| <b>290. Profit (loss) from current operations before tax</b>                           | <b>43,289</b>    | <b>57,676</b>    | <b>13,150</b>    |
| 300. Income taxes on current   | (6,731)          | (17,520)         | (3,552)          |

|   | 31 December 2018 | 31 December 2019 | 30 June 2020 |
|---|------------------|------------------|--------------|
| operations  |                  |                  |              |
| 310. Profit (loss) from current operations after tax    | 36,588           | 40,156           | 9,598        |
| 330. Net profit (loss) for the period                   | 36,558           | 40,156           | 9,598        |
| 340. Net profit (loss) pertaining to minority interests | (1,298)          | 0                | 0            |
| 350. Parent Company net profit (loss)                   | 35,260           | 40,156           | 9,598        |

#### Disclosure regarding any recent events relevant to the evaluation of the Issuer's solvency

Between the date of the approval of this Base Prospectus and the reference date of the Desio Group's latest Annual Report and Consolidated Financial Statements audited and published, referring to the period closed as at 31 December 2018, no events relevant for the evaluation of the Issuer's solvency occurred

## 2. BUSINESS OVERVIEW

A brief description of the Issuer's principal activities and principal categories of products sold and/or services provided

### A) *Credit intermediation activities*

Within credit intermediation, the Issuer's operations consist in funding and lending, from and to retail, corporate and private banking customers, as well as from and to banks.

The Issuer has diversified the range of financial products it supplies, making them fit to meet the customers' specific requirements. The Bank's traditional customers are mainly individuals and households, small and medium enterprises.

The Issuer's strong bond with the main areas of operations, as well as the quality of the products and services it provides, have led to significant customer retention.

As at 30 June 2020, the Bank's consolidated funding, including funding from banks, came to Euro 13,378,212 thousand (Euro 12,850,498 thousands as at 31 December 2019), of which Euro 9,737,741 thousands (equal to 72.8%) from customers and Euro 1,647,866 thousands from banks.

As at 30 June 2020, the Bank's consolidated loan portfolio, including loans to banks, came to Euro 10,769,267 thousands (Euro 10,187,480 thousands as at 31 December 2019), of which loans to customers accounted for Euro 9,703,246 thousands (equal to 90.1%) and loans to banks for Euro 1,066,021 thousands.

#### Funding from customers

The Issuer's direct funding is made through current accounts, bonds, repurchase agreements, saving deposits and deposit certificates. Short-term technical forms are mainly current accounts, while a significant portion of medium- and long-term ones consists of bonds. The following table shows the breakdown by technical form of the Issuer's consolidated direct funding as at 30 June 2020, 31 December 2019 and 31 December 2018, respectively.

(Data in Euro/000)

|  | 30 June 2020      | 31 December 2019  | 31 December 2018  |
|--|-------------------|-------------------|-------------------|
| <i>Current accounts and demand deposits</i>                            | 8,994,945         | 8,369,625         | 8,062,703         |
| <i>Saving deposits</i>   | 0                 | 1,002,203         | 1,125,249         |
| <i>Repurchase agreements</i>   | 0                 | 0                 | 0                 |
| <i>Mortgages with Cassa Depositi e Prestiti (*)</i>                    | 55,017            | 40,373            | 27,293            |
| <i>Leasing debts</i>   | 48,196            | 52,288            | 0                 |
| <i>Other payables</i>  | 58,108            | 33,698            | 39,346            |
| Due to customers   | 9,734,741         | 9,498,187         | 9,254,591         |
| <i>Bonds</i>   | 1,638,247         | 1,734,567         | 1,410,785         |
| <i>Other securities (deposit certificates)</i>                         | 9,619             | 14,536            | 15,428            |
| Debt securities in issue   | 1,647,866         | 1,749,103         | 1,426,213         |
| <i>Bonds measured at fair value</i>                                    | 0                 | 0                 | 0                 |
| Financial liabilities designated at fair value through profit and loss | 0                 | 0                 | 0                 |
| <b>Total Funding from customers</b>                                    | <b>11,334,411</b> | <b>11,195,002</b> | <b>10,680,804</b> |

(\*) Specific funding to finance mortgages granted to customers for reconstruction following the 2009 earthquake in Abruzzo

### Funding from banks

The Bank carries out intermediation activities with Italian and non-Italian banks, based on its requirements.

The following table shows the breakdown by technical form of data relating to the Issuer's consolidated funding from banks, as at 30 June 2020, 31 December 2019 and 31 December 2018, respectively.

*(Data in Euro/000)*

|   | 30 June 2020     | 31 December 2019 | 31 December 2018 |
|---|------------------|------------------|------------------|
| <b>Current accounts and demand deposits</b> | 3,490            | 10,948           | 15,749           |
| <b>Saving deposits</b>                      | 2,693            | 3,444            | .0               |
| <b>Other loans</b>                          | 0                | 8,849            | 18,708           |
| <b>Other payables</b>                       | 0                | 0                | 0                |
| <b>Due to banks</b>                         | 6,183            | 23,241           | 34,457           |
| <b>Due to central banks</b>                 | 1,989,422        | 1,579,967        | 1,586,367        |
| <b>Total Funding from banks</b>             | <b>1,995,605</b> | <b>1,603,208</b> | <b>1,620,824</b> |

#### Loans to Customers

The Issuer's consolidated loan portfolio is composed of short-term and medium-/long-term cash loans. The Issuer's Customers mainly belong to the retail segment. In a situation affected by the consequences of the economic recession and by the essential stagnation in private consumption, loans to customers came to Euro 9.703.246 thousands as at 30 June 2020 from Euro 9.567.686 thousands as at 31 December 2019 and from Euro 9,616,700 thousands as at 31 December 2018.

The following table shows the breakdown by technical form of consolidated data relating to the Issuer's loans to customers, as at 30 June 2020, 31 December 2019 and 31 December 2018, respectively.

*(Data in Euro/000)*

|  | 30 June 2020 | 31 December 2019 | 31 December 2018 |
|--|--------------|------------------|------------------|
| <b>Current accounts</b>  | 1,088,859    | 1,327,752        | 1,484,991        |
| <b>Repurchase agreements</b>   | 161,386      | 0                | 0                |
| <b>Mortgage loans</b>  | 6,239,964    | 5,898,077        | 5,715,921        |
| <b>Credit cards, personal loans and assignments of one-fifth of salary</b> | 837,984      | 800,223          | 715,760          |
| <b>Finance leases</b>  | 151,852      | 151,430          | 177,054          |
| <b>Factoring</b>   | 27,328       | 30,033           | 23,410           |
| <b>Other loans</b>   | 863,819      | 1,019,992        | 1,098,192        |

|                                 |                  |                  |                  |
|---------------------------------|------------------|------------------|------------------|
| <b>Impaired assets</b>          | 332,054          | 340,179          | 401,372          |
| <b>Loans</b>                    | 9,703,246        | 9,567,686        | 9,616,700        |
| <b>Debt securities</b>          | 0                | 0                | 0                |
| <b>Total Loans to customers</b> | <b>9,703,246</b> | <b>9,567,686</b> | <b>9,616,700</b> |

#### **Loans to banks**

The following table shows the breakdown by technical form of consolidated data relating to the Bank's loans to banks, as at 30 June 2020, 31 December 2019 and 31 December 2018, respectively.

*(Data in Euro/000)*

|   | <b>30 June 2020</b> | <b>31 December 2019</b> | <b>31 December 2018</b> |
|---|---------------------|-------------------------|-------------------------|
| <b>Current accounts and demand deposits</b> | 51,213              | 43,779                  | 21,622                  |
| <b>Restricted deposits</b>                  | 37,885              | 30,155                  | 44,028                  |
| <b>Other loans</b>                          | 296,269             | 210,027                 | 153,421                 |
| <b>Due from banks</b>                       | 385,367             | 283,961                 | 219,111                 |
| <b>Due from central banks</b>               | 680,654             | 335,833                 | 66,205                  |
| <b>Total Loans to banks</b>                 | <b>1,375,279</b>    | <b>915,019</b>          | <b>555,966</b>          |

#### ***B) Financial intermediation activities***

The Issuer may carry out proprietary trading and trading on behalf of customers in financial markets. In this way, the Issuer concomitantly pursues two objectives, that is to say, effective financial planning in management and optimization of financial risks associated to the money market, currency and bond portfolios, as well as high effectiveness of service to its network and, therefore, to its customers. The Issuer also operates in selling derivative products to hedge customers' interest rate and exchange rate risks, as well as in trading of exchanges on behalf of customers.

#### ***C) Indirect funding***

The Issuer operates in the sector of assets under management with a wide range of products and services including securities asset management and collective investment schemes mainly through the provision of

advisory services and execution of orders on behalf of clients, as well as through portfolio management. Moreover, the Issuer distributes life insurance policies.

As at 31 June 2020, the Issuer's consolidated indirect funding came to Euro 15,679,693 thousands, accounting for 58.0% of total funding and increasing by Euro 117,318 thousands (up by 0.8%) from Euro 15,562,375 thousands as at 31 December 2019 and from Euro 14,092,711 thousands as at 31 December 2018.

The following table shows the data relating to the Bank's indirect funding, for both assets under management and under administration, as at 30 June 2020, 31 December 2019 and 31 December 2018, respectively.

*(Data in Euro/000)*

|  | 30 June 2020 | 31 December 2019 | 31 December 2018 |
|--|--------------|------------------|------------------|
| <b>Assets under administration</b>     | 3,085,231    | 3,078,702        | 3,154,614        |
| <b>Assets under management</b>         | 6,558,395    | 6,642,978        | 5,797,726        |
| <b>Ordinary customer deposits</b>      | 9.643.626    | 9,721,680        | 8,952,340        |
| <b>Institutional customer deposits</b> | 6.036.067    | 5,840,695        | 5,140,371        |
| <b>Total Indirect deposits</b>         | 15.679.693   | 15,562,375       | 14,092,711       |

#### ***D) Leasing, factoring and bancassurance***

The Issuer provides its customers with so-called “parabanking” products and services, such as leasing and factoring (only towards public administration) contracts, as well as insurance products through cooperation agreements with specialized intermediaries.

##### **Leasing**

Alba Leasing S.p.A.

##### **Factoring (only towards public administrations)**

Banca Sistema S.p.A.

##### **Bancassurance (Life and non-life)**

Helvetia Group: Helvetia Italia S.p.A., Helvetia Vita S.p.A. (Life) – Chiara Assicurazioni S.p.A. (non-life)

#### ***E) Distribution network***

The Issuer provides services through a complex and integrated multichannel network. As at 30 June 2020, this network consisted of the following channels.

- n. 253 branches

- n. 45 financial consultants
- web banking
- Fides Spa (consumer credit market)

#### **Indication of new products and/or new services, if significant**

The Issuer has not introduced any products that are not included in categories usually marketed and amount to a significant contribution to profit margins.

#### **Principal markets**

As at 30 June 2020, the Desio Group was operating in the North of Italy and in the Central Italy.

| <b>Region</b>         | <b>N. of branches</b> |
|-----------------------|-----------------------|
| Lombardia             | 102                   |
| Piemonte              | 14                    |
| Liguria               | 5                     |
| Emilia Romagna        | 12                    |
| Veneto                | 12                    |
| <b>Northern Italy</b> | <b>145</b>            |
| Toscana               | 13                    |
| Umbria                | 52                    |
| Marche                | 11                    |
| Abruzzo               | 2                     |
| Lazio                 | 30                    |
| <b>Central Italy</b>  | <b>108</b>            |
| <b>TOTAL</b>          | <b>253</b>            |

As at 30 June 2020, the workforce consisted 2,142 employees for the Parent Company Banco di Desio e della Brianza SpA and of 2,193 employees for the Desio Group.

### **3. ORGANIZATIONAL STRUCTURE**

#### **Brief description of the Desio Group of which the Issuer is part and of the Issuer's position within the Desio Group**

As of the date of the Base Prospectus, the Desio Group is comprised of the following companies:

- *Non-Bank Parent Company:*

*Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A.*

- *Parent Company:*

Banco di Desio e della Brianza S.p.A.

- *Companies belonging to the Group:*

Fides S.p.A.

Desio OBG S.r.l.

**The Issuer's dependence upon other entities within the Desio Group of which it is part of**

The Issuer does not depend on any other entity within the Desio Group (nor is subject to any management and coordination by the company controlling the same (Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A.).

**Brief description of the Desio Group of which the Issuer is the Parent Company**

An organizational chart showing the structure of the voting capital of the Desio Group as at the date of approval of the Base Prospectus is given below.

Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A.

50.44%



#### 4. INFORMATION ON EXPECTED TRENDS

**Negative changes in the Issuer's prospects**

After publication of the Desio Group's latest Annual Report and Consolidated Financial Statements as at 31 December 2019, which were subjected to audit, no substantial negative changes in the Desio Group's prospects have occurred.

#### **Trends, uncertainties, claims, commitments or known facts that could generate impacts on the Issuer's prospects**

The viral pneumonia known as "Covid-19", or more commonly "Coronavirus", has had a significant international spread, with consequences on economic activity, also due to the containment and prevention measures adopted in different forms in the various countries, including restrictions on movement, social distancing, quarantine measures and closures of business activities.

Considering the climate of considerable uncertainty resulting from this situation, in preparing the consolidated interim financial report at 30 June 2020, which will be subject to subsequent publication, we have taken into account the recommendations contained in a series of documents published by various international institutions (ESMA, EBA, ECB-SSM, IFRS Foundation), aimed at avoiding a mechanical application of international accounting standards and, with particular reference to IFRS 9 Financial Instruments, to avoid the use of excessively pro-cyclical assumptions in the models used to estimate the credit losses expected during the pandemic. In the current situation, strongly influenced by the effects of the Covid-19 epidemic on the main macroeconomic variables, in the consolidated interim financial report at 30 June 2020 we provide all of the information elements on the main balance sheet items for which the application of certain accounting standards necessarily implies the use of estimates and assumptions with an effect on their book values. The report also provides the information requested by Consob with Recommendations no. 6/2020 "Covid 19 – Calling attention to financial disclosures" and no. 8/2020 "Covid 19 – Calling attention to financial disclosures", and in particular:

a summary of the main interventions/support measures adopted or in the process of being adopted in 2020 by the authorities and the initiatives taken by the Banco Desio Group,

a description of the implications of the Covid-19 epidemic on the main balance sheet items,

a representation of the effects on the expected loss measurement models.

Further qualitative and/or quantitative indications of the actual and potential impacts of Covid-19 on the Group's economic and financial prospects will be provided in subsequent reports.

#### **5. PROFIT FORECAST OR ESTIMATE**

This Base Prospectus does not include any profit forecasts or estimates.

#### **6. DIRECTORS, SENIOR MANAGERS AND MEMBERS OF THE SUPERVISORY BODIES**

##### **Members of the administrative, management and supervisory bodies**

The list of the members of the administrative, management and supervisory bodies of the Issuer as at the date of approval of the Base Prospectus and the offices held in other companies.

##### **Board of Directors *since 23 April 2020***

| NAME AND SURNAME | OFFICE HELD IN BANCO DESIO | OFFICES HELD IN OTHER COMPANIES |
|------------------|----------------------------|---------------------------------|
|------------------|----------------------------|---------------------------------|

|                         |   |   |
|-------------------------|---|---|
| Stefano Lado            | Chairman and member of the Nomination Committee                                     | <ul style="list-style-type: none"> <li>– Director and Limited partner of Brianza Unione di Luigi Gavazzi e Stefano Lado Sapa</li> <li>– Director of Cedacri SpA</li> <li>– Chairman C-Global of Cedacri Global Services SpA</li> <li>– Director and member of the Management Committee of Fondo Interbancario di Tutela dei Depositi</li> </ul>                                       |
| Tommaso Cartone         | Vice Chairman and member of the Risk And Sustainability Control Committee           |   |
| Alessandro Decio        | Chief Executive Officer   |   |
| Graziella Bologna       | Director and member of the Executive Committee                                      |   |
| Cristina Finocchi Mahne | Director, Chairman of Nomination Committee, Chairman of Control and Risk Committee. | <ul style="list-style-type: none"> <li>– Director and member of the Control and Risk Committee, of of Nomination and Remuneration Committee of Trevi Finanziaria Industriale SpA</li> <li>– Board Member, Member of Control Risk and sustainability Committee of Elica Group</li> <li>– Chairman of the Advisory Committee of Fondo Urbe Retail, Generali Real Estate srl.</li> </ul> |
| Agostino Gavazzi        | Director and Chairman of the Executive Committee                                    | <ul style="list-style-type: none"> <li>– Chairman and Limited partner of Brianza Unione di Luigi Gavazzi e Stefano Lado Sapa</li> </ul>   |
| Egidio Gavazzi          | Director and member of the Executive Committee                                      |   |
| Tito Gavazzi            | Director and member of the Executive Committee                                      | <ul style="list-style-type: none"> <li>– Director and Limited partner of Brianza Unione di Luigi Gavazzi e Stefano Lado Sapa</li> <li>– Director of Fides SpA</li> </ul>  |
| Ulrico Dragoni          | Director, member of Remuneration Committee and member                               | Vice Chairman of Fondazione Cassa di Risparmio di Terni e Narni   |

|                   |  |   |
|-------------------|--|---|
|                   | of Related Parties Committee   |   |
| Valentina Casella | Director, Chairman of Remuneration Committee and member of Related Parties Committee                 |   |
| Giulia Pusterla   | Director, Chairman of Related Parties Committee, member of Risk and Sustainability Control Committee | <ul style="list-style-type: none"> <li>– Chairman of Board of Auditors of Tod's SpA</li> <li>– Director, Chairman of Control and Risk Committee, member of Remuneration Committee, member of Related Parties Committee of Risanamento SpA</li> <li>– Chairman of Board of Auditors of VEI1 SpA</li> </ul> |
| Laura Tulli       | Director, member of Nomination Committee, member of Remuneration Committee                           | <p>Chairman of Tulli Acque Minerali S.r.l. and other Offices in Family's farms</p> <p>Director in SASE S.p.A. (Umbria International Airport)</p>  |

#### Board of Auditors

| NAME AND SURNAME     | OFFICE HELD IN BANCO DESIO        | OFFICES HELD IN OTHER COMPANIES   |
|----------------------|-----------------------------------|---|
| Emiliano Barcaroli   | Chairman of the Board of Auditors | – auditor / legal auditor, member of Board of auditors, administrator, liquidator at numerous companies.  |
| Rodolfo Anghileri    | Standing Auditor                  | <ul style="list-style-type: none"> <li>– Chairman of the Board of the Auditors of Brianza Unione di Luigi Gavazzi e Stefano Lado Sapa</li> <li>– Standing Auditor of Fides SpA</li> </ul> |
| Stefania Chiaruttini | Standing Auditor                  | <ul style="list-style-type: none"> <li>– Chairman of Supervisory Body of Banca Akros.</li> <li>– Chairman of the Board of Auditoros of Venture Capital.</li> </ul>                        |

|                  |                   |  |
|------------------|-------------------|--|
| Stefano Antonini | Alternate Auditor | – auditor / legal auditor, member of Board of auditors, administrator, liquidator at numerous companies. |
| Massimo Celli    | Alternate Auditor | – auditor / legal auditor, member of Board of auditors, administrator, liquidator at numerous companies. |
| Re Silvia        | Alternate Auditor | – auditor / legal auditor, member of Board of auditors, administrator, liquidator at numerous companies. |

All the Directors and Auditors listed above are domiciled for the office at the Issuer's registered office and shall be in office until the approval of the Annual Report for 31 December 2022.

All members of the Board of Directors and of the Board of Auditors meet the integrity and professional requirements provided for by the legislation and regulations currently in force.

All members of the Board of Auditors are on the Register of Auditors.

#### General Management

| NAME AND SURNAME  | OFFICE HELD IN BANCO DESIO | OFFICES HELD IN OTHER COMPANIES |
|-------------------|----------------------------|---------------------------------|
| Alessandro DECIO  | CEO and General Manager    | Director of Telepass S.p.A.     |
| Angelo ANTONIAZZI | Deputy General Manager     | Director of Fides S.p.A.        |

#### Conflicts of interests of the administration, management and control bodies

The fact that the members of Banco Desio administration, management and control bodies hold similar offices in other companies might cause potential conflicts of interests. Therefore, such potential conflicts of interests are managed in compliance with Articles 2391 and 2391–*bis* of the Italian Civil Code, as well as with Article 36 of Law No. 214/2011.

## 7. MAJOR SHAREHOLDERS

#### Entities controlling the Issuer

As at the date of approval of the Base Prospectus, the Issuer was controlled by Brianza Unione di Luigi Gavazzi e Stefano Lado S.A.p.A. (which holds 50.44% of the Issuer's share voting capital). The other qualifying shareholders of the Issuer (within the meaning of the notion of qualifying shareholders set forth under art. 120 of Italian Legislative Decree no. 58 of February 24, 1998 (the “Italian Financial Law”) were Avocetta SpA (8.20%) and Vega Finanziaria SpA (5.61%).)

#### Arrangements the operation of which may at a subsequent date result in a change in control of the Issuer

No arrangements, the operation of which may at a subsequent time result in a change in control of the Issuer, are known to the same Issuer.

## **8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFIT AND LOSSES**

### **Financial information relating to past years**

The information concerning the financial position and income of the Desio Group included in this Base Prospectus are taken from the Desio Group consolidated Financial Statements for the six months period ended 30 June 2020, which were approved by the Board of Directors on 30 July 2020.

The Desio Group's consolidated financial statements as at 31 December 2019 approved by the Board of Directors on 6 February 2020 were prepared considering the Issuer's draft separate financial statements as at 31 December 2019, approved without substantial changes by the General Meeting of the Issuer's Shareholders held on 23 April 2020.

However, data for 2019 have been compared to those for 2018.

The consolidated financial statements of the Desio Group as at 31 December 2019 and 2018 are referred to in this Base Prospectus pursuant to Article 19 of the Prospectus Regulation and are available on the Issuer's website: <https://www.bancodesio.it/en/content/yearly-and-interim-reports>.

### **Auditing of the annual financial report and accounts**

*Statement that the financial report and accounts referring to past years and contained in this Base Prospectus have been audited*

The Issuer states that both the separate and consolidated financial statements as at 31 December 2019 and 2018 have been audited by the Independent Auditors, which expressed their opinion and made no remarks through specific reports, on 10 March 2020 (with regard to both the separate and consolidated financial statements as at 31 December 2019) and on 5 March 2019 (with regard to both the separate and consolidated financial statements as at 31 December 2018), respectively; the Independent Auditors' reports are referred to in this Base Prospectus pursuant to Article 19 of the Prospectus Regulation along with the relevant consolidated financial statements (see Paragraph 11.1 above).

### **Indication of other information in the Base Prospectus which has been audited by the Independent Auditors**

The Base Prospectus does not contain financial information that has been audited by the Independent Auditors other than the financial information taken from the Desio Group consolidated financial statements as at 31 December 2019 and 2018.

### **Data contained in the Base Prospectus which have been taken from sources other than the Issuer's financial statements**

The Base Prospectus contains certain information taken from the half-year financial report (prepared on a consolidated basis) as at 30 June 2020.

### **Age of the latest audited financial information and accounts contained in the Base Prospectus**

The latest audited financial information referring to the Issuer and included in Base Prospectus have been taken from the Desio Group consolidated financial statements as at 31 December 2019.

## **Interim financial reporting**

Between the date of publication of the Issuer separate financial statements and the Desio Group Consolidated Financial Statements and the date of publication of the Base Prospectus, the Issuer has published the Interim Financial Report (on a consolidated basis) as of 31 March 2020.

Without prejudice to the above, it is pointed out that the Issuer prepares and publishes consolidated half-year financial reports of the Desio Group. These reports are available on the Issuer's website: <https://www.bancodesio.it/en/content/yearly-and-interim-reports>.

The consolidated half-year financial report as at 30 June 2020 shall be subjected to limited review by the Independent Auditors.

For interim financial reporting of the Desio Group of which the Issuer is part, investors are invited to consult the documentation made available on the website: <https://www.bancodesio.it/en/content/yearly-and-interim-reports>.

## **Legal and arbitration proceedings**

As at 30 June 2020, Issuer's (consolidated) petitem provision for liabilities and contingencies totalled Euro 123,409 thousands, increasing from the provision of Euro 85,636 thousands recognized in the financial statements as at 31 December 2019 (Euro 94,359 thousands for 2018). In setting up this provision, the Issuer considered: (i) potential liabilities associated to single proceedings and (ii) the reference accounting standards, which establish that provisions for liabilities shall be made when probable and quantifiable.

Net provisions for liabilities and contingencies (including provisions for legal and tax disputes) totalled Euro 10,185 thousands in 2019, more than Euro 9,786 thousands on the previous year. In the first semester of 2020 net provisions for liabilities and contingencies totalled Euro 10,185 thousands. The Issuer does not deem these proceedings significant, when taken singularly.

Between the date of approval of the Base Prospectus and the reporting date of the latest report and consolidated financial statements approved by the Issuer and audited, i.e. as at 31 June 2020, no events occurred which caused significant changes from the position reported above.

## **Significant changes in the Issuer's financial or business position**

Between the date of approval of the Base Prospectus and the reporting date of the latest report and consolidated financial statements approved by the Issuer and audited, i.e. as at 31 December 2019, no event had occurred, which caused significant changes in the Issuer's financial and business position.

## **9. MATERIAL CONTRACTS**

The Issuer has not signed material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in any Desio Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to holders of the financial instruments to be issued.

## **10. RECENT DEVELOPMENTS**

### **Merger of Banca Popolare di Spoleto**

On 7 May 2019, the Shareholders' Meetings of Banca Popolare di Spoleto S.p.A. ("Banca Popolare di Spoleto" or "BPS") and, on 9 May 2019, of the Issuer approved the plan for the merger by incorporation (the "Merger") of

BPS into the Issuer. As a result of the Merger, the current shareholders of BPS have been assigned 1 ordinary share of Banco Desio for every 5 ordinary shares of Banca Popolare di Spoleto. As a consequence of the exchange of such shares, Banco Desio's share capital has been increased of Euro 2,987,550.28 for a total amount equal to Euro 70,692,590.28, through the issue of 5,745,289 ordinary shares with regular dividend rights, with nominal value of Euro 0.52.

The deed of merger was signed on 29 May 2019. The Merger is legally effective from 1st July 2019.

### **Downgrading**

On 19 May 2020, Fitch downgraded the Issuer's Long-Term Issuer Default rating from "BBB-" to "BB+", the Short-Term Issuer Default rating from "F3" to "B", the Viability Rating from "bbb-" to "bb+". At the same time, the Support rating and the Support Rating Floor was confirmed as "5" and "No Floor" respectively.

The current long-term counterparty credit ratings of the Issuer is "BB+", short term "B"; the current short-term counterparty credit ratings is "B". The Issuer has therefore appointed Securitisation Services S.p.A. as Back-up Servicer.

### **Suspension of dividends**

On 1 April 2020 the Issuer has released a press release communicating the suspension of 2019 dividends' payment in compliance with the recommendation of the Bank of Italy on the distribution of dividends by less significant Italian banks during the Covid-19 pandemic.

### **Group's 2018–2020 Business Plan**

In execution of its capital management strategy and in accordance with the provisions of the Group's 2018–2020 Business Plan regarding the reduction of the ratio of "Gross non-performing loans/Gross loans" and "Net non-performing loans/Net loans", Banco Desio, during 2019, completed five transactions for the sale of impaired loan portfolios, of which four related to npis debts and one to UTP, all consisting of mortgage and unsecured loans, for a gross book value of Euro of 95.4 million.

In light of the above, the Desio Group's gross NPL ratio as at 31 December 2019 was equal to 6.31%.

The non performing exposures managed by the NPL Management unit of the Issuer (UTP+ non-performing loans) at 30 June 2020 had a total gross residual value (GVA) equal to Euro 627,160 thousand (of which 47.24% UTP and 52.76% non-performing loans).

## **11. CERTAIN REGULATORY ASPECTS RELATING TO THE ISSUER**

### **Banking Resolution under the EU Bank Recovery and Resolution Directive (Brrd)**

Banco Desio – as a bank – is subject to the Directive 2014/59/EU, that is the so-called Bank Recovery and Resolution Directive ("BRRD"), as implemented in the Italian legal framework.

In particular, the BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 and 181/2015 (together, the "BRRD Decrees"), both of which were published in the Italian Official Gazette on 16 November 2015.

According to these provisions of law, in the event that the following conditions are met, the relevant bank shall be put under resolution: (i) the resolution Authority (in Italy, the Bank of Italy, which operates in cooperation

with the EU resolution authority, the Single Resolution Board) has determined that the bank is failing or is likely to fail; (ii) there is no reasonable prospect that any alternative private sector measures would prevent the failure of the institution within a reasonable timeframe; and (iii) a resolution action is necessary in the public interest (that is, it is necessary for the achievement of and is proportionate to one or more of the resolution objectives referred to in Article 31 of the BRRD and winding up of the bank under normal insolvency proceedings would not meet those resolution objectives to the same extent). In this context, an institution is considered as failing or likely to fail, alternatively, when: (a) it is, or is likely in the near future to be, in breach of the capital requirements necessary to maintain its authorization to carry out banking activities; (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 or other liabilities as they fall due; or (d) it requires extraordinary public financial support in order to recover (except in limited circumstances).

Upon the opening of a resolution procedure, the resolution authorities are entrusted with the power to apply, on a stand-alone basis or in combination, the following tools:

- the sale of business, through which the resolution authority may transfer to a purchaser, on commercial terms (except for the case in which the application of commercial terms may affect the effectiveness of the sale of the business tool or impose a material threat to financial stability): (a) the shares of the bank under resolution; and (b) all or any assets, rights and liabilities of the latter;
- incorporation of a so-called “bridge institution”, through which the resolution authority may transfer to the bridge institution (an entity created for this purpose that is wholly or partially in public control): (a) the shares of the bank under resolution and (b) all or any assets, rights and liabilities of the latter;
- the asset separation, through which the resolution authority may transfer assets, rights or liabilities of a bank or of a bridge institution (e.g., impaired assets, such as non-performing exposures) to one or more asset management vehicles with a view to maximizing their value through the sale or orderly winding down; and
- bail-in, through which the resolution Authority may, jointly or severally, (a) write-down the bank’s Common Equity Tier 1 (“CET1”), Additional Tier 1 (“AT1”) and Tier 2 (“T2”) instruments; (b) write-down the eligible liabilities, including bonds (with certain exceptions); (c) convert eligible liabilities into equity (shares or other instrument of ownership).

As to the application of bail-in, the resolution Authority must take into account the ranking of the bank’s creditors according to the ordinary insolvency procedures, as the BRRD (and the corresponding Italian

implementing rules) stipulates that, under resolution, no creditor may incur losses greater than he would have incurred under normal insolvency proceedings (the so called “no creditor worse off” principle).

Thus, in general terms, the ranking of the persons which may be subject to bail-in – from the lowest to the highest – is the following:

- holders of Common Equity Tier 1 instruments;
- holders of Additional Tier 1 instruments;
- holders of Tier 2 instruments, including subordinated notes;
- holders of senior non-preferred notes;
- holders of senior notes;
- depositors qualifying as large firms; and
- depositors qualifying as natural persons or SMEs.

The deposits within 100,000 Euros are protected by the Italian Deposit Guarantee Schemes.

The non-preferred senior notes (notes intending to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under Article 12-bis of the Italian Consolidated Banking Act) are a new category of instrument introduced in Italy by the Italian Law No. 205/2017, implementing Directive (EU) 2017/2399. They constitute direct, unconditional, unsecured and non-preferred obligations, ranking junior to senior notes (or equivalent instruments), *pari passu* without any preferences among themselves, and in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-bis, letter c-bis of the Italian Consolidated Banking Act.

Without prejudice to the above, the resolution authority may, in specified exceptional circumstances, partially or fully exclude certain further liabilities from the application of the bail-in tool (the “**General Bail-In Tool**”).

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 (infra).

The BRRD also provides for a Member State as a last resort, after having assessed and applied the above resolution tools (including the General Bail-In Tool) to the maximum extent practicable whilst maintaining financial stability and subject to certain other conditions, 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.

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.

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 equity capital instruments at the point of

non-viability and before any other resolution action is taken with losses taken in accordance with the priority of claims under normal insolvency proceedings (“**BRRD Non-Viability Loss Absorption**”).

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 (i) the relevant authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken) or (ii) the relevant authority or authorities, as the case may be, determine(s) that the a relevant entity or, in certain circumstances, its group will no longer be viable unless the relevant capital instruments are written-down or converted or extraordinary public financial support is required by the relevant entity other than, where the entity is an institution, for the purposes of remedying a serious disturbance in the economy of an EEA member state and to preserve financial stability.

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” or “**MREL**”). The aim is that the minimum amount should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding and to ensure adequate capitalisation to continue exercising critical functions post resolution. The final draft regulatory technical standards published by the EBA in July 2015 set out the assessment criteria that resolution authorities should use to determine the MREL for individual firms. 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 subject to supervision by the ECB) or to the Single Resolution Board (the SRB) for banks subject to direct supervision by the ECB.

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 Banco Desio 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 Banco Desio Group’s control. This determination will also be made by the relevant Italian resolution authority and there may be many factors, including factors not directly related to the bank or the Banco Desio Group, which could result in such a determination. Because of this inherent uncertainty, it will be 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 Italian 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 Banco Desio 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 Banco Desio Group and the securities issued by the Banco Desio Group. Potential investors in the securities issued by the Banco Desio 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.

Furthermore, 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.

Furthermore, under resolution, the resolution authorities have relevant ancillary power aimed at ensuring a smooth resolution of the bank. In particular, they are entitled to amend or alter the maturity of certain debt instruments (such as senior notes, non-preferred senior notes and subordinated notes) issued by the bank under resolution or to amend the amount of interest payable under such instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

In general terms, the resolution authority is also entitled to cancel or modify the terms of any contract to which the bank under resolution is a party, to suspend the bank's contractual obligations or to substitute a recipient as a party.

On the other hand, the application of a resolution measure shall not, per se (i.e., provided that the bank continues to perform its obligations under the relevant agreements), make it possible to: (i) exercise any termination, suspension, modification, netting or set-off rights; (ii) obtain possession, exercise control or enforce any security over any property of the bank in relation to an agreement which includes cross-default provisions; or (iii) affect any contractual rights of the bank in relation to an agreement which includes cross-default provisions.

In this regard, it should be noted that, in any case, the BRRD Decrees introduced strict limitations on the possibility to exercise the rights of set-off normally available under Italian insolvency laws, in case of resolution.

As to the financing of the resolution action, the resources may be provided by the national Resolution Funds and the Single Resolution Funds. However, in accordance with the burden-sharing principle, the intervention of such funds is only admitted where a contribution to loss absorption and recapitalization equal to an amount not less than 8% of the total liabilities (including own funds) of the bank under resolution, measured at the time of the resolution action, has been made by the shareholders and the holders of other instruments of ownership, the holders of relevant capital instruments and other eligible liabilities through write down, conversion or otherwise. In any case, the contribution of the resolution funds shall not exceed 5% of the total liabilities including own funds of the bank under resolution, measured at the time of the resolution action.

On 23 November 2016, the European Commission published a proposal to amend certain provisions of the BRRD. The proposal includes an amendment to Article 108 of the BRRD aimed at further harmonising the creditor hierarchy as regards the priority ranking of holders of bank senior unsecured debt in resolution and insolvency. A new class of so called "senior non-preferred debt" was proposed to be added that would be eligible to meet the TLAC and MREL requirements. This new class of debt will be senior to all subordinated debt, but junior to ordinary unsecured senior claims.

The proposal of the European Commission resulted in the adoption of Directive (EU) 2017/2399 of 12 December 2017 amending the BRRD with regard to the ranking of unsecured debt instruments in insolvency hierarchy which was published in the Official Journal of the European Union on 27 December 2017 and must be

transposed into national law by the Member States by 29 December 2018. In this regard, the Italian Law no. 205/2017, approved by the Italian Parliament on 27 December 2017, contains the implementing provisions pertaining to “non-preferred” senior debt instruments.

The envisaged amendments to the BRRD should not affect the existing stocks of bank debt and their statutory ranking in insolvency pursuant to the relevant laws of the Member State in which the bank is incorporated.

In addition, the EBA has issued its final draft regulatory technical standards which further define the way in which national resolution authorities/the SRB shall calculate MREL. According to the SRB work programme 2020, during this year, the number of binding external MREL decisions is expected to reach 114, while 340 internal MREL decisions for relevant legal entities are envisaged.

The EU Banking Reform Package includes Directive (EU) 2019/879, which provides for a number of significant revisions to the BRRD (known as BRRD2). BRRD2 provides that Member States are required to ensure implementation into local law by 28 December 2020 with certain requirements relating to the implementation of the TLAC standard applying from January 2022 while the transitional period for full compliance with MREL requirements is foreseen until 1 January 2024, with interim targets for a linear build-up of MREL set at 1 January 2022. The EU Banking Reform Package includes, amongst other things:

- (a) full implementation of the FSB’s TLAC standard in the EU and revisions to the existing MREL regime. Additional changes to the MREL framework include changes to the calculation methodology for MREL, criteria for the eligible liabilities which can be considered as MREL, the introduction of internal MREL and additional reporting and disclosure requirements on institutions;
- (b) introduction of a new category of “top-tier” banks, being banks which are resolution entities that are not G-SIIs but are part of a resolution group whose total assets exceed EUR 100 billion;
- (c) the introduction of a new moratorium power for resolution authorities and requirements on the contractual stays in resolution; and
- (d) amendments to the article 55 regime in respect of the contractual recognition of bail-in. Changes to the BRRD under BRRD2 will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors

In order to ensure compliance with MREL requirements, and in line with the FSB standard on TLAC, the BRRD2 provides that in case a bank does not have sufficient eligible liabilities to comply with its MREL, the resultant shortfall is automatically filled up with CET1 Capital that would otherwise be counted towards meeting the combined capital buffer requirement. However, under certain circumstances, the BRRD2 envisages a nine-month grace period before restrictions to discretionary payments to the holders of regulatory capital instruments and employees take effect due to a breach of the combined capital buffer requirement.

On 20 May 2020, the Single Resolution Board published a non-binding policy named “*Minimum Requirements for Own Funds and Eligible Liabilities (MREL) Policy under the Banking Package*”, aiming at helping to ensure that MREL is set in the context of fully feasible and credible resolution plans for all types of banks, as well as

promoting a level playing field across banks including subsidiaries of non-banking Union (EU) banks. Such policy addresses the following topics:

- calibration: the policy provides for modifications and extensions of the SRB's approach to MREL calibration in accordance with the framework set out by the EU Banking Reform Package;
- subordination for resolution entities: the policy sets the following subordination requirements: (i) Pillar 1 Banks are subject to subordination requirements composed of a non-adjustable Pillar 1 MREL requirement that must be met with own funds instruments and eligible liabilities that are subordinated to all claims arising from excluded liabilities; (ii) Pillar 1 Banks' resolution authorities shall ensure that the subordinated MREL resources of Pillar 1 Banks are equal to at least 8% of total liabilities and own funds (TLOF); and (iii) non Pillar 1 Banks are will be subject to a subordination requirement only upon the decision of the resolution authority to avoid a breach of the No Creditor Worse Off principle, following a bank-specific assessment carried out as part of resolution planning;
- internal MREL for non-resolution entities: the policy states that the SRB will progressively expand the scope of non-resolution entities for which it will adopt internal MREL decisions, and it may waive subsidiary institutions qualifying as non-resolution entities from internal MREL at certain conditions. In addition, the policy defines criteria for the SRB's possibility to permit the use of guarantees to meet the internal MREL within the Member State of the resolution entity;
- MREL for cooperative groups: the policy sets out minimum conditions to authorise certain types of cooperative networks to use eligible liabilities of associated entities other than the resolution entity to comply with the external MREL, as well as minimum conditions to waive the internal MREL of the legal entities that are part of the cooperative network;
- eligibility of liabilities issued under the law of a third country: the policy expands on how liabilities issued under the law of third countries can be considered eligible through contractual recognition; and
- transition arrangements: the policy explains the operationalisation of transitional periods up to the 2024 deadline, including binding intermediate targets in 2022 and informative targets in 2023, also stating that transitional arrangements must be bank-specific (since they depend on the MREL tailored to that bank and its resolution plan, and the bank's progress to date in raising MREL-eligible liabilities).

### ***The Supervisory Review and Evaluation Process***

The Issuer is subject to the Pillar 2 requirements for banks imposed under the Directive 2013/36/EU of the European Parliament and of the Council of the European Union of 26 June 2013 and the Regulation (EU) No 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013 (jointly 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.

Following the results of the SREP performed by the Bank of Italy in 2019, the Issuer has been required to meet, on a consolidated basis, a minimum CET1 Ratio of 7.35 per cent., a minimum Tier 1 ratio of 8.95 per cent. and

a minimum Total Capital Ratio of 11.10 per cent. applied starting from the reporting at 30 June 2020 of own funds. The Issuer has released a press release on 22 May 2020 confirming the strength of the Banco Desio Group.

### ***The covered bond Directive and Regulation***

On 18 December 2019, Directive (EU) 2019/2162 and Regulation (EU) 2019/2160 amending CRR have been published in the Official Journal of the European Union. They will apply from 8 July 2022.

Directive (EU) 2019/2162 lays down rules on the issuance requirements, structural features, public supervision and publication obligations for covered bonds. Compared with the UCITS, Directive (EU) 2019/2162 provides for a number of more complex structural requirements, such as the dual recourse and the bankruptcy remoteness tools. The Directive at hand also establishes specific requirements of the liquidity reserve concerning the cover pool and introduces the possibility of joint funding and intragroup pooled covered bond structures in order to facilitate the issuance of covered bonds by small credit institutions. Moreover, the Directive provides the authorities of the Member States with the task of monitoring compliance of covered bond issuances with the abovementioned requirements and regulates the conditions for obtaining the authorisation to carry out the activity of issuance of covered bonds in the context of a covered bond programme.

Regulation (EU) 2019/2160 introduces some amendments to Article 129 of the CRR, providing for additional requirements for covered bonds to be eligible for the relevant preferential treatment. In particular, the Regulation introduces a rule allowing exposures to credit institutions rated in credit quality step 2 up to a maximum of 10% of the total exposure of the nominal amount of outstanding covered bonds of the issuing institution, without the need to consult the EBA. The Regulation also requires a minimum level of overcollateralization in order to mitigate the most relevant risks arising in the case of the issuer's insolvency or resolution.

## THE GUARANTOR

### Introduction

**Desio OBG S.r.l. has been established as a special purpose vehicle for the purpose of guaranteeing the Covered Bonds.**

Desio OBG S.r.l. was incorporated in the Republic of Italy as a limited liability company incorporated under Article 7-*bis* of the Securitisation and Covered Bond Law, with Fiscal Code and registration number with the Register of Enterprises of Treviso-Belluno no. 04864650264, VAT Group “Gruppo IVA BANCO DESIO” – VAT number 10537880964, and part of the Banco di Desio e della Brianza group, enrolled under No. 3440 in the register held by the Bank of Italy in accordance with article 64 of the Consolidated Banking Act (the “**Banco Desio Group**”).

Desio OBG S.r.l. was founded on 27 February 2017 and its duration shall be until 31 December 2100.

Desio OBG S.r.l. has its registered office at Via Vittorio Alfieri 1, Conegliano (TV), Italy and the telephone number of the registered office is +390438360900 and the fax number is +39 0438 360962.

The authorised, issued and paid in quota capital of Desio OBG S.r.l. is Euro 10,000.

### **Guarantor Legal Entity (“LEI”)**

81560029A817A3152836

### **Business Overview**

The exclusive purpose of the Desio OBG S.r.l. is to purchase from banks, against payment, receivables and securities also issued in the context of a securitisation, in compliance with Article 7-*bis* of the Securitisation and Covered Bond Law and the relevant implementing provisions, by means of subordinated loans granted or guaranteed also by the selling banks, as well as to issue guarantees for the covered bonds issued by such banks or other entities.

Desio OBG S.r.l., indeed, will grant the Covered Bonds Guarantee to the benefit of the Covered Bondholders, of the counterparts of derivatives contracts entered into with the purpose to cover the risks inherent the purchased credits and securities and of the counterparts of other ancillary contracts, as well as to the benefit of the payment of the other costs of the transaction, with priority in respect of the reimbursement of the others loans, pursuant to paragraph 1 of Article 7-*bis* of the Securitisation and Covered Bond Law.

Since the date of its incorporation, Desio OBG S.r.l. has not engaged in any business other than the purchase of the Portfolio and the entering into of the Transaction Documents and other ancillary documents.

So long as any of the Covered Bonds remain outstanding, Desio OBG S.r.l. shall not, without the consent of the Representative of the Covered Bondholders, incur any other indebtedness for borrowed moneys or engage in any business (other than acquiring and holding the assets backing the Covered Bonds Guarantee, assuming the Subordinated Loan, issuing the Covered Bonds Guarantee and entering into the Transaction Documents to which it is a party), pay any dividends, repay or otherwise return any equity capital, have any subsidiaries, employees or premises, consolidate or merge with any other person or convey or transfer its property or assets to any person (otherwise than as contemplated in the Conditions or the Intercreditor Agreement) or guarantee any additional quota.

Desio OBG S.r.l. will covenant to observe, *inter alia*, those restrictions which are detailed in the Intercreditor Agreement.

## Administrative, Management and Supervisory Bodies

The directors of the Guarantor are:

| NAME AND SURNAME  | OFFICE HELD IN THE GUARANTOR       | OFFICES HELD IN OTHER COMPANIES                          |
|-------------------|------------------------------------|--|
| Carlo Maria Rebay | Chairman of the Board of Directors | – Independent Auditor                                    |
| Alberto Re        | Director                           | – Head of Finance at Banco di Desio e della Brianza      |
| Paolo Gabriele    | Managing Director                  | – Head of Banks and Financial Institution at FISG S.r.l. |

The business address of each member of the Board of Directors is Via V. Alfieri, 1, Conegliano, Italy.

### ***Board of Statutory Auditors***

No Board of Statutory Auditors has currently been appointed.

### ***Auditors***

The current independent auditors of Desio OBG Srl are Deloitte & Touche S.p.A., Via Tortona 25, Milan.

Deloitte & Touche S.p.A. is a member of Assirevi, the Italian professional association of auditors and as required by article 17 “Setting up the Register” of Ministerial decree no. 145 of 20 June 2012 “Regulation implementing article 2.2/3/4/7 and article 7.7 of Legislative decree no. 39 of 27 January 2010, implementing Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (12G0167)”, Deloitte & Touche S.p.A. is included in the Register of Certified Auditors held by the Ministry for Economy and Finance.

### **Conflicts of interest**

There are no potential conflicts of interest between the duties of the directors and their private interest or other duties.

### **Quotaholders**

The Quotaholders of Desio OBG S.r.l. are (i) Stichting Morricone, a foundation (*stichting*) incorporated under Dutch law, which owns a portion equal to 40% of the quota capital of Desio OBG S.r.l., and (ii) the Issuer, which owns a portion equal to 60% of the quota capital of Desio OBG S.r.l.. Desio OBG S.r.l. belongs to the Banco di Desio e della Brianza group. In order to avoid abuses, certain mitigants have been inserted in the Quotaholders' Agreement, as better described in the following paragraph.

### **The Quotaholders' Agreement**

The Quotaholders' Agreement provides that no Quotaholder of Desio OBG S.r.l. will approve the payments of any dividends or any repayment or return of capital by Desio OBG S.r.l. prior to the date on which all amounts of principal and interest on the Covered Bonds and any amount due to the Other Creditors have been paid in full.

### **Financial Information concerning the Guarantor's Assets and Liabilities, Financial Position, and Profits and Losses**

The following tables set out non-consolidated balance sheet and income statement information relating to Desio OBG S.r.l. 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 Desio OBG as at and for the years ended 31 December – 2018 and 2019. The financial statements of are prepared in accordance with Italian law governing financial statements.

| Figures in Euros             | 31/12/2018      | 31/12/2019      |
|------------------------------|-----------------|-----------------|
|                              | 1,097,284,721.5 | 1,285,714,899.0 |
| Total assets .....           | 1               | 6               |
| Net profit for the year..... | 0.00            | 0.00            |

#### **Financial statements of the Guarantor as at and for the year ended on 31 December 2018 and 31 December 2019 – Emphasis of Matter**

The following paragraph relating to emphasis of matter is included in the financial statements of the Guarantor as at and for the year ended on 31 December 2018 and 31 December 2019: *“Attachment No. 1 of explanatory notes to the financial statements where Directors indicate that the Company's sole activity is the purchase of receivables by taking on loans under Italian Law No. 130 of April 30, 1999, as a part of transactions for the issue of covered bonds. As explained by the Directors, the Company has reported the financial assets purchased and the other transactions carried out as part of transactions for the issue of covered bonds in explanatory notes in compliance with Italian Law No. 130 of April 30, 1999, whereby receivables relating to each transaction are accounted for separately for all intents and purposes from those of the company and from those of other transactions. Our opinion is not qualified in relation to this matter”*

The reason for this emphasis of matter is that the Guarantor is a company incorporated under Italian law with the exclusive corporate purpose of purchasing assets in the context of covered bonds programmes. As such, the Guarantor is regulated by Italian Law No. 130 of April 30, 1999 (the “Securitisation Law”), which provides for the segregation of the assets of special purpose vehicles. In particular, the assets of the Guarantor purchased in the context of the Programme are segregated according to the Securitisation Law from (i) general assets of the special purpose vehicle (i.e., its quota capital) and (ii) any assets which the Guarantor may purchase in the context of any programme or transaction other than the Programme. The paragraph “Emphasis of matter” is about aspects already reported in the financial statements (or in the explanatory notes) but important for their full understandability. Moreover, the emphasis of matter explicitly clarifies that there are no specific remarks or qualifications on this aspect by the Independent Auditors because specifically required by the Securitisation Law.

#### ***Capitalization and Indebtedness Statement***

The capitalization of Desio OBG S.r.l. as at the date of this Base Prospectus is as follows: 10.000 Euro.

#### ***Quota capital Issued and authorised***

Desio OBG's quota capital is equal to Euro 10.000 and has been fully paid-up by the relevant Quotaholders.

#### ***Total capitalization and indebtedness***

Save for the foregoing and for the Covered Bonds Guarantee and the Subordinated Loan, in accordance with the Subordinated Loan Agreement, at the date of this document, Desio OBG S.r.l. has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans,

liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

## 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.

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 Ministry for Economy and Finance – Stage general accounting office established in accordance with Legislative Decree No. 39/2010 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 and the Guarantor.

Based upon controls carried out, the asset monitor shall prepare annual report, to be addressed also to the Statutory Auditors of the Issuer.

BDO Italia S.p.A., 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 Ministry for Economy and Finance – Stage general accounting office, at no. 167911.

Pursuant to an engagement letter entered into on 19 July 2017, the Issuer has appointed BDO Italia S.p.A. a 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 under the Bank of Italy Regulations with respect to the Covered Bonds' issuance; (ii) the fulfilment of the eligibility criteria set out under the Decree 310 with respect to the Eligible Assets and Top-Up Assets included in the Cover Pool; (iii) the compliance with the limits to the transfer of the Eligible Assets and Top-Up Assets set out under the Decree 310 and the Bank of Italy Regulations, (iv) the arithmetical accuracy of the calculation performed by the Test Calculation Agent in respect of the Statutory Tests, the Asset Coverage Test and the Amortisation Test and the compliance with the limits set out under the Decree 310 with respect to the Covered Bonds issued and the Eligible Assets and Top-Up Assets included in the Portfolios as determined in the Statutory Tests and in the Asset Coverage Test (v) the effectiveness and adequacy of the risk protection provided by any Swap Agreement entered into in the context of the Programme and (vi) the completeness, truthfulness and the timely delivery of the information provided to investors pursuant to article 129, paragraph 7 of CRD IV Regulation.

The engagement letter is in line with the provisions of the Bank of Italy Regulations in relation to the monitoring activity and reports to be prepared and submitted by the Asset Monitor also to the Board of Statutory Auditors (*collegio sindacale*) 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 or about the Issue Date, the Issuer, the Test 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 Monitor Agreement*".

## OVERVIEW OF THE TRANSACTION DOCUMENTS

### Covered Bond Guarantee

On 19 July 2017, 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 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 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 No. 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 No. 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 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 No. 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 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 Agreement**

On 17 July 2017, each of the Seller and BPS and the Guarantor entered into a Subordinated Loan Agreement pursuant to article 7-*bis* of the Securitisation and Covered Bond Law under which each of the Seller and BPS 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 Seller pursuant to the terms of the relevant Master Loans Purchase Agreement and (ii) Eligible Asset and/or Top-Up Assets from the Seller pursuant to the terms of the Cover Pool Management Agreement. As a consequence of the Merger, as defined under the Section headed "*Banco Desio as Issuer and Seller*", the Subordinated Loan Agreement entered into by BPS has been terminated.

Pursuant to the Subordinated Loan Agreement, the 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 the 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 Seller the purchase price for the Eligible Assets and Top-Up Assets funded by means of the relevant Term Loan.

On each Guarantor Payment Date and subject to the Subordinated Lender having paid to the Guarantor any shortfall amount, the Guarantor will pay to the Subordinated Lender the amount of the Premium, if any, payable

to the Subordinated Lender on the relevant Guarantor Payment Date in accordance with the applicable Priority of Payments and the terms of the 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 (as defined under each Subordinated Loan Agreement) 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.

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.

#### *Governing law*

The Subordinated Loan Agreement is governed by Italian law.

#### **Master Loans Purchase Agreement**

On 5 July 2017 each of the Seller and BPS and the Guarantor entered into the Master Loans Purchase Agreements, as amended from time to time, pursuant to which, each of the Seller and BPS will assign and transfer to the Guarantor, and the Guarantor will purchase, without recourse (*pro soluto*) from the 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 No. 310.

As a consequence of the Merger, as defined under the Section headed "*Banco Desio as Issuer and Seller*", the Master Loan Purchase Agreement entered into by BPS has been terminated.

Under the Master Loans Purchase Agreement, upon satisfaction of certain conditions set out therein, the 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 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 No. 310 and the Bank of Italy Regulations; and (ii) may transfer New Portfolios to the Guarantor, and the Guarantor shall purchase from the 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 or in order to ensure the adequacy of the Cover Pool already transferred to the Guarantor.

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, the 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 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 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 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 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 Seller as Subordinated Loan Provider pursuant to the Subordinated Loan Agreement.

The initial Seller has sold to the Guarantor, and the Guarantor has purchased from the Seller, the Receivables comprised in the Initial Portfolio, which meet the Common Criteria (as described in detail in the section headed "*Description of the Cover Pool*") and the specific criteria (as described in detail under the Master Loans Purchase Agreement). Receivables comprised in any New Portfolio to be transferred under the Master Loans Purchase Agreement shall meet, in addition to the Common Criteria, the specific criteria and/or any further criteria.

Pursuant to the Master Loans Purchase Agreement, prior to the occurrence of an Issuer Event of Default, the 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 Seller at a price equal to the minimum purchase price of the 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 Seller on the same terms and conditions offered by such third parties before entering into a transfer agreement with the latter.

#### *Governing law*

The Master Loan Purchase Agreement is governed by Italian law.

#### **Warranty and Indemnity Agreement**

On 5 July 2017, each of the Seller and BPS and the Guarantor entered into a Warranty and Indemnity Agreement pursuant to which each of the Seller and BPS 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.

As a consequence of the Merger, as defined under the Section headed "*Banco Desio as Issuer and Seller*", the Warranty and Indemnity Agreement entered into by BPS has been terminated.

The Warranty and Indemnity Agreement contains representations and warranties given by the Seller as to matters of law and fact affecting the Seller including, without limitation, that the 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.

The 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 the Warranty and Indemnity Agreement, the Receivables comprised in the Initial Portfolio (i) are valid, in existence and in compliance with the criteria set forth under the Master Loans Purchase Agreement, and (ii) relate to Mortgage Loan Agreements which have been entered into, executed and performed by the Seller in compliance with all applicable laws, rules and regulations.

Pursuant to the Warranty and Indemnity Agreement, the 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*

The Warranty and Indemnity Agreement is governed by Italian law.

#### **Master Servicing Agreement**

On 5 July 2017, the Master Servicer and the Guarantor entered into the Master Servicing Agreement, as amended from time to time pursuant to which the Guarantor has appointed Banco Desio 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 *bis* of the Securitisation and Covered Bond Law.

As a consequence of the Merger, as defined under the Section headed "*Banco Desio as Issuer and Seller*", the Sub-Servicing Agreement entered into by BPS has been terminated.

Pursuant to the Master Servicing Agreement the Master Servicer will transfer, and will procure that the Seller will transfer, the interest and principal collections with respect to the Receivables credited on the relevant account pertaining to the Seller to the Collection Account held with the Account Bank within the immediately following Business Day.

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 Servicer's Report and the Quarterly Servicer's Report prepared on the basis of the information reported by the Master Servicer.

The Master Servicer has represented to the Guarantor that it 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 may terminate the Master Servicer's appointment and appoint a successor master servicer if certain events occur (each, a "**Master Servicer Termination Event**"): namely:

- (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 Business Days following receipt of written notice from the Guarantor;
- (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;

Upon the occurrence of a Master Servicer Termination Event, the Master Servicer, if so requested by the Substitute Master Servicer or the Representative of the Covered Bondholders, will immediately communicate to the relevant Debtors the appointment of the Substitute Master Servicer and, as appropriate, will instruct the Debtors to pay any amount due in respect of the assets comprised in the Cover Pool directly into the relevant Collection Account. The Master Services has acknowledged that the Guarantor will use reasonable endeavours to appoint, also with the cooperation of the Back-up Servicer Facilitator, a back-up Servicer, within 45 days from the date on which the Master Servicer's long-term rating has been downgraded below "BBB-" by the Rating Agency.

In the event that the short-term rating of unsecured and unsubordinated debt obligations of the Master Servicer falls below "F3" by the Rating Agency, or in the event that the long-term rating of unsecured and unsubordinated debt obligations of the Master Servicer falls below "BBB-" by the Rating Agency, the Master Servicer shall immediately give notice of such event to the Representative of the Covered Bondholders, the Rating Agency, the Guarantor Calculation Agent, and the Guarantor, and shall procure and maintain a first demand guarantee issued by an Eligible Institution, so to guarantee the obligations of the Master 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 the aforementioned activity.

#### *Governing law*

The Master Servicing Agreement is governed by Italian law.

#### **Back-up Servicing Agreement**

Pursuant to the Back-Up Servicing Agreement entered into on or about 29 July 2020, between Securitisation Services, as Back-Up Servicer, Banco Desio, as Master Servicer and the Guarantor, the Back-Up Servicer has agreed to be appointed and act as substitute Master Servicer under the same terms and conditions as those on which the Master Servicer was appointed under the Master Servicing Agreement (excluding for the fees for acting as substitute Master Servicer which have been agreed separately on the Back-Up Servicing Agreement).

Pursuant to the terms of the Back-Up Servicing Agreement, the Back-Up Servicer has represented and warranted, *inter alia*, that it satisfies the requirements for a Back-Up Servicer provided for by the Back-Up Servicing Agreement.

Pursuant to the terms of the Back-Up Servicing Agreement, starting from the appointment of Securitisation Services S.p.A. as substitute servicer, the Master Servicer has undertaken (i) to cooperate with the Back-Up

Servicer for a period of 12 (twelve) months, and (ii) to provide the Back-Up Servicer with a remote access to its information systems.

#### *Governing law*

The Back-up Servicing Agreement is governed by Italian law.

### **Programme Agreement**

For a description of the Programme Agreement, see "*Subscription and Sale*".

### **Intercreditor Agreement**

On 19 July 2017, the Guarantor and 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 19 July 2017, the Issuer, the Guarantor, the Asset Monitor, the Test Calculation Agent and the Representative of the Covered Bondholders entered into the Asset Monitor 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 Monitor 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 Test Calculation Agent to the Asset Monitor, the arithmetic accuracy of the calculations performed by the Test Calculation Agent in relation to 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. Upon occurrence, as the case may be, of particular market conditions or situation regarding the Issuer that may affect the regularity of the Programme or the investors' protection, the frequency of the verification of the Statutory

Tests and the Amortisation Test under the Cover Pool Management Agreement may be increased to a monthly frequency upon request of the Issuer (or, following the Issuer Event of Default, upon request of the Guarantor with the consent of the Representative of the Covered Bondholders) provided that the Asset Monitor has been previously informed.

In the Asset Monitor 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 Monitor 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 (as defined under the Asset Monitor Agreement).

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, the Rating Agency and the Calculation Agent). The Asset Monitor may resign from its appointment under the Asset Monitor 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 Test Calculation Agent and the Representative of the Covered Bondholders, provided that the Issuer and the Guarantor shall give prior notice of such resignation to the Rating Agency and subject to and conditional upon certain further conditions set out in the Asset Monitor Agreement.

#### *Governing law*

The Asset Monitor Agreement is governed by Italian law.

#### **Cash Allocation, Management and Payments Agreement**

On 19 July 2017, the Guarantor, the Issuer, the Seller the Master Servicer, the Account Bank, 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 Account Bank has agreed to establish and maintain, in the name and on behalf of the Guarantor, the Collection Accounts, the Reserve Fund Account, the Swap Collateral Cash Account, the Expenses Account, and the Guarantor Payments 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 pursuant to the terms of the Cash Allocation, Management and Payments Agreement;
- (ii) the Securities Account and the Swap Collateral Securities Account may be opened upon prior written request from the Guarantor; with the Account Bank (for so long as it qualifies as an Eligible Institution) or, with the prior written consent of the Representative of the Noteholders, with any other Eligible Institution;

(iii) prior to the delivery of an Issuer Default Notice, the Issuer Paying Agent and following to the delivery of an Issuer Default Notice, the Guarantor Paying Agent have 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

(iv) the Guarantor Calculation Agent has agreed to provide the Guarantor with calculation services.

The Guarantor may (with the prior approval of the Representative of the Covered Bondholders) revoke its appointment of any Agent under the Cash Allocation, Management and Payment Agreement by giving not less than three months' (or earlier, in the event of a breach of warranties and covenants by the relevant Agent or – in case of the Account Bank or the Principal Paying Agent only – the loss of the status of Eligible Institution) written notice to the relevant Agent (with a copy to the Representative of the Covered Bondholders and the Rating Agency), 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, the Representative of the Covered Bondholders, the Issuer and the Rating Agency subject to and conditional upon certain conditions set out in the Cash Allocation, Management and Payments Agreement.

Under the Cash Allocation, Management and Payments Agreement the Guarantor has appointed Securitisation Services S.p.A. as Back-Up Servicer Facilitator.

#### *Governing law*

The Cash Allocation, Management and Payments Agreement is governed by Italian law.

#### **Cover Pool Management Agreement**

On 19 July 2017, the Guarantor, the Asset Monitor, the Guarantor Calculation Agent, the Test Calculation Agent, the Seller and the Representative of the Covered Bondholders entered into the Cover Pool Management Agreement, 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, the Seller has undertaken to procure that on any Test Calculation Date each of the Statutory Tests is met with respect to the Cover Pool for Statutory Tests, and the Asset Coverage Test is met in accordance with the relevant provisions. In addition, on each Test Calculation Date following the service of an Issuer Default Notice (and on any date on which the Amortisation Test is to be performed) (provided that, in case the Issuer Event of Default consists of an Article 74 Event, the Representative of the Covered Bondholders has not delivered an Article 74 Event Cure Notice), but prior to service of a Guarantor Default Notice, the Test Calculation Agent shall verify that the Amortisation Test is met with respect to the Cover Pool.

The Test Calculation Agent shall verify if each of the Statutory Tests and Asset Coverage Test is met on each Test Calculation Date and, to the extent that on any such Test Calculation Date any of the Statutory Tests and Asset Coverage Test was breached, on any following Monthly Calculation Date until the end of the relevant Test Grace Period. All of the following Statutory Tests shall be met with respect to the Cover Pool for Statutory Tests.

The Test Calculation Agent has agreed to prepare and deliver to the Issuer, the Seller, the Guarantor, the Guarantor Calculation Agent, the Representative of the Covered Bondholders, the Rating Agency and the Asset Monitor, not later than the Test Calculation Date (or Monthly test Calculation Date, as applicable) a report setting out the calculations carried out by it in respect to the Statutory Tests, the Asset Coverage Test and (to the extent carried out pursuant to Clause 3.1 (*General undertaking to ensure Amortisation Test is met*) of the Cover Pool Management Agreement) the Amortisation Test and other information such as, *inter alia*, the Top-Up Assets Limits (the "**Test Performance Report**"), it being understood that the Test Performance Report shall be provided no later than the Monthly Test Calculation Date in case of occurrence of any event described under Clauses 4.2 and 4.5 of the Asset Monitor Agreement. Such Test Performance Report shall specify the amount of Top-Up Assets in relation to the Seller, the occurrence of a breach of the Statutory Tests and/or the Asset Coverage Test and/or the Amortisation Test and the Portfolio with respect to which a shortfall has occurred, identified on the basis of the Seller which transferred it to the Guarantor.

The Test Calculation Agent shall verify each Test on each Test Calculation Date and, to the extent that on any such Test Calculation Date the Asset Coverage Test was breached, on any following Monthly Calculation Date until the end of the relevant Test Grace Period.

If the Test Calculation Agent notifies the breach of any Test in accordance with Clause 4.2 (*Breach of Tests*) of the Cover Pool Management Agreement, during the period starting on the date on which the breach is notified by the Test Calculation Agent and ending on the 1<sup>st</sup> (first) following Test Calculation Date (the "**Test Grace Period**"), the Guarantor will purchase Eligible Assets and/or Top-Up Assets, to be transferred by the Issuer in an aggregate amount sufficient to ensure, also taking into account the information provided by the Test Calculation Agent in the Test Performance Report notifying the relevant breach, that as of the Test 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 of the Eligible Cover Pool, pursuant to the combined provisions of Decree No. 310 and the Bank of Italy Regulations. In this respect, the Test Calculation Agent has undertaken to determine, on each Test 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 in order to perform the Tests and to report such calculation in each Test Performance Report.

Should the result from any Test Performance Report show that the aggregate amount of Top-Up Assets included in the Cover Pool is in excess of 15% (fifteen per cent.) of the aggregate Outstanding Principal of the Cover Pool, then the Seller shall, during the 2<sup>nd</sup> (second) following Calculation Period, transfer to the Guarantor New Portfolio(s) of Eligible Assets in an aggregate amount at least equal to the Top-Up Asset Excess (as defined below); provided however that such transfer will not be necessary if the aggregate amount of (i) Top-Up Assets transferred by the Seller to the Guarantor and (ii) the Collections and Recoveries on the Portfolio is in excess of 15% (fifteen per cent.) of the Outstanding Principal of the Portfolio (the "**Top-Up Assets Excess**") has been cured in full on or prior to the 1<sup>st</sup> (first) following Calculation Date immediately following the Test Calculation Date in which any such Test Performance Report has been delivered, upon repayment by the Guarantor of any Term Loan outstanding under the Subordinated Loan Agreement, in accordance with the Pre-Issuer Event of Default Principal Priority of Payments, it being understood that such repayment shall be requested by the relevant Seller providing a prior written notice to the Guarantor in this respect and provided further that such repayment shall occur on the second Guarantor Payment Date immediately following the delivery of the Test

Performance Report showing that the aggregate amount of Top-Up Assets included in the Cover Pool is in excess of 15% (fifteen per cent.) of the aggregate Outstanding Principal of the Cover Pool.

The purchase price of New Portfolio(s) of Eligible Assets so transferred shall be financed (i) in accordance with the provisions of Clause 3.4 (*Cessione di Nuovi Portafogli finanziati con i Fondi Disponibili in Conto Capitale*) of the Master Loans Purchase Agreement or (ii) if the sums standing to the credit of the Collection Accounts are not sufficient to fund the purchase price of such New Portfolio of Eligible Assets, through the proceeds of Term Loan(s) advanced by such Seller to the Guarantor pursuant to the Subordinated Loan Agreement.

The parties have also acknowledged and agreed that, if notwithstanding the Seller has pursued the remedies set out in above or if the Seller has not pursued such remedies yet, 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 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 Seller) in the circumstances set out above and (b) the obligations to fund the purchase price of such New Portfolio of Eligible Assets will be funded as described below.

The Parties have also acknowledged and agreed that, 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 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 shall newly apply upon delivery of an Article 74 Cure Notice.

The Issuer, in its capacity as Subordinated Lender, undertakes 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 the Issuer.

Following the notification by the Test Calculation Agent that:

- a) on a given Test Calculation Date, the Statutory Tests and/or of the Asset Coverage Test and/or the Amortisation Test have been breached; and
- b) after the end of the relevant Test Grace Period, the relevant breach has not been remedied in accordance with Clause 4.3 (*Grace Period and Remedy of Tests*) of the Cover Pool Management Agreement during the applicable Test Grace Period,

then the Representative of the Covered Bondholders will deliver, as the case may be:

- (i) an Issuer Default Notice to the Issuer and the Guarantor; or
- (ii) a Guarantor Default Notice on the Guarantor, 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) and the Amortisation Test is breached.

Upon receipt of an Issuer Default Notice or a Guarantor Default Notice, the Guarantor shall dispose of the assets included in the Cover Pool. The Issuer will not issue further Series of Covered Bonds following the breach of Tests which have not been cured or otherwise remedied.

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 (also through the Master Servicer, pursuant to article 2.5.2 of the Master Servicing Agreement) will sell, refinance or otherwise liquidate the Eligible Assets and Top-Up Assets

included in the Cover Pool in accordance with this Clause 5, subject to the rights of pre-emption in favour of the Issuer to buy such Eligible Assets and, if applicable, Top-Up Assets pursuant to the Master Loans Purchase Agreement, provided that, in case of 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 on a random basis by the Master Servicer on behalf of the Guarantor 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 (any such Eligible Assets, together with any relevant Top-Up Assets, the "**Selected Assets**").

Before offering Selected Assets for sale or liquidating them, the Guarantor shall ensure that the Selected Assets have an aggregate Outstanding Principal Balance which is as close as possible to:

- a) the Outstanding Principal Amount in respect of the Earliest Maturing Covered Bonds, multiplied by  $1 + (\text{Negative Carry Factor} \times (\text{days to maturity of the relevant Series of Covered Bonds} / 365))$ ; minus
- b) amounts standing to the credit of the Collection Account, the Payment Account and the Reserve Fund Account; minus
- c) the principal amount of any Top-Up Assets consisting of deposits,

excluding, with respect to items (b) and (c) 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 through the Portfolio Manager –which may be appointed by the Guarantor upon the service of an Issuer Event of Default on the Issuer and 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 Collection Account, the Payment Account and the Reserve Fund Account 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 through the Portfolio Manager will offer the Selected Assets for sale or liquidate them for the best price reasonably available notwithstanding that such price may be less than the Required Outstanding Principal Balance Amount and provided that the Guarantor will sell or liquidate further Selected Assets as are necessary to generate proceeds at least equal to 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 Selected Assets 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 circumstances described under 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 service of an Issuer Event of Default on the Issuer and the Guarantor, 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 the Issuer 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 of the Portfolio Manager 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, provided however that the Representative of the Covered Bondholders shall never be responsible against any person whatsoever for the selection of, and the performance of the activities entrusted with, the Portfolio Manager so appointed.

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 Seller, 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 the 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, 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, the Liability Swap Provider would pay to the Guarantor on the payment dates elected in the relevant confirmation

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 intended 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 of the Seller and BPS 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 Portfolio and EURIBOR and to ensure sufficient funding of the payment obligations of the Guarantor.

### **Mandate Agreement**

On 19 July 2017, 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 19 July 2017, the Guarantor, the Representative of the Covered Bondholders and the Other Creditors 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, if any, 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. In addition, pursuant to the Deed of Pledge, the Guarantor has undertaken to create a pledge (or other equivalent security under any applicable jurisdiction) for the benefit of Covered Bondholders and the Other Creditors over any claim, deriving from (i) any deed or agreement, in addition to the Transaction Documents executed after the date of the Deed of Pledge within the context of the Programme and from which any right or claim may derive to the Guarantor, (ii) any further account opened by the Guarantor in accordance with the Intercreditor Agreement, and (iii) any Eligible Investments made in accordance with the Cash Allocation, Management and Payments Agreement, as well as any amount on account of principal, interest, profit or other amount deriving therefrom, including any amount on account of principal, interest, profit or other amount resulting from the realisation or liquidation thereof. 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 may enter into the Deed of Charge with the Representative of the Covered Bondholders pursuant to which, without prejudice and in addition to any security, guarantees and other rights provided by the Securitisation and Covered Bond Law and the Deeds of Pledge 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 of its right, title, benefit and interest under the Swap Agreements, including the benefit of any guarantees thereunder, and right or title on or to any asset subject to English law. The security created pursuant to the Deed of Charge will become enforceable upon the service of a Guarantor Default Notice.

#### *Governing law*

The Deed of Charge will be governed by English law.

### **Corporate Services Agreement**

On 5 July 2017, the Guarantor Corporate Servicer and the Guarantor have entered into a corporate services agreement with the Guarantor Corporate Servicer (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.

### **Stichting Corporate Services Agreement**

Under the terms of the stichting corporate services agreement entered into on or about the Issue Date between the Stichting Corporate Servicer, Stichting Morricone and the Guarantor (the "**Stichting Corporate Services Agreement**") certain rules shall be set out in relation to the financial services to, and the management and administration of the Stichting Morricone and its rights and obligations in the context of the Securitisation as well as with respect to its remuneration for such activities.

The Stichting Corporate Services Agreement and all non contractual obligations arising out or in connection with it shall be governed by and construed in accordance with Italian law.

#### *Governing law*

The Stichting 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 guaranteed by the Guarantor. The Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default and the 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 and the 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 to the Issuer;
- the Statutory Tests and the Asset Coverage Test 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;
- 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 Bond or the Liability Swap Agreements (if any); and
- the swap agreements that may be entered into in order to hedge certain interest rate, currency or other risks, in respect of amounts received and amounts payable by the Guarantor.

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 "*Cashflows*" further, as regards the payment of amounts payable by the Guarantor to Covered Bondholders and the Other Issuer Creditors following the occurrence of an Issuer Event of Default.

### **Compliance with the Tests**

Under the terms of the Cover Pool Management Agreement, the Seller must ensure that, on each Test Calculation Date prior to service of an Issuer Default Notice, the Cover Pool is in compliance with the Tests described below. If on any Test Calculation Date the Cover Pool is not in compliance with the Tests, then the Seller 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 Test Calculation Date, in accordance with the Master Loans Purchase Agreement and the Cover Pool Management Agreement, to be financed through the proceeds of the Subordinated Loans to be granted by the Seller.

### ***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 No. 310 (the

"Statutory Tests") are satisfied and that the Cover Pool is at all times sufficient to repay the Covered Bonds, the Seller must ensure that the three tests set out below are satisfied on each Calculation Date.

### ***Nominal Value Test***

The outstanding aggregate principal balance of the Cover Pool for Statutory Tests from time to time owned by the Guarantor (for the avoidance of doubts, this amount includes the aggregate amounts standing to the credit of the Collection Account, the Reserve Fund Account and the Guarantor Payments Account (in relation to the principal component only)) up to the end of the immediately preceding Calculation Period which have not been applied in accordance with the relevant Priority of Payments shall be at least equal to, or higher than, the Euro Equivalent amount of the aggregate principal notional amount of all Covered Bonds at the same time outstanding (the "**Nominal Value Test**").

The Test Calculation Agent shall verify on each Test Calculation Date and, to the extent that on any such Test Calculation Date the Nominal Value Test was breached, on any following Monthly Test Calculation Date until the end of Test Grace Period, that the Nominal Value Test is met with respect to the Cover Pool for Statutory Tests.

The Test Calculation Agent shall consider the Outstanding Principal Balance of the Cover Pool for Statutory Tests as an amount equal to the "**Nominal Value**", which will be calculated, on each Test Calculation Date or Monthly Test Calculation Date, as the case may be, by applying the following formula

$$A + B + C$$

where,

"A" stands for the "**Nominal Value Test Adjusted Outstanding Principal Balance**" of each Mortgage Loan in the Cover Pool for Statutory as at the relevant Test Calculation Date or Monthly Test Calculation Date, as the case may be, defined as the lower of:

- (i) the actual Outstanding Principal Balance of the relevant Residential Mortgage Loan as calculated on the relevant Test Calculation Date or Monthly Test Calculation Date, as the case may be; and
- (ii) the Latest Valuation relating to that Residential Mortgage Loan multiplied by **M**,

where

- a) for all Residential Mortgage Loans that are not Defaulted Receivables nor AFD,  $M = 0.80$ ;
- b) for all Residential I Mortgage Loans that are Defaulted Receivables or AFD,  $M = 0$ ; and

"B" stands for the aggregate amount standing to the credit of the Collection Accounts, the Reserve Fund Account and the Guarantor Payments Account (as principal amount) and the principal amount of any Top-Up Assets; and

"C" stands for the aggregate of Eligible Investments.

### ***Net Present Value Test***

The Test Calculation Agent shall verify, on each Test Calculation Date and, to the extent that on any such Test Calculation Date or Monthly Test Calculation Date, as the case may be, the Net Present Value Test was breached, on any following Monthly Test Calculation Date until the end of the relevant Test Grace Period, the Net Present Value Test of the Cover Pool for Statutory Tests.

For the purpose of the calculation of the Net Present Value Test above, the "**Net Present Value of the Cover Pool for Statutory Tests**" is an amount equal to:

$$A+B-C+D$$

where,

**"A"** stands for the product of:

- (a) the applicable Discount Factor; and
- (b) the expected future principal and future interest payments to be received by the Guarantor under or in respect of the Cover Pool for Statutory Tests;

**"B"** stands for the product of:

- (a) the applicable Discount Factor; and
- (b) the expected payments to be sent to or received by the Guarantor under or in respect of the Swap Agreements;

**"C"** stands for the product of:

- (a) the applicable Discount Factor; and
- (b) any amount expected to be paid by the Guarantor in priority to the Swap Agreements in accordance with the relevant Priorities of Payments;

**"D"** stands for any principal payment actually received by the Guarantor in respect of (i) the Receivables and not yet applied under the relevant Priority of Payments;

where:

**"Discount Factor"** means the discount rate, implied in the relevant Swap Curve, calculated by the Test Calculation Agent on each Test Calculation Date and/or on each other day on which the relevant Tests are to be carried out pursuant the Transaction Documents, as the case may be.

**"Euro Equivalent"** means at any date, in relation to any amount or payment referred to a loan, a bond, an agreement or any other asset the amount or payment referred to such loan, bond, agreement or asset at such date denominated in Euro where the exchange rate correspond to (i) the current exchange rate fixed by the MasterServicer in accordance with its usual practice at that time for calculating that equivalent should any currency hedging agreement be not in place or (ii) the exchange rate indicated in the relevant currency hedging agreement be in place.

**"Swap Curve"** means the term structure of interest rates used by the Test Calculation Agent in accordance with the best market practice and calculation based on market instruments.

### ***Interest Coverage Test***

The Test Calculation Agent shall verify on each Test Calculation Date and, to the extent that on any such Test Calculation Date the Interest Coverage Test was breached, on any following Monthly Test Calculation Date until the end of the relevant Test Grace Period that the Interest Coverage Test is met with respect to the Cover Pool for Statutory Tests:

The Interest Coverage Test will be considered met if, on each Test Calculation Date or Monthly Test Calculation Date, as the case may be, the Net Interest Collections from the Cover Pool for Statutory Tests (until the latest Maturity Date of the outstanding Covered Bonds) is at least equal to, or higher than, the interest payments scheduled to be due in respect of the Outstanding Principal Balance of all the Covered Bonds (the “**Interest Coverage Test**”), where:

“**Net Interest Collections from the Cover Pool**” means, on each Test Calculation Date and Monthly Test Calculation Date, as the case may be, an amount equal to the positive difference between:

**A–B**

“**A**” is equal to the sum of:

- (a) interest payments received, or expected to be received, by the Guarantor under or in respect of the Cover Pool for Statutory Tests in each and all respective Calculation Periods (including, for the avoidance of doubt, any amount of interest to be realised from the investment into Eligible Investments of principal collections arising from the expected amortisation of the Cover Pool for Statutory Tests in each and all respective Calculation Periods) and any amount of interest accrued on the Collection Accounts, the Reserve Fund Account and the Guarantor Payments Account and any additional cash flows expected to be deposited in the Collection Accounts, the Reserve Fund Account and the Guarantor Payments Account in each and all respective Calculation Periods;
- (b) any amount to be received by the Guarantor as payments under the Swap Agreements prior to or on each and all respective Guarantor Payment Dates; and
- (c) any other amount to be received by the Guarantor as payments under the Swap Agreements;

“**B**” stands for the payments (in relation to the interest component only) to be effected in accordance with the relevant Priority of Payments, by the Guarantor in priority to any amount to be paid on the Covered Bonds, and including payments under the Swap Agreements on each and all respective Guarantor Payment Dates.

### ***Asset Coverage Test***

Starting from the Initial Issue Date and until the earlier of:

- (a) 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 Conditions; and
- (b) the date on which an Issuer Default Notice is served on the Guarantor,

the Test Calculation Agent shall verify on each Test Calculation Date and, to the extent that on any such Test Calculation Date the Asset Coverage Test was breached, on any following Monthly Calculation Date until the end of the relevant Test Grace Period, as the case may be, the Adjusted Aggregate Loan Amount is at least equal to the Euro Equivalent amount of the aggregate Outstanding Principal Balance of the Covered Bonds (the “**Asset Coverage Test**”).

For the purpose of the Asset Coverage Test, the “**Adjusted Aggregate Loan Amount**” means an amount calculated in accordance with the following formula:

$$A+B+C -Y-W - H - Z$$

where

“**A**” is equal to the lower of (i) and (ii),

where:

- (i) is the aggregate of the “**LTV Adjusted Principal Balance**” of each Mortgage Loan in the Eligible Cover Pool as at any given date, calculated as the lower of:
  - (1) the actual Outstanding Principal of the relevant Mortgage Loan in the Eligible Cover Pool as at the last day of the immediately preceding Collection Period; and
  - (2) the Latest Valuation relating to that Residential Mortgage Loan as at such date multiplied by M (where M is equal to (a) 80 per cent for all Mortgage Loans that are up to 90 days In Arrears or not In Arrears, (b) 40 per cent for all Residential Mortgage Loans that are more than 90 days In Arrears but are not yet Defaulted Receivables and (c) zero for all Defaulted Receivables),

*minus*

the aggregate of the following deemed reductions to the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool if any of the following occurred during the immediately preceding Collection Period:

- (A) a Residential Mortgage Loan or any security relating thereto was, during the immediately preceding Calculation Period, in breach of the representations and warranties contained in the Warranty and Indemnity Agreement and the Seller has not indemnified the Guarantor or otherwise cured such breach, to the extent required by the terms of the Warranty and Indemnity Agreement (any such Residential Mortgage Loan an “**Affected Loan**”). In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the LTV Adjusted Principal Balance of the relevant Affected Loans (as calculated on the last day of the immediately preceding Calculation Period); and/or
- (B) the Seller, in any preceding Calculation Period, was in breach of any other material representation and warranty under the Master Loans Purchase Agreement and/or the Master Servicer was, in any preceding Calculation Period, in breach of a material term of the Master Servicing Agreement. In this event, the aggregate LTV Adjusted Principal Balance of the Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) 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 in respect of such Residential Mortgage Loan (such financial loss to be calculated by the Test Calculation Agent without double counting with the reduction under (A) above and to be set off against any amount paid (in cash or in kind) to the Guarantor by the Seller

and/or the Master Servicer to indemnify the Guarantor for such financial loss) (any such loss a "**Breach Related Loss**");

AND

- (ii) is the aggregate "**Asset Percentage Adjusted Principal Balance**" of the Residential Mortgage Loans in the Eligible Cover Pool as at any given date which in relation to each Residential Mortgage Loan shall be calculated as the lower of (1) the actual Outstanding Principal of the relevant Residential Mortgage Loan as calculated on the last day of the immediately preceding Collection Period, and (2) the Latest Valuation relating to that Residential Mortgage Loan as at such date multiplied by N (where N is equal to (a) 100 per cent. for all Residential Mortgage Loans that are up to 90 days In Arrears or not In Arrears, (b) 40 per cent for Residential Mortgage Loans that are more than 90 days In Arrears but are not yet Defaulted Receivables and (c) zero for all Defaulted Receivables),
- minus*

the aggregate sum of (1) the Asset Percentage Adjusted Principal Balance of any Affected Loan(s), calculated as described in item (i)(A) above and/or (2) any Breach Related Losses, calculated as described in item (i)(B) above,

the result of which multiplied by the Asset Percentage.

It being understood that in the event the Issuer chooses not to apply such other percentage figure of the Asset Percentage lower than 88 per cent (as defined under item (b) of the relevant definition), this will not result in a breach of the Asset Coverage Test. On 29 July Banco Desio communicated to the other Parties that in accordance with the Cover Pool Management Agreement, as of the date thereof the Asset Percentage is equal to 80%.

For the purpose of the computation of the item A above, the Outstanding Principal of the Mortgage Loans shall include the Outstanding Principal with reference to the relevant Valuation Date of any New Portfolio sold after the last day of the Collection Period and prior to the relevant Test Calculation Date (or Monthly Test Calculation Date, as the case may be), to the extent that (i) the calculation are made during a Test Grace Period or (ii) a Series of Covered Bonds has been issued or is to be issued during the same period of time and all the steps required under the relevant Master Loans Purchase Agreement for the purposes of the purchase of the New Portfolio by the Guarantor having been taken and the relevant notice of assignment having been published in the Official Gazette and registered in the companies' register before the relevant Issue Date.

"**B**" is equal to the aggregate amount of all sums standing to the credit of the Collection Accounts, the Reserve Fund Account and the Guarantor Payments Account as at the end of the immediately preceding Calculation Period which have not been applied in accordance with the relevant Priority of Payments up to a maximum nominal amount which cannot exceed, taking into account "**C**" below, 15 per cent. of the nominal amount of the aggregate Cover Pool as at such date;

"**C**" is equal to the aggregate Outstanding Principal Balance of any Top Up Assets and/or Eligible Investments as the end of the immediately preceding Calculation Period (without duplication with the amounts standing to the credit of the Accounts under "**B**" above) and up to a maximum nominal amount which cannot exceed, taking into account "**B**" above, 15 per cent. of the nominal amount of the aggregate Cover Pool as at such date;

"**Y**" is equal to the Potential Set-Off Amount;

"*W*" is equal to the Commingling Amount;

"*H*" is equal to the aggregate amount of the principal instalment of each Mortgage Loan which have been deferred in accordance with a Payment Holiday, as long as the relevant Mortgage Loan has a Payment Holiday, meaning that (a) during the Payment Holiday for each Mortgage Loan is equal to a fixed amount calculated as the sum of the principal component of each deferred instalment and that (b) after the end of the Payment Holiday the amount is equal to zero;

"*Z*" means the amount resulting from the product of (i) the weighted average remaining maturity of all Covered Bonds then outstanding expressed in days and divided by 365, (ii) the Euro Equivalent amount of the aggregate Outstanding Principal Balance of the Covered Bonds, and (iii) the Negative Carry Factor.

"**Payment Holiday**" means in respect of a Mortgage Loan, the period of deferral of the payment of (a) its interest and principal instalments or (b) its principal instalments in accordance with (i) the application of moratoria provisions from time to time granted to Debtors by any laws, agreements between Italian banking associations and national consumer associations, the Bank of Italy or other regulatory bodies regulations, or (ii) the agreement reached by the Servicer and the Debtors.

#### **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, on the relevant Calculation Date, the Amortisation Test Aggregate Loan Amount is an amount at least equal to the Euro Equivalent of 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 (or failing which, the Issuer) by the immediately following Monthly Test 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 Test 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.

$$A+B+C-Z$$

where,

"*A*" stands for the "**Adjusted Outstanding Principal Balance**" of each Residential Mortgage Loan in the Cover Pool as at the relevant Calculation Date, defined as the lower of:

- (i) the actual Outstanding Principal of each Residential Mortgage Loan as calculated on the last day of the immediately preceding Collection Period multiplied by M; and
- (ii) the Latest Valuation relating to that Residential Mortgage Loan multiplied by M,
- (iii) where M is equal to (a) 100 per cent., for all Mortgage Loans that are up to 90 days In Arrears or not In Arrears, (b) 85per cent. for all Mortgage Loans that are more than 90 days In Arrears but are not yet Defaulted Loans and (c) 70 per cent. for all Defaulted Loans,

*minus*

the aggregate sum of the following deemed reductions to the aggregate Outstanding Principal of the Residential Mortgage Loans in the Cover Pool if any of the following occurred during the immediately preceding Collection Period:

- (I) a Residential Mortgage Loan was, in the immediately preceding Collection Period, an Affected Loan. In this event, the aggregate Outstanding Principal of the Residential Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced by an amount equal to the Outstanding Principal of the relevant Affected Loans (as calculated on the last day of the immediately preceding Calculation Period) multiplied by M (where M is equal to (a) 100 per cent., for all Residential Mortgage Loans that are up to 90 days In Arrears or not In Arrears, (b) 85 per cent. for all Residential Mortgage Loans that are more than 90 days In Arrears but are not yet Defaulted Receivables and (c) 70 per cent. for all Defaulted Receivables; and/or
- (II) the Seller, in any preceding Calculation Period, was in breach of any other material representation and warranty under the Master Loans Purchase Agreement and/or the Master Servicer was, in any preceding Calculation Period, in breach of a material term of the Master Servicing Agreement. In this event, the aggregate Outstanding Principal of the Residential Mortgage Loans in the Eligible Cover Pool (as calculated on the last day of the immediately preceding Calculation Period) will be deemed to be reduced, by an amount equal to the resulting financial loss incurred by the Guarantor in the immediately preceding Collection Period in respect of such Residential Mortgage Loan (such financial loss to be calculated by the Test Calculation Agent without double counting with the reduction under (I) above and to be set off against any amount paid (in cash or in kind) to the Guarantor by the Seller and/or the Master Servicer to indemnify the Guarantor for such financial loss);

"**B**" stands for the aggregate of principal amount standing to the credit of the Collection Accounts, Reserve Fund Account and Guarantor Payments Account and the principal amount of any Top-Up Assets or Eligible Investment at the end of the preceding Collection Period;

"**C**" stands for the aggregate amount of all principal amounts collected by the Master Servicer in respect of the Cover Pool up to the end of the immediately preceding Collection Period which have not been provisioned as at the relevant Calculation Date to acquire further New Portfolio and/or Top Up Assets or otherwise provisioned in accordance with the Transaction Documents; and

"**Z**" stands for the weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding multiplied by the aggregate Outstanding Principal Amount of the Covered Bonds multiplied by the 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 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 (A) interest accruing in respect of all outstanding Series of Covered Bonds during the immediately following Guarantor Payment Period (such that, (a) if Liability Swap Agreements are in place for a Series of Covered Bonds, such interest amounts accruing will be the higher of the net amount due to the Liability

Swap Provider or the amount due to the Covered Bondholders of such Series, (b) if Liability Swap Agreements are not in place for a Series of Covered Bonds, such interest amounts accruing will be the amount due the Covered Bondholders of such Series and (c) if Liability Swap Agreements are in place for a portion of a Series of Covered Bonds, such interest amounts accruing will be the sum of (i) for the portion of the Series covered by the Liability Swap Agreement, the higher of the amount due to the Liability Swap Provider and the amount due to the Covered Bondholders of such Series, and (ii) for the remaining portion, the interest amounts accruing will be the proportional amount due the Covered Bondholders of such Series) as calculated by the Guarantor Calculation Agent on or prior to each Calculation Date, *plus* (B) prior to the service of an Issuer Default Notice, the aggregate amount to be paid by the Guarantor on the second Guarantor Payment Date following the relevant Calculation Date in respect of the items (*First*)(a) to (*Third*) of the Pre- Issuer Event of Default Interest Priority of Payments, as calculated by the Guarantor Calculation Agent; *plus* (C) any additional amount that the Issuer has voluntarily resolved to accumulate as reserve in order to create an additional stock to procure that the Statutory Tests are met with respect to the Cover Pool.

## 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:

- (i) interest collected by the Master Servicer and/or each relevant Service Provider in respect of the Cover Pool and credited into the Collection Account during the Collection Period preceding the relevant Calculation Date;
- (ii) all recoveries in the nature of interest and fees received by the Master Servicer and/or each relevant Service Provider and credited to the Collection Account during the Collection Period preceding the relevant Calculation Date;
- (iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts (excluding the Swap Collateral Cash Account and the Swap Collateral Securities Account) during the Collection Period preceding the relevant Calculation Date;
- (iv) all interest deriving from the Eligible Investments made with reference to the immediately preceding Collection Period;
- (v) any payment received on or immediately prior to such Guarantor Payment Date from any Swap Provider other than any Swap Collateral Excluded Amounts and any principal payments under the Swap Agreements;
- (vi) all interest amounts received from any Seller by the Guarantor pursuant to the Master Loans Purchase Agreement;
- (vii) the Reserve Fund Amount standing to the credit of the Reserve Fund Account;
- (viii) any amounts (other than the amounts already allocated under other items of the Guarantor Available Funds and other than any principal amounts) received by the Guarantor from any party to the Transaction Documents; and
- (ix) interest amount recovered by the Guarantor from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

**"Principal Available Funds"** means, in respect of any Calculation Date, the aggregate of:

- (i) all principal amounts collected by the Master Servicer and/or each relevant Service Provider in respect of the Cover Pool and credited to the Collection Account net of the amounts applied to purchase Eligible Assets and Top Up Assets during the Collection Period preceding the relevant Calculation Date;

- (ii) all other recoveries in the nature of principal received by the Master Servicer and credited to the Collection Account during the Collection Period preceding the relevant Calculation Date;
- (iii) all principal amounts received from the Seller by the Guarantor pursuant to the Master Loans Purchase Agreement;
- (iv) the proceeds of any disposal of Eligible Assets and any disinvestments of Top Up Assets;
- (v) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Date;
- (vi) any principal amounts (other than the amounts already allocated under other items of the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;
- (vii) any principal payment payable under the Swap Agreements other than any Swap Collateral Excluded Amounts;
- (viii) any amount paid under the Subordinated Loan and not repaid, standing to the credit of the Collection Accounts;
- (ix) all the amounts allocated pursuant to item Sixth of the Pre-Issuer Event of Default Interest Priority of Payments ; and
- (x) principal amount recovered by the Guarantor from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

***Pre-Issuer Event of Default Interest Priority of Payments***

Prior to the service of an Issuer Default Notice on the Guarantor and the Issuer or service of a Guarantor Default Notice on the Guarantor, the Interest Available Funds shall be applied by or on behalf of the Guarantor on each Guarantor Payment Date in making the following payments and provisions in the following order of priority (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):

- (i) *First*, (a) to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any Expenses of the Guarantor (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;
- (ii) *Second*, to pay any amount due and payable to the Representative of the Covered Bondholders;
- (iii) *Third*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable to the Master Servicer, the Back-up Servicer, the Back-Servicer Facilitator, the Stitching Corporate Servicer, the Account Bank, the Guarantor Calculation Agent, the Test Calculation Agent, the Corporate Servicer, the Asset Monitor, the Cash Manager, the Listing Agent, the Guarantor Paying Agent and the Issuer Paying Agent;
- (iv) *Fourth*, to pay any amounts 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 relevant Swap Provider has become the Sole Affected Party following the occurrence of a Downgrade Termination Event (as defined in the Liability Swap Agreement)) other than the swap principal;
- (v) *Fifth*, to transfer to the Reserve Fund Account the relevant Reserve Fund Amount;

- (vi) *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 (a) First of the Pre Issuer Event of Default Principal Priority of Payments, net of any amount already allocated under this item Sixth on any previous Guarantor Payment Date;
- (vii) *Seventh*, to pay any Base Interest due to the Subordinated Lender under the Subordinated Loan Agreement provided that the Statutory test and the Asset Coverage Test are satisfied on such Guarantor Payment Date;
- (viii) *Eighth*, to pay any payments due and payable by the Guarantor to any Swap Provider not paid under item Fourth above; and
- (ix) *Ninth*, to pay any Premium Interest due to the Subordinated Loan Provider under the Subordinated Loan Agreement, provided that the Statutory Test and the Asset Coverage Test are satisfied on such Guarantor Payment Date.

For the avoidance of doubt, any Swap Collateral Excluded Amount will be paid to the relevant Swap Counterparty directly pursuant to the provisions of the Intercreditor Agreement and not under the Priority of Payments.

#### **Pre-Issuer Event of Default Principal Priority of Payments**

Prior to the 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 in the following order of priority (the "**Pre-Issuer Event of Default Principal 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:

- (i) *First*, to pay any amount due and payable under items (i) to (e) of the Pre-Issuer Event of Default Interest Priority of Payments the extent that the Interest Available Funds are not sufficient to make the payments in full on such Guarantor Payment Date;
- (ii) *Second*, to acquire Eligible Asset or Top Up Asset (other than those funded through the proceeds of each Subordinated Loan);
- (iii) *Third*, to pay any swap principal due to any Swap Provider;
- (iv) *Fourth*, to repay each Subordinated Loan advanced by the Subordinated Loan Provider under the Subordinated Loan Agreement, provided the Statutory Tests and the Asset Coverage Test are complied with (after such payment) and the Subordinated Loan Provider has requested the repayment of each Subordinated Loan pursuant to clause 6.2 of the Subordinated Loan Agreement; and
- (v) *Fifth*, to the extent that the Subordinated Loan Provider has not received amounts as repayment of each Subordinated Loan under item (d) Fourth above, to deposit, pursuant to clause 6.2.2 of the Subordinated Loan Agreement, the relevant amounts in the Collection Account.

For the avoidance of doubt, any Swap Collateral Excluded Amount will be paid to the relevant Swap Counterparty directly pursuant to the provisions of the Intercreditor Agreement and not under the Priority of Payments.

#### **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 on the Guarantor), the Guarantor Available Funds shall be applied by or on behalf of the Guarantor 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):

- (i) *First*, (a) to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any Expenses of the Guarantor owed to third parties (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts) and (b) to credit to the Expenses Account such an amount as will bring the balance of such account up to (but not in excess of) the Retention Amount;
- (ii) *Second*, to pay any amount due and payable to the Representative of the Covered Bondholders;
- (iii) *Third*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable to the Master Servicer, the Back-up Servicer, the Account Bank, the Guarantor Calculation Agent, the Test Calculation Agent, the Corporate Servicer, the Back-Servicer Facilitator, the Stitching Corporate Servicer, the Asset Monitor, the Cash Manager, the Listing Agent, the Issuer Paying Agent and the Guarantor Paying Agent;
- (iv) *Fourth*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amounts, 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 relevant Swap Provider has become the Sole Affected Party following the occurrence of a Downgrade Termination Event (as defined in the Liability Swap Agreement)); and (ii) on the Covered Bonds;
- (v) *Fifth*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amounts 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;
- (vi) *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;
- (vii) *Seventh*, to pay any termination payments due and payable by the Guarantor to the Swap Providers not paid under item Fourth or Fifth above;
- (viii) *Eighth*, to pay to the Seller any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items above;
- (ix) *Ninth*, to pay any principal due and payable to the Subordinated Lender under the Subordinated Loan Agreement; and
- (x) *Tenth*, to pay any Base Interest and Premium Interest due to the Subordinated Lender under the Subordinated Loan Agreement.

#### **Application of Moneys following the 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 by or on behalf of the Guarantor in making the following payments or provisions 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):

- (i) *First*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any Expenses of the Guarantor owed to third parties (to the extent that amounts standing to the credit of the Expenses Account have been insufficient to pay such amounts);
- (ii) *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;
- (iii) *Third*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, any amount due and payable to the Master Servicer, the Back-up Servicer, the Back-Servicer Facilitator, the Stitching Corporate Servicer, the Account Bank, the Guarantor Calculation Agent, the Test Calculation Agent, the Corporate Servicer, the Asset Monitor, the Cash Manager, the Listing Agent, the Issuer Paying Agent, the Guarantor and the Paying Agent;
- (iv) *Fourth*, to pay, *pari passu* and *pro rata*, according to the respective amounts thereof, (i) any amounts 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 relevant Swap Provider has become the Sole Affected Party following the occurrence of a Downgrade Termination Event (as defined in the Liability Swap Agreement)); and (ii) any interest and any Outstanding Principal Amount due under all outstanding Series of Covered Bonds;
- (v) *Fifth*, to pay any termination payments due and payable by the Guarantor to any Swap Provider not paid under item *Fourth* above;
- (vi) *Sixth*, to pay to the Seller any amount due and payable under the Transaction Documents, to the extent not already paid or payable under other items above;
- (vii) *Seventh*, to pay any amount outstanding payable to the Subordinated Loan Provider under the Subordinated Loan Agreement.

## ACCOUNTS

The Guarantor will open and, subject to the terms of the Cash Allocation, Management and Payments Agreement and the Master Servicing Agreement, shall at all times maintain, until the date upon which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Conditions, the following accounts with the Account Bank:

- (i) the Collection Account;
- (ii) the Expenses Account;
- (iii) the Reserve Fund Account;
- (iv) the Guarantor Payments Account; and
- (v) the Swap Collateral Cash Account.

The Guarantor has opened and will at all times maintain, until the date upon which all Series of Covered Bonds issued in the context of the Programme have been cancelled or redeemed in full in accordance with their Conditions, the Quota Capital Account. As this Agreement, the Quota Capital Account is opened with Banca Finanziaria Internazionale S.p.A..

The Guarantor undertakes to pay or deposit or cause to be paid or deposited, as the case may be:

### *1. Collection Account*

- (i) the amounts deriving from the Mortgage Loans, Eligible Assets and/or Top-Up Assets, transferred to the Guarantor by the Seller; and
  - (ii) any amounts received by the Guarantor from each Asset Swap Provider (if any) under the Asset Swap Agreements, if any, other than Swap Collateral Excluded Amounts,
  - (iii) on each Guarantor Payment Date, any amounts payable under item *Fifth* of the Pre Issuer Event of Default Principal Priority of Payments,
- to the Collection Account;

*2. Expenses Account*

- (i) on or about the Issue Date of the first Series of the Covered Bonds, the Retention Amount, and
- (ii) on each Guarantor Payment Date, the amount needed to fund the difference (if positive) between the Retention Amount and the balance of this account will be credited,

*3. Quota Capital Account*

the quota capital of the Guarantor, to the Quota Capital Account;

*4. Reserve Fund Account*

- (i) the Reserve Fund Amount due under item *Fifth* of the Pre-Issuer Event of Default Interest Priority of Payments on each Guarantor Payment Date prior to the delivery of an Issuer Default Notice;
  - (ii) any Guarantor Available Funds to be applied in accordance with item *Sixth* of the Guarantee Priority of Payments on each Guarantor Payment Date after the delivery of an Issuer Default Notice but prior to the delivery of a Guarantor Default Notice;
  - (iii) any amounts received under any Transaction Documents (other than amounts deriving from the Cover Pool or paid under the Asset Swap Agreements (if any) and credited in accordance with point (a) and (b) above); and
  - (iv) the proceeds of any sale of Eligible Assets and Top-Up Assets,
- to the Reserve Fund Account;

*5. Guarantor Payments Account*

- (i) any amounts received by the Guarantor from each Liability Swap Provider (if any) under the Liability Swap Agreements, if any, other than Swap Collateral Excluded Amounts; and
  - (ii) on each Guarantor Payment Date immediately preceding an Interest Payment Date, a Maturity Date and/or an Extended Maturity Date or an Extended Instalment Date, the amounts specified in the Payments Report in order to make payments of the amounts due by the Guarantor,
- to the Guarantor Payments Account;

in each case in accordance with the provisions of the Cash Allocation, Management and Payments Agreement and the Master Servicing Agreement.

## 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 Seller 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 the Seller 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 Agreement*".

For the purposes hereof:

**"Initial Portfolio"** means the initial portfolio of Receivables, comprising Eligible Assets, purchased by the Guarantor from the Seller pursuant to the 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 the Seller pursuant to the terms and subject to the conditions of the 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 Italian law requirements are met.

The following assets (*attivi idonei* or "**Eligible Assets**") are considered eligible under Article 2, sub-paragraph 1, of Decree No. 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 Mortgage Loans applicable to Portfolios***

Under the relevant Master Loans Purchase Agreements, Banco Desio and the Guarantor have agreed the following common criteria (the “**Common Criteria**”) (see “*Overview of the Transaction Documents — Master Loans Purchase Agreements*” above) that will be applied in selecting the Mortgage Loans that will be transferred thereunder to the Guarantor:

Receivables arising from Mortgage Loans that, as of the relevant Valuation Date, complied with the following criteria:

- (1) which are residential mortgages in respect of which (i) the relevant outstanding principal amount added to the outstanding principal amount of any higher ranking mortgage loans secured by the same real estate property, does not exceed 80% of the current value of the real estate property securing the loan in compliance with the provisions of Decree 310, or (ii) if there is more than one real estate asset securing the relevant mortgage loan, at least one of such assets shall be a residential property whose ratio between the outstanding principal amount added to the outstanding principal amount of any higher ranking mortgage loans secured by the same property does not exceed 80% of the current value of the residential property;
- (2) in respect of which the consolidation period applicable to the relevant mortgage has elapsed and the relevant mortgage is not subject to appeal pursuant to Article 67 of Royal Decree No. 267 of 16 March 1942 and, where applicable, Article 39, paragraph 4, of Legislative Decree No. 385 of 1 September 1993;
- (3) which have been disbursed or are owned by Banco Desio;
- (4) which are governed by Italian law;
- (5) which are in bonis;
- (6) in respect of which the debtor has paid at least one instalment (also considering an interest instalment only);
- (7) which provide for all payments on behalf of the debtor to be made in Euro;
- (8) providing for a repayment by monthly, bimonthly, quarterly or semi-annual installments;
- (9) which have been fully disbursed;
- (10) which have been granted to an individual or more individuals jointly;
- (11) which bear a floating interest rate (including a floating interest rate with a cap) determined from time to time by Banco Desio, or a fixed, or a mixed, or an optional interest rate
- (12) secured by a “substantially first lien” mortgage (“substantially first lien” meaning a first lien mortgage or a mortgage with a lien degree other than first but with respect to which the obligations of any higher ranking mortgages have been fully satisfied);

(13) whose residual outstanding principal amount on the relevant Valuation Date does not exceed than Euro 10 million.

For the purpose of this section:

**"Residential Mortgage Loan"** means, under Decree 310, mortgage-backed loans on residential property, provided that the real estate asset is placed in an Admitted State.

**"Decree 310"** means the Decree of the Ministry of Economy and Finance number 310 of 14 December 2006.

**"Admitted States"** means, under Decree 310, States belonging to the European Economic Area and the Swiss Confederation.

## DESCRIPTION OF CERTAIN RELEVANT LEGISLATION IN ITALY

*The following is a general description of the Securitisation and Covered Bond Law (as defined below) . 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 Base 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 "**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 "**Decree No. 310**");
- 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 Regulations**").

Law Decree No. 35 of 14 March 2005, converted by Law No. 80 of 14 May 2005, amended the 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.

Further amendments have been provided for by Law Decree no. 145 of 23 December 2013 as converted with amendments into Law n. 9 of 21 February 2014 and by Law Decree no. 91 of 24 June 2014 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 25 June 2014 of the 5<sup>th</sup> 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 Regulations, among other things, regulate:

- 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 the Securitisation and Covered Bond 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 Decree No. 310 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 amounts 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 debtor 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 (*i.e.* 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 Regulations 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.

Banks not complying with the above mentioned requirements may set up covered bond programmes only prior notice to the Bank of Italy, which may start an administrative process to assess the compliance with the required requirements.

The Bank of Italy Regulations 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 Regulations 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 $\geq$ 9%               | No limitation                                   |
|           | - Common Equity Tier 1 ratio $\geq$ 8% |   |
| "B" range | - Tier 1 ratio $\geq$ 8%               | Up to 60% of eligible assets may be transferred |
|           | - Common Equity Tier 1 ratio $\geq$ 7% |   |
| "C" range | - Tier 1 ratio $\geq$ 7%               | Up to 25% of eligible assets may be transferred |
|           | - Common Equity Tier 1 ratio $\geq$ 6% |   |

The Bank of Italy Regulations 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 Decree No. 310 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 Regulations, 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 board of auditors, on an annual basis, a report detailing its monitoring activity and the relevant findings.

The Bank of Italy Regulations 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, the Bank of Italy Regulations 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 carried out the completeness, accuracy and timeliness of information available to investors pursuant to art. 129, paragraph 7, of CRR.

In order to ensure that the monitoring activities above may be appropriately implemented, the Bank of Italy Regulations 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 Decree No. 310 and the Bank of Italy Regulations 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 Decree No. 310 and the Bank of Italy Regulations, 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 Regulations 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.

## TAXATION

*The statements herein regarding taxation are based on the laws in force as at the date of this Base Prospectus and are subject to any changes in law or interpretation issued by Italian Tax Authorities or any other Italian authority occurring after such date, which changes could be made on a retroactive basis. The following overview 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 – among others – dealers in securities or commodities) may be subject to special rules.*

*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 provides the applicable regime regarding the tax treatment of interest, premium and other proceeds arising 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 (hereinafter, the "**Decree No. 917**"), as amended and supplemented. For these purposes, securities similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

#### **Italian resident Covered Bondholders**

Where Italian resident Covered Bondholders are:

- (a) individuals who are residents of the Republic of Italy for tax purposes holding the Covered Bonds otherwise than in connection with entrepreneurial activities (unless they have entrusted the management of their financial assets to an authorised intermediary and have opted for the regime named *regime del risparmio gestito* – “asset management option”, as described in section “Capital Gains tax” below);
- (b) Italian resident partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), *de facto* partnerships not carrying out commercial activities and professional associations;
- (c) Italian resident public and private resident entities, other than companies, and trusts not carrying out mainly or exclusively commercial activities; or
- (d) investors 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 the relevant Interest must be

included in their relevant income tax return. As a consequence, the Interest will be subject to ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction 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 or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest relating to the Covered Bonds if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100–114, of Law No. 232 of 11 December 2016, as subsequently amended ("**Law No. 232**") and Article 1, paragraph 211–215, of Law No. 145 of 30 December 2018 ("**Law No. 145**"), as implemented by the Ministerial Decree of 30 April 2019, or, for long-term individual savings accounts (*piani individuali di risparmio a lungo termine*) established as of 1 January 2020, the requirements set forth in Article 13-bis of Law Decree No. 124 of 26 October 2019 converted into law with amendments by Law No. 157 of 19 December 2019 ("**Decree No. 124**"), all as lastly amended and supplemented by Article 136 of Law Decree No. 34 of 19 May 2020 as converted into law with amendments by Law no. 77 of 17 July 2020 ("**Decree No. 34/2020**").

Where Italian resident Covered Bondholders are (a) Italian resident companies or (b) permanent establishments in the Republic of Italy of non resident companies 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*. However, Interest must be included in the relevant Covered Bondholder's taxable income and is therefore subject to general Italian corporate taxation ("**IRES**") (and, in certain circumstances, depending on the "status" of the Covered Bondholder, also to the regional tax on productive activities ("**IRAP**").

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**"), Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, 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, or pursuant to Article 14-bis of Law No. 86 of 25 January 1994 and Italian real estate SICAFs (together, the "**Real Estate Funds**") are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a Real Estate Fund. 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 Fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF ("*Società di investimento a capitale fisso*") or a SICAV ("*Società di investimento a capitale variabile*") established in Italy (together, the "**Fund**") and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, 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. Subject to certain conditions (including

minimum holding period requirement) and limitations, interest, premium and other income relating to the Covered Bonds may be excluded from the taxable base of the 20 per cent. substitute tax if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 paragraph 100–114 of Law No. 232 and in Article 1, paragraph 211–215 of Law No. 145, as implemented by the Ministerial Decree of 30 April 2019, or, for long-term individual savings accounts (*piani individuali di risparmio a lungo termine*) established as of 1 January 2020, the requirements set forth in Article 13-bis of Decree No. 124, all as lastly amended and supplemented by Article 136 of Decree No. 34/2020.

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 Bondholder or, absent that, directly by the Issuer.

#### **Non-Italian resident Covered Bondholders**

Pursuant to Article 6 of Decree No. 239, 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:

- (a) resident, for tax purposes, in a country which allows Italian Tax Authorities to obtain appropriate information in respect of the beneficiary of the payments made from the Republic of Italy as listed in Ministerial Decree of 4 September 1996 as amended and supplemented by Ministerial Decree of 23 March 2017 and possibly further amended by future decree issued pursuant to Article 11(4), lett. c) of Decree No. 239 (the "White List"); or
- (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy (so called "*supranational entities and organizations*"); or
- (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 even if it does not possess the status of a taxpayer in its own country of residence.

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 *imposta sostitutiva* 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.

#### ***Payments 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 Tax 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, reduced to 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 (a) an Italian company, (b) a similar commercial entity (including the Italian permanent establishment in Italy of foreign entities to which the Covered Bonds are connected) or (c) an Italian resident individual engaged in an entrepreneurial activity to which the Covered Bonds are effectively connected.

Where an Italian resident Covered Bondholder is (i) an individual not engaged in an entrepreneurial activity to which the Covered Bonds are effectively connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, 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.

Such taxpayers, in respect of the application of *imposta sostitutiva*, 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, Covered Bondholders under (i) to (iii) above, 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 Covered Bondholders. In this instance, "capital gain" 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.
- (b) As an alternative to the tax declaration regime, Italian resident individual Covered Bondholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Covered Bonds (*regime del risparmio amministrato*). 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 *regime del risparmio amministrato* 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 *regime del risparmio amministrato*, 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. Under the *risparmio amministrato* regime, the Covered Bondholders are not required to declare the capital gains in the annual tax return.

- (c) In the *regime del risparmio gestito* – “asset management option”, any capital gains realised by Italian resident Covered Bondholders under (i) to (iii) above 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. 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 or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 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 individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 paragraph 100–114 of Law

No. 232 and in Article 1, paragraph 211–215 of Law No. 145, as implemented by the Ministerial Decree of 30 April 2019, or, for long-term individual savings accounts (*piani individuali di risparmio a lungo termine*) established as of 1 January 2020, the requirements set forth in Article 13-bis of Decree No. 124, all as lastly amended and supplemented by Article 136 of Decree No. 34/2020..

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.

Any capital gain 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. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Covered Bonds may be excluded from the taxable base of the 20 per cent. substitute tax if the Covered Bonds are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 paragraph 100–114 of Law No. 232 and in Article 1, paragraph 211–215 of Law No. 145, as implemented by the Ministerial Decree of 30 April 2019, or, for long-term individual savings accounts (*piani individuali di risparmio a lungo termine*) established as of 1 January 2020, the requirements set forth in Article 13-bis of Decree No. 124, all as lastly amended and supplemented by Article 136 of Decree No. 34/2020..

Real Estate Funds are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the Real Estate Fund. 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 Fund.

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 in Italy or abroad are not subject to the *imposta sostitutiva*. The exemption applies provided that the non-Italian resident beneficial owner 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; or
- (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:

- (a) 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;
- (b) 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
- (c) 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) above 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 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in "case of use" (*caso d'uso*) or in the case of "explicit reference" (*enunciazione*) or voluntary registration (*registrazione volontaria*)..

### **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 Euro 14,000 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.

### **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, non-commercial entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917 of 22 December 1986) holding the Covered Bonds outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent ("**IVAFE**"). Pursuant to the provisions of Article 134 of Decree No. 34/2020, the wealth tax cannot exceed Euro 14,000 for taxpayers different from individuals. In this case the above mentioned stamp duty provided for by Article 13 of the tariff attached to Decree No. 642 does not apply.

IVAFE 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 rules**

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-commercial entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax return 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 total aggregate value does not exceed a Euro15,000 threshold throughout the relevant year.

### **U.S. Foreign Account Tax Compliance Act Withholding**

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 such instruments, 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 published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. 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 entered into, on 19 July 2017, as subsequently amended, between, *inter alia*, the Issuer, the Guarantor, the Dealer and the Arranger. 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.

### Selling restrictions

#### European Union – Prohibition of Sales to EEA and UK Retail Investors

Unless the Final Terms in respect of any Covered Bonds, specifies the "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", 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, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds, which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area or in the United Kingdom.

For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
  - (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**IDD**"), 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 Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); andand
- (b) the expression an "offer" includes 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.

If the Final Terms of any Covered Bonds specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area or the United Kingdom (each, a "**Relevant State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Base Prospectus as completed by the relevant Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant State except that it may make an offer of such Covered Bonds to the public in that Relevant State:

- (a) Qualified investors: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) Fewer than 150 offerees: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) Other exempt offers: at any time in any other circumstances falling within article 1(4) of the Prospectus Regulation.

**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 Regulation or supplement a prospectus pursuant to article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Covered Bonds to the public" in relation to any Covered Bonds in any Relevant 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, and the expression Prospectus Regulation means Regulation (EU) 2017/1129, as amended from time to time.

#### ***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, or not subject to, 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 than 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***

In relation to each Series of Covered Bonds, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree with the Issuer that:

- (e) 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 Guarantor, as the case may be; and
- (f) 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 Base 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*.

### ***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 Base Prospectus or of any other document relating to any Covered Bonds may be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of the Financial Law and Article 34-ter, paragraph 1 (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 Base Prospectus or any other document relating to the Covered Bonds in the Republic of Italy under (a) or (b) above must be:

- (a) 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. 20307 of 15 February 2018 (as amended from time to time) and the Consolidated Banking Act; 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, 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.

### ***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 Regulation and, where applicable, the provisions of the Irish Companies Acts 2014 and every other enactment that is to be read together with any of those Acts;
- (b) in respect of Covered Bonds issued by Banco Desio 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, 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 Banco Desio 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 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 2014/65/EU (as amended, the “**MIFID II**”) and the Regulation 2014/600/EU (as amended, the “**MIFIR**”) of the European Parliament and of the Council of 21 April 2014 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.

### **General**

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, 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 Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base 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 Base 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 Base Prospectus.

## **GENERAL INFORMATION**

### **Listing, Admission to Trading and Approval**

This Base Prospectus has been approved by the Central Bank of Ireland, as Irish competent authority under the Prospectus Regulation. Application has been made for Covered Bonds issued under the Programme during the period of 12 months from the date of this Base Prospectus to be listed on the official list of Euronext Dublin and admitted to trading on the Regulated Market of Euronext Dublin.

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.

The Central Bank of Ireland 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 Base Prospectus, (ii) a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Regulation.

### **Authorisations**

The update of the Programme has been duly authorised by a resolution of the management board of the Issuer dated 29 April 2020 and a resolution of the board of directors of the Guarantor dated 24 July 2020. The giving of the Covered Bond Guarantee has been duly authorised by the resolutions of the board of directors of the Guarantor dated 30 June 2017.

### **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 Base Prospectus, a significant effect on the financial position or profitability of the Issuer, the Guarantor or their respective Subsidiaries.

### **Trend Information**

Since 31 December 2019, there has been no material adverse change in the prospects of Banco Desio and the Desio Group.

Since 31 December 2019, 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 performance of Banco Desio and Desio Group since 30 June 2020, and there has been no significant change in the financial or trading position of Banco Desio and Desio Group since 30 June 2020.

### **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 base prospectus under the Prospectus Regulation, 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 available for inspection**

For so long as the Programme remains in effect or any Covered Bonds shall be outstanding and admitted to trading on the regulated market of Euronext Dublin, copies and, where appropriate, English translations of the following documents may be inspected, free of charge, by physical and/or electronic means during normal business hours (except for Saturdays, Sundays and public holidays) at the registered office of the Issuer, namely:

- (i) the Transaction Documents, of which only the Covered Bond Guarantee is available at [https://www.bancodesio.it/sites/default/files/docs/chiomenti\\_covered\\_bond\\_guarantee\\_chiom\\_6107139\\_v1.pdf](https://www.bancodesio.it/sites/default/files/docs/chiomenti_covered_bond_guarantee_chiom_6107139_v1.pdf) ;
- (ii) the Issuer's memorandum of association (Atto Costitutivo) and by-laws (Statuto) as of the date hereof;
- (iii) the Guarantor's memorandum of association (Atto Costitutivo) and by-laws (Statuto) as of the date hereof available at [https://www.bancodesio.it/sites/default/files/docs/28.07.2017\\_ass.\\_e\\_statuto\\_0.pdf](https://www.bancodesio.it/sites/default/files/docs/28.07.2017_ass._e_statuto_0.pdf);
- (iv) the Issuer's half-year consolidated financial statements as at 30 June 2020;
- (v) the press release dated 22 May 2020 on the SREP requirements;
- (vi) the press release dated 19 May 2020 stating the downgrade of the Issuer;
- (vii) the press release dated 23 April 2020 concerning the new corporate bodies of the Issuer and amendments to the bylaws;
- (viii) the press release dated 1 April 2020 on the suspension of dividend's payment;
- (ix) the Issuer's audited consolidated and non-consolidated annual financial statements in respect of the years ended on 31 December 2018 and 31 December 2019;
- (x) the non-consolidated financial statements of the Guarantor as at and for the year ended on 31 December 2018 and 31 December 2019;
- (xi) a copy of this Base Prospectus together with any supplement thereto, if any, or further Base Prospectus;
- (xii) any Final Terms relating to Covered Bonds which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. In the case of any Covered Bonds which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Covered Bondholders.

Copies of all such documents shall also be available to Covered Bondholders at the Specified Office of the Representative of the Covered Bondholders. Copies of documents listed under (ii) to (xi) shall also be available at the following website <https://www.bancodesio.it/>.

It being understood that this Base Prospectus, any supplement to this Base Prospectus, Final Terms and documents incorporated by reference shall remain publicly available in electronic form for at least 10 (ten) years after the relevant publication.

#### **Auditors**

Deloitte & Touche S.p.A. are the auditors of the Issuer 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 Ministry 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. audited and rendered an unqualified audit report on the consolidated financial statements of the Issuer as at and for the years ended 31 December 2018 and 31 December 2019.

#### **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**

Save for the Transaction Documents described under section “Overview of the Transaction Documents” on pages from 193 to 207 of this Base Prospectus, neither the Issuer nor the Guarantor nor any of their respective subsidiaries 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 have been accepted for clearance through Monte Titoli, Euroclear and Clearstream. 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 as shall have accepted the relevant Covered Bonds for clearance together with any further appropriate information.

#### **Websites**

The information on the websites does not form part of the prospectus and has not been scrutinised or approved by the competent authority except websites related to the documents incorporated by reference.

## GLOSSARY

**"Accounts"** means, collectively, the Expenses Account, the Quota Capital Account, the Guarantor Payment Account, the Collection Account, the Reserve Fund Account, the Swap Collateral Cash Account, the Swap Collateral Securities Account, the Securities Account (if any) and any other account opened from time to time in connection with the Programme but excluding any account related to swap collection.

**"Account Bank"** means Crédit Agricole Corporate and Investment Bank, Milan Branch, in its capacity as account bank, or any other depositary institution that may be appointed as such pursuant to the Cash Allocation, Management and Payments Agreement.

**"Account Bank Report"** means the report to be prepared and delivered by the Account Bank to the Guarantor, the Seller, the Representative of the Covered Bondholders, the Master Servicer, the Issuer and the Guarantor Calculation Agent, in accordance with the Cash Allocation, Management and Payments Agreement.

**"Account Bank Report Date"** means the date falling on the first Business Day of each month.

**"Adjusted Outstanding Principal Balance"** has the meaning ascribed to such term in clause 3.2.1 (Amortisation Test) of the Cover Pool Management Agreement.

**"Affected Receivables"** has the meaning ascribed to the definition of "Crediti Colpiti" under art. 8.1 (*Payment of Indemnity*) of the Warranty and Indemnity Agreement.

**"Agents"** means each of the Account Bank, the Cash Manager, the Guarantor Calculation Agent, the Test Calculation Agent, the Issuer Paying Agent, the Guarantor Paying Agent and the Corporate Servicer.

**"Amortisation Test"** means the test which will be carried out pursuant clause 3 (*Amortisation Test*) of the Cover Pool Management Agreement in order to ensure, inter alia, that, on each Test 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 principal amount of the issued Covered Bonds as calculated on the relevant Test Calculation Date.

**"Amortisation Test Aggregate Loan Amount"** has the meaning ascribed to such term in clause 3.2 (Amortisation Test) of the Cover Pool Management Agreement.

**"Arranger"** means BNP Paribas, acting through its Italian branch.

**"Article 74 Event"** means, in respect of the Issuer, the issue of a resolution pursuant to Article 74 of the Consolidated Banking Act.

**"Article 74 Event Cure Notice"** means the notice to be served by the Representative of the Covered Bondholders to the Issuer, the Seller, the Guarantor and the Asset Monitor informing that an Article 74 Event has been revoked.

**"Asset Monitor"** means BDO Italia S.p.A., acting in its capacity as asset monitor, or any other entity that may be appointed as such, pursuant to the engagement letter entered into with the Issuer on 19 July 2017 and to the Asset Monitor Agreement entered on the same date.

**"Asset Monitor Agreement"** means the asset monitor agreement entered into on or about the date hereof between, *inter alios*, the Asset Monitor and the Issuer.

**"Asset Percentage"** has the meaning ascribed to such term in clause 1.2 (Other Definitions) of the Cover Pool Management Agreement.

**"Asset Swap Agreements"** means any asset swap agreement that may be entered into between the Guarantor and a counterparty under the Asset Swap Agreement.

**"Asset Swap Provider"** means any counterparty under any Asset Swap Agreement that may be entered into.

**"Attività Finanziarie Deteriorate"** or **"AFD"** means any Receivable 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.

**"Back-Up Servicer"** means the entity which may be appointed by the Guarantor, with the approval by Representative of the Covered Bondholders, pursuant to Clause 7 (Back-Up Servicer) of the Master Servicing Agreement.

**"Back-up Servicing Agreement"** means the back-up master servicing agreement entered into on 29 July 2020 between the Guarantor, the Issuer, the Master Servicer and the Back-up Servicer, as amended and/or supplemented from time to time.

**"Back-Up Servicer Facilitator"** means Securitisation Services S.p.A., acting in its capacity as back-up servicer facilitator of the Guarantor pursuant to the Cash Allocation, Management and Payments Agreement.

**"Banco Desio"** means Banco di Desio e della Brianza S.p.A.

**"Bank of Italy Regulations"** (*Regolamento della Banca d'Italia*) 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 as amended from time to time.

**"Base Interest"** means the interest payable by the Guarantor to the Subordinated Lender in accordance with the Subordinated Loan Agreement.

**"Base Prospectus"** means the Base 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.

**"Beneficiaries"** means the Covered Bondholders and the Other Issuer Creditors as beneficiaries of the Covered Bond Guarantee.

**"Business Day"** means any day on which the Trans-European Automated Real Time Gross Transfer System (TARGET 2) (or any successor thereto) is open.

**"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:

- (i) **"Following Business Day Convention"** means that the Relevant Date shall be postponed to the first following day that is a Business Day;

- (ii) **"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;
- (iii) **"Preceding Business Day Convention"** means that the Relevant Date shall be brought back to the first preceding day that is a Business Day;
- (iv) **"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*:
  - (i) 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;
  - (ii) 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
  - (iii) 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
- (v) **"No Adjustment"** means that the Relevant Date shall not be adjusted in accordance with any Business Day Convention.

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

**"Calculation Date"** means both prior to and after the delivery of a Guarantor Event of Default Notice, the date falling on the second Business Day immediately preceding each Guarantor Payment Date.

**"Calculation Period"** means each Collection Period and, after the delivery of a Test Performance Report assessing that a breach of Test has occurred, each period beginning on (and including) the first day of the month and ending on (and including) the last day of the same calendar month until such time the relevant breach of Test has been cured or otherwise remedied in accordance with the Cover Pool Management Agreement).

**"Cash Allocation, Management and Payments Agreement"** means the cash allocation, management and payments agreement, entered into on or about the date hereof between, *inter alios*, the Guarantor, the Representative of the Covered Bondholders, the Issuer Paying Agent, the Cash Manager, the Guarantor Paying Agent, the Guarantor Calculation Agent, the Test Calculation Agent and the Account Bank.

**"Cash Manager"** means Banco di Desio e della Brianza S.p.A., acting as cash manager pursuant to the Cash Allocation, Management and Payments Agreement.

**"Cash Manager Report"** means the cash manager report provided by the Cash Manager in accordance with the Cash Allocation Management and Payments Agreement.

**"Civil Code"** means the Italian civil code, enacted by Royal Decree No. 262 of 16 March 1942.

**"Clearstream"** means Clearstream Banking, société anonyme, Luxembourg, with offices at 42 avenue JF Kennedy, L-1855 Luxembourg.

**"Collateral Security"** means any security (including any loan mortgage insurance in respect of the Mortgage Loan and excluding Mortgages) granted to the Seller by any Debtor in order to guarantee or secure the payment and/or repayment of any amounts due under the relevant Mortgages Loan Agreements.

**"Collection Account"** means the Euro denominated account established in the name of the Guarantor with the Account Bank, IBAN IT72A0343201600002212123975 and any other Italian collection account which shall be opened by the Guarantor upon any entity part of the Desio Group becoming part of the Programme as Seller 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.

**"Collection Date"** means the last calendar day of March, June, September and December.

**"Collection Period"** means each quarterly period commencing on (and including) the first calendar day of January, April, July and October and ending on (and including) the last calendar day of March, June, September and December and, in the case of the first Collection Period, commencing on (and including) the Valuation Date and ending on (and including) the 30 September 2017.

**"Collections"** means all amounts received or recovered by the Master Servicer in respect of the Receivables comprised in the Cover Pool.

**"Commingling Amount"** means (a) if no Issuer Downgrading Event has occurred or is outstanding an amount equal to 0 (zero) or (b) if an Issuer Downgrading Event has occurred and is outstanding, 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 Collection Account on the following 3 (three) calendar months and considering a 10 per cent cumulative prepayment ratio.

**"Common Criteria"** means the criteria listed in schedule 2 (*Criteri Comuni per la selezione ed identificazione dei Crediti*) to the Master Loans Purchase Agreement.

**"Conditions"** means this 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, as amended and supplemented from time to time.

**"Corporate Servicer"** means Securitisation Services S.p.A., acting in its capacity as corporate servicer of the Guarantor pursuant to the Corporate Services Agreement.

**"Corporate Services Agreement"** means the corporate services agreement entered into on or about the Transfer Date, between the Guarantor and the Corporate Servicer, pursuant to which the Corporate Servicer will provide certain administration services to the Guarantor.

**"Covered Bonds"** means each Series of 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.

**"Covered Bond Guarantee"** means the guarantee issued by the Guarantor for the purpose of guaranteeing the payments due by the Issuer to the Covered Bondholders and the Other Issuer Creditors, in accordance with the provisions of the Securitisation and Covered Bond Law, Decree No. 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 from time to time of Covered Bonds, title to which is evidenced in the manner described in Condition 3 (*Form, Denomination and Title*).

**"Cover Pool"** means the cover pool constituted by, collectively, any Eligible Assets and Top-Up Assets held by the Guarantor in accordance with the provisions of the Securitisation and Covered Bond Law, the Decree No. 310 and the Bank of Italy Regulations.

**"Cover Pool Management Agreement"** means the cover pool management agreement to be entered into between the Issuer, the Guarantor, the Seller, the Representative of the Covered Bondholders, the Test Calculation Agent, the Guarantor Calculation Agent, and the Asset Monitor.

**"Cover Pool for Statutory Tests"** means, for the purpose of the calculation of the Statutory Test, 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 *Attività Finanziaria Deteriorata* ("AFD") and any Defaulted Receivable will be excluded and (ii) any Mortgage Loan in respect of which the LTV on the basis of the Latest Valuation exceed the percentage limit set forth under Article 2, para. 1, of the Decree No. 310, will be calculated up to an amount of principal which – taking into account the Latest Valuation of the relevant Real Estate Asset – allows the compliance with such percentage limit.

**"CRD IV Regulation"** means 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.

**"Credit and Collection Policy"** means the procedures for the management, collection and recovery of the Receivables attached as Schedule 1 (*Procedura di Riscossione*) to the Master Servicing Agreement.

**"Criteria"** means, collectively, the Common Criteria, the Specific Criteria and any Further Criteria.

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the "**Relevant 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:
  - (i) 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

- (ii) 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 <sub>1</sub> " | is the year, expressed as a number, in which the first day of the Calculation Period falls;   |
| "Y <sub>2</sub> " | is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;   |
| "M <sub>1</sub> " | is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;   |
| "M <sub>2</sub> " | is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;   |
| "D <sub>1</sub> " | is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D <sub>1</sub> will be 30; and   |
| "D <sub>2</sub> " | 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 <sub>1</sub> is greater than 29, in which case D <sub>2</sub> 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:

|                        |   |
|------------------------|---|
| <b>"Y<sub>1</sub>"</b> | is the year, expressed as a number, in which the first day of the Calculation Period falls;   |
| <b>"Y<sub>2</sub>"</b> | is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;   |
| <b>"M<sub>1</sub>"</b> | is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;   |
| <b>"M<sub>2</sub>"</b> | is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;   |
| <b>"D<sub>1</sub>"</b> | is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D <sub>1</sub> will be 30; and                                       |
| <b>"D<sub>2</sub>"</b> | 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 <sub>2</sub> 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:

|                        |   |
|------------------------|---|
| <b>"Y<sub>1</sub>"</b> | is the year, expressed as a number, in which the first day of the Calculation Period falls;   |
| <b>"Y<sub>2</sub>"</b> | is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;           |
| <b>"M<sub>1</sub>"</b> | is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;                                       |
| <b>"M<sub>2</sub>"</b> | is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls; |

"D<sub>1</sub>" 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<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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<sub>2</sub> 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.

"**Dealer(s)**" means BNP Paribas 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.

"**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 pursuant to a Mortgage Loan Agreement under an *accollo*, or otherwise.

"**Decree No. 239**" means Italian Legislative Decree No. 239 of 1 April 1996, as amended and/or supplemented from time to time.

"**Decree No. 310**" means the Italian ministerial decree No. 310 of 14 December 2006 issued by the Ministry of the Economy and Finance, as amended and/or supplemented from time to time.

"**Deed of Charge**" means the English law deed of charge entered into on 19 July 2017 between the Guarantor and the Representative of the Covered Bondholders (acting on behalf of the Covered Bondholders and the Other Creditors) in order to create security over the rights of the Guarantor arising under the Swap Agreements, as amended and/or supplemented from time to time. "**Deed of Pledge**" means the Italian law deed of pledge to be entered into between the Guarantor and the Representative of the Covered Bondholders (acting on behalf of the Covered Bondholders and of the Other Creditors), as amended and/or supplemented from time to time.

"**Defaulted Receivable**" means a Receivable arising from a Mortgage Loan Agreement included in the Cover Pool which has been for at least 180 consecutive days In Arrears, or which has been classified as a credito in sofferenza pursuant to the Master Servicing Agreement.

"**Defaulting Party**" has the meaning ascribed to that term in the relevant Swap Agreement.

"**Delinquent Receivable**" means any Receivable in respect of which there are 1 (one) or more Instalments due and not paid by the relevant Debtor for more than 31 days and which has not been classified as Defaulted Receivable.

"**Desio Group**" means a banking group whose structure includes Banco di Desio e della Brianza S.p.A. as parent company.

"**Determination Date**" has the meaning given to it in the applicable Final Terms.

**"Documentation"** means any documentation relating to the Receivables comprised in the Cover Pool.

**"Downgrade Termination Event"** has the meaning ascribed to it in the relevant Liability Swap Agreement.

**"Drawdown Date"** means the date on which a Term Loan is advanced under the Subordinated Loan Agreement during the Availability Period.

**"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 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.

**"Eligible Assets"** means in accordance with article 2, sub-paragraph 1, of Decree No. 310, the Residential Mortgage Loans.

**"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 will be excluded and (ii) any Mortgage Loan in respect of which the LTV on the basis of the Latest Valuation exceed the percentage limit set forth under Article 2, para. 1, of the Decree No. 310, will be calculated up to an amount of principal which – taking into account the Latest Valuation of the relevant Real Estate Asset – allows the compliance with such percentage limit;

**"Eligible Institution"** means 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 "F1" by Fitch or (ii) whose long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least "A" by Fitch or in case of Account Bank the Deposit Rating (if any) is at least "A" by Fitch or any other lower rating that do not affect the current rating of the outstanding Covered Bonds, 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, , and it being understood that, in case the Account Bank is an unrated branch of a rated parent bank, the Deposit Rating (if any) of the rated parent bank is not automatically assigned to the unrated branch if the unrated branch operates outside the rated parent bank's country of incorporation.

**"Eligible Investment"** means any senior (unsubordinated) debt securities or other debt instruments (including without limitation, commercial paper, certificate of deposits and bonds) which:

- (a) are denominated in Euro;
- (b) have a maturity not exceeding the next following Eligible Investment Maturity Date or which are repayable on demand at par together with accrued and unpaid interest, without penalty;

- (c) (except in case of deposits) are in the form of bonds, notes, commercial papers or other financial instruments (i) rated at least A and/or F1 by Fitch, if the relevant maturity is up to the earlier of the next Eligible Investment Maturity Date and 30 calendar days, or (ii) rated AA– and/or F1+ by Fitch, if the relevant maturity is up to mature the earlier of the next Eligible Investment Maturity Date and 365 calendar days; or
- (d) in the case of a deposits, to the extent that such deposit are held by (i) an Eligible Institution at its branch located in the Republic of Italy or in the United Kingdom if the relevant maturity is up to the earlier of the next Eligible Investment Maturity Date and 30 calendar days or (ii) any depository institution located in the Republic of Italy or in the United Kingdom rated AA– and/or F1+ by Fitch, if the relevant maturity is up to mature the earlier of the next Eligible Investment Maturity Date and 365 calendar days,

provided that (i) such Eligible Investment shall not prejudice the rating assigned to each Series of Covered Bond and shall provide a fixed principal amount at maturity (such amount not being lower than the initially invested amount), (ii) in any event such debt securities or other debt instruments do not consist, in whole or in part, actually or potentially of credit-linked notes or similar claims nor may any amount available to the Guarantor in the context of the Programme otherwise be invested in asset-backed securities, irrespective of their subordination, status, or ranking at any time, and (iii) 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 the third Business Days before each Guarantor Payment Date.

**“EURIBOR”** means (i) the Euro-Zone Inter-Bank offered rate for Euro deposits, as determined from time to time pursuant to the Transaction Documents, or (ii) if such rate is unavailable at such time for Euro deposits, then the rate for the relevant Interest Period shall be calculated pursuant to Condition 6 (j) (Fallback Provisions).

**“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 establishing the European Community.

**“Euro Equivalent”** means has the meaning ascribed to such term in clause 1.2 (*Other Definitions*) of the Cover Pool Management Agreement.

**“Euroclear”** means Euroclear Bank S.A./N.V., 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 which adopt the Euro in accordance with the Treaty.

**“Excess Receivables”** means, in relation to the Cover Pool and on each Test 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 of any Eligible Assets necessary to satisfy all Tests on the relevant Test Calculation Date; minus (ii) the aggregate Outstanding Principal of those Receivables indicated by the Master Servicer as Affected Receivables pursuant to the provisions of clause 8.1 (*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 Creditors and the Other Creditors) arising in

connection with the Programme, and required to be paid 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 Account Bank, IBAN IT49B0343201600002212123976, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

**"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;

**"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 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.

**"Extraordinary Resolution"** has the meaning ascribed to such term in the Rules of Organisation of the Covered Bondholders attached to these Conditions.

**"Facility"** means the facility to be granted by the Subordinated Lender pursuant to the terms of clause 2 (*// Finanziamento*) of the Subordinated Loan Agreement.

**"Final Maturity Date"** means the date on which all the Series of Covered Bond are redeemed in full or cancelled.

**"Final Redemption Amount"** means, in respect of any Series of Covered Bonds, the principal amount of such Series or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms.

**"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.

**"Financial Law Consolidation Act"** or **"Financial Law"** means Legislative Decree number 58 of 24 February 1998 as amended from time to time.

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

**"First Issue Date"** means the date of issuance of the first Series of Covered Bonds.

**"Fitch"** means Fitch Ratings Limited.

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

**"Further Criteria"** means the criteria identified in accordance with clause 2.4.3 (*Criteri Ulteriori*) of the 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 service of an Issuer Default Notice, but prior to the service of a Guarantor Default Notice, in accordance with 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 9(a) (*Gross-up by the Issuer*)) and (ii) the Other Issuer Creditors pursuant to the relevant Transaction Documents.

**"Guaranteed Obligations"** means the Issuer's payments obligations with respect to the Guaranteed Amounts.

**"Guarantor"** means Desio OBG 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 Calculation Agent"** means Securitisation Services S.p.A. acting as guarantor calculation agent, or any such other institution as may be appointed pursuant to the Cash Allocation, Management and Payments Agreement;

**"Guarantor Default Notice"** means the notice to be served by the Representative of the Covered Bondholders to the Guarantor and the Issuer upon the occurrence of a Guarantor Event of Default.

**"Guarantor Event of Default"** has the meaning given to it in Condition 10(d) (*Guarantor Events of Default*).

**"Guarantor Paying Agent"** means Crédit Agricole Corporate and Investment Bank, Milan Branch, acting in its capacity as guarantor paying agent, or any such other institution as may be appointed pursuant to the Cash Allocation, Management and Payments Agreement.

**"Guarantor Payment Date"** means (a) prior to the service of a Guarantor Default Notice, the date falling on the 27th day of each January, April, July and October or, if such day is not a Business Day, the immediately following Business Day; and (b) following the service 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"** means any period commencing on (and including) a Guarantor Payment Date and ending on (but excluding) the immediately following Guarantor Payment Date.

**"Guarantor Payments Account"** means the Euro denominated account established in the name of the Guarantor and held with the Account Bank, IBAN IT03D0343201600002212123978 or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

**"IFRS"** means the International Financial Reporting and Accounting Standards issued by the International Accounting Standard Board (IASB).

**"In Arrears"** means, in respect of any Mortgage Loans, any amount which has become due and payable by the relevant obligor or guarantor but has remained unpaid for more than one calendar day.

**"Individual Purchase Price"** means, with respect to each Receivable transferred pursuant to the Master Loans Purchase Agreement: (i) the *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 *Ultimo Valore di Iscrizione in Bilancio*) received by the Seller with respect to the relevant Receivables from the date of the most recent financial statements of the Seller up to the relevant Transfer Date (included) and increased of the amount of interest accrued and not yet collected on such Receivables during the same period; or, at the option of the Seller (ii) such other value, as indicated by the 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 the Seller (or any other entity prior to its merger into incorporation by the Seller) pursuant to the 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.

**“Insolvency Official”** means the official receiver appointed in the context of any insolvency procedure which may be opened following the occurrence of an Insolvency Event.

**“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 Companies”** means the companies with whom the Insurance Policies are held.

**“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 the date hereof 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 Available Funds”** means in respect of any Calculation Date, the aggregate of:

- (i) interest collected by the Master Servicer and/or each relevant Service Provider in respect of the Cover Pool and credited into the Collection Account during the Collection Period preceding the relevant Calculation Date;
- (ii) all recoveries in the nature of interest and fees received by the Master Servicer and/or each relevant Service Provider and credited to the Collection Account during the Collection Period preceding the relevant Calculation Date;
- (iii) all amounts of interest accrued (net of any withholding or expenses, if due) and paid on the Accounts (excluding the Swap Collateral Cash Account and the Swap Collateral Securities Account) during the Collection Period preceding the relevant Calculation Date;
- (iv) all interest deriving from the Eligible Investments made with reference to the immediately preceding Collection Period;
- (v) any payment received on or immediately prior to such Guarantor Payment Date from any Swap Provider under the Swap Agreements in the nature of interest (other than for the avoidance of doubt any Swap Collateral Excluded Amounts);
- (vi) all interest amounts received from the Seller by the Guarantor pursuant to the Master Loans Purchase Agreement;
- (vii) the Reserve Fund Amount standing to the credit of the Reserve Fund Account;

- (viii) any amounts (other than the amounts already allocated under other items of the Guarantor Available Funds and other than any principal amounts) received by the Guarantor from any party to the Transaction Documents; and
- (ix) interest amount recovered by the Guarantor from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

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

**"Interest Coverage Test"** has the meaning ascribed to such term in clause 2.2.3 (*Interest Coverage Test*) of the Cover Pool Management Agreement.

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

**"Interest Instalment"** means the interest component of each Instalment.

**"Interest Payment Date"** means any date or dates determined in accordance with the provisions of the Conditions and specified in 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).

**"Investor Report Date"** means the date falling 2 (two) Business Days after each Guarantor Payment Date.

**"Investors Report"** means the report to be prepared and delivered by the Guarantor Calculation Agent on or prior to the Investors Report Date, to the Issuer, the Guarantor, the Seller, the Representative of the Covered Bondholders, the Rating Agency, the Master Servicer, the Guarantor Paying Agent and the Issuer Paying Agent, setting out certain information with respect to the Covered Bond and the Cover Pool.

**"Interest Period"** means each period beginning on (and including) a Interest Payment Date (or, in case of the first Interest Period, the Interest Commencement Date) and ending on (but excluding) the next Interest Payment Date (or, in case of the last Interest Period, the Maturity 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 ascribed to such term, with respect to each Series of Covered Bonds, in the relevant Final Terms.

**"Issuer"** means Banco di Desio e della Brianza S.p.A., acting in its capacity as issuer pursuant to the Programme Agreement.

**"Issuer Downgrading Event"** means (i) with reference to the Potential Set-Off Amount, the Issuer being downgraded below "BBB-" or "F3" by the Rating Agency and (ii) with reference to the Commingling Amount, the Issuer being downgraded below "BB+" (long term) or "B" (short term) by the Rating Agency.

**"Issuer Default Notice"** means the notice to be served 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 10(a) (*Issuer Events of Default*).

**"Latest Valuation"** means, at any time with respect to any Real Estate Asset the most recent valuation of the relevant property performed in accordance with the Bank of Italy's "New regulations for the prudential supervision of banks" (Circular No. 263 of 27 December 2006, as from time to time amended).

**"Liabilities"** means in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including legal fees and any taxes and penalties incurred by that person, together with any VAT or similar tax charged or chargeable in respect of any sum referred in this definition.

**"Liability Swap Agreements"** means the swap agreements that may be entered into 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.

**"LIBOR"** means the London inter-bank offered rate.

**"Loan Event of Default"** means any of the events specified as such in clause 8 (*Eventi Rilevanti – Decadenza dal Beneficio del Termine*) of the Subordinated Loan Agreement.

**"LTV"** means, with respect to a Mortgage Loan, the Loan-to-Value ratio, determined as the ratio between the Outstanding Principal Balance and the Latest Valuation of the relevant Real Estate Assets relating to the relevant Mortgage Loan.

**"Mandate Agreement"** means the mandate agreement entered into, on or about the date hereof 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 19 July 2017 between the Issuer, the Guarantor and the Other Creditors, as amended and supplemented from time to time.

**"Master Loans Purchase Agreement"** means the master loans purchase agreement entered into on 5 July 2017 between the Guarantor and the Seller, as amended and supplemented from time to time.

**"Master Servicer"** means Banco di Desio e della Brianza S.p.A. in its capacity master servicer pursuant to the Master Servicing Agreement.

**"Master Servicer Quarterly Report"** means the report to be prepared and delivered by the Master Servicer in accordance with the provisions of the Master Servicing Agreement.

**"Master Servicer Termination Event"** means any of the events set out under clause 8.1 (*Casi di revoca del mandato del Master Servicer*) of the Master Servicing Agreement, which allows the Guarantor to terminate the Servicer's appointment and appoint a Substitute Servicer pursuant to the Master Servicing Agreement.

**"Master Servicing Agreement"** means the master servicing agreement entered into on 5 July 2017 between the Guarantor, the Issuer and the Master Servicer, as amended and supplemented from time to time.

**"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.

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

**"Member State"** means a member State of the European Union.

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

**"Monte Titoli"** means Monte Titoli S.p.A. a joint stock company (*società per azioni*) having its registered office at Piazza degli Affari 6, 20123 Milan, Italy.

**"Monte Titoli Account Holders"** 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-*quater* of the Financial Law Consolidated Act.

**"Monte Titoli Mandate Agreement"** means the agreement entered into on or about the First Issue Date between the Issuer and Monte Titoli.

**"Monthly Master Servicer's Report"** means the monthly report prepared by the Master Servicer on each Monthly Servicer's Report Date and containing details on the Collections of the Receivables during the relevant Collection Period, prepared in accordance with the Master Servicing Agreement and delivered by the Master Servicer, *inter alios*, to the Guarantor and the Asset Monitor.

**"Monthly Master Servicer's Report Date"** means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the thirteenth calendar day of each month of each year, or if such day is not a Business Day, the immediately following Business Day; and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Covered Bondholders.

**"Monthly Test Calculation Date"** means, following the delivery of a Test Performance Report assessing that a breach of Tests has occurred, the 20<sup>th</sup> day of the month immediately following the date on which such Test Performance Report was sent and, thereafter, the 20<sup>th</sup> day of each month until the end of the relevant Test Grace Period in accordance with the Cover Pool Management Agreement, or, if any such day is not a Business Day, the immediately following Business Day.

**"Mortgage Loan Agreement"** means any Residential Mortgage Loan Agreement out of which the Receivables arise.

**"Mortgage Loan"** means a Residential Mortgage Loan.

**"Mortgages"** means the mortgage security interests (*ipoteche*) created on the Real Estate Assets 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 the Seller to secure the payment or repayment of any amounts payable in respect of a Mortgage Loan, and/or his/her successor in interest.

**"Negative Carry Factor"** means "0.5%" or such other percentage procured by the Issuer on behalf of the Guarantor and notified to the Representative of the Covered Bondholders and to the Test Calculation Agent.

**"Net Present Value Test"** has the meaning ascribed to such term in clause 2.2.2 (*Net Present Value Test*) of the Cover Pool Management Agreement.

**"Net Present Value"** has the meaning ascribed to such term in clause 2.4 (*Net Present Value Test*) of the Cover Pool Management Agreement.

**"New Portfolio"** means any portfolio of Receivables (other than the Initial Portfolios), comprising Eligible Assets and Top-Up Assets, which may be purchased by the Guarantor from the Seller pursuant to the terms and subject to the conditions of the Master Loans Purchase Agreement.

**"Nominal Value"** has the meaning ascribed to such term in clause 2.3.1 (*Nominal Value*) of the Cover Pool Management Agreement.

**"Nominal Value Test"** has the meaning ascribed to such term in clause 2.2.1 (*Nominal Value Test*) of the Cover Pool Management Agreement.

**"Obligations"** means all the obligations of the Guarantor created by or arising under the Transaction Documents.

**"OFAC Regulations"** means the rules and regulations enforced by the Office of Foreign Assets Control of the US Department of Treasury (OFAC).

**"Offer Date"** means, with respect to each New Portfolio, the date falling 5 (five) Business Days prior to each Transfer Date, pursuant to clause 3.1 (*Offerta*) of the Master Loans Purchase Agreement.

**"Official Gazette of the Republic of Italy"** or **"Official Gazette"** means the *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 Issuer, the Seller, the Subordinated Lender, the Master Servicer, the Back-up Servicer, the Back-Up Servicer Facilitator, the Representative of the Covered Bondholders, the Guarantor Calculation Agent, the Test Calculation Agent, the Corporate Servicer, the Issuer Paying Agent, the Guarantor

Paying Agent, the Account Bank, the Asset Monitor, the Stitching Corporate Servicer, the Asset Swap Providers, the Liability Swap Provider, the Portfolio Manager (if any), the Cash Manager and any other creditors which may, from time to time, be identified as such in the context of the Programme.

**"Other Issuer Creditors"** means any entity – other than the Issuer – acting as Issuer Paying Agent, any Liability Swap Provider, the Asset Monitor and any other Issuer's creditor 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"** 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.

**"Outstanding Principal Balance"** means any principal balance outstanding in respect of a Mortgage Loan or any principal balance outstanding or in respect of a Series of Covered Bond, as the case may be.

**"Paying Agents"** means the Issuer Paying Agent and the Guarantor Paying Agent.

**"Payment Holiday"** means in respect of a Mortgage Loan, the period of deferral of the payment of (a) its interest and principal instalments or (b) its principal instalments in accordance with (i) the application of moratoria provisions from time to time granted to Debtors by any laws, agreements between Italian banking associations and national consumer associations, the Bank of Italy or other regulatory bodies regulations, or (ii) the agreement reached by the Master Servicer and the Debtors.

**"Payments Report"** means the report to be prepared and delivered by the Guarantor Calculation Agent pursuant to the Cash Allocation, Management and Payments Agreement on the second Business Day prior to each Guarantor Payment Date with respect to the immediately preceding Collection Period.

**"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.

**"Pledged Accounts"** means the Swap Collateral Cash Account and any future account that might be pledged in the context of the Programme.

**"Portfolio"** means the portfolios transferred by Banco Desio to the Guarantor pursuant to the Master Loans Purchase Agreement, it being understood that the Portfolio of the Seller will include other portfolios of Eligible Assets transferred to the Guarantor from other sellers merged into the Seller.

**"Portfolio Manager"** means the entity appointed as such in accordance with clause 5.6 (*Portfolio Manager*) 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 (a) if no Issuer Downgrading Event has occurred or is outstanding an amount equal to 0 (zero) or (b) if an Issuer Downgrading Event has occurred and is outstanding, an amount of the Cover Pool that could potentially be set-off by the relevant Debtors against any credit owed by any such Debtor towards the Seller. Such amount will be calculated by the Test Calculation Agent (based on the aggregate information provided by the Master Servicer) on a quarterly basis on each Test Calculation Date and/or on each other date on which the Asset Coverage 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 Interest"** means the premium payable by the Guarantor to the Seller in accordance with the Subordinated Loan Agreement, as determined thereunder.

**"Principal Available Funds"** means, in respect of any Calculation Date, the aggregate of:

- (i) all principal amounts collected by the Master Servicer and/or each relevant Service Provider in respect of the Cover Pool and credited to the Collection Account net of the amounts applied to purchase Eligible Assets and Top Up Assets during the Collection Period preceding the relevant Calculation Date;
- (ii) all other recoveries in the nature of principal received by the Master Servicer and/or each relevant Service Provider and credited to the Collection Account during the Collection Period preceding the relevant Calculation Date;
- (iii) all principal amounts received from the Seller by the Guarantor pursuant to the Master Loans Purchase Agreement;
- (iv) the proceeds of any disposal of Eligible Assets and any disinvestments of Top Up Assets;
- (v) any other principal amounts standing to the credit of the Accounts as of the immediately preceding Collection Date;
- (vi) any principal amounts (other than the amounts already allocated under other items of the Principal Available Funds) received by the Guarantor from any party to the Transaction Documents during the immediately preceding Collection Period;
- (vii) any payment made under the Swap Agreements other than any Swap Collateral Excluded Amounts and payments in the nature of interest;

- (viii) any amount paid under the Subordinated Loan and not repaid, standing to the credit of the Collection Accounts;
- (ix) all the amounts allocated pursuant to item Sixth of the Pre-Issuer Event of Default Interest Priority of Payments; and
- (x) principal amount recovered by the Guarantor from the Issuer after the enforcement of the Guarantee during the immediately preceding Collection Period.

**"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 Guarantor 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 Guarantor Calculation Agent.

**"Principal Instalment"** means the principal component of each Instalment.

**"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 or the Post-Enforcement Priority of Payments, as the case may be.

**"Privacy Law"** means the Italian Legislative Decree No. 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 the date hereof between, *inter alios*, the Guarantor, the Issuer and the Dealers.

**"Programme Amount"** means € 3,000,000,000.

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

**"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 Regulation"** means Regulation (EU) 2017/1129, 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 (*Disposizioni di vigilanza per le banche*) as amended and supplemented from time to time.

**"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 0 (zero) 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 Securities"** means pursuant to article 2, sub-paragraph 1, of Decree No. 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 the Seller, the consideration paid by the Guarantor to the Seller for the transfer thereof, calculated in accordance with the Master Loans Purchase Agreement.

**"Put Option Notice"** means a notice of exercise relating to the put option contained in Condition 7 (f) (*Redemption at the option of the Covered Bondholders*), substantially in the form set out in schedule 5 to the Cash Allocation, Management and Payments Agreement, or such other form which may, from time to time, be agreed between the Issuer and the Issuer Paying Agent or Guarantor Paying Agent, as the case may be;

**"Put Option Receipt"** means a receipt issued by the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, to a depositing Covered Bondholder upon deposit of Covered Bonds with the Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, by any Covered Bondholder wanting to exercise a right to redeem Covered Bonds at the option of the Covered Bondholder;

**"Quarterly Master Servicer's Report"** means the quarterly report delivered by the Master Servicer on each Quarterly Master Servicer's Report Date and containing details on the Collections of the Receivables during the relevant Collection Periods prepared in accordance with the Servicing Agreement and delivered by the Servicer to, *inter alios*, the Guarantor, the Corporate Servicer, the Guarantor Calculation Agent, the Representative of the Covered Bondholders and the Rating Agency.

**"Quarterly Master Servicer's Report Date"** means (a) prior to the delivery of a Guarantor Default Notice, the date falling on the 14<sup>th</sup> calendar day of January, April, July and October of each year or if such day is not a Business Day, the immediately following Business Day and (b) following the delivery of a Guarantor Default Notice, such date as may be indicated by the Representative of the Covered Bondholders.

**"Quotaholders' Agreement"** means the agreement entered into on or about the date hereof, between Banco di Desio e della Brianza S.p.A., Stichting Morricone, the Guarantor and the Representative of the Covered Bondholders;

**"Quotaholders"** means each of Stichting Morricone and Banco di Desio e della Brianza S.p.A..

**"Quota Capital"** means the quota capital of the Guarantor, equal to Euro 10,000.00.

**"Quota Capital Account"** means the Euro denominated account established in the name of the Guarantor with Banca Finanziaria Internazionale S.p.A., IT 44 D 03266 61620 000014006035 for the deposit of the Quota Capital.

**"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 calculated or determined in accordance with the provisions of these Conditions and specified in/or the relevant Final Terms.

**"Rating Agency"** means Fitch.

**"Real Estate Assets"** means the real estate properties which have been mortgaged in order to secure the Receivables and each of them the **"Real Estate Asset"**.

**"Receivables"** means 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 (but excluding any collection expenses applicable to the Instalments) and in relation to any losses, costs, indemnities and damages and any other amount due to the Seller in relation to the Mortgage Loans, the Mortgage Loan Agreements, including penalties and any other amount due to the 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 the 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 Seller in connection with the Mortgage Loans or the Mortgage Loan Agreements and the Receivables.

**"Receivables In Arrears"** means, in respect of any Mortgage Loans, any Receivable which has one or more instalment that has become due and payable by the relevant obligor or guarantor but has remained unpaid for more than one calendar day.

**"Receiver"** means any receiver, manager or administrative receiver appointed in accordance with clause 7 (*Appointment of Receiver*) of the Deed of Charge.

**"Records"** means the records prepared pursuant to clause 10.1 (*Duty to maintain Records*) of the Cash Allocation, Management and Payments Agreement.

**"Recoveries"** means any amounts received or recovered by the Master Servicer or by each Service Provider in accordance with the terms of the Master Servicing Agreement, in relation to any Defaulted Loans and any Delinquent Receivable.

**"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 Guarantor 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"** has the meaning given 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 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 Issuer Paying Agent or the Guarantor Paying Agent, as the case may be, 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.

**"Representative of the Covered Bondholders"** means Securitisation Services S.p.A., acting in its capacity as representative of the Covered Bondholders pursuant to the Intercreditor Agreement, the Programme Agreement, the Deed of Pledge, the Deed of Charge, 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 Account Bank IBAN IT26C0343201600002212123977, or such other substitute account as may be opened in accordance with the Cash Allocation Management and Payments Agreement.

**"Reserve Fund Amount"** means, on each Guarantor Payment Date, an amount calculated by the Guarantor Calculation Agent as being equal to the sum of:

- i. interest accruing in respect of all outstanding Series of Covered Bonds during the immediately following Guarantor Payment Period (such that, (a) if Liability Swap Agreements are in place for a Series of Covered Bonds, such interest amounts accruing will be the higher of the net amount due to the Liability Swap Provider or the amount due to the Covered Bondholders of such Series, (b) if Liability Swap Agreements are not in place for a Series of Covered Bonds, such interest amounts accruing will be the amount due to the Covered Bondholders of such Series and (c) if Liability Swap Agreements are in place for a portion of a Series of Covered Bonds, such interest amounts accruing will be the sum of (i) for the portion of the Series covered by the Liability Swap Agreement, the higher of the amount due to the Liability Swap Provider and the amount due to the Covered Bondholders of such Series, and (ii) for the remaining portion, the interest amounts accruing will be the proportional amount due the Covered Bondholders of such Series) in each case as calculated by the Guarantor Calculation Agent on or prior to each Calculation Date, plus (B) prior to the service of an Issuer Default Notice, the aggregate amount to be paid by the Guarantor on the second Guarantor Payment Date following the relevant Calculation Date in respect of the items (First)(a) to (Third) (each inclusive) of the Pre-Issuer Event of Default Interest Priority of Payments; plus
- ii. any additional amount that the Issuer has voluntarily resolved to accumulate as reserve in order to create an additional stock to procure that the Statutory Tests are met with respect to the Cover Pool.

**"Residential Assets"** means the Real Estate Assets with respect to Residential Mortgage Loans.

**"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 article 2, sub-paragraph 1, letter (a) of Decree 310.

**"Residential Mortgage Loan Agreement"** means any mortgage loan agreement out of which Receivables arise and secured by mortgage over Residential Assets.

**“Retention Amount”** means Euro 50,000.

**“Rules of the Organisation of the Covered Bondholders”** or **“Rules”** means the rules of the Organisation of the Covered Bondholders attached as exhibit to the Conditions of the Covered Bonds.

**“Secured Creditors”** means, collectively, the Representative of the Covered Bondholders (in its own capacity and as legal representative of the Covered Bondholders), the Issuer, the Seller, the Subordinated Lender, the Master Servicer, the Back-Up Servicer Facilitator, the Guarantor Calculation Agent, the Test Calculation Agent, the Stichting Corporate Servicer, the Corporate Servicer, the Issuer Paying Agent, the Guarantor Paying Agent, the Account Bank, the Asset Monitor, any Asset Swap Provider(s), any Liability Swap Provider(s), the Portfolio Manager (if any), the Cash Manager, together with any other entity acceding to the Intercreditor Agreement.

**“Securities Account”** means the account which may be opened in the name of the Guarantor with the Account Bank, upon purchase by the Guarantor from the Seller of Eligible 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 and Payments Agreement.

**“Securities Act”** means the U.S. Securities Act of 1933, as amended and supplemented from time to time.

**“Securitisation and Covered Bond Law”** means Italian Law No. 130 of 30 April 1999 as amended from time to time.

**“Security”** means the security created pursuant to the Deed of Pledge and the Deed of Charge.

**“Security Interest”** means:

- (i) any mortgage, charge, pledge, lien, privilege (*privilegio speciale*) or other security interest securing any obligation of any person;
- (ii) any arrangement under which money or claims to money, or the benefit of a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge or any sum owed or payable to any person; or
- (iii) any other type or preferential arrangement having a similar effect.

**“Seller”** means Banco Desio pursuant to the Master Loans Purchase Agreement.

**“Series”** or **“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 (i) with respect to each Initial Portfolio, the criteria listed in Schedule 3 to the Master Loans Purchase Agreement, or (ii) with respect to each New Portfolio, the criteria listed in Annex A of the relevant Transfer Notice of the New Portfolio.

**“Specified Currency”** means the currency as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Issuer Paying Agent and the Representative of the Covered Bondholders (as set out in the applicable Final Terms).

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

**"Specified Office"** means with respect to the Account Bank and Guarantor Paying Agent Piazza Lina Bo Bardi 3, Milan, with respect to the Cash Manager, Test Calculation Agent and Issuer Paying Agent Via Rovagnati, 1, Desio (MB), Italy, and with respect to the Guarantor Calculation Agent and Corporate Servicer Via V. Alfieri, 1, Conegliano (TV), Italy.

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

**"Stabilisation Manager"** means each Dealer or any other person acting in such capacity in accordance with the terms of the Programme Agreement.

**"Statutory Tests"** means such tests provided for under article 3 of Decree No. 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 (*Statutory Tests and Asset Coverage Tests*) of the Cover Pool Management Agreement.

**"Stichting Corporate Servicer"** means Wilmington Trust Sp Services (London) Limited.

**"Stichting Corporate Services Agreement"** means the agreement entered into on or about the date hereof, between Stichting Morricone, the Guarantor and Wilmington Trust SP Services (London) Limited.

**"Stock Exchange"** means the Euronext Dublin.

**"Subordinated Lender"** means the Seller, in its capacity as subordinated lender pursuant to the Subordinated Loan Agreement.

**"Subordinated Loan"** means each 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 the Subordinated Loan Agreement.

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

**"Subscription Agreements"** means each subscription agreement entered into on or about the Issue Date of each Series of Covered Bonds between each Dealer and the Issuer.

**"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 8.4 (*Back/up Master Servicer*) of the Master Servicing Agreement.

**"Subsidiary"** has the meaning ascribed to such term in Article 2359 of the Italian Civil Code.

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

**"Swap Basic Term Modification"** means any amendment to any of the Transaction Documents aimed at: (i) altering the Priority of Payments by affecting the position of a Swap Provider if compared to the position of the Covered Bondholders, (ii) changing a payment date under a Swap Agreement; (iii) providing a reduction or cancellation or increase in the payments due under a Swap Agreement; (iv) altering the currency for each

relevant payment under a Swap Agreement; (v) extending the termination date under a Swap Agreement and (vi) modifying this definition.

**“Swap Collateral”** means the collateral which may be transferred by the Swap Providers to the Guarantor in support of its obligations under the Swap Agreements.

**“Swap Collateral Accounts”** means collectively the Swap Collateral Cash Account, the Swap Collateral Securities Account and any swap collateral cash account, any swap collateral securities account and any other collateral account that may be opened, in name and on behalf of the Guarantor, with an account bank on which each Swap Collateral in the form of cash and/or securities and will be posted in accordance with the relevant Swap Agreement.

**“Swap Collateral Cash Account”** means the Euro denominated collateral account established in the name of the Guarantor with the Account Bank, IBAN IT77E0343201600002212123979, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments Agreement.

**“Swap Collateral Excluded Amounts”** means, in respect of a Swap Agreement, an amount (which will be transferred directly and outside the Priorities of Payments to the relevant Swap Provider as calculated in accordance with the Swap Agreement) equal to the amount (i) by which the value of the Swap Collateral provided by the Swap Provider to the Guarantor pursuant to the Swap Agreement (and accrued interest and any distributions received in respect thereof) exceeds the Swap Provider’s liability (if any) under the Swap Agreement upon termination of the relevant Swap Agreement (such liability for the avoidance of doubt shall be calculated prior to any netting of an Unpaid Amount and shall be determined in accordance with the terms of the Swap Agreement except that, for the purpose of this definition only, the value of the collateral will not be applied as an unpaid amount owed by the Guarantor to the Swap Provider) or (ii) which the Swap Provider is otherwise entitled to have returned to it from time to time under the terms of the Swap Agreement including any Return Amount as defined in the credit support annex forming part of the relevant Swap Agreement.

**“Swap Collateral Securities Account”** means the Euro denominated account which may be established in the name of the Guarantor with the Account Bank, or such other substitute account as may be opened in accordance with the Cash Allocation, Management and Payments 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.

**“Tax”** means any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein.

**“Term Loan”** means the term loan to be granted by the Subordinated Lender pursuant to the terms of clause 2 (*Il Finanziamento Subordinato*) of the Subordinated Loan Agreement.

**“Test Calculation Agent”** means Banco di Desio e della Brianza S.p.A., acting as test calculation agent or any other institution that, from time to time, may be appointed as such pursuant to the Cash Allocation, Management and Payments Agreement.

**"Test Calculation Date"** means the date which falls 3 (three) Business Days prior to each Guarantor Payment Date. The first Test Calculation Date will fall on 24 October 2017.

**"Test Grace Period"** means the period starting from the Test Calculation Date on which the breach of a test is notified by the Test Calculation Agent and ending on the 1<sup>st</sup> Monthly Test Calculation Date.

**"Test Performance Report"** means the report to be delivered, not later than each Test Calculation Date (or Monthly Test Calculation Date, after the occurrence of a breach of Test), by the Test Calculation Agent pursuant to the terms of the Cover Pool Management Agreement.

**"Tests"** means, collectively, the Statutory Tests, the Asset Coverage Test and the Amortisation Test.

**"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 1 (one) year.

**"Total Commitment"** with respect to the Subordinated Lender, has the meaning ascribed to such term under the Subordinated Loan Agreement.

**"Trade Date"** means the date on which the issue of the relevant Series of Covered Bonds is priced.

**"Tranche"** means the tranche of Covered Bonds issued under the Programme to which each Final Terms relates, each such tranche forming part of a Series.

**"Transaction Documents"** means the Master Loans Purchase Agreement, the Master Servicing Agreement, the Back-up Servicing Agreement, the Warranty and Indemnity Agreement, the Cash Allocation, Management and Payments Agreement, the Programme Agreement, the Subscription Agreement, the Cover Pool Management Agreement, the Intercreditor Agreement, the Subordinated Loan Agreement, the Asset Monitor Agreement, the Covered Bond Guarantee, the Corporate Services Agreement, the Swap Agreements, the Mandate Agreement, the Quotaholders' Agreement, the Stichting Corporate Services Agreement, the Conditions, each Final Terms, the Deed of Charge, the Deed of Pledge, the Master Definitions Agreement and any other agreement entered into from time to time in connection with the Programme.

**"Transfer Agreement"** means any subsequent transfer agreement for the purchase of each New Portfolio entered into in accordance with the terms of the Master Loans Purchase Agreement.

**"Transfer Date"** means: (a) with respect to the Initial Portfolio, 5 July 2017; and (ii) with respect to New Portfolios, the date designated by the Seller in the relevant Transfer Notice.

**"Transfer Notice"** means, in respect to each New Portfolio, such transfer notice which will be sent by the Seller and addressed to the Guarantor in the form set out in the Master Loans Purchase Agreement.

**"Treaty"** means the treaty establishing the European Community.

**"Unpaid Amount"** has the meaning ascribed to it in the relevant Liability Swap Agreement.

**"Usury Law"** means the Law number 108 of 7 March 1996 as amended from time to time together with Decree number 394 of 29 December 2000 which has been converted in law by Law number 24 of 28 February 2001 as amended from time to time.

**"Value Added Tax"** or **"VAT"** means *Imposta sul Valore Aggiunto (IVA)* as defined in D.P.R. number 633 of 26 October 1972.

**"Valuation Date"** means (a) with reference to the Initial Portfolio, 5 July 2017 and (b) with reference to New Portfolios, the date indicated as such in the relevant Transfer Notice.

**"Warranty and Indemnity Agreement"** means the warranty and indemnity agreement entered into on 5 July 2017 between the Seller and the Guarantor, as amended and supplemented from time to time.

**ISSUER, SERVICER and SELLER**  
**Banco di Desio e della Brianza S.p.A.**

Via Rovagnati, 1  
20832 Desio  
Italy

**GUARANTOR**

**Desio OBG S.r.l.**

Via Vittorio Alfieri, 1  
31015 Conegliano (TV)  
Italy

**STICHTING CORPORATE SERVICER**

Wilmington Trust Sp Services (London) Limited  
Third Floor, 1 King's Arms Yard,  
EC2R 7AF London,  
England

**REPRESENTATIVE OF THE COVERED BONDHOLDERS, CORPORATE SERVICER, BACK-UP SERVICER FACILITATOR  
and GUARANTOR CALCULATION AGENT**

**Securitisation Services S.p.A.**

Via V. Alfieri, 1  
31015 Conegliano (TV)  
Italy

**ACCOUNT BANK**

Crédit Agricole Corporate and Investment Bank  
Piazza Cavour 2  
20121 Milan  
Italy

**ARRANGER**

**BNP Paribas**

Piazza Lina Bo Bardi, 3  
20124 Milan  
Italy

**DEALER**

**BNP Paribas**

16 boulevard des Italiens  
75009 Paris  
France

**AUDITORS**

*To the Issuer and the Seller*

**Deloitte & Touche S.p.A.**

Via Tortona 25  
20144 Milan  
Italy

**LISTING AGENT**

**McCann FitzGerald Listing Services Limited**

Riverside One  
Sir John Rogerson's Quay  
Dublin 2  
Ireland

**LEGAL ADVISERS**

*To the Issuer and the Seller*

**Chiomenti**

Via Verdi, 2  
20121 Milan  
Italy

*To the Arranger and Dealer*

**Dentons Europe Studio Legale Tributario**

Piazza degli Affari, 1  
20123 Milan  
Italy