

**PROSPECTUS DATED 19 January 2012**  
**pursuant to Article 2 of Italian Law No. 130 of 30 April 1999**

**VALSABBINA SPV 1 S.R.L.**

(incorporated with limited liability under the laws of the Republic of Italy)

€ 199,500,000 Class A Residential Mortgages Asset Backed Floating Rate Notes due October 2052;

**Issue Price: 100 per cent.**

This Prospectus contains information relating to the issue by Valsabbina SPV 1 S.r.l., a limited liability company organised under the laws of the Republic of Italy ("**Valsabbina SPV 1 S.r.l.**" or the "**Issuer**") of the € 199,500,000 Class A Residential Mortgages Asset Backed Floating Rate Notes due October 2052 (the "**Class A Notes**" or the "**Senior Notes**"). In connection with the issue of the Senior Notes, the Issuer will also issue the € 100,100,000 Class B Residential Mortgages Asset Backed Notes due October 2052 (the "**Class B Notes**" or the "**Junior Notes**" and, together with the Senior Notes, the "**Notes**").

Application has been made to the Luxembourg Stock Exchange for the Senior Notes to be admitted to the Official List and trading on its Regulated Market. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Directive on Markets in Financial Instruments 2004/39/EC. No application has been made to list the Junior Notes on any stock exchange. The Junior Notes are not being offered pursuant to this Prospectus. The Notes will be issued on 23 January 2012 (the "**Issue Date**"). This document constitutes a *Prospetto Informativo* for all Notes for the purposes of Article 2, sub-section 3 of the Securitisation Law and a prospectus for the purposes of Article 5.3 of the Directive 2003/71/EC (the "**Prospectus Directive**"). This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), as competent authority under the Prospectus Directive. In accordance with article 7(7) of the *loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005, the CSSF shall give no undertaking as to the economic and financial soundness of the operation or the quality or solvency of the Issuer by approving this Prospectus.

**Capitalised words and expressions in this Prospectus shall, except otherwise specified or so far as the context otherwise requires, have the meanings set out herein and in the section entitled "Glossary" set out herein.**

The principal source of payment of interest and of repayment of principal on the Notes will be the collections and recoveries made in respect of the Portfolio of the Receivables arising out of residential mortgage loan agreements entered into between Banca Valsabbina S.C.p.A. ("**Banca Valsabbina**" or the "**Originator**") and certain obligors (the "**Debtors**"). The Portfolio was purchased by the Issuer from the Originator pursuant to the terms of the Transfer Agreement on 12 December 2011.

By virtue of the operation of Article 3 of the Securitisation Law and the Transaction Documents, the Issuer's rights, title and interest in and to the Portfolio will be segregated from all other assets of the Issuer (including any other receivables purchased by the Issuer pursuant to the Securitisation Law) and, therefore, any cash-flow deriving therefrom (to the extent identifiable) will be exclusively available, both prior to and following a winding up of the Issuer, to satisfy the obligations of the Issuer to the Noteholders, to the Other Issuer Creditors and to any other creditors of the Issuer in respect of any costs, fees and expenses in relation to the Securitisation.

Interest on the Senior Notes will accrue on a daily basis and will be payable in arrears in Euro on each Payment Date. The rate of interest applicable to the Senior Notes for each Interest Period shall be the rate *per annum* equal to the EURIBOR (as determined in accordance with Condition 7 (*Interest*) for three month deposits (except in respect of the Initial Interest Period where an interpolated interest rate based on 3 and 4 month deposits in Euro will be substituted for three month EURIBOR) plus a margin equal to 0.40 per cent. *per annum*.

The Senior Notes are expected, on issue, to be rated "A2 (sf)" by Moody's Investors Service Inc. ("**Moody's**") and "AAA (sf)" by DBRS Ratings Limited ("**DBRS**" and, together with Moody's, the "**Rating Agencies**"). The credit rating applied for in relation to the Notes will be issued by Moody's and by DBRS that are established in the European Union and that are registered, as set out in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority ("**ESMA**"), under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by regulation (EU) No. 513/2011 of the European Parliament and of the Council of 11 May 2011. It is not expected that the Junior Notes will be assigned a credit rating.

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

As at the date of this Prospectus, all payments of principal and interest in respect of the Notes will be made free and clear of any withholding or deduction for or on account of Italian taxes, unless such a withholding or deduction is required to be made by Italian Decree No. 239 or otherwise by applicable law. If any withholding or deduction for or on account of tax is made in respect of any payment under the Notes, neither the Issuer nor any other person shall have any obligation to pay any additional amount(s) to any holder of the Notes. For further details, see the section entitled "Taxation".

The Notes will be limited recourse obligations solely of the Issuer. In particular, the Notes will not be obligations or responsibilities of, or guaranteed by, any of the Originator, the Servicer, the Representative of the Noteholders, any of the Other Issuer Creditors or the Arrangers. Furthermore, none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

As of the Issue Date, the Notes will be held in dematerialised form on behalf of the beneficial owners by Monte Titoli for the account of the relevant Monte Titoli Account Holders. Monte Titoli shall act as depository for Euroclear and Clearstream. The Notes will at all times be in book entry form and title to the Notes will be evidenced by book entry in accordance with the provisions of (i) Article 83 *bis* of the Financial Laws Consolidated Act; and (ii) Regulation 22 February 2008. No physical document of title will be issued in respect of the Notes.

Before the relevant maturity date, the Notes will be subject to mandatory and/or optional redemption in whole or in part in certain circumstances (as set out in Condition 8 (*Redemption, Purchase and Cancellation*)). Unless previously redeemed in full or cancelled in accordance with the Terms and Conditions, the Notes will be redeemed on the Final Maturity Date. Save as provided in the Terms and Conditions, the Notes will amortise on each Payment Date, subject to there being sufficient Issuer Available Funds and in accordance with the applicable Priority of Payments. The Notes, to the extent not redeemed in full by the Cancellation Date, shall be cancelled on such date.

**For a discussion of certain risks and other factors that should be considered in connection with an investment in the Notes, see the section entitled "Risk Factors".**

**Arrangers**

**BNP PARIBAS**

**FINANZIARIA INTERNAZIONALE**

## **Responsibility statements**

*None of the Issuer, the Other Issuer Creditors, the Arrangers or any other party to the Transaction Documents other than the Originator has undertaken or will undertake any investigations, searches or other actions to verify the details of the Receivables sold by the Originator to the Issuer or to establish the creditworthiness of any Debtor. In the Warranty and Indemnity Agreement the Originator has given certain representations and warranties to the Issuer in relation to, inter alia, the Receivables, the Mortgage Loan Agreements, the Mortgage Loans and the Debtors.*

*The Issuer accepts responsibility for the information contained or incorporated by reference in this Prospectus, other than that information for which Banca Valsabbina and BNP Paribas Securities Services accept responsibility as described in the following paragraphs. 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 true and does not omit anything likely to affect the import of such information.*

*Banca Valsabbina accepts responsibility for the information contained in this Prospectus in the last sentence of "Italian Usury Law" in the section entitled "Risk Factors" and in the sections entitled "The Portfolio", and "Banca Valsabbina" and any other information contained in this Prospectus relating to itself, the Receivables, the Mortgage Loan Agreements, the Mortgage Loans, the Mortgages and the Collateral Security. To the best of the knowledge and belief of Banca Valsabbina (which has taken all reasonable care to ensure that such is the case), such information is true and does not omit anything likely to affect the import of such information.*

*BNP Paribas Securities Services is member of the BNP Paribas Group and accepts responsibility for the information contained in this Prospectus in the section entitled "The BNP Paribas Group" and any other information contained in this Prospectus relating to itself. To the best of the knowledge and belief of BNP Paribas Securities Services (which have taken all reasonable care to ensure that such is the case), such information is true and does not omit anything likely to affect the import of such information.*

*Save for the parties accepting responsibility for the information included in this Prospectus as stated above, no other party to the Transaction Documents accepts responsibility for such information.*

*Save as described under the section headed "Subscription and Sale" and in the sections describing the Transaction Documents, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.*

## **Representations about the Notes**

*No person has been authorised to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Arrangers, the Representative of the Noteholders, the Issuer, the Sole Quotaholder or Banca Valsabbina (in any capacity) or any other party to the Transaction Documents. Neither the delivery of this Prospectus nor any sale or allotment made in connection with the offering of any of the Notes shall in any circumstances constitute a representation or create an implication that there has not been any change or any event reasonably likely to involve any change in the condition (financial or otherwise) of the Issuer, Banca Valsabbina or the information contained herein since the date hereof or that the information contained herein is correct as at any time subsequent to the date of this Prospectus.*

## **Limited recourse**

*The Notes constitute direct, secured, limited recourse obligations of the Issuer. By virtue of the operation of the Securitisation Law and the Transaction Documents, the Issuer's rights, title and interest in and to the Portfolio will be segregated from all other assets of the Issuer (including any other receivables purchased by the Issuer pursuant to the Securitisation Law) and, therefore, any cash-flow deriving therefrom (to the extent identifiable) will be exclusively available, both prior to and following a winding up of the Issuer, to satisfy the obligations of the Issuer to the Noteholders, to the Other Issuer Creditors and*

to any other creditors of the Issuer in respect of any costs, fees and expenses in relation to the Securitisation. The Noteholders will agree that the Issuer Available Funds will be applied by the Issuer in accordance with the applicable Priority of Payments.

### **Other business relations with the Originator**

The Arrangers and their affiliates may, from time to time, enter into other business relations with the Originator including, but not limited to, the provision of lending and advisory services.

### **Selling Restrictions**

The distribution of this Prospectus and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part of it) comes are required by the Issuer and the Senior Notes Underwriter to inform themselves about, and to observe, any such restrictions. Neither this Prospectus nor any part of it constitutes an offer, and this Prospectus may not be used for the purpose of an offer to sell any of the Notes, or a solicitation of an offer to buy any of the Notes, by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or any other state securities laws and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold within the United States or for the benefit of U.S. persons (as defined in Regulation S under the Securities Act).

The Notes may not be offered or sold directly or indirectly, and neither this Prospectus nor any other offering circular or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any country or jurisdiction (including the Republic of Italy, the United Kingdom and the United States), except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

The Notes are complex instruments which involve a high degree of risk and are suitable for purchase only by sophisticated investors which are capable of understanding the risk involved. In particular the Notes should not be purchased by or sold to individuals and other non-expert investors.

No action has or will be taken which would allow an offering (or a "sollecitazione all'investimento") of the Notes to the public in the Republic of Italy unless in compliance with the relevant Italian securities, tax and other applicable laws and regulations. Accordingly, the Notes may not be offered, sold or delivered and neither this Prospectus nor any other offering material relating to the Notes may be distributed or made available to the public in the Republic of Italy. Individual sales of the Notes to any persons in the Republic of Italy may only be made in accordance with Italian securities, tax and other applicable laws and regulations.

Neither this Prospectus nor any other information supplied in connection with the issue of the Notes should be considered as a recommendation or an invitation or offer by the Issuer, Banca Valsabbina (in any capacity) or the Arrangers that any recipient of this Prospectus, or of any other information supplied in connection with the issue of the Notes, should purchase any of the Notes. Each investor contemplating purchasing any of the Notes must make its own independent investigation and appraisal of the financial condition and affairs of the Issuer.

For a further description of certain restrictions on offers and sales of the Notes and the distribution of this Prospectus, see the section entitled "Subscription and Sale".

### **Interpretation**

Certain monetary amounts and currency translations included in this 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.

*All references in this Prospectus to "Euro", "€" and "cents" are to the single currency introduced in the member states of the European Community which adopted the single currency in accordance with the Treaty of Rome of 25 March 1957, as amended and integrated from time to time.*

*The language of this 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.*

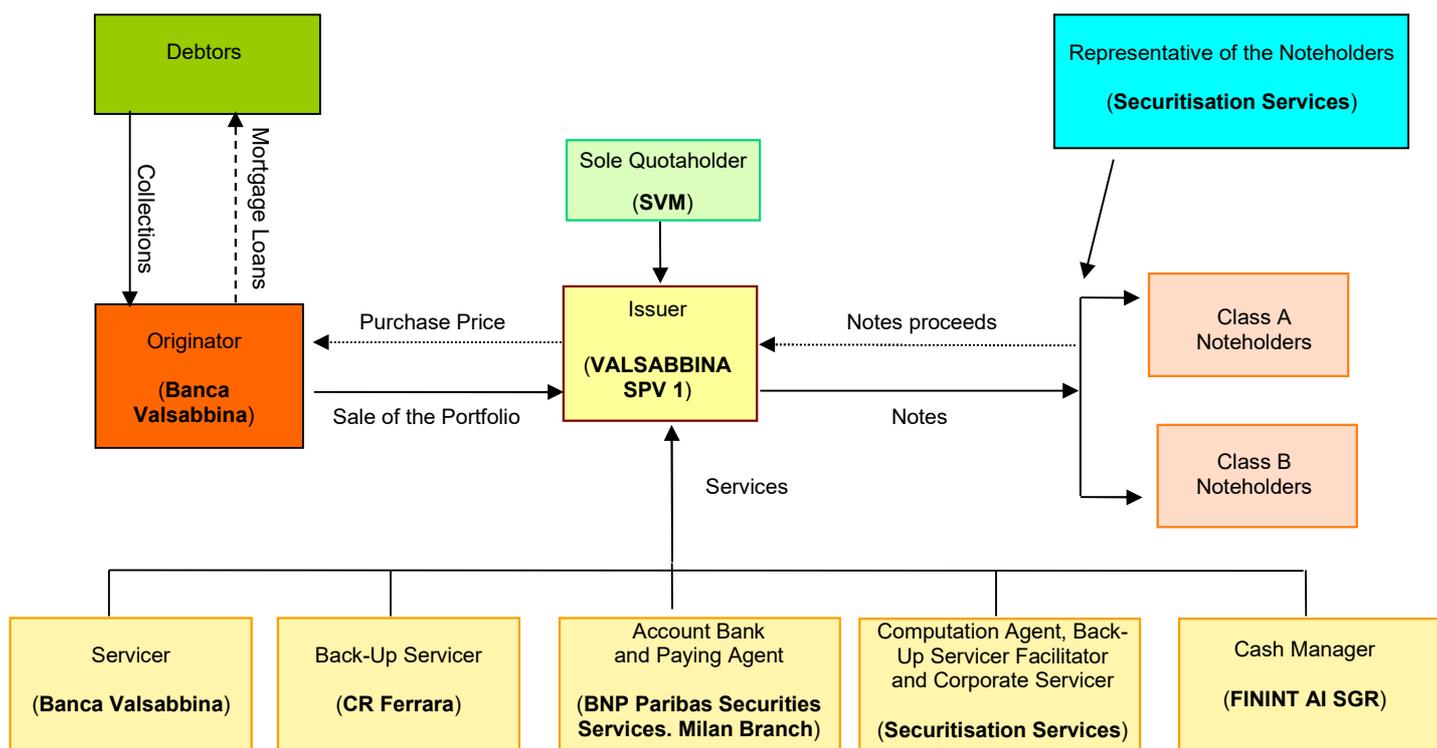
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## TRANSACTION OVERVIEW

The following information is an overview of certain aspects of the transaction, the parties thereto, the assets underlying the Notes and the related documents and does not purport to be complete. Therefore, it should be read in conjunction with and is qualified in its entirety by reference to the more detailed information presented elsewhere in this Prospectus and in the Transaction Documents. Prospective investors should base their decisions on this Prospectus as a whole.

### 1. TRANSACTION DIAGRAM



### 2. THE PRINCIPAL PARTIES

**Issuer**

VALSABBINA SPV 1 S.R.L..

The issued quota capital of the Issuer is equal to €10,000 and is fully held by the Sole Quotaholder.

For further details, see the section entitled "*The Issuer*".

**Originator**

BANCA VALSABBINA.

For further details, see the section entitled "*The Originator*".

**Servicer**

BANCA VALSABBINA. The Servicer will act as such pursuant to the Servicing Agreement.

<b>Computation Agent</b>	SECURITISATION SERVICES. The Computation Agent will act as such pursuant to the Cash Allocation, Management and Payment Agreement.
<b>Account Bank</b>	BNP PARIBAS SECURITIES SERVICES, MILAN BRANCH. The Account Bank will act as such pursuant to the Cash Allocation, Management and Payment Agreement.
<b>Paying Agent</b>	BNP PARIBAS SECURITIES SERVICES, MILAN BRANCH. The Paying Agent will act as such pursuant to the Cash Allocation, Management and Payment Agreement.
<b>Cash Manager</b>	FINANZIARIA INTERNAZIONALE ALTERNATIVE INVESTMENT SGR S.P.A.. The Cash Manager will act as such pursuant to the Cash Allocation, Management and Payment Agreement.
<b>Representative of the Noteholders</b>	SECURITISATION SERVICES. The Representative of the Noteholders will act as such pursuant to the Subscription Agreements, the Terms and Conditions, the Rules of the Organisation of the Noteholders, the Intercreditor Agreement and the other Transaction Documents.
<b>Corporate Servicer</b>	SECURITISATION SERVICES. The Corporate Servicer will act as such pursuant to the Corporate Services Agreement.
<b>Back-Up Servicer</b>	CASSA DI RISPARMIO DI FERRARA. The Back-Up Servicer will act in such capacity pursuant to the Back-Up Servicing Agreement.
<b>Back-Up Servicer Facilitator</b>	SECURITISATION SERVICES. The Back-Up Servicer Facilitator will act in such capacity pursuant to the Servicing Agreement.
<b>Sole Quotaholder</b>	SVM SECURITISATION VEHICLES MANAGEMENT S.R.L..
<b>Listing Agent</b>	BNP PARIBAS SECURITIES SERVICES, LUXEMBOURG BRANCH.
<b>Arrangers</b>	BNP PARIBAS and FINANZIARIA INTERNAZIONALE SECURITISATION GROUP.
<b>Senior Notes Underwriter</b>	BANCA VALSABBINA. The Senior Notes Underwriter will act as such pursuant to the Senior Notes Subscription Agreement.
<b>Junior Notes Underwriter</b>	BANCA VALSABBINA. The Junior Notes Underwriter will act as such pursuant to the Junior Notes Subscription Agreement.

### **3. THE PRINCIPAL FEATURES OF THE NOTES**

<b>The Notes</b>	The Notes will be issued by the Issuer on the Issue Date in the following classes:
<b>The Senior Notes</b>	€ 199,500,000 Class A Residential Mortgages Asset Backed Floating Rate Notes due October 2052;
<b>The Junior Notes</b>	€ 100,100,000 Class B Residential Mortgages Asset Backed Notes due October 2052.
<b>Issue Date</b>	The Notes will be issued on 23 January 2012.
<b>Issue Price</b>	The Notes will be issued at 100 per cent. of their principal amount.
<b>Interest on the Senior Notes</b>	<p>The Senior Notes will bear interest on their Principal Amount Outstanding from and including the Issue Date at the EURIBOR (except in respect of the Initial Interest Period where an interpolated interest rate based on 3 and 4 month deposits in Euro will be substituted for the EURIBOR) plus a margin equal to 0.40 per cent. per annum.</p> <p>Interest in respect of the Senior Notes will accrue on a daily basis and will be payable quarterly in arrears in Euro on each Payment Date in accordance with the applicable Priority of Payments. The first payment of interest in respect of the Senior Notes will be due on the Payment Date falling in April 2012 in respect of the period from (and including) the Issue Date to (but excluding) such date.</p>
<b>Interest on the Junior Notes</b>	<p>The Class B Notes Interest Amount will be payable quarterly in arrears in Euro on each Payment Date in accordance with the applicable Priority of Payments.</p> <p>Save for the rate of interest applicable to the Junior Notes for each Interest Period the Junior Notes Conditions are substantially the same as the Senior Notes Conditions.</p>
<b>Form and Denominations</b>	The denomination of the Notes will be € 100,000. The Notes will be issued in bearer form and held in dematerialised form on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holders. The Notes will be accepted for clearance by Monte Titoli with effect from the Issue Date. The Notes will at all times be in book entry form and title to the Notes will be evidenced by book entry in accordance with the provisions of (i) article 83 <i>bis</i> of the Financial Laws Consolidated Act; and (ii) Regulation 22 February 2008. No physical document of title will be issued in respect of the Notes.
<b>Status and Ranking</b>	In respect of the obligations of the Issuer to pay interest and repay principal on the Notes, the Conditions and the Intercreditor Agreement provide that:

- (a) prior to the service of a Trigger Notice:
  - (i) in respect of the obligations of the Issuer to pay interest on the Notes:
    - (1) the Class A Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B Notes;
    - (2) the Class B Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but subordinated to the Class A Notes;
  - (ii) in respect of the obligations of the Issuer to repay principal on the Notes:
    - (1) the Class A Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B Notes;
    - (2) the Class B Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but subordinated to the Class A Notes.
- (b) following the service of a Trigger Notice, in respect of the obligations of the Issuer to pay interest and repay principal on the Notes:
  - (i) the Class A Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B Notes;
  - (ii) the Class B Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but subordinated to the Class A Notes;

As a result, to the extent that any losses are suffered by any of the Noteholders, such losses will be borne in the first instance by the Class B Noteholders and then (to the extent that the Class A Notes have not been redeemed) by the Class A Noteholders as described above.

#### **Withholding on the Notes**

As at the date of this Prospectus, payments of interest and other proceeds under the Notes may be subject to a Decree 239 Deduction. Upon the occurrence of any withholding or deduction for or on account of tax from any payment under the Notes, neither the Issuer nor any other

person shall have any obligation to pay any additional amount(s) to any holder of the Notes on account of such withholding or deduction.

For further details, see the section entitled "*Taxation*".

### **Mandatory Redemption**

The Notes of each Class will be subject to mandatory redemption in full (or in part *pro rata*) on any Payment Date, in accordance with the provisions of the Terms and Conditions, in each case if and to the extent that, on such dates, there are sufficient Issuer Available Funds which may be applied towards redemption of the Notes, in accordance with the applicable Priority of Payments.

### **Optional Redemption**

Unless previously redeemed in full, the Issuer, having given not less than 30 days' prior notice to the Representative of the Noteholders in writing and to the Noteholders in accordance with the Terms and Conditions, may redeem the Senior Notes (in whole but not in part) and the Junior Notes (in whole or in part) at their Principal Amount Outstanding, together with interest accrued thereon, up to the date fixed for redemption, in accordance with Condition 8.3 (*Redemption, Purchase and Cancellation – Optional Redemption*) on any Payment Date.

The Issuer may obtain the necessary funds in order to effect the above optional redemption of the Notes, in accordance with Condition 8.3 (*Redemption, Purchase and Cancellation – Optional Redemption*), through the sale of the Portfolio subject to the terms and conditions of the Intercreditor Agreement (for further details, see the section entitled "*Description of the Intercreditor Agreement*"). The relevant sale proceeds shall form part of the Issuer Available Funds.

### **Redemption for Taxation**

If the Issuer at any time satisfies the Representative of the Noteholders, immediately prior to giving the notice referred to below, that on the next Payment Date:

- (a) the Issuer or any other person would be required to deduct or withhold (other than in respect of a Decree 239 Deduction) from any payment of principal or interest on any Class of Notes (the "**Affected Class**"), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Italy or any political or administrative sub-division thereof or any authority thereof or therein (or that amounts payable to the Issuer in respect of the Portfolio would be subject to withholding or deduction) (hereinafter, the "**Tax Event**"); and

- (b) the Issuer will have the necessary funds (not subject to the interests of any other person) to discharge all of its outstanding liabilities in respect of the Affected Class and any amount required to be paid, according to the Priority of Payments in priority to or *pari passu* with the Notes of the Affected Class,

then the Issuer may, on any such Payment Date at its option having given not less than 30 days' prior notice to the Representative of the Noteholders in writing and to the Noteholders in accordance with Condition 16 (*Notices*), redeem the Notes of the Affected Class (if the Affected Class is the Senior Notes, in whole but not in part or, if the Affected Class is the Junior Notes, in whole or in part) at their Principal Amount Outstanding together with all accrued but unpaid interest thereon up to and including the relevant Payment Date, in accordance with Condition 8.4 (*Redemption, Purchase and Cancellation - Redemption for Taxation*).

Following the occurrence of a Tax Event, the Issuer may, or the Representative of the Noteholders may (or shall if so requested by an Extraordinary Resolution of the Most Senior Class of Noteholders) direct the Issuer to dispose of the Portfolio, or any part thereof, to finance the early redemption of the Notes in accordance with Condition 8.4 (*Redemption, Purchase and Cancellation - Redemption for Taxation*), subject to the terms and conditions of the Intercreditor Agreement. For further details, see the section entitled "*Description of the Intercreditor Agreement*".

#### **Source of Payments of the Notes**

The principal source of payment of interest and of repayment of principal on the Notes will be the Collections made in respect of the Receivables arising out of the Mortgage Loan Agreements, purchased by the Issuer from the Originator pursuant to the Transfer Agreement.

#### **Segregation of the Portfolio**

By virtue of the operation of Article 3 of the Securitisation Law and the Transaction Documents, the Issuer's rights, title and interest in and to the Portfolio will be segregated from all other assets of the Issuer (including any other receivables purchased by the Issuer pursuant to the Securitisation Law) and, therefore, any cash-flow deriving therefrom (to the extent identifiable) will be exclusively available, both prior to and following a winding up of the Issuer, to satisfy the obligations of the Issuer to the Noteholders, to the Other Issuer Creditors and to any other creditors of the Issuer in respect of any costs, fees and expenses in relation to the Securitisation.

The Portfolio may not be seized or attached in any form by creditors of the Issuer other than the Noteholders, until full discharge by the Issuer of its payment obligations under the Notes or cancellation of the Notes. Pursuant to the terms of the Intercreditor Agreement and the Mandate Agreement, the Issuer has empowered the Representative of the Noteholders, following the service of a Trigger Notice or upon failure by the Issuer to promptly exercise its rights under the Transaction Documents, to exercise all the Issuer's Rights, powers and discretion under the Transaction Documents taking such action in the name and on behalf of the Issuer as the Representative of the Noteholders may deem necessary to protect the interests of the Issuer, the Noteholders and the Other Issuer Creditors in respect of the Portfolio and the Issuer's Rights. Italian law governs the delegation of such power.

In addition, security over certain monetary rights of the Issuer arising out of certain Transaction Documents and over any Eligible Investments has been granted by the Issuer in favour of the Representative of the Noteholders pursuant to the Deed of Pledge for the benefit of the Noteholders and the Other Issuer Creditors. For further details, see the section entitled "*Description of the Deed of Pledge*".

#### **Limited Recourse Obligations of Issuer**

Notwithstanding any other provision of the Transaction Documents, all obligations of the Issuer to the Noteholders are limited in recourse as set out below:

- (a) each Noteholder will have a claim only in respect of the Issuer Available Funds and at all times only in accordance with the applicable Priority of Payments and will not have, by operation of law or otherwise, any claim against, or recourse to, the Issuer's other assets or its contributed capital;
- (b) sums payable to each Noteholder in respect of the Issuer's obligations to such Noteholder shall be limited to the lesser of (i) the aggregate amount of all sums due and payable to such Noteholder; and (ii) the Issuer Available Funds, net of any sums which are payable by the Issuer in accordance with the applicable Priority of Payments in priority to or pari passu with such sums payable to such Noteholder; and
- (c) upon the Representative of the Noteholders giving notice in accordance with Condition 16 (*Notices*) that it has determined, in its sole opinion, that there is no reasonable likelihood of there being any

further amounts to be realised in respect of the Portfolio or the Security (whether arising from judicial enforcement proceedings, enforcement of the Security or otherwise) which would be available to pay unpaid amounts outstanding under the Transaction Documents and the Servicer having confirmed the same in writing to the Representative of the Noteholders, the Noteholders shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be cancelled and discharged in full.

### **Non Petition**

Only the Representative of the Noteholders may pursue the remedies available under the general law or under the Transaction Documents to obtain payment of the obligations of the Issuer deriving from any of the Transaction Documents or enforce the Security and no Noteholder shall be entitled to proceed directly against the Issuer to obtain payment of such obligations or to enforce the Security, save as provided by the Rules of the Organisation of the Noteholders. In particular no Noteholder:

- (a) is entitled, save as expressly permitted by the Transaction Documents, to direct the Representative of the Noteholders to enforce the Security or take any proceedings against the Issuer to enforce the Security;
- (b) shall, save as expressly permitted by the Transaction Documents, have the right to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to it;
- (c) shall be entitled, until the date falling one year and one day after the date on which all the Notes and any other notes issued in the context of any other securitisation carried out by the Issuer have been redeemed in full or cancelled in accordance with their terms and conditions, to cause, initiate or join any person in initiating an Insolvency Event in relation to the Issuer; and
- (d) shall be entitled to take or join in the taking of any corporate action, legal proceeding or other procedure or step which would result in the Priority of Payments not being complied with.

### **Final Maturity Date**

Unless previously redeemed in full or cancelled in accordance with the relevant Terms and Conditions, the

Notes are due to be repaid in full at their respective Principal Amount Outstanding on the Final Maturity Date.

#### **Cancellation Date**

The Notes will be cancelled on the Cancellation Date which is the earlier of:

- (a) the date on which the Notes have been redeemed in full;
- (b) the Final Maturity Date; and
- (c) the date on which the Representative of the Noteholders has certified to the Issuer and the Noteholders that there are no more Issuer Available Funds to be distributed as a result of no additional amount or asset relating to the Portfolio being available to the Issuer at which date any amount outstanding, whether in respect of interest, principal or other amounts in respect of the Notes, shall be finally and definitively cancelled.

#### **The Organisation of the Noteholders and the Representative of the Noteholders**

The Organisation of the Noteholders shall be established upon and by virtue of the issuance of the Notes and shall remain in force and in effect until repayment in full or cancellation of the Notes.

Pursuant to the Rules of the Organisation of the Noteholders, for as long as any Note is outstanding, there shall at all times be a Representative of the Noteholders. The appointment of the Representative of the Noteholders, as legal representative of the Organisation of the Noteholders, is made by the Noteholders subject to and in accordance with the Rules of the Organisation of the Noteholders, except for the initial Representative of the Noteholders appointed at the time of the issue of the Notes, who is appointed by the Senior Notes Underwriter and the Junior Notes Underwriter, subject to and in accordance with the provisions of the Subscription Agreements. Each Noteholder is deemed to accept such appointment.

#### **Listing and admission to trading**

Application has been made to list the Senior Notes on the official list of the Luxembourg Stock Exchange and to admit to trading the Senior Notes on the Regulated Market "*Bourse de Luxembourg*".

No application has been made to list the Junior Notes on any stock exchange.

#### **Rating**

The Senior Notes are expected, on the Issue Date, to be assigned the rating "A2 (sf)" by Moody's and "AAA (sf)" by DBRS.

The credit rating applied for in relation to the Notes will be issued by credit rating agencies established in the European Union and registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009, as amended by regulation (EU) No. 513/2011 of the European Parliament and of the Council of 11 May 2011.

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 the assigning rating organisation.

The Junior Notes will not be assigned any credit rating.

**Governing Law**

The Notes will be governed by Italian law.

**Purchase of the Notes**

The Issuer may not purchase any Notes at any time.

**Selling restrictions**

There will be restrictions on the sale of the Notes and on the distribution of information in respect thereof.

For further details see the section entitled "Subscription and Sale"

**4. ACCOUNTS**

**Collection Account**

The Issuer has established with the Account Bank the Collection Account, into which the Servicer shall transfer on a daily basis all the amounts received or recovered from the Debtors.

**Payments Account**

The Issuer has established with the Account Bank the Payments Account, into which all amounts due to the Issuer under any of the Transaction Documents (other than the Collections) will be paid.

**Cash Reserve Account**

The Issuer has established with the Account Bank the Cash Reserve Account, for the deposit on the Issue Date and, thereafter, on each Payment Date until the Senior Notes have been repaid in full, of the Required Cash Reserve Amount in accordance with the applicable Priority of Payments.

**Securities Account**

The Issuer has established with the Account Bank the Securities Account, for the deposit of all securities constituting Eligible Investments (if any) purchased with the monies from time to time standing to the credit of the Eligible Accounts.

**Suspension Account**

The Issuer has established with the Account Bank the Suspension Account for the deposit of any amount to be paid by the Servicer prior to the authorisation of suspension

of the payment of the Instalments, in accordance with the provisions of the Servicing Agreement.

#### **Expense Account**

The Issuer has established with Banca Antonveneta the Expense Account, into which, on the Issue Date, the Retention Amount will be credited.

During each Collection Period, the Retention Amount will be used by the Issuer to pay the Expenses.

To the extent that the amount standing to the credit of the Expense Account on any Payment Date is lower than the Retention Amount, the Issuer shall credit available amounts to the Expense Account in accordance with the relevant Priority of Payments.

#### **Quota Capital Account**

The Issuer has established the Quota Capital Account with Banca Antonveneta, for the deposit of the Issuer's quota capital.

The Eligible Accounts will be maintained with the relevant Account Bank for as long as the Account Bank, is an Eligible Institution. For further details, see the section entitled "*The Accounts*".

### **5. CREDIT STRUCTURE**

#### **Portfolio**

The Receivables purchased by the Issuer pursuant to the Transfer Agreement arise out of a portfolio of performing (*in bonis*) residential

(a) mortgage loans which qualify as *mutui fondiari* (medium-long term loans secured by mortgages on real estate, issued by a bank in accordance with article 38 and subsequent of the Consolidated Banking Act), and

(b) mortgage loans which qualify as *mutui ipotecari*

deriving from mortgage loan agreements (the "**Mortgage Loan Agreements**") entered into by the Originator with their relevant debtors.

For further details, see the section entitled "*The Portfolio*"

#### **Issuer Available Funds**

The Issuer Available Funds means, in respect of any Payment Date, the aggregate amounts of:

(a) all amounts received or recovered by the Issuer or on behalf of the Issuer in accordance with the terms of the Transfer Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement and the Intercreditor Agreement, or from any party to the Transaction Documents during the Collection

Period immediately preceding the relevant Payment Date (including but not limited to, for the avoidance of any doubt, all amounts (i) received from the sale, if any, of the Portfolio (in whole or in part) together with any proceeds deriving from the enforcement of the Issuer's Rights, and (ii) collected or recovered by the Issuer under Clause 4.2 of the Warranty and Indemnity Agreement (i.e. the limited recourse loan granted by Banca Valsabbina));

- (b) all amounts of interest accrued and paid on the Collection Account, the Payments Account, the Suspension Account and the Cash Reserve Account (if any) during the Collection Period immediately preceding the relevant Payment Date;
- (c) all amounts deriving from the Eligible Investments made under the terms of the Cash Allocation, Management and Payment Agreement due to be paid on the Eligible Investments Maturity Date immediately prior to the relevant Payment Date;
- (d) any and all other amounts standing to the credit of the Collection Account, the Payments Account and the Cash Reserve Account following the payments required to be made from such accounts on the immediately preceding Payment Date; and
- (e) the amounts standing to the credit of the Suspension Account which shall form part of the Issuer Available Funds as determined by the Computation Agent in accordance with the terms of the Cash Allocation, Management and Payment Agreement.

## Trigger Events

The Condition 13 of Terms and Conditions provides the following Trigger Events:

- (a) *Non-payment*: The Issuer defaults in the payment of:
  - (i) (1) the amount of interest accrued on the Most Senior Class of Notes; or
  - (2) the amount of principal due and payable on the Most Senior Class of Notes (as set out in the relevant Payments Report)

and such default is not remedied within a period of five Business Days from the due date thereof; or

- (ii) any amount due to the Other Issuer Creditors under items *First* and *Second* of the Priority of Payments and such default is not remedied within a period of five Business Days from the due date thereof; or
- (b) *Breach of other obligations*: The Issuer defaults in the performance or observance of any of its obligations under or in respect of the Notes or any of the Transaction Documents to which it is a party (other than any obligation specified in (a) above) which is in the Representative of the Noteholders' sole and absolute opinion materially prejudicial to the interests of the Noteholders and such default remains unremedied for 30 days after the Representative of the Noteholders having given written notice thereof to the Issuer requiring the same to be remedied (except where, in the sole opinion of the Representative of the Noteholders, such default is not capable of remedy in which case no term of 30 days will be given); or
- (c) *Breach of Representations and Warranties by the Issuer*: Any of the representations and warranties given by the Issuer under any of the Transaction Documents to which it is party is, or proves to have been, incorrect or erroneous in any material respect when made, or deemed to be made, or at any time thereafter, unless it has been remedied within 15 days after the Representative of the Noteholders has served notice requiring remedy; or
- (d) *Insolvency of the Issuer*: An Insolvency Event occurs in respect of the Issuer; or
- (e) *Unlawfulness*: It is or will become unlawful (in any respect deemed to be material by the Representative of the Noteholders) for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any of the Transaction Documents to which it is a party.

Upon the occurrence of a Trigger Event, the Representative of the Noteholders:

- (1) in the case of a Trigger Event under (a) or (e) above, shall; and/or
- (2) in the case of a Trigger Event under (b) or (c) above, if so directed by an Extraordinary Resolution of the Most Senior Class of Noteholders, shall; and/or

- (3) in the case of a Trigger Event under (d) above, may at its sole discretion or, if so directed by an Extraordinary Resolution of the Most Senior Class of Noteholders, shall,

serve a Trigger Notice to the Issuer. Upon the service of a Trigger Notice, the Issuer Available Funds shall be applied in accordance with the Post-Enforcement Priority of Payments.

Following the service of a Trigger Notice, the Issuer may (subject to the consent of the Representative of the Noteholders) or the Representative of the Noteholders may (or shall if so requested by an Extraordinary Resolution of the Most Senior Class of Noteholders) direct the Issuer to dispose of the Portfolio (in full or in part), subject to the terms and conditions of the Intercreditor Agreement.

#### **Pre-Enforcement Priority of Payments**

Prior to the service of a Trigger Notice, the Issuer Available Funds shall be applied on each Payment Date in making the following payments in the following order of priority (in each case only if and to the extent that payments 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 (to the extent that amounts standing to the credit of the Expense Account have been insufficient to pay such costs during the immediately preceding Collection Period), and
  - (b) to credit to the Expense Account such an amount equal to the lower of (1) the Retention Amount, and (2) any Expenses paid during the immediately preceding Collection Period;
- (ii) *Second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof,
- (a) the remuneration due to the Representative of the Noteholders and any indemnity, proper costs and expenses incurred by the Representative of the Noteholders under the provisions of or in connection with any of the Transaction Documents;
  - (b) any amounts due and payable on such Payment Date to the Account Bank, the Computation Agent, the Paying Agent, the

Cash Manager, the Corporate Servicer, the Back-Up Servicer, the Back-Up Servicer Facilitator and the Servicer (but excluding any amount to be paid under item *Seventh* below); and

- (c) any other documented costs, fees and expenses due to persons who are not parties to the Intercreditor Agreement which have been incurred in or in connection with the preservation or enforcement of the Issuer's Rights;
- (iii) *Third*, to pay the Class A Notes Interest Payment Amount due and payable on such Payment Date (to the Class A Noteholders *pari passu* and *pro rata* according to the amounts then due);
- (iv) *Fourth*, to pay the Required Cash Reserve Amount into the Cash Reserve Account;
- (v) *Fifth*, to pay in full any Principal Amount Outstanding in respect of the Class A Notes (to the Class A Noteholders *pro rata* according to the amounts then due);
- (vi) *Sixth*, to pay all amounts due and payable as Adjustment Purchase Price;
- (vii) *Seventh*, to pay to the Servicer any amounts due and payable pursuant to Clauses 8.1(b) and 8.2 of the Servicing Agreement (i.e. fees due to the Servicer in respect of the activities carried out in relation to the Defaulted Receivables and expenses to be reimbursed);
- (viii) *Eighth*, to pay (*pro rata*) to Banca Valsabbina and the Other Issuer Creditors any amounts due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Pre-Enforcement Priority of Payments;
- (ix) *Ninth*, to pay the Class B Notes Interest Amount due and payable on such Payment Date (to the Junior Noteholders *pro rata* according to the amounts then due);
- (x) *Tenth*, subject to the Class A Notes having been redeemed in full, to pay the Principal Amount Outstanding and any other amount due in respect of the Class B Notes (to the Junior Noteholders *pro rata* according to the amounts then due).

The Issuer shall, if necessary, make the payments set out under items *First* (i)(a) and *Second* (ii)(c) above also during the following Interest Period using the amounts standing to the credit of the Expense Account and the Payments Account.

#### **Post-Enforcement Priority of Payments**

Following the service of a Trigger Notice, the Issuer Available Funds shall be applied on each Payment Date in making the following payments in the following order of priority (in each case, only if and to the extent that payments 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 (to the extent that amounts standing to the credit of the Expense Account have been insufficient to pay such costs during the immediately preceding Collection Period), and
  - (b) to credit to the Expense Account such an amount equal to the lower of (1) the Retention Amount, and (2) any Expenses paid during the immediately preceding Collection Period;
- (ii) *Second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof,
  - (a) the remuneration due to the Representative of the Noteholders and any indemnity, proper costs and expenses incurred by the Representative of the Noteholders under the provisions of or in connection with any of the Transaction Documents;
  - (b) any amounts due and payable on such date to the Account Bank, the Computation Agent, the Paying Agent, the Cash Manager, the Corporate Servicer, the Back-Up Servicer, the Back-Up Servicer Facilitator and the Servicer (but excluding any amount to be paid under item *Sixth* below); and
  - (c) (if the Trigger Event is not an Insolvency Event) any other documented costs, fees and expenses due to persons who are not parties to the Intercreditor Agreement

which have been incurred in or in connection with the preservation or enforcement of the Issuer's Rights;

- (iii) *Third*, to pay the Class A Notes Interest Payment Amount due and payable on such date (to the Class A Noteholders *pro rata* according to the amounts then due);
- (iv) *Fourth*, to pay in full any Principal Amount Outstanding in respect of the Class A Notes (to the Class A Noteholders *pro rata* according to the amounts then due);
- (v) *Fifth*, to pay all amounts due and payable as Adjustment Purchase Price;
- (vi) *Sixth*, to pay to the Servicer any amounts due and payable pursuant to Clauses 8.1(b) and 8.2 of the Servicing Agreement (i.e. fees due to the Servicer in respect of the activities carried out in relation to the Defaulted Receivables and expenses to be reimbursed);
- (vii) *Seventh*, to pay (*pro rata*) to Banca Valsabbina and the Other Issuer Creditors any amounts due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Post-Enforcement Priority of Payments;
- (viii) *Eighth*, to pay the Class B Notes Interest Amount due and payable on such Payment Date (to the Junior Noteholders *pro rata* according to the amounts then due);
- (ix) *Ninth*, subject to the Principal Amount Outstanding of the Class A Notes having been repaid in full, to pay the Principal Amount Outstanding in respect of the Class B Notes (to the Junior Noteholders *pro rata* according to the amounts then due).

The Issuer shall, if necessary, make the payments set out under items *First* (i)(a) and *Second* (ii)(c) above also during the following Interest Period using the amounts standing to the credit of the Expense Account and the Payments Account.

## 6. REPORTS

### Monthly Servicer's Report

Under the Servicing Agreement, the Servicer has undertaken to prepare, on each Monthly Servicer's Report Date, the Monthly Servicer's Report setting out information

on the performance of the Receivables and the Mortgages during the relevant Monthly Collection Period.

**Quarterly Servicer's Report**

Under the Servicing Agreement, the Servicer has undertaken to prepare, on each Quarterly Servicer's Report Date, the Quarterly Servicer's Report setting out information on the performance of the Receivables and the Mortgages during the relevant Quarterly Collection Period.

**Account Bank Report**

Under the Cash Allocation, Management and Payment Agreement, the Account Bank has undertaken to prepare, on each Account Bank Report Date, the Account Bank Report setting out information concerning, *inter alia*, the transfers and the balances relating to the Eligible Accounts.

**Securities Account Report**

Under the Cash Allocation, Management and Payment Agreement, the Account Bank has undertaken to prepare, on each Account Bank Report Date the Securities Account Report setting out the Eligible Investments made during the preceding Collection Period pursuant to the Cash Allocation, Management and Payment Agreement.

**Paying Agent Report**

Under the Cash Allocation, Management and Payment Agreement, the Paying Agent has undertaken to prepare, no later than the first day of each Interest Period, the Paying Agent Report setting out certain information in respect of certain calculations to be made on the Notes.

**Cash Manager Report**

Under the Cash Allocation, Management and Payment Agreement, the Cash Manager has undertaken to prepare, on or prior each Cash Manager Report Date, the Cash Manager Report setting out certain information on the investments made.

**Payments Report**

Under the Cash Allocation, Management and Payment Agreement, the Computation Agent has undertaken to prepare, on or prior to each Calculation Date, the Payments Report setting out, *inter alia*, the Issuer Available Funds and each of the payments and allocations to be made by the Issuer on the next Payment Date, in accordance with the applicable Priority of Payments.

**Investors' Report**

Under the Cash Allocation, Management and Payment Agreement, the Computation Agent has undertaken to prepare, on or prior each Investors' Report Date, the Investors' Report setting out certain information with respect to the Notes.

**Material Net Economic Interest  
in the Securitisation**

Under the Senior Notes Subscription Agreement Banca Valsabbina has covenanted to and agreed with the Issuer and with the Representative of the Noteholders that it will

retain on the Issue Date and maintain on an ongoing basis at least 5 per cent. of net economic interest in accordance with option (d) of article 122(a) of the CRD, as implemented into Italian law by the Bank of Italy Supervisory Regulations or any permitted alternative method thereafter and provide adequate disclosure to the Noteholders in accordance with such Article 122 (a) of the CRD.

As of the Issue Date such net economic interest will be - in accordance with option (d) of article 122(a) of the CRD - comprised of the retention by Banca Valsabbina of the Junior Notes.

Under the Intercreditor Agreement Banca Valsabbina has represented, warranted and undertaken to prepare reports in which information with regard to the Receivables will be disclosed publicly together with an overview of the retention of material net economic interest by Banca Valsabbina with a view of complying with Article 122a paragraph (7) of the CRD.

For further details see the section entitled "*Subscription and Sale*", paragraph 4 "*Regulatory Disclosure and Retention Undertaking under CRD II*".

## **7. TRANSFER AND ADMINISTRATION OF THE PORTFOLIO**

### **Transfer of the Portfolio**

On 12 December 2011, the Originator and the Issuer entered into the Transfer Agreement, pursuant to which the Originator assigned and transferred to the Issuer the Portfolio. The Portfolio has been assigned and transferred to the Issuer without recourse (*pro soluto*), in accordance with the Securitisation Law and subject to the terms and conditions thereof.

The Receivables comprised in the Portfolio have been selected on the basis of the Criteria set forth in the Transfer Agreement.

The Purchase Price in respect of the Portfolio will be payable by the Issuer on the Issue Date using the net proceeds from the issue of the Notes.

For further details, see the sections entitled "*The Portfolio*" and "*Description of the Transfer Agreement*".

### **Warranties in relation to the Portfolio**

Pursuant to the Warranty and Indemnity Agreement, the Originator has given certain representations and warranties in favour of the Issuer in relation to, *inter alia*, the Receivables, the Portfolio, the Mortgage Loan Agreements, the Real Estate Assets and the Collateral Securities and

has agreed to indemnify the Issuer in respect of certain liabilities of the Issuer incurred in connection with the purchase and ownership of the Portfolio.

For further details, see the section entitled "*Description of the Warranty and Indemnity Agreement*".

### **Servicing Agreement**

Pursuant to the terms of the Servicing Agreement, the Servicer has agreed to administer and service the Receivables comprised in the Portfolio on behalf of the Issuer and, in particular, to:

- (a) collect and recover amounts due in respect thereof;
- (b) administer relationships with the Debtors; and
- (c) carry out, on behalf of the Issuer, certain activities in relation to the Receivables in accordance with the Servicing Agreement and the Credit and Collection Policies.

In particular, the Servicer will be the entity responsible for the collection of the assigned receivables and the cash and payment services ("*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e pagamento*") pursuant to Article 2, paragraph 3(c) of the Securitisation Law and, therefore, it has undertaken to verify that the operations comply with the law and this Prospectus, in accordance with Article 2, paragraph 6-bis of the Securitisation Law.

For further details, see the section entitled "*Description of the Servicing Agreement*".

### **Back-Up Servicing Agreement**

Pursuant to the terms of the Back-Up Servicing Agreement, the Back-Up Servicer has undertaken to promptly replace Banca Valsabbina as Servicer subject to, *inter alia*, the termination of the appointment of the Servicer or the withdrawal of the Servicer from the Servicing Agreement, in both cases, in accordance with the terms of such agreement.

For further details, see the section entitled "*Description of the Back-Up Servicing Agreement*".

## **8. OTHER TRANSACTION DOCUMENTS**

### **Intercreditor Agreement**

Pursuant to the Intercreditor Agreement, the Issuer and the Other Issuer Creditors have agreed, *inter alia*, to apply the Issuer Available Funds in accordance with the applicable

Priority of Payments and the circumstances in which the Representative of the Noteholders will be entitled to exercise certain rights in relation to the Portfolio.

The parties to the Intercreditor Agreement have agreed that the obligations owed by the Issuer to each of the Noteholders and, in general, to each of the Other Issuer Creditors will be limited recourse obligations of the Issuer. The Other Issuer Creditors will have a claim against the Issuer only to the extent of the Issuer Available Funds and in accordance with the applicable Priority of Payments, subject to and as provided in the Intercreditor Agreement and the other Transaction Documents.

For further details, see the section entitled "*Description of the Intercreditor Agreement*".

#### **Cash Allocation, Management and Payment Agreement**

Pursuant to the Cash Allocation, Management and Payment Agreement, the Servicer, the Computation Agent, the Account Bank, the Paying Agent, Back-Up Servicer Facilitator and the Cash Manager have agreed to provide the Issuer with certain agency services and certain calculation, notification and reporting services together with account handling, investment and cash management services in relation to monies and securities from time to time standing to the credit of the Accounts.

Pursuant to the terms of the Cash Allocation, Management and Payment Agreement, amounts standing from time to time to the credit of the Eligible Accounts may be invested in Eligible Investments.

For further details, see the section entitled "*Description of the Cash Allocation, Management and Payment Agreement*".

#### **Mandate Agreement**

Pursuant to the Mandate Agreement, the Representative of the Noteholders will be authorised, subject to a Trigger Notice being served or following failure by the Issuer to exercise its rights under the Transaction Documents, to exercise, in the name and on behalf of the Issuer, all the Issuer's non-monetary rights arising out of the Transaction Documents to which the Issuer is a party.

For further details, see the section entitled "*Description of the Mandate Agreement*".

#### **Quotaholder Agreement**

Pursuant to the Quotaholder Agreement, the Sole Quotaholder has given certain undertakings in relation to the management of the Issuer and the exercise of its rights as Sole Quotaholder of the Issuer.

For further details, see the section entitled "*Description of the Quotaholder Agreement*".

### **Letter of Undertakings**

Pursuant to the Letter of Undertakings, the Originator has undertaken to indemnify the Issuer in respect of certain tax charges which may at any time be incurred by the Issuer.

For further details, see the section entitled "*Description of the Letter of Undertakings*".

### **Corporate Services Agreement**

Pursuant to the Corporate Services Agreement, the Corporate Servicer has agreed to provide the Issuer with certain corporate administrative services, including the maintenance of corporate books and of accounting and tax registers, in compliance with reporting requirements relating to the Receivables and with other regulatory requirements imposed on the Issuer.

For further details, see the section entitled "*Description of the Corporate Services Agreement*".

### **Deed of Pledge**

Pursuant to the Deed of Pledge, the Issuer has

- (a) granted and undertaken to grant, in favour of the Noteholders and the Other Issuer Creditors as security for the Secured Obligations, a first priority pledge over all existing and future monetary claims and rights deriving from certain Transaction Documents (other than the Receivables and the Collections) and
- (b) undertaken to pledge the Eligible Investments that will be made by the Account Bank on behalf of the Issuer and upon instructions from the Cash Manager, under the terms and conditions set out therein.

For further details, see the section entitled "*Description of the Deed of Pledge*".

## **RISK FACTORS**

The following paragraphs set out aspects of the issue of the Notes of which prospective noteholders should be aware. Prospective noteholders should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making an investment decision.

### **RISK FACTORS RELATED TO THE ISSUER**

#### **Securitisation Law**

The Securitisation Law was enacted in Italy on April 1999. As at the date of this Prospectus, as far as the Issuer is aware, no interpretation of the application of the Securitisation Law has been issued by any Italian court or governmental or regulatory authority, except for: (a) regulations issued by the Bank of Italy concerning, *inter alia*, the accounting treatment of securitisation transactions for special purpose companies incorporated under the Securitisation Law, such as the Issuer, and the duties of companies which carry out collection and recovery activities in the context of a securitisation transaction; (b) the Circular No. 8/E issued by *Agenzia delle Entrate* on 6 February 2003 on the tax treatment of the issuers (see paragraph entitled "*Tax treatment of the Issuer*"); (c) the Decree of the Italian Ministry of Treasury dated 14 December 2006 No. 310 on the covered bonds, as provided by Article 7-*bis* of the Securitisation Law, and (d) the Decree of the Italian Ministry of Economy and Finance No. 29 of 17 February 2009 on the terms for the registration of the financial intermediaries in the registers held by the Bank of Italy pursuant to Article 106 of the Consolidated Banking Act and the Italian Legislative Decree 13 August 2010 No. 141 which has, *inter alia*, entirely replaced, as from 19 September 2010, Title V of the Consolidated Banking Act, even though the implementing regulations with respect to the amended provisions on the registration of financial intermediaries have not yet been issued by the Bank of Italy. Consequently, it is possible that such or different authorities may issue further regulations relating to the Securitisation Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Prospectus.

#### **Issuer's ability to meet its obligations under the Notes**

The ability of the Issuer to meet its obligations in respect of the Notes will be dependent on the receipt by the Issuer of (a) the Collections made on its behalf by the Servicer in respect of the Portfolio and (b) any other amounts required to be paid to the Issuer by the various agents and counterparts of the Issuer pursuant to the terms of the relevant Transaction Documents. The performance by such parties of their respective obligations under the relevant Transaction Documents is dependent on the solvency of each relevant party.

Consequently, there is no assurance that, over the life of the Notes or at the redemption date of any Class of Notes (whether on the Final Maturity Date, upon redemption by acceleration of maturity following the service of a Trigger Notice, or otherwise), there will be sufficient funds to enable the Issuer to pay interest on the Notes or to repay the Notes in full.

#### **No independent investigation in relation to the Receivables**

None of the Issuer or the Arrangers nor any other party to the Transaction Documents (other than the Originator) has undertaken or will undertake any investigation, search or other action to verify the details of the Receivables sold by the Originator to the Issuer, nor has any of such persons undertaken, nor will any of them undertake, any investigation, search or other action to establish the creditworthiness of any of the Debtors. There can be no assurance that the assumptions used in modelling the cash flows of the Receivables and the Portfolio accurately reflect the status of the underlying Mortgage Loans.

The Issuer will rely instead on the representations and warranties given by the Originator in the Warranty and Indemnity Agreement and in the Transfer Agreement. The only remedies of the Issuer in respect of the

occurrence of a breach of a representation and warranty which materially and adversely affects the value of a Receivable will be the requirement that the Originator indemnifies the Issuer for the damage deriving therefrom, subject to the terms and conditions of the Warranty and Indemnity Agreement. There can be no assurance, however, that the Originator will have the financial resources to honour such obligations. For further details, see the section entitled "*Description of the Warranty and Indemnity Agreement*".

### **Commingling Risk**

The Issuer is subject to the risk that, in the event of insolvency of the Servicer, the Collections held by the Servicer are lost or frozen. Such risk is mitigated through the transfer of any Collections held by the Servicer to the Collection Account on a daily basis pursuant to the Servicing Agreement.

### **Liquidity and Credit Risk**

The Issuer is subject to the risk of delay arising between the receipt of payments due from the Debtors and the Scheduled Instalment Dates. This risk is mitigated, in respect of the Senior Notes, through the establishment of a cash reserve into the Cash Reserve Account.

Furthermore, the Issuer is subject to the risk of failure by the Servicer to collect or to recover sufficient funds in respect of the Portfolio in order to enable the Issuer to discharge all amounts payable under the Notes when due.

The Issuer is also subject to the risk of default in payment by the Debtors and the failure to realise or to recover sufficient funds in respect of the Mortgage Loans in order to discharge all amounts due from those Debtors under the Mortgage Loans. With respect to the Senior Notes, this risk is mitigated by the credit support provided by the Junior Notes.

However, in each case, there can be no assurance that the levels of Collections received from the Portfolio will be adequate to ensure timely and full receipt of amounts due under the Notes.

### **Credit Risk on the Originator and the other parties to the Transaction Documents**

The ability of the Issuer to make payments in respect of the Notes will depend to a significant extent upon the due performance by the Originator and the other parties to the Transaction Documents of their respective various obligations under the Transaction Documents to which they are a party. In particular, without limiting the generality of the foregoing, the timely payment of amounts due on the Notes will depend on the ability of the Servicer to service the Portfolio and to recover the amounts relating to Defaulted Receivables (if any). In addition, the ability of the Issuer to make payments under the Notes may depend to an extent upon the due performance by the Originator of its obligations under the Warranty and Indemnity Agreement in respect of the Portfolio. The performance by such parties of their respective obligations under the relevant Transaction Documents may be influenced on the solvency of each relevant party.

It is not certain that a suitable alternative servicer could be found to service the Portfolio in the event that the Servicer becomes insolvent or its appointment under the Servicing Agreement is otherwise terminated. If such an alternative servicer is found it is not certain whether such alternative servicer would service the Portfolio on the same terms as those provided for in the Servicing Agreement.

Such risk is mitigated (a) by the provision of the Back-Up Servicing Agreement pursuant to which the Back-Up Servicer has undertaken to promptly replace Banca Valsabbina as Servicer subject to, *inter alia*, the termination of the appointment of the Servicer or the withdrawal of the Servicer from the Servicing Agreement, in both cases, in accordance with the terms of such agreement and (b) by the provisions of the Cash, Allocation Management and Payment Agreement pursuant to which the Back-Up Servicer Facilitator has undertaken, in accordance with the provisions of the Servicing Agreement, the Back-Up Servicing

Agreement and the Intercreditor Agreement to assist and cooperate with the Issuer in order to identify an eligible entity available to be appointed as substitute Back-Up Servicer under the Transaction Documents.

The Originator faces significant competition from a large number of banks throughout Italy and abroad. The deregulation of the banking industry in Italy and throughout the European Union has intensified competition in both deposit-taking and lending activities, contributing to a progressive narrowing of spreads between deposit and loan rates. In addition, as with all European banks, the introduction of the EMU may eliminate markets in which the Originator has a comparative advantage and provide significantly more competition in other areas, such as electronic banking.

### **Claims of Unsecured Creditors of the Issuer**

By virtue of the operation of Article 3 of the Securitisation Law and of the Transaction Documents, the Issuer's rights, title and interest in and to the Portfolio will be segregated from all other assets of the Issuer (including any other receivables purchased by the Issuer pursuant to the Securitisation Law) and, therefore, any cash-flow deriving therefrom (to the extent identifiable) will only be available, both prior to and following a winding up of the Issuer, to satisfy the obligations of the Issuer to the Noteholders, to the Other Issuer Creditors and to any other creditors of the Issuer in respect of any costs, fees and expenses in relation to the Securitisation. Amounts deriving from the Portfolio will not be available to any other creditor of the Issuer. However, under Italian law, any other creditor of the Issuer would be able to commence insolvency or winding up proceedings against the Issuer in respect of any unpaid debt.

Under Italian law, *prima facie*, any creditor of the Issuer who has a valid and unsatisfied claim may file a petition for the bankruptcy of the Issuer, although no creditors other than the Representative of the Noteholders on behalf of the Noteholders and the Other Issuer Creditors would have the right to claim in respect of the Receivables, even in the event of bankruptcy of the Issuer.

The Issuer is unlikely to have a large number of creditors unrelated to the Securitisation or any Further Securitisation because (a) the corporate object of the Issuer, as contained in its By-laws (*statuto*) is very limited and (b) under the Terms and Conditions, the Issuer has undertaken to the Noteholders, *inter alia*, not to engage in any activity whatsoever which is not incidental to or necessary in connection with any Further Securitisation or with any of the activities in which the Transaction Documents provide and envisage that the Issuer will engage. Therefore, the Issuer must comply with certain covenants provided for by the Terms and Conditions which contain restrictions on the activities which the Issuer may carry out (including incurring further substantial debt), with the result that the Issuer may only carry out limited transactions in connection with the Securitisation and, subject to the satisfaction of Condition 5.2 (*Covenants - Further Securitisations*), future securitisations. Accordingly, the Issuer is less likely to have creditors who would claim against it other than the ones related to the Further Securitisations, if any, the Noteholders and the Other Issuer Creditors (all of whom have agreed to non-petition provisions contained in the Transaction Documents) and the other third parties creditors in respect of any taxes, costs, fees or expenses incurred in relation to such securitisations and in order to preserve the corporate existence of the Issuer, to maintain it in good standing and to comply with applicable legislation.

To the extent that the Issuer incurs any ongoing taxes, costs, fees and expenses (whether or not related to the Securitisation), the Issuer has established the Expense Account, into which the Retention Amount shall be credited on the Issue Date and refilled on each Payment Date in accordance with the applicable Priority of Payments and out of which payments of the aforementioned taxes, costs, fees and expenses shall be paid during any Quarterly Collection Period.

Notwithstanding the foregoing, there can be no assurance that if any bankruptcy proceedings were to be commenced against the Issuer, the Issuer would be able to meet all of its obligations under the Notes.

## **Further Securitisations**

The Issuer's principal assets are the Portfolio purchased by the Issuer from the Originator in the context of the Securitisation. By operation of the Securitisation Law, the Portfolio is segregated in favour of the Noteholders. The Issuer may carry out Further Securitisations in addition to the Securitisation described in this Prospectus, provided that the Issuer confirms in writing to the Representative of the Noteholders – or the Representative of the Noteholders is otherwise satisfied – that the conditions set out in the Terms and Conditions (Condition 5.2 ((*Covenants -Further Securitisations*))) are fully satisfied.

Under the terms of Article 3 of the Securitisation Law, the assets relating to each securitisation transaction will by operation of law and of the Transaction Documents be segregated for all purposes from all other assets of the company that purchases the receivables. On a winding up of such a company such assets will only be available to the holders of the notes issued to finance the acquisition of the relevant receivables and to certain creditors claiming payment of debts incurred by the company in connection with the securitisation of the relevant assets. In addition, the assets relating to a particular transaction will not be available to the holders of notes issued to finance any other securitisation transaction or to general creditors of the issuer company.

## **RISK FACTORS RELATED TO THE NOTES**

### **Suitability**

Structured securities, such as the Notes, are sophisticated instruments, which can involve a significant degree of risk. Prospective investors in any Class of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to the relevant risks. Such prospective investors should also ensure that they have sufficient knowledge, experience and access to professional advice to make their own legal, tax, accounting and financial evaluation of the merits and risks of an investment in the Notes and that they consider the suitability of the Notes as an investment in light of their own circumstances and financial condition and upon advice from such advisers as they may deem necessary.

Prospective investors in the Notes should not rely on or construe any communication (written or oral) of the Issuer, the Originator, the Arrangers or the Senior Notes Underwriter as investment advice or as a recommendation to invest in the Notes, it being understood that information and explanations related to the Terms and Conditions shall not be considered to be investment advice or a recommendation to invest in the Notes.

No communication (written or oral) received from the Issuer, the Originator, the Arrangers or the Senior Notes Underwriter from any other person shall be deemed to be an assurance or guarantee as to the expected results of an investment in the Notes.

### **Source of Payments to Noteholders**

The Notes will be limited recourse obligations solely of the Issuer and will not be the responsibility of, or be guaranteed by, any other entity. In particular, the Notes will not be obligations or responsibilities of or guaranteed by any of the Originator, the Servicer, the Representative of the Noteholders, any of the Other Issuer Creditors or the Arrangers. None of such parties, other than the Issuer, will accept any liability whatsoever in respect of any failure by the Issuer to make any payment of any amount due under the Notes.

The Issuer will not as at the Issue Date have any significant assets for the purpose of meeting its obligations under the Securitisation, other than the Portfolio, any amounts and/or securities standing to the credit of the Accounts and its rights under the Transaction Documents to which it is a party. Consequently, there is a risk that, over the life of the Notes or at the redemption date of the Notes (whether on the Final Maturity Date, upon redemption by acceleration of maturity following the service of a Trigger Notice or

otherwise), the funds available to the Issuer may be insufficient to pay interest on the Notes or to repay the Notes in full.

### **Limited Recourse Nature of the Notes**

The Notes will be limited recourse obligations solely of the Issuer. The Noteholders will receive payment in respect of principal and interest on the Notes only if and to the extent that the Issuer has sufficient Issuer Available Funds to make such payment in accordance with the applicable Priority of Payments. If there are not sufficient Issuer Available Funds to pay in full all principal and interest and other amounts due in respect of the Notes, then the Noteholders will have no further claims against the Issuer in respect of any such unpaid amounts. Following the service of a Trigger Notice, the only remedy available to the Noteholders and the Other Issuer Creditors is the exercise by the Representative of the Noteholders of the Issuer's Rights.

### **Yield and Prepayment Considerations**

The yield to maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of repayment of principal on the Mortgage Loans (including prepayments and sale proceeds arising on enforcement of a Mortgage Loan) and on the actual date (if any) of exercise of the Optional Redemption pursuant to Condition 8.3 (*Redemption, Purchase and Cancellation - Optional Redemption*). Such yield may be adversely affected by higher or lower than anticipated rates of prepayment, delinquency and default of the Mortgage Loans.

Prepayments may result in connection with refinancing or sales of properties by Debtors voluntarily. The receipt of proceeds from Insurance Policies may also impact on the way in which the Mortgage Loans are repaid.

The rates of prepayment, delinquency and default of Mortgage Loans cannot be predicted and are influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates and margin offered by the banking system, the availability of alternative financing, local and regional economic conditions and homeowner mobility. Therefore, no assurance can be given as to the level of prepayments, delinquency and default that the Mortgage Loan will experience. For further details see the section entitled "*Expected Average of the Senior Notes*".

### **Subordination**

In respect of the obligations of the Issuer to pay interest and repay principal on the Notes, the Conditions and the Intercreditor Agreement provide that:

- (a) prior to the service of a Trigger Notice:
  - (i) in respect of the obligations of the Issuer to pay interest on the Notes:
    - (1) the Class A Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B Notes;
    - (2) the Class B Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but subordinated to the Class A Notes;
  - (ii) in respect of the obligations of the Issuer to repay principal on the Notes:
    - (1) the Class A Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B Notes;

- (2) the Class B Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but subordinated to the Class A Notes.
- (b) following the service of a Trigger Notice, in respect of the obligations of the Issuer to pay interest and repay principal on the Notes:
  - (i) the Class A Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B Notes;
  - (ii) the Class B Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but subordinated to the Class A Notes;

As a result, to the extent that any losses are suffered by any of the Noteholders, such losses will be borne in the first instance by the Class B Noteholders and then (to the extent that the Class A Notes have not been redeemed) by the Class A Noteholders as described above.

As long as the Notes are outstanding, the Most Senior Class of Noteholders shall be entitled to determine the remedies to be exercised in connection with the outstanding Notes.

### **Limited Enforcement Rights**

The protection and exercise of the Noteholders' rights against the Issuer and the preservation and enforcement of the security under the Notes is one of the duties of the Representative of the Noteholders to the extent provided by the Transaction Documents. The Terms and Conditions and the Rules of the Organisation of the Noteholders limit the ability of each individual Noteholder to bring individual actions against the Issuer.

Only the Representative of the Noteholders may pursue the remedies available under general law or under the Transaction Documents to obtain payment of the obligations of the Issuer deriving from any of the Transaction Documents or enforce the Security and no Noteholder shall be entitled to proceed directly against the Issuer to obtain payment of such obligations or to enforce the Security, save as provided by the Rules of the Organisation of the Noteholders.

### **The Representative of the Noteholders**

The Terms and Conditions and the Intercreditor Agreement contain provisions requiring the Representative of the Noteholders to have regard to the interests of the holders of each Class of Notes as regards all powers, authorities, duties and discretion of the Representative of the Noteholders as if they formed a single class (except where expressly provided otherwise) but requiring the Representative of the Noteholders, in the event of a conflict between the interests of the holders of different Classes of Notes, to have regard only to the interests of the holders of the Class of Notes ranking highest in the order of priority then outstanding.

### **Limited Secondary Market**

There is not at present an active and liquid secondary market for the Senior Notes. The Senior Notes will not be registered under the Securities Act and will be subject to significant restrictions on resale in the United States.

Although an application has been made to the Luxembourg Stock Exchange for the Senior Notes to be admitted to the official list and trading on its Regulated Market, there can be no assurance that a secondary market for any of the Senior Notes will develop or, if a secondary market does develop in respect of any of the Senior Notes, that it will provide the holders of such Senior Notes with liquidity of investments or that it will continue until the final redemption or cancellation of such Senior Notes. Consequently, any purchaser of

Senior Notes may be unable to sell such Notes to any third party and it may therefore have to hold the Senior Notes until final redemption or cancellation thereof.

Limited liquidity in the secondary market may continue to have an adverse effect on the market value of the asset backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. Consequently, whilst these market conditions persist, an investor in the Notes may not be able to sell or acquire credit protection on its Notes readily and market values of the Notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to an investor.

### **Limited Nature of Credit Ratings Assigned to the Senior Notes**

Each credit rating assigned to the Senior Notes reflects the relevant Rating Agencies' assessment only of the likelihood that interest will be paid promptly and principal will be paid by the final redemption date, not that it will be paid when expected or scheduled. These ratings are based, among other things, on the reliability of the payments on the Portfolio and the availability of credit enhancement.

The ratings do not address, *inter alia*, the following:

- the possibility of the imposition of Italian or European withholding tax;
- the marketability of the Senior Notes, or any market price for the Senior Notes; or
- whether an investment in the Senior Notes is a suitable investment for the relevant Noteholder.

A rating is not a recommendation to purchase, hold or sell the Senior Notes.

Any Rating Agency may lower its ratings or withdraw its ratings if, in the sole judgement of that Rating Agency, the credit quality of the Senior Notes has declined or is in question. If any rating assigned to the **Senior** Notes is lowered or withdrawn, the market value of the Senior Notes may be affected.

### **Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the asset backed securities**

In Europe, the United States and elsewhere an increased political and regulatory scrutiny of the asset-backed securities industry has occurred. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital requirement to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities.

In particular, in Europe, investors should be aware that on 16 September 2009 the European Parliament and the European Council adopted the Directive 2009/111/EC (the "**CRD II**") amending the so-called capital requirements directive (being and expression making reference to Directive 2006/48/EC and Directive 2006/49/EC) (as amended, the "**CRD**"), relating to, *inter alia*, exposures to transferred credit risk in the context of securitisation transactions.

Pursuant to the Article 122a of the CRD as amended by CRD II ("**Article 122a**"), an EU regulated credit institution, other than when acting as originator, sponsor or original lender, may assume an exposure in the context of a securitisation in its trading or non-trading book only if the originator, sponsor or original lender has explicitly disclosed to such credit institution that it will retain, on an ongoing basis, a material net economic interest not lower than 5% in such securitisation.

Article 122a became effective on 1 January 2011 and has been implemented in Italy in the *Nuove disposizioni di vigilanza prudenziale per le banche*.

In light of Article 122a, under the Senior Notes Subscription Agreement, *Banca Valsabbina*, in its capacity as Originator, has undertaken to the Issuer and the Representative of the Noteholders that it will retain at the Issue Date and maintain on an ongoing basis a net economic interest in the Securitisation described in this Prospectus not lower than 5% in accordance with option (d) of Article 122a or, in accordance with Article 122a, any alternative permitted method to the extent that adequate disclosure on such alternative method has been given to the Noteholders.

Article 122a further requires an EU regulated credit institution, before investing, and as appropriate thereafter, for each of its individual exposure in securitisation transaction, to carry out a due diligence in respect of each such exposure and the relevant securitisation, to implement formal policies and procedures appropriate for such activities to be conducted on an on-going basis, to regularly perform its own stress tests appropriate to its exposure and to monitor on an ongoing basis and in a timely manner performance information on such exposures. Failure to comply with one or more of the requirements set out in Article 122a will result in the imposition of a higher capital requirement in relation to the relevant exposure by the relevant EU regulated credit institution. In such respect, Article 122a requires originators and sponsors to ensure that prospective investors have readily available access as at the Issue Date and on an ongoing basis to all information necessary to comply with their due diligence and monitoring obligations and all relevant data necessary to conduct comprehensive and well informed stress tests on the underlying exposures.

*Banca Valsabbina*, in its capacity as Originator, (a) has made available on the Issue Date and (b) has undertaken under the Senior Notes Subscription Agreement to make available on a quarterly basis, the information required by Article 122a necessary to prospective investors for the purposes above. Such information will include: (i) aggregate amount of Collections related to the Receivables collected during the relevant Collection Period; (ii) a description, by aggregate amounts, of the Portfolio during the relevant Collection Period similar to the information contained in the section headed "The Portfolio" in this Prospectus; (iii) net economic interest held by Originator in the Securitisation; (iv) a description, by aggregate amounts, of the Receivables comprised in the Portfolio and classified as Defaulted Receivables by the Servicer; (v) a description, by aggregate amounts, of the Receivables comprised in the Portfolio and classified as Delinquent Receivables by the Servicer; and (vi) a description, by aggregate amounts, of the amounts recovered in relation to Defaulted Receivables by the Servicer.

To date there is limited guidance, and no regulatory or judicial determination, on the interpretation and application of Article 122a. Until additional guidance is available and such determinations are made, there remains considerable uncertainty with respect to the interpretation and application of the provisions of Article 122a and, in particular, what will be required to demonstrate compliance with Article 122a to national regulators.

The CRD and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Arrangers or any other party makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment on the Issue Date or at any time in the future or compliance of the Securitisation with the relevant investors' supervisory regulations.

#### **Class A Notes as Eligible Collateral for ECB Liquidity and/or Open Market Transactions**

After the Issue Date an application may be made to a central bank in the Euro-Zone to record the Class A Notes as eligible collateral, within the meaning of the guidelines issued by the European Central Bank in February 2010 ("*The Implementation of Monetary Policy in the Euro Area*"), as subsequently amended and

integrated from time to time (the "**ECB Guidelines**"), for liquidity and/or open market transactions carried out with such central bank. In this respect, it should be noted that in accordance with the ECB Guidelines and the central banks of the Euro-Zone policies, neither the European Central Bank nor such central banks will confirm the eligibility of the Class A Notes for the above purpose prior to their issuance and if the Class A Notes are accepted for such purpose, the relevant central bank may amend or withdraw any such approval in relation to the Class A Notes at any time. The assessment and/or decision as to whether the Class A Notes qualify as eligible collateral for liquidity and/or open market transactions rests with the relevant central bank. None of the Issuer, the Originator, the Arrangers, the Senior Notes Underwriter or any other party to the Transaction Documents gives any representation or warranty as to the eligibility of the Class A Notes for such purpose, nor do they accept any obligation or liability in relation to such eligibility or lack of it of the Senior Notes at any time.

## **RISK FACTORS RELATED TO THE UNDERLYING ASSETS**

### **Right to future Receivables**

Under the Transfer Agreement, the Originator has transferred to the Issuer also the claims relating to any prepayment fees (if any) and any indemnities payable upon early repayment of the Mortgage Loans or termination of the Mortgage Loan Agreements. If the Originator is or becomes insolvent, the court may treat the above claims as "future receivables". The Issuer's claims to any future receivables that have not yet arisen at the time of the Originator's admission to the relevant insolvency proceeding might not be effective and enforceable against the insolvency receiver of the Originator.

### **Prepayments under Mortgage Loan Agreements**

Pursuant to Article 65 of the Italian Bankruptcy Law ("**Article 65**"), payments made by a debtor with respect to debts that fall due on or after the date on which the relevant debtor is declared bankrupt are ineffective against the creditors of the relevant debtor, if such payments are made within the two years immediately preceding the declaration of bankruptcy. Any such ineffective payment may therefore be clawed-back by the bankruptcy receiver of the debtor regardless of whether the debtor was insolvent at the time the payment was made.

According to the prevailing opinion of Italian legal scholars and Decision No. 1153 of 10 April 1969 of the Italian Supreme Court, the provisions of Article 65 would not apply to prepayments made by a debtor under a loan agreement, if the debtor exercises the right to prepay amounts due under the loan agreement in accordance with the terms of such agreement, as such payments which have been prepaid pursuant to a contractual right of the relevant debtor have to be considered as payments of a debt which falls due upon the exercise of such right and not as payments of a debt which is not yet due. In this respect, it is worth noting that a decision of the court of first instance of Milan (*Tribunale di Milano, sez. II*) of 17 May 2004 confirmed the principle stated in decision No. 1153 of 10 April 1969 of the Italian Supreme Court.

Pursuant to Decision No. 4842 of 5 April 2002 of the Italian Supreme Court, however, it has been held that the provisions of Article 65 apply to payments of debts made on or before the date on which the relevant debts fall due, as such date has been fixed originally, irrespective of whether the loan agreement entitled the debtor to prepay the amounts due.

Moreover, pursuant to Decision No. 19978 of 18 July 2008 of the Italian Supreme Court, the Court held that the provisions of Article 65 are not applicable in the event that the right of the borrower to prepay the relevant loan, and consequently obtain the cancellation of the relevant mortgage, as in the case of "*mutui fondiari*", is set forth by a specific provision of law and not by virtue of contractual provisions.

While pursuant to Article 4, paragraph 3, of the Securitisation Law payments made by the Debtors to the Issuer may not be clawed-back pursuant to Article 67 of the Italian Bankruptcy Law in the event of

insolvency of the relevant Debtor, it is doubtful whether the protection given by such provision against the claw-back actions taken pursuant to Article 67 of the Italian Bankruptcy Law may be extended in order to provide protection against the claw-back actions taken pursuant to Article 65. In addition, it should be noted that Italian court decisions are not binding on other courts.

### **Mortgage Loans' Performance**

The Portfolio is exclusively comprised of mortgage loans which were performing as at the relevant Valuation Date (for further details, see the section entitled "*The Portfolio*"). There can be no guarantee that the Debtors will not default under such Mortgage Loans and that they will therefore continue to perform.

The recovery of amounts due in relation to Defaulted Receivables will be subject to the effectiveness of enforcement proceedings in respect of the Portfolio which in Italy can take a considerable time depending on the type of action required and where such action is taken and on several other factors, including the following: (a) proceedings in certain courts involved in the enforcement of the Mortgage Loans and Mortgages may take longer than the national average; (b) obtaining title deeds from land registries which are in the process of computerising their records can take up to two or three years; (c) further time is required if it is necessary to obtain an injunction decree (*decreto ingiuntivo*) and whether or not the relevant Debtor raises a defence or counterclaim to the proceedings; and (d) it takes an average of eight to ten years from the time lawyers commence enforcement proceedings until the time an auction date is set for the forced sale of any Real Estate Asset.

Law No. 302 of 3 August 1998 and Law No. 80 of May 2005 allowed notaries and certain lawyers and accountants to conduct certain stages of the foreclosure procedures in place of the courts and is expected to reduce the length of foreclosure proceedings.

### ***Mutui fondiari***

At least 87% of the Portfolio is comprised of Mortgage Loans qualifying as *mutui fondiari*, as defined in Article 38 *et sequitur* of the Consolidated Banking Act. A *mutuo fondiario* is a particular type of *mutuo ipotecario* (any loan which is secured by a mortgage is automatically a *mutuo ipotecario* loan). The *mutui fondiari* are regulated by the Consolidated Banking Act and present certain advantages for the lender. To qualify as a *mutuo fondiario*, a loan must be: given by a bank, for a term exceeding 18 months, secured by a first-lien mortgage and for an amount which does not exceed 80% of the value of the mortgaged property or of the works to be done on the mortgaged assets. However, the 80% limit may be increased to 100% if specific additional security interests and guarantees, identified by the Bank of Italy, are provided (such as guarantees given by other banks or insurance companies or pledges granted over Italian State securities). In such circumstance, the ratio between the amount lent and the aggregate value of the security and guarantee created is not higher than 80%.

With respect to *mutui fondiari*, the Consolidated Banking Act expressly provides, *inter alia*, that the relevant borrowers:

- (a) upon repayment of each fifth of the original debt, are entitled to a proportional reduction of any mortgage related to such loans. Accordingly, the underlying value of the mortgages relating to *mutui fondiari* may decrease from time to time in connection with the partial repayment of the relevant loans;
- (b) are entitled to the partial release of one or more mortgage properties where documents produced or professional valuations establish that the remaining encumbered properties constitute sufficient security for the amount still owed, according to the limits described above for loans qualifying as *mutui fondiari*; and
- (c) are entitled to prepay the loan, as provided for by Article 40 of the Consolidated Banking Act.

Moreover, special enforcement and foreclosure provisions apply to *mutui fondiari*. Pursuant to Article 40, paragraph 2 of the Consolidated Banking Act, mortgage lenders under *mutui fondiari* are entitled to terminate the relevant loan agreements and accelerate the mortgage loan (*diritto di risoluzione contrattuale*) if the borrower has delayed an instalment payment at least seven times whether consecutively or otherwise. A payment is considered delayed if it is made between 30 and 180 days after the relevant payment due date. Accordingly, the commencement of enforcement proceedings in relation to *mutui fondiari* may take longer than usual. Article 40 of the Consolidated Banking Act, therefore, prevents the Servicer from commencing proceedings to recover amounts in relation to mortgage loans qualifying as *mutui fondiari* until the relevant Debtors have defaulted on at least seven payments in accordance with the principles summarised above. Pursuant to Article 41 of the Consolidated Banking Act, the custodian appointed to manage the mortgaged property in the interest of the *fondario* lender pays directly to the lender the revenues recovered on the mortgaged property (net of administration expenses and taxes). After the sale of the mortgaged property, the court orders the purchaser (or the assignee in the case of an assignment) to pay that part of the price corresponding to the *mutui fondiari* lender's debt directly to the lender.

For further details see the section entitled "*Selected Aspects of Italian Law*", on the paragraphs entitled "*Foreclosure proceedings*" and "*Mutui fondiari foreclosure proceedings*".

### **Italian laws and regulations protecting the mortgage loan debtors and promoting competitiveness in the Italian banking sector**

In the last years the Italian Legislator has introduced certain provisions aimed at, *inter alia*, protecting the mortgage loan debtors and promoting competitiveness in the Italian banking sector. The key features of such provisions are set out in the following paragraphs.

*Prepayment fees and subrogation under Law Decree of 31 January 2007 No. 7 (i.e. Decreto Bersani).*

Italian Law Decree No. 7 of 31 January 2007 ("**Decree 7/2007**"), converted into law No. 40 of 2 April 2007, has introduced certain provisions affecting mortgage loans granted to individuals for the purpose of purchasing or restructuring real estate assets for residential use (*uso abitativo*), as is the case for certain securitised Mortgage Loans. Such provisions deal also with (a) prepayment fees due by borrowers upon early repayment of the loan and (b) prepayment of the loan by way of voluntary subrogation of the debtor (*surrogazione per volontà del debitore*). For further details, see the section entitled "*Selected Aspects of Italian Law - Prepayment fees and subrogation under Law Decree of 31 January 2007 No. 7 (i.e. Decreto Bersani)*".

In relation to the prepayment fees due by the borrowers upon the early or partial repayment of the mortgage loan, Article 7 of Decree 7 provides a different regime for (a) mortgage loan agreements entered into after 2 February 2007 (i.e. the date on which Decree 7 entered into force) and (b) mortgage loan agreements entered into before such date. The Portfolio comprises Mortgage Loans Agreements entered into both prior to and after 2 February 2007.

Prospective investors should note that, as a result of the provisions of Decree 7, (a) the level of prepayments of the Mortgage Loans may increase, (b) in relation to Mortgage Loan Agreements entered into after 2 February 2007, no prepayment fee will be due and payable and (c) in relation to Mortgage Loan Agreements entered into before 2 February 2007, any prepayment fee provided contractually due and payable which is greater than the maximum amount determined in accordance with Decree 7, could be reduced to such maximum amount.

Prospective investors should note that no prepayment fee was taken into account for the purpose of determining the cash flows of the Securitisation or to make any estimate related thereto and to the Senior Notes.

#### *Suspension of payments under the Year 2008 Budget Law*

Article 2, paragraphs 475-480, of Law No. 244 of 24 December 2007 (the "**Year 2008 Budget Law**") has established a solidarity fund in relation to the mortgage loans for first home purchases (*Fondo di solidarietà per i mutui per l'acquisto della prima casa*) (the "**Fund**") also granting to certain borrowers the right to request the suspension of the payment of the instalments due under the mortgage loan, despite any provision to the contrary under the mortgage loan agreement.

The provisions relating to the Fund have been implemented through the Ministerial Decree of 21 June 2010 No. 132 (the "**Decree 132/2010**") in which are set out the requirements that the debtors must comply with and the formalities and operating procedure to follow in order to obtain the suspension of payments as described above.

Therefore, the payments due to the Issuer by any Debtor who complies with the requirements set out in the Decree 132/2010 could be suspended up to 18 months and, therefore, there is the risk that the payments in respect of principal and interest due under the Mortgage Loan Agreements are not timely received by the Issuer.

#### *Suspension of payments under the ABI "Piano Famiglie"*

On 18 December 2009 the Italian Banking Association and certain consumer associations have entered into an agreement for the suspension of the loan instalments in the context of the programme for the support of the retail credit market called "*Piano Famiglie*" (the "**Piano Famiglie Agreement**"). The measures provided by the *Piano Famiglie* Agreement include, *inter alia*, the suspension of payment of instalments due under mortgage loans agreements for a period of at least 12 months, to be granted upon request of the relevant debtor by the banks and the special purpose vehicles incorporated pursuant to the Securitisation Law which have adhered to the *Piano Famiglie* Agreement, pursuant to the terms and conditions therein provided.

In particular, the suspension of payment provided by the *Piano Famiglie* Agreement can be granted to the relevant debtors if, *inter alia*, the following main requirements are satisfied:

- (a) the loans are residential mortgage loans for the purchase, building and renovation of the main residence (*abitazione principale*) granted to individuals with a taxable income not higher than Euro 40,000 per annum, for an amount not exceeding Euro 150,000;
- (b) the debtors have experienced, between 1 January 2009 to 31 December 2011, the following events:
  - (i) loss of employment;
  - (ii) death or the arising of conditions of no self-sufficiency; or
  - (iii) suspension from the work or reduction of the working hours for a period of at least 30 days, also in case of inclusion in redundancy payment schemes (*cassa integrazione ordinaria e straordinaria*); and
- (c) the suspension of the loan instalments has been requested by the relevant debtor from 1 February 2010 to 31 January 2012 (as postponed in accordance with the agreement executed on 25 July 2011)

#### *Suspension of payments under the ABI "Avviso Comune" for small and medium sized enterprises*

On 3 August 2009 the Economy and Finance Ministry, the Italian Banking Association and the other business associations representing Italian enterprises have subscribed a common announcement (the "**Avviso Comune**") for the suspension of the debts of the small and medium enterprises. The *Avviso Comune* is aimed, inter alia, at providing the small and medium enterprises, able to demonstrate the continuity of their business activity, with the appropriate liquidity enhancement to overcome the current financial and economic situation, upon the terms and subject to the conditions set out in the *Avviso Comune*. The measures provided by the *Avviso Comune* include, *inter alia*, the suspension of payment of principal instalments due under mortgage loans agreements for a maximum period of 12 months, to be granted upon request of the relevant debtor by the banks and financial intermediaries which have adhered to the *Avviso Comune*. The small and medium enterprises which have the requirements provided for under the *Avviso Comune* were entitled to request the suspension by 31 July 2011.

*Renegotiation and Extension of payments under Law Decree of 13 May 2011 n. 70 (Decreto Sviluppo)*

Pursuant to Article 8, Paragraph 6, of Law Decree of 13 May 2011 No. 70 (the "**Decree No. 70**"), certain borrowers meeting the requirements set forth by the Decree No. 70 may request and obtain from the lending bank (a) a renegotiation of mortgage loans which may result in an amendment of the interest calculation method, varying from a floating rate to a fixed rate; and (b) an additional extension for a period not longer than 5 years provided that, as a result of the extension, the relevant outstanding reimbursement plan does not exceed a period equal to 25 years. The Decree No. 70 has been converted into law by Law No. 106 of 12 July 2011.

In particular, the Decree No. 70 provides that borrowers who, before the entry in force of such new provisions have executed or assumed a mortgage loan agreement, will have the right to renegotiate the terms of their mortgage loan with their respective lender, provided that:

- (a) the relevant mortgage loan agreement has been entered into for purchasing or rebuilding a residential property;
- (b) the original amount of the relevant mortgage loan is not higher than Euro 200,000;
- (c) the relevant mortgage loan accrues interest at a floating rate and provides for payment of variable instalments for the whole duration;
- (d) the relevant borrower submits, together with the request of the renegotiation, the certificate of the relevant ISEE (*Indicatore della Situazione Economica Equivalente*), which should not exceed the amount of Euro 35,000;
- (e) no late payments have been made with respect to the relevant mortgage loan; and
- (f) the request to renegotiate the terms of the relevant mortgage loan has been made before 31 December 2012.

Prospective investors should consider that as at the date of this Prospectus it is not possible to foresee the potential impact of the extension schemes and/or the renegotiations under the Decree No. 70 on the cashflows deriving from the Portfolio and, consequently, on the amortisation of the Notes.

Prospective Noteholders should note that, under the Servicing Agreement, the Servicer has been authorised by the Issuer to agree with the Debtors the suspension of the payments of the Instalments due under the relevant Mortgage Loan Agreement.

**Back-Up Servicer**

Pursuant to the terms of the Back-Up Servicing Agreement, the Back-Up Servicer has undertaken to replace Banca Valsabbina as Servicer subject to, *inter alia*, the termination of the appointment of the Servicer or the withdrawal of the Servicer from the Servicing Agreement, in both cases, in accordance with the terms of such agreement. For further details, see the section "*Description of the Back-Up Servicing Agreement*".

It is not certain that a suitable alternative Servicer could be found to service the Portfolio in the event that the appointment of Banca Valsabbina as Servicer under the Servicing Agreement is terminated. If such an alternative Servicer was to be found it is not certain whether it would service the Portfolio on the same terms as those provided for by the Servicing Agreement.

## **RISK FACTORS RELATED TO TAX MATTERS**

### **Tax Treatment of the Issuer**

Taxable income of the Issuer is determined in accordance with Italian Presidential Decree No. 917 of 22 December 1986. Pursuant to the regulations issued by the Bank of Italy on 29 March 2000, as subsequently confirmed by the regulations issued by the Bank of Italy on 14 February 2006 (*schema di bilancio delle società per la cartolarizzazione dei crediti*), the assets, liabilities, costs and revenues of the Issuer in relation to the securitisation of the Receivables will be treated as off-balance sheet assets, liabilities, costs and revenues. Based on the general rules applicable to the calculation of net taxable income of a company, such taxable income should be calculated on the basis of the accounting, i.e. on-balance sheet, earnings, subject to such adjustments as specifically provided for by applicable income tax rules and regulations. On this basis, no taxable income should accrue to the Issuer in the context of the transfer to the Issuer of the Portfolio. This opinion has been expressed by scholars and tax specialists and has been confirmed by the tax authority (Circular No. 8/E issued by *Agenzia delle Entrate per la Lombardia* on 6 February 2003, recently confirmed by Ruling 77/E issued by *Agenzia delle Entrate* on 4 August 2010) on the grounds that the net proceeds generated by the Receivables may not be considered as legally available to the Issuer— insofar as any and all amounts deriving from the underlying assets of each of the securitisations are specifically destined to satisfy the obligations of such Issuer to the holders of the notes issued in the context of each such securitisation, to the other creditors of the Issuer and certain third party creditors in respect of each such securitisation in compliance with applicable law.

It is, however, possible that the Ministry of Finance or another competent authority may issue further regulations, letters or rulings relating to the Securitisation Law which might alter or affect the tax position of the Issuer as described above in respect of all or certain of its revenues and/or items of income also through the non-deduction of costs and expenses.

As confirmed by the tax authority (Ruling No. 222 issued by *Agenzia delle Entrate* on 5 December 2003), the interest accrued on the Accounts will be subject to withholding tax on account of corporate income tax. As of the date of this Prospectus, such withholding tax is levied at the rate of 20 per cent. and is to be imposed at the time of payment.

### **Withholding Tax under the Notes**

Payments of interest under the Notes may or may not be subject to withholding for or on account of tax. For example, according to Decree No. 239, any non-Italian residential beneficial owner of an interest payment relating to the Notes who is (a) either not resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information or (b), even if resident in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information, does not timely comply with the requirements set forth in Decree No. 239 and the relevant application rules in order to benefit from the exemption from substitute tax, will receive amounts of interest payable on the Notes net of

Italian substitute tax. As at the date of this Prospectus such substitute tax is levied at the rate of 20 per cent., or such lower rate as may be applicable under the relevant double taxation treaty. For further details, see the section entitled "*Taxation*".

In the event that substitute tax is imposed in respect of payments to the Noteholders of amounts due pursuant to the Notes, the Issuer will not be obliged to gross-up or otherwise compensate the Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition of substitute tax.

### **European Withholding Tax Directive**

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted the EU Directive 2003/48/EC, (the "**European Withholding Tax Directive**") a directive regarding the taxation of savings income which proposes that each EU Member State will be required to provide to tax authorities of another EU Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State (the "**Disclosure of Information Method**"). The European Withholding Tax Directive provides that Austria and Luxembourg will instead apply a withholding tax in relation to such payments for a transitional period as defined therein, unless during such period they would elect otherwise. The Italian Government has implemented the aforesaid European Withholding Tax Directive with the Italian Legislative Decree No. 84 of 18 April 2005. For further details, see the section entitled "*Taxation*".

## **GENERAL RISK FACTORS**

### **Claw Back of the Sales of the Receivables**

Assignments executed under the Securitisation Law are subject to revocation on bankruptcy under Article 67 of the Italian Bankruptcy Law but only in the event that the adjudication of bankruptcy of the relevant originator is made within three months from the securitisation transaction or, in cases where paragraph 1 of Article 67 applies, within six months from the securitisation transaction.

### **Interest Rate Risk**

The Receivables include interest payments calculated at interest rates and times which are different from the interest rates and times applicable to the interest due in respect of the Notes.

The Issuer expects to meet its floating rate payment obligations under the Senior Notes primarily from the payments deriving from the Collections. However the interest component in respect of such payments may have no correlation to the EURIBOR rate from time to time applicable in respect of the Senior Notes.

The interest rate risk in respect of the Senior Notes would consist in the basis risk (i.e. the risk represented by the mismatch between the fixing of the coupon payable on the Notes and the fixing applied on the "floating rate" and the "capped floating rate" and the "fixed rate" Mortgage Loans).

Prospective Noteholders should also note that the composition of the Portfolio and the cash flows that should derive therefrom have been appropriately evaluated and, notwithstanding the above, the Receivables have the characteristics that would demonstrate the capacity to produce funds to service any payments due and payable under the Notes.

### **Certain risks relating to the Real Estate Assets**

#### *Due Diligence*

None of the Issuer, the Arrangers or any Other Issuer Creditors has undertaken or will undertake any investigations, searches or other due diligence as to the Debtors' or the Mortgagors' status or the title to the

Real Estate Assets. The only due diligence conducted was undertaken by the Originator (or on its behalf) at the time of the origination of the Mortgage Loans, and such due diligence was largely limited to a review of the certificates of title prepared by the relevant Debtor's lawyers, site visits, third party valuations of the Real Estate Assets. No update of such due diligence has been performed in connection with the assignment of the Receivables to the Issuer.

#### *Potential adverse changes to the value of the Real Estate Assets or the Portfolio*

No assurances can be given that the values of the Real Estate Assets will not decrease at a rate higher than that anticipated on the origination of the Receivables. Should this happen, it could have an adverse effect on the levels of recoveries under the Portfolio.

#### *General real estate risk*

In the event of a default by the Debtors, the full recovery of amounts due pursuant to the Mortgage Loan Agreements will largely depend upon the value of the Real Estate Assets at the relevant time.

The value of the Real Estate Assets depends on several factors, including their location and the manner in which the Real Estate Assets are maintained.

The value of the Real Estate Assets may be affected by changes in general and regional economic conditions such as an oversupply of space, a reduction in demand for residential real estate in an area, competition from other available space or increased operating costs. The value of the Real Estate Assets may also be affected by such factors as political developments, government regulations and changes in planning, zoning or tax laws, interest rate levels, inflation, the availability of financing and yields of alternative investments. Therefore, no assurance can be given that the values of the Real Estate Assets have remained or will remain at the level at which they were on the origination dates of the related Mortgage Loans.

The security for the Notes consists of, *inter alia*, the Issuer's interest in the Mortgage Loans. The value of such security may be affected by, among other things, a decline in property values as described above. Should the Italian residential property market experience an overall decline in property values, such a decline could, in certain circumstances, result in a significantly reduced security value and ultimately, may result in losses to the Noteholders if the security is required to be enforced.

#### *Insurance coverage*

All Mortgage Loan Agreements provide that the relevant Real Estate Assets must be covered by an Insurance Policy issued by leading insurance companies approved by the Originator. There can be no assurance that all risks that could affect the value of the Real Estate Assets are or will be covered by the insurance policy or that, if such risks are covered, the insured losses will be covered in full. Any loss incurred in relation to the Real Estate Assets which is not covered (or which is not covered in full) by the insurance policy could adversely affect the value of the Real Estate Assets and the ability of the Debtor to repay the Loan Agreement.

#### *Compulsory purchase*

Any property in Italy may be subject to a compulsory purchase order in connection with general utility purposes at any time. If a compulsory purchase order is made regarding any of the Real Estate Assets, compensation would be payable to the Debtor (as owner of the relevant Real Estate Asset) on the basis of specific criteria set out in the applicable legislation. There can be no assurance that the amount of such compensation would at least be equal to the value of the relevant Real Estate Asset. In addition, there is often a delay between the completion of a compulsory purchase of a property and the date of payment of

the statutory compensation. Any such delay, or a payment of statutory compensation to the Debtor that is lower than the value of the relevant Real Estate Asset, could have an adverse impact on the ability of the Issuer to meet its obligations to pay principal and interest under the Senior Notes.

### **Historical Information**

The historical financial and other information set out in the sections headed "*The Banca Valsabbina*" and "*The Portfolio*", including in respect of the default rates, represents the historical experience of Banca Valsabbina, which accepts responsibility for the fairness and accuracy of these sections. However, there can be no assurance that the future experience and performance of Banca Valsabbina as Servicer will be similar to the experience shown in this Prospectus.

### **Servicing of the Portfolio**

The Portfolio has been serviced by the Servicer starting from the Transfer Date pursuant to the Servicing Agreement. Previously, the Portfolio was always serviced by Banca Valsabbina as owner of the Portfolio. The net cash flows deriving from the Portfolio may be affected by decisions made, actions taken and collection procedures adopted by the Servicer pursuant to the provisions of the Servicing Agreement.

The Servicer has undertaken to prepare and submit to the Issuer on a periodical basis certain reports in the form set out in the Servicing Agreement, containing information as to, *inter alia*, the Collections made in respect of the Portfolio.

### **Rights of Set-off (*compensazione*) and Other Rights of the Debtors**

Under general principles of Italian law, the borrowers are entitled to exercise rights of set-off in respect of amounts due under any mortgage loan against any amounts payable by the originator to the relevant borrower.

The assignment of receivables under the Securitisation Law is governed by Article 58 paragraphs 2, 3 and 4, of the Consolidated Banking Act. According to the prevailing interpretation of such provisions, such assignment becomes enforceable against the relevant debtors as of the later of (i) the date of the publication of the notice in the Official Gazette and (ii) the date of its registration in the competent companies' register. Consequently, Debtors may exercise a right of set off against the Issuer on the basis of claims against the Originator and/or the Issuer which have arisen before both the publication of the notice in the Official Gazette and the registration in the competent companies register have been completed.

Under the terms of the Warranty and Indemnity Agreement, the Originator has agreed to indemnify the Issuer in respect of any reduction in amounts received by the Issuer in respect of the Portfolio as a result of the exercise by any Debtor of a right of set-off.

### **Italian Usury Law**

Italian law No. 108 of 7 March 1996 (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 (the last such Decree having been issued on 26 September 2011 and published in the Official Gazette of 30 September No. 228). 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: (a) 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 (b) 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 some 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. Moreover, according to a certain interpretation of the Usury Law (which was generally considered, in the Italian legal community, to have been accepted in the above mentioned rulings of the *Corte di Cassazione*), if at any point in time the rate of interest payable on a loan (including a loan entered into before the entry into force of the Usury Law or a loan which, when entered into, was in compliance with the Usury Law) exceeded the then applicable Usury Rate, the contractual provision providing for the borrower's obligation to pay interest on the relevant loan would become null and void in its entirety.

The Italian Government has intervened in this situation with Law Decree No. 394 of 29 December 2000 (the "**Usury Law Decree**"), converted into Law No. 24 by the Italian Parliament on 28 February 2001, which provides, *inter alia*, that interest is to be deemed usurious only if the interest rate agreed by the parties exceeds the Usury Rate applicable at the time the relevant agreement is reached. The Usury Law Decree has also provided that, as an extraordinary measure due to the exceptional fall in interest rates in the years 1998 and 1999, interest rates due on instalments payable after 2 January 2001 on loans already entered into on the date on which the Usury Law Decree came into force (namely 31 December 2000) are to be substituted with a lower interest rate fixed in accordance with parameters fixed by the Usury Law Decree.

The validity of the Usury Law Decree has been challenged before the Italian Constitutional Court by certain consumers' associations claiming that the Usury Law Decree does not comply with the principles set out in the Italian Constitution. By decision No. 29 of 14 February 2002, the Italian Constitutional Court has stated, *inter alia*, that the Usury Law Decree complies with the principles set out in the Italian Constitution except for such provisions of the Usury Law Decree providing that the interest rates due on instalments payable after 2 January 2001 on loans are to be substituted with lower interest rates fixed in accordance with the Usury Law Decree. By such decision the Italian Constitutional Court has established that the lower interest rates fixed in accordance with the Usury Law Decree are to be substituted on instalments payable from the date on which such Decree came into force (31 December 2000) and not on instalments payable after 2 January 2001.

Prospective Noteholders should note that whilst the Originator has undertaken in the Warranty and Indemnity Agreement to indemnify the Issuer in respect of any damages, losses, claims, costs and expenses that may be incurred by the Issuer in connection with any loss or reduction in any interest accrued on the Mortgage Loans as a result of the application of the Usury Law or of the Usury Law Decree, the ability of the Issuer to maintain scheduled payments of interest and principal on the Senior Notes may be adversely affected as a result of a Mortgage Loan being found to be in contravention with the Usury Law, thus allowing the relevant borrower to claim relief on any interest previously paid and obliging the Issuer in the future to accept a reduced rate of interest, or potentially no interest, payable on such Mortgage Loan.

The Originator has represented that the interest rates applicable to the Mortgage Loans are in compliance with the then applicable Usury Rate.

### **Compounding of Interest (*Anatocismo*)**

According to Article 1283 of the Italian Civil Code, in respect of a monetary claim or receivable, accrued interest can be capitalised after a period of not less than six months provided that the capitalisation has been agreed after the date on which it has become due and payable or from the date when the relevant legal proceedings are commenced in respect of that monetary claim or receivable. According to Article 1283 of the Italian Civil Code, such provision may be derogated from only in the event that there are recognised customary practices (*usi*) to the contrary. Traditionally, capitalisation of interest (including the capitalisation of interest on bonds and other debt instruments) in Italy is a common market practice on the grounds that such practice should be characterised as a customary rule (*uso normativo*). According to certain recent judgements from Italian courts (including judgements No. 2374/1999, No. 2593/2003 and No.

21095/2004 of the Italian Supreme Court (*Corte di Cassazione*)), such practice has been re-characterised as an agreed clause (*uso negoziale*) and as such, has been deemed not to permit derogation from the aforementioned provisions of the Italian Civil Code.

In this respect, it should be noted that Article 25, paragraph 3, of Legislative Decree No. 342 of 4 August 1999 ("**Law No. 342**") enacted by the Italian Government under a delegation granted pursuant to Law No. 142 of 19 February 1992 (the "**Legge Delega**") 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 will still be possible upon the terms established by a resolution of the Interministerial Committee of Credit and Saving (C.I.C.R.) issued on 22 February 2000. Law No. 342 has been challenged, however, before the Italian Constitutional Court on the grounds that it falls outside the scope of the legislative powers delegated under the Legge Delega. On these grounds, by decision No. 425 dated 9 October 2000 issued by the Italian Constitutional Court, Article 25, paragraph 3, of Law No. 342 has been declared as unconstitutional.

According to a ruling of the Tribunal of Bari dated 29 October 2008 the amortisation plans known as "French amortisation plans" (applied to certain type of loans in Italy, such as the Mortgage Loan Agreements) are not valid, being in breach of Articles 1283 and 1284 of the Italian Civil Code. The rationale behind such ruling seems to be, *inter alia*, that the French amortisation plans would *per se* lead to apply to the relevant loan an interest rate higher than the interest rate contractually agreed between the lender and the borrower and, therefore, to increase the cost of the financing for the borrower. According to such ruling, banks which use in their loans the French amortisation plan would be in breach of Article 1283 and 1284 as the relevant rate of interest and the cost of the financing would not be clearly indicated in the relevant loan agreement. As a result, the relevant contractual interest rate may be challenged by the relevant borrower and the legal interest rate may apply.

Prospective Noteholders should note that under the terms of the Warranty and Indemnity Agreement, the Originator has represented that all the Mortgage Loan Agreements have been executed and performed in compliance with all applicable laws, provisions and regulations including, *inter alia*, all the forms of publicity provided by Article 116 of the Consolidated Banking Act and by the CICR Resolution dated 4 March 2003 on I.S.C. (*Indicatore Sintetico di Costo*) and T.A.N. (*Tasso Annuo Nominale*). Furthermore, the Originator has undertaken to indemnify the Issuer from and against, *inter alia*, all damages, loss, claims, liabilities, costs and expenses incurred by it arising from the non-compliance of the terms and conditions of any Mortgage Loan Agreements with the provisions of Article 1283 of the Italian Civil Code.

### **Preferred claims**

According to a ruling of the Tribunal of Genoa dated 25 January 2001 and the relevant judgement of the Italian Supreme Court (*Corte di Cassazione*) dated 14 November 2003, issued with reference to Italian law decree No. 669 of 31 December 1996 and converted into law No. 30 of 28 February 1997, claims of any person having concluded preliminary agreements (*contratti preliminari*) with the relevant Mortgagor for the purchase of the Real Estate Assets which were registered in the relevant real estate registries (*Conservatoria dei Registri Immobiliari*) prior to the registration of the relevant Mortgage or even after such registration, would be preferred to the claims of the creditors of the relevant Mortgage.

### **Political and economic developments in the Republic of Italy and in the European Union**

The performance of the Italian economy has a significant impact on Banca Valsabbina as its activities are principally concentrated in the Republic of Italy. A severe or extended downturn in the Republic of Italy's economy would adversely affect the results of operations of the Originator and the financial condition of both the Debtors and the Originator which could in turn affect the ability of the latter to perform its obligations under the Transaction Documents to which it is a party.

### **Concentration of roles in Banca Valsabbina**

Under the terms of the Transaction Documents Banca Valsabbina has performed and will perform multiple roles in the context of the Securitisation, such as, *inter alia*, the Originator and the Servicer. The concentration of such roles in one entity may, in the event of insolvency of Banca Valsabbina, adversely impact the structure of the Securitisation and the Issuer's ability to meet its obligations under the Notes. Prospective Noteholders should note, however, that such risk is mitigated by the provisions of the Transaction Documents, which already provide and regulate the terms and conditions of the replacement of the different Issuer's counterparts in the context of the Securitisation.

### **Change of Law**

The structure of the Securitisation and, *inter alia*, the issue of the Notes and the ratings assigned to the Senior Notes are based on Italian and English law, tax and administrative practice in effect at the date hereof, and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given that Italian or English law, tax or administrative practice will not change after the Issue Date or that such change will not adversely impact the structure of the Securitisation and the treatment of the Notes.

### **Projections, forecasts and estimates**

Forward-looking statements, including estimates, any other projections, forecasts and estimates in this Prospectus, are necessarily speculative and subjective in nature and some or all of the assumptions underlying the projections may not materialise or may vary significantly from actual results.

Such statements are subject to risks and uncertainties that could cause the actual results to differ materially from those expressed or implied by such forward-looking statements. Prospective investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Prospectus and are based on assumptions that may prove to be inaccurate. No one undertakes any obligation to update or revise any forward-looking statements contained in this Prospectus to reflect events or circumstances occurring after the date of this Prospectus.

*The Issuer believes that the risks described above are the principal risks inherent in the transaction for holders of the Notes but the inability of the Issuer to pay interest or repay principal on the Notes of any Class may occur for other reasons and the Issuer does not represent that the above statements of the risks of holding the Notes are exhaustive. While the various structural elements described in this Prospectus are intended to lessen some of these risks for holders of the Notes, there can be no assurance that these measures will be sufficient or effective to ensure payment to the holders of the Notes of any Class of interest or principal on such Notes on a timely basis or at all.*

## THE PORTFOLIO

### Introduction

The Portfolio comprises receivables arising out of residential mortgage loans classified as performing by Banca Valsabbina. The information relating to the Portfolio contained in this Prospectus is, unless otherwise specified, a description of the Portfolio as at 25 November 2011 (the "**Valuation Date**"). As at the date of this Prospectus, no material changes in respect of the Portfolio have occurred and no Receivable is classified as Defaulted Receivable.

The Receivables do not consist, in whole or in part, actually or potentially, of credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives.

### The Mortgage Loans

As at the Valuation Date, the Portfolio comprised debt obligations owed by 2,608 Debtors under 2,631 Mortgage Loans. All the Mortgage Loan Agreements are governed by Italian Law.

The Receivables have been transferred to the Issuer pursuant to the terms of the Transfer Agreement, together with any ancillary rights of Banca Valsabbina to guarantees or security interests and any related rights, which have been granted to Banca Valsabbina to secure or ensure the payment and/or the recovery of any of the Receivables (the "**Collateral Securities**"). The Outstanding Principal of the Portfolio as at the Valuation Date was equal to € 284,702,575.22.

### Eligibility criteria for the Portfolio

All the Receivables comprised in the Portfolio purchased by the Issuer from Banca Valsabbina pursuant to the Transfer Agreement arise from Mortgage Loans which, as at the Valuation Date (save as otherwise specified), met the following criteria:

- (a) have been granted exclusively by Banca Valsabbina, as lender;
- (b) have been granted pursuant to Mortgage Loan Agreements governed by Italian law;
- (c) are denominated in Euro and do not contain provisions allowing conversion into any other currency;
- (d) are secured by Mortgages over Real Estate Assets located in the Republic of Italy;
- (e) are secured by a Mortgage of "economic" first ranking priority, which means:
  - (1) a first ranking mortgage; or
  - (2) a mortgage which ranks lower than a first ranking mortgage and in respect of which the obligations guaranteed by the mortgage/s ranking in priority thereto have been fully satisfied; or
  - (3) constituted over a real estate asset already secured by a mortgage which ranks higher guaranteeing a receivable of the same transferred debtor that satisfies these criteria and that is therefore transferred in the context of this securitisation transaction;
- (f) in respect of which the relevant Mortgage Loan Agreements provide for repayment in monthly, quarterly, semi-annual or annual instalments;

- (g) have been drawn-down in full pursuant to the relevant Mortgage Loan Agreement and in respect of which the Debtors do not have any right to further disbursements pursuant to the relevant Mortgage Loan Agreement;
- (h) do not arise from "fractionated loans";
- (i) in respect of which the value of the mortgage security is at least 150% of the Original Loan Amount;
- (j) in respect of which the Outstanding Principal:
  - (1) does not exceed Euro 3,000,000; and
  - (2) is not lower than Euro 25,000,000;
- (k) in respect of which the relevant Debtor is an individual;
- (l) in respect of which at least one instalment is past due and has been paid by the relevant debtor;
- (m) in respect of which the interest rate is:
  - (i) "fixed rate" Mortgage Loans;
  - (ii) with reference to the "floating rate" or "capped floating rate" Mortgage Loans, Euribor 3 months indexed (as provided for in the relevant Mortgage Loan Agreement);
- (n) have not been stipulated or entered into (as indicated in the relevant mortgage loan agreement) pursuant to:
  - (i) any law or regulation which provides for:
    - (1) contributions or advantageous repayment terms of principal and/or interest (so-called "*mutui agevolati o convenzionati*"); or
    - (2) public financial contributions of any kind;
    - (3) discounts pursuant to the law; and/or
    - (4) other provisions of advantageous repayment terms or reductions of payment in favour of the relevant debtors, the mortgagors or any other guarantor in relation to principal and/or interest;
  - (ii) Articles 43, 44 and 45 of the Consolidated Banking Act (so-called "*credito agrario e peschereccio*");
- (o) in respect of which the relevant Debtor has not adhered to the proposal of renegotiation pursuant to:
  - Article 2, paragraphs 475-480, of Law No. 244 of 24 December 2007 (the "*Legge Finanziaria 2008*") and the Ministerial Decree No. 132 of 21 June 2010;
  - Article 6 of the Law Decree No. 39 of 28 April 2009 ("*Interventi urgenti in favore delle popolazioni colpite dagli eventi sismici nella regione Abruzzo nel mese di aprile 2009 e ulteriori interventi urgenti di protezione civile*");
  - the agreement for the suspension of the loan instalments in the context of the programme for the support of the retail credit market called "*Piano Famiglie*", dated 18 december 2009.

- (p) in respect of which the relevant Debtor is not a director and/or an employee of Banca Valsabbina;
- (q) provide for repayment of principal in quotas in accordance with the so-called "French" amortisation plan method, which means an amortisation plan method pursuant to which all instalments include a principal component calculated as at the date of the draw-down and that increase over the loan life time and a variable interest rate component, as calculated as at the date of granting of the loan or at the date of the latest agreement (if any) relating to the amortisation plan is reached;
- (r) in respect of which the relevant Debtor has declared that it is resident in Italy when executing the relevant Mortgage Loan Agreement and that it is an Italian citizen;
- (s) the maximum duration of the relevant Loan (as specified on the relevant Loan Agreement) is not more than 30 years;
- (t) in respect of which no instalment is past due and has not been paid by the relevant Debtor;
- (u) in respect of which the loan code number (*codice rapporto*) (being the numeric code made up of the technical code (*codice forma tecnica*), the branch code (*codice filiale*) and the loan identification number (*numero identificativo rapporto*), as specified in the relevant communications delivered by Banca Valsabbina to each Debtor and relating to the relevant Loan Agreement:

(1) is not lower of number 0601000017910;

(2) is not included in the following ranges (extremes included):

0601000019834-0601000021171,	0601000029740-0601000031280,	0601000034580-0601000035345,
0601000036347-0601000036731,	0601000038963-0601000039732,	0601000040256-0601000046298,
0601100026522-0601100032955,	0601100033423-0601100034595,	0601100038744-0601100039018,
0601100048444-0601200019513,	0601200023978-0601200028878,	0601300035701-0601300036316,
0601400034735-0601400036359,	0601500018325-0601500018933,	0601500018935-0601500019140,
0601500019742-0601500020130,	0601500031263-0601500031758,	0601500034908-0601500035312,
0601500036023-0601500036170,	0601500040294-0601500045463,	0601500049710-0601600019022,
0601600021377-0601600021712,	0601600029893-0601600031908,	0601600031991-0601600032289,
0601600037796-0601600038240,	0601600039329-0601600039487,	0601600039489-0601600039941,
0601800018091-0601800018434,	0601800018436-0601800018952,	0601800029794-0601800031804,
0601800032056-0601800034583,	0601800037636-0601800037823,	0601800037826-0601800037978,
0601900019478-0601900019648,	0601900021252-0601900021733,	0601900024192-0601900024611,
0601900033253-0601900033933,	0601900035131-0601900035467,	0601900036024-0601900036339,
0601900036371-0601900037153,	0601900037155-0601900037432,	0601900038132-0601900038456,
0601900038760-0601900039342,	0601900039344-0601900039434,	0601900039778-0601900040347,
0601900048189-0601900048573,	0601900048651-0601900048749,	0602000021132-0602000021747,
0602000022239-0602000022717,	0602000029791-0602000031891,	0602000032248-0602000033423,
0602000037242-0602000037744,	0602000039001-0602000039431,	0602100018372-0602100018788,
0602100018810-0602100019186,	0602100033972-060210003530,	0602100037922-0602100039192,
0602100039194-0602100039504,	0602100039506-0602100040006,	0602200018402-0602200019623,
0602200026547-0602200028154,	0602200029706-0602200033782,	0602200039455-0602200039963,
0602300032981-0602300034329,	0602300034331-0602300035988,	0602400020425-0602400020711,
0602400029622-0602400031512,	0602400033785-0602400035342,	0602400037714-0602400038840,
0602400040067-0602400045408,	0602400047893-0602400049097,	0602500018241-0602500019205,
0602500027932-0602500028256,	0602500029683-0602500033080,	0602500034456-0602500034584,
0602500034934-0602500035643,	0602500037161-0602500037700,	0602500037709-0602500038443,
0602600022971-0602600023245,	0602600037929-0602600038615,	0602600039100-0602600045124,
0602700020269-0602700020748,	0602700026460-0602700027250,	0602700029897-0602700032139,
0602700039432-0602700039812,	0602700039814-0602700040071,	0602700040073-0602700040199,
0602700040201-0602700040248,	0602800036166-0602800036530,	0602800037987-0602800038041,
0602900026144-0602900027875,	0602900033548-0602900034755,	0602900036503-0602900037285,
0602900038262-0602900038464,	0602900038466-0602900039044,	0602900039157-0602900039271,
0602900039372-0602900039443,	0602900039724-0602900040161,	0602900045767-0602900046229,
0603000029757-0603000031823,	0603000035965-0603000036892,	0603000037789-0603000038602,
0603100035766-0603100037766,	0603100037768-0603100038471,	0603100038900-0603100039347,
0603100039547-0603100039985,	0603100039987-0603100045237,	0603200032764-0603200034030,

0603200037187-0603200038034,	0603300018173-0603300018982,	0603300038387-0603300039150,
0603300039152-0603300039359,	0603300040141-0603300040440,	0603300049107-0603400020412,
0603400039204-0603400039229,	0603400045450-0603400047329,	0603500021131-0603500026194,
0603500039974-0603500045067,	0603600029561-0603600036418,	0603600036420-0603600040181,
0603700036985-0603700037435,	0603700048971-0603800017966,	0603800021191-0603800021735,
0603800024402-0603800024633,	0603800034637-0603800035290,	0603800039251-0603800039442,
0603800039760-0603800045205,	0603900018839-0603900019126,	0603900022228-0603900022546,
0603900035251-0603900035575,	0603900040255-0603900045630,	0604000035502-0604000036206,
0604000036241-0604000036410,	0604000036722-0604000036986,	0604000049750-0604100018348,
0604100033893-0604100034976,	0604100037627-0604100039127,	0604100039129-0604100039564,
0604100039566-0604100045325,	0604100048669-0604100049081,	0604200019487-0604200020772,
0604200022150-0604200022694,	0604200035563-0604200035862,	0604200036955-0604200037543,
0604200039657-0604200040028,	0604300019126-0604300021785,	0604300037491-0604300038326,
0604300039043-0604300039897,	0604300046928-0604300047968,	0604500022726-0604500023687,
0604500024842-0604500025802,	0604500036118-0604500036361,	0604500037418-0604500037670,
0604500049336-0604600018435,	0604600020789-0604600021063,	0604600038221-0604600038665,
0604600039881-0604600039936,	0604600049659-0604700018386,	0604700047486-0604800018829,
0604800019313-0604800020222,	0604800046558-0604800046995,	0604900024184-0604900024278,
0604900039705-0604900045456,	0605000018435-0605000019253,	0605000019508-0605000021371,
0605000036924-0605000038913,	0605100018289-0605100018469,	0605100019185-0605100019486,
0605100039602-0605100039841,	0605200028957-0605200048326,	0605300047476-0605300047807,
0605400035172-0605400036502,	0605400037701-0605400038536,	0605500029755-0605500033673,
0605500033955-0605500034979,	0605500035654-0605500045021,	0605600032794-0605600034555,
0605600034557-0605600038826,	0606100027402-0606100027831,	0606300029859-0606300039947,
0603400021579-0603400021886,	0601800038278-0601800039407,	0602000036210-0602000037240
0605300049235-0605400018044; e		

(3) is not included in the following ranges:

- 0601500040119 (included) and 0601500040126 (excluded),
- 0601800036249 (included) and 0601800036683 (excluded),
- 0601800039408 (included) and 0601800039649 (excluded),
- 0601800039650 (excluded) and 0601800039788 (included),
- 0601900034148 (included) and 0601900034388 (excluded),
- 0602500037031 (included) and 0602500037160 (excluded),
- 0603100039542 (excluded) and 0603100039546 (included),
- 0603800036899 (included) and 0603800037069 (excluded),
- 0604000026919 (included) and 0604000028406 (excluded),
- 0604800039975 (excluded) and 0604800040045 (included).

The transfer of the Receivables from Banca Valsabbina to the Issuer has been (i) registered on the Companies Register of Treviso on 20 December 2011 and (ii) published in the Official Gazette No. 145 of 17 December 2011.

All the Debtors of the Receivables comprise in the Portfolio have a central risk status code (*codice di stato del rapporto centrale rischi*) equal to nr. 138 "other credits" (*altri crediti*).

## Description of the Portfolio

### TABLE 1 – PORTFOLIO SUMMARY

<b>Number of Loans</b>	<b>2,631</b>	<b>-</b>
<b>Number of Debtors</b>	<b>2,608</b>	
<b>Total Outstanding Principal (Euro)</b>	<b>284,702,575.22</b>	
<b>Individuals</b>	<b>284,702,575.22</b>	<b>100.00%</b>
<b>Enterprises</b>	<b>-</b>	<b>-</b>
<b>First Economic Lien</b>	<b>284,702,575.22</b>	<b>100.00%</b>
<b>Second Economic Lien</b>	<b>-</b>	
<b>Floating Rate Outstanding Principal</b>	<b>234,966,366.29</b>	<b>82.53%</b>
<b>Capped Rate Outstanding Principal</b>	<b>22,342,239.24</b>	<b>7.85%</b>
<b>Fixed Rate Outstanding Principal</b>	<b>27,393,969.69</b>	<b>9.62%</b>
<b>Floating Portfolio Weighted Average Spread<sup>1</sup></b>	<b>1.28%</b>	
<b>Capped Portfolio Weighted Average Spread<sup>2</sup></b>	<b>1.71%</b>	
<b>Fixed Portfolio Weighted Average rate<sup>3</sup></b>	<b>5.49%</b>	
<b>Weighted Average Current LTV (%)<sup>4</sup></b>	<b>56.07%</b>	
<b>Weighted Average Original LTV (%)<sup>5</sup></b>	<b>65.39%</b>	
<b>Weighted Average Seasoning (years)<sup>6</sup></b>	<b>3.16</b>	
<b>Weighted Average Residual Life (years)<sup>7</sup></b>	<b>17.78</b>	

**TABLE 2 – BREAKDOWN OF THE PORTFOLIO BY OUTSTANDING PRINCIPAL**

*Amounts in Euro*

Range (Euro)	Number of Mortgage Loans		Outstanding Principal		Property Value	
		%		%		%
02) 20,000 - 50,000	453	17,22%	17.361.705,61	6,10%	75.433.503,08	12,31%
03) 50,000 - 75,000	499	18,97%	31.137.903,13	10,94%	88.563.819,78	14,45%
04) 75,000 - 100,000	534	20,30%	46.749.680,60	16,42%	107.498.331,60	17,54%
05) 100,000 - 200,000	941	35,77%	128.605.182,31	45,17%	228.813.742,25	37,34%
06) 200,000 - 300,000	142	5,40%	34.030.713,83	11,95%	60.647.667,53	9,90%
07) 300,000 - 500,000	52	1,98%	19.869.830,95	6,98%	35.196.908,49	5,74%
08) 500,000 – 1,000,000	8	0,30%	4.600.677,70	1,62%	11.444.567,00	1,87%
09) 1,000,000 – 3,000,000	2	0,08%	2.346.881,09	0,82%	5.138.852,00	0,84%
<b>Total</b>	<b>2.631</b>	<b>100,00%</b>	<b>284.702.575,22</b>	<b>100,00%</b>	<b>612.737.391,73</b>	<b>100,00%</b>

<sup>1</sup> Floating Portfolio Weighted Average Spread = is the spread of the Floating Rate Loans weighted by the Outstanding Principal of the Floating Portfolio.

<sup>2</sup> Capped Portfolio Weighted Average Spread = is the spread of the Capped Rate Loans weighted by the Outstanding Principal of the Capped Portfolio.

<sup>3</sup> Fixed Rate Portfolio Weighted Average rate = is the rate of the Fixed Rate Loans weighted by the Outstanding Principal of the Fixed Portfolio.

<sup>4</sup> Weighted Average Current LTV = is the ratio between a) the Outstanding Principal and b) the Property Value weighted by the Outstanding Principal.

<sup>5</sup> Weighted Average Original LTV = is the ratio between a) the Original Loan Amount and b) the Property Value weighted by the Outstanding Principal.

<sup>6</sup> Weighted Average Seasoning = is the expressed years and weighted by the Outstanding Principal.

<sup>7</sup> Weighted Average Residual Life = is the expressed years and weighted by the Outstanding Principal.

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**TABLE 3 - BREAKDOWN OF THE PORTFOLIO BY ORIGINAL LOAN AMOUNT**

*Amounts in Euro*

Range (Euro)	Number of Mortgage Loans		Outstanding Principal		Property Value	
		%		%		%
02) 20,000 - 50,000	169	6,42%	6.118.909,06	2,15%	25.234.966,02	4,12%
03) 50,000 - 75,000	394	14,98%	20.326.117,28	7,14%	62.012.195,99	10,12%
04) 75,000 - 100,000	583	22,16%	42.879.420,58	15,06%	108.642.530,32	17,73%
05) 100,000 - 200,000	1.186	45,08%	139.527.578,82	49,01%	267.034.577,57	43,58%
06) 200,000 - 300,000	213	8,10%	43.548.917,02	15,30%	83.482.960,17	13,62%
07) 300,000 - 500,000	69	2,62%	22.622.676,59	7,95%	43.342.256,41	7,07%
08) 500,000 – 1,000,000	15	0,57%	7.332.074,78	2,58%	17.849.053,25	2,91%
09) 1,000,000 – 3,000,000	2	0,08%	2.346.881,09	0,82%	5.138.852,00	0,84%
<b>Total</b>	<b>2.631</b>	<b>100,00%</b>	<b>284.702.575,22</b>	<b>100,00%</b>	<b>612.737.391,73</b>	<b>100,00%</b>

**TABLE 4 –BREAKDOWN OF THE PORTFOLIO BY FUNDING YEAR**

*Amounts in Euro*

Year	Number of Mortgage Loans		Outstanding Principal		Property Value	
		%		%		%
2.001	11	0,42%	555.837,09	0,20%	1.973.795,56	0,32%
2.002	71	2,70%	3.777.405,99	1,33%	15.106.496,63	2,47%
2.003	83	3,15%	6.083.278,62	2,14%	20.114.688,73	3,28%
2.004	159	6,04%	13.072.821,46	4,59%	36.847.910,73	6,01%
2.005	203	7,72%	15.513.777,79	5,45%	41.060.061,65	6,70%
2.006	224	8,51%	22.945.250,99	8,06%	51.531.260,30	8,41%
2.007	315	11,97%	33.646.915,60	11,82%	69.624.710,95	11,36%
2.008	408	15,51%	44.956.509,60	15,79%	103.293.780,16	16,86%
2.009	401	15,24%	46.491.045,96	16,33%	97.221.952,41	15,87%

2.010	446	16,95%	58.877.574,74	20,68%	107.610.362,88	17,56%
2.011	310	11,78%	38.782.157,38	13,62%	68.352.371,73	11,16%
<b>Total</b>	<b>2.631</b>	<b>100,00%</b>	<b>284.702.575,22</b>	<b>100,00%</b>	<b>612.737.391,73</b>	<b>100,00%</b>

**TABLE 5 – BREAKDOWN OF THE PORTFOLIO BY ORIGINAL TERM**

*Amounts in Euro*

Range Years	Number of Mortgage Loans		Outstanding Principal		Property Value	
		%		%		%
01) 0 - 6	12	0,46%	766.475,45	0,27%	3.542.568,98	0,58%
02) 6 - 8	29	1,10%	1.698.809,55	0,60%	6.271.008,43	1,02%
03) 8 - 10	266	10,11%	20.276.558,75	7,12%	66.453.684,54	10,85%
04) 10 - 12	57	2,17%	4.384.088,92	1,54%	12.763.658,04	2,08%
05) 12 - 14	37	1,41%	2.726.944,53	0,96%	7.509.089,21	1,23%
06) 14 - 16	658	25,01%	53.857.518,43	18,92%	146.679.450,46	23,94%
07) 16 - 18	25	0,95%	1.963.225,93	0,69%	4.511.205,42	0,74%
08) 18 - 20	705	26,80%	79.671.564,64	27,98%	164.553.208,79	26,86%
09) 20 - 22	53	2,01%	5.373.091,63	1,89%	12.514.237,41	2,04%
10) 22 - 24	18	0,68%	1.940.554,52	0,68%	3.927.855,50	0,64%
11) 24 - 26	494	18,78%	66.436.886,04	23,34%	113.124.885,74	18,46%
12) 26 - 28	15	0,57%	2.391.818,62	0,84%	3.613.394,00	0,59%
13) 28 - 30	262	9,96%	43.215.038,21	15,18%	67.273.145,21	10,98%
<b>Total</b>	<b>2.631</b>	<b>100,00%</b>	<b>284.702.575,22</b>	<b>100,00%</b>	<b>612.737.391,73</b>	<b>100,00%</b>

**TABLE 6 – BREAKDOWN OF THE PORTFOLIO BY RESIDUAL LIFE**

Range Years	Number of Mortgage Loans		Outstanding Principal		Property Value	
		%		%		%
01) 0 - 6		7,98%		4,37%		8,42%

	210		12.446.482,78		51.562.901,20	
02) 6 - 8	246	9,35%	15.915.009,92	5,59%	52.764.779,73	8,61%
03) 8 - 10	237	9,01%	17.677.442,97	6,21%	49.158.426,86	8,02%
04) 10 - 12	227	8,63%	21.595.669,73	7,59%	60.035.960,13	9,80%
05) 12 - 14	304	11,55%	32.100.631,13	11,28%	68.656.688,93	11,20%
06) 14 - 16	243	9,24%	25.139.183,73	8,83%	52.769.431,08	8,61%
07) 16 - 18	238	9,05%	25.784.592,12	9,06%	54.984.309,87	8,97%
08) 18 - 20	228	8,67%	31.436.881,95	11,04%	56.548.601,55	9,23%
09) 20 - 22	118	4,48%	15.787.517,36	5,55%	29.465.943,65	4,81%
10) 22 - 24	238	9,05%	33.104.080,44	11,63%	54.654.330,99	8,92%
11) 24 - 26	141	5,36%	20.057.305,46	7,05%	29.944.978,71	4,89%
12) 26 - 28	118	4,48%	18.356.096,30	6,45%	29.506.251,98	4,82%
13) 28 - 30	83	3,15%	15.301.681,33	5,37%	22.684.787,05	3,70%
<b>Total</b>	<b>2.631</b>	<b>100,00%</b>	<b>284.702.575,22</b>	<b>100,00%</b>	<b>612.737.391,73</b>	<b>100,00%</b>

**TABLE 7 – BREAKDOWN OF THE PORTFOLIO BY SEASONING**

Range Years	Number of Mortgage Loans		Outstanding Principal		Property Value	
		%		%		%
01) 0 - 1	407	15,47%	52.216.716,17	18,34%	92.545.275,77	15,10%
02) 1 - 2	413	15,70%	53.177.775,55	18,68%	100.745.024,14	16,44%
03) 2 - 3	429	16,31%	48.467.980,80	17,02%	102.523.912,49	16,73%
04) 3 - 4	393	14,94%	44.248.958,45	15,54%	100.310.154,19	16,37%
05) 4 - 5	289	10,98%	30.431.155,58	10,69%	61.848.568,11	10,09%
06) 5 - 6	219	8,32%	21.092.049,52	7,41%	49.964.433,51	8,15%
07) 6 - 7	183	6,96%	13.757.304,81	4,83%	36.147.989,15	5,90%
08) 7 - 8	149	5,66%	12.172.744,84	4,28%	36.142.782,20	5,90%
09) 8 - 9	82	3,12%	5.705.147,57	2,00%	18.405.258,83	3,00%
10) > 9	67	2,55%	3.432.741,93	1,21%	14.103.993,34	2,30%
<b>Total</b>	<b>2.631</b>	<b>100,00%</b>		<b>100,00%</b>		<b>100,00%</b>

		<b>284.702.575,22</b>	<b>612.737.391,73</b>
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**TABLE 8 – BREAKDOWN OF THE PORTFOLIO BY TYPE OF INTEREST RATE**

*Amounts in Euro*

Rate	Number of Mortgage Loans		Outstanding Principal		Property Value	
		%		%		%
1) Fixed rate	298	11,33%	27.393.969,69	9,62%	58.796.104,35	9,60%
2) Floating rate	2.153	81,83%	234.966.366,29	82,53%	516.232.103,08	84,25%
3) Capped rate	180	6,84%	22.342.239,24	7,85%	37.709.184,30	6,15%
<b>Total</b>	<b>2.631</b>	<b>100,00%</b>	<b>284.702.575,22</b>	<b>100,00%</b>	<b>612.737.391,73</b>	<b>100,00%</b>

**TABLE 9 – BREAKDOWN OF THE ACTUAL FIXED RATE PORTFOLIO BY RANGE OF FIXED RATE**

*Amounts in Euro*

Range	Number of Mortgage Loans		Outstanding Principal		Property Value	
		%		%		%
01) 0%-4.50%	6	2,01%	479.913,19	1,75%	994.261,06	1,69%
02) 4.50%-5.00%	38	12,75%	3.688.971,42	13,47%	7.987.033,93	13,58%
03) 5.00%-5.50%	96	32,21%	8.468.572,51	30,91%	17.437.268,19	29,66%
04) 5.50%-6.00%	149	50,00%	14.122.921,24	51,55%	30.907.791,17	52,57%
05) 6.00%-6.50%	9	3,02%	633.591,33	2,31%	1.469.750,00	2,50%
<b>Total</b>	<b>298</b>	<b>100,00%</b>	<b>27.393.969,69</b>	<b>100,00%</b>	<b>58.796.104,35</b>	<b>100,00%</b>

**TABLE 10 – BREAKDOWN OF FLOATING RATE PORTFOLIO BY INDEXATION**

Rate	Number of Mortgage Loans		Outstanding Principal		Property Value	
		%		%		%

Euribor 3 mesi 360 media mese precedente arr. 0,10 sup. con variazione trimestrale	1.481	63,48%	150.120.580,88	58,34%	346.295.622,68	62,51%
Euribor 3 mesi 360 media mese precedente arr. 0,10 sup. con variazione trimestrale con floor	852	36,52%	107.188.024,65	41,66%	207.645.664,70	37,49%
<b>Total</b>	<b>2.333</b>	<b>100,00%</b>	<b>257.308.605,53</b>	<b>100,00%</b>	<b>553.941.287,38</b>	<b>100,00%</b>

**TABLE 11 – BREAKDOWN OF FLOATING RATE PORTFOLIO BY RANGE OF SPREAD**

Range	Number of Mortgage Loans		Outstanding Principal		Property Value	
		%		%		%
02) 0.50%-1.00%	610	26,15%	74.355.271,04	28,90%	162.481.559,59	29,33%
03) 1.00%-1.50%	1.152	49,38%	122.438.764,07	47,58%	262.773.392,17	47,44%
04) 1.50%-2.00%	536	22,97%	57.317.291,87	22,28%	120.410.436,51	21,74%
05) 2.00%-2.50%	30	1,29%	2.859.746,25	1,11%	7.531.650,31	1,36%
06) 2.50%-3.00%	4	0,17%	298.982,96	0,12%	603.768,80	0,11%
07) 3.00%-3.50%	1	0,04%	38.549,34	0,01%	140.480,00	0,03%
<b>Total</b>	<b>2.333</b>	<b>100,00%</b>	<b>257.308.605,53</b>	<b>100,00%</b>	<b>553.941.287,38</b>	<b>100,00%</b>

**TABLE 12 - BREAKDOWN OF THE PORTFOLIO BY REGION**

*Amounts in Euro*

Region	Number of Mortgage Loans		Outstanding Principal		Property Value	
		%		%		%
LOMBARDIA	2.551	96,96%	276.326.201,79	97,06%	592.595.163,58	96,71%
TRENTINO-ALTO ADIGE	59	2,24%	5.925.977,33	2,08%	13.308.126,31	2,17%
VENETO	7	0,27%	730.478,25	0,26%	1.892.749,94	0,31%
PIEMONTE		0,04%		0,07%		0,07%

	1		212.921,09		424.875,00	
EMILIA-ROMAGNA	2	0,08%	182.134,43	0,06%	373.424,40	0,06%
<b>Northern Italy</b>	<b>2.620</b>	<b>99,58%</b>	<b>283.377.712,89</b>	<b>99,53%</b>	<b>608.594.339,23</b>	<b>99,32%</b>
LAZIO	2	0,08%	119.554,84	0,04%	650.895,00	0,11%
TOSCANA	1	0,04%	102.848,45	0,04%	982.800,00	0,16%
<b>Central Italy</b>	<b>3</b>	<b>0,11%</b>	<b>222.403,29</b>	<b>0,08%</b>	<b>1.633.695,00</b>	<b>0,27%</b>
PUGLIA	1	0,04%	101.055,06	0,04%	138.165,00	0,02%
CALABRIA	1	0,04%	96.664,06	0,03%	321.800,00	0,05%
SICILIA	4	0,15%	512.961,25	0,18%	1.055.800,00	0,17%
CAMPANIA	2	0,08%	391.778,67	0,14%	993.592,50	0,16%
<b>Southern Italy</b>	<b>8</b>	<b>0,30%</b>	<b>1.102.459,04</b>	<b>0,39%</b>	<b>2.509.357,50</b>	<b>0,41%</b>
<b>Total</b>	<b>2.631</b>	<b>100,00%</b>	<b>284.702.575,22</b>	<b>100,00%</b>	<b>612.737.391,73</b>	<b>100,00%</b>

### Capacity to produce funds

In light of the above and subject to the risks set out in the section entitled "*Risk Factors*", the Receivables should have characteristics that demonstrate capacity to produce funds to service any payments due under the Senior Notes.

## BANCA VALSABBINA

### 1. Historical notes

Banca Valsabbina is the parent company of the "Banca Valsabbina Banking Group".

On the 5th of June, 1898, the Cassa Cooperativa di Credito Valsabbina, Società anonima cooperativa a responsabilità limitata e con capitale illimitato (anonymous limited liability cooperative company with unlimited capital) was incorporated.

Subsequently, by resolution of the extraordinary shareholders' meeting of the 26th of June 1949, the Bank was named Banca Cooperativa Valsabbina – Società cooperativa a responsabilità limitata (limited liability cooperative company). The current name of Banca Valsabbina, Società cooperativa per azioni (cooperative stock company) was introduced by resolution of the extraordinary shareholders' meeting held on the 14th May 2005.

For years, the Bank has accompanied the growth of the economy of Valle Sabbia (BS). In the last fifty years, the network of branches has gradually extended towards Lake Garda, the city of Brescia and throughout the province, with the exception of Valle Camonica.

Expansion into the province of Trento dates back to year 2000. With the merger by incorporation of the ex Cassa Rurale di Storo (TN), resolved by a large majority by the respective shareholders' meetings, a further four branches were added to Banca Valsabbina.

Upon conclusion of the "2007 - 2009 territorial development plan", the Bank network consisted of 54 branches and 4 treasury offices.

In 2010, the Bank carefully evaluated the possible growth opportunities through external lines, compatible with the development model and dimensions of Banca Valsabbina. As part of these evaluations, the decision was made to purchase the majority share in Credito Veronese, at the time equating to 69.75% of the share capital, from the Cassa di Risparmio di Ferrara Group.

The Bank acquired control of Credito Veronese on the 26th of April 2011.

This was an important step in developing the growth plans in areas surrounding that of its traditional base, Brescia. On the 26th of April 2011, the Bank of Italy registered Banca Valsabbina in the List of Banking Groups under no. 5116.9 with communication no. 0478537/11 made on the third of June 2010.

The table below provides some data on the Bank's growth over time, with specific regards to recent years (figures stated in euros):

Year	No. shareholders	Quantity of shares	Equity	Deposits	Loans
1980	1,194	884,283	5,876,842	51,008,393	28,564,727
1990	2,603	3,141,775	25,868,757	171,379,051	115,878,934
1995	3,423	3,208,519	31,803,701	324,129,826	226,945,694
2000	10,169	15,410,442	143,775,745	748,963,787	828,247,973
2005	19,087	25,566,905	265,211,273	1,772,486,503	1,623,412,367
2008	24,270	26,516,169	302,287,087	2,600,592,323	2,528,200,767
2009	28,794	26,516,169	305,974,419	2,730,415,375	2,564,200,843
2010	31,420	26,516,169	298,673,996	2,765,830,264	2,823,361,370

## 2. Group ownership and structure

### 2.1 Major shareholdings

Banca Valsabbina is the parent company of the Banca Valsabbina Banking Group, which since April 26, 2011 has been registered under no. 5116.9 on the List of Banking Groups and, as such, exercises powers of management and coordination and issues provisions to Group members for the execution of instructions given by the Supervisory Body.

The Banca Valsabbina Group consists of Banca Valsabbina S.C.p.A. and two companies, a bank operating in the province of Verona and a real estate debt collection company, as described below:

- **Credito Veronese S.p.A.:** carries out similar banking business to that of Banca Valsabbina in the neighbouring province of Verona.
- **Valsabbina Real Estate S.r.l. con unico socio:** is the operative instrument supporting the Bank's debt collection activities, in order to better protect the credits connected with mortgages with the acquisition of the asset provided as guarantee and subsequent re-listing on the market, thereby avoiding any passive submission of the speculation that is often seen in auctions.

As of the date on which this document was prepared, Banca Valsabbina holds 75.45% investment share in Credito Veronese S.p.A.

Company names	Office	% investment share	% votes available
<b>A. Exclusive subsidiaries</b>			
1. Valsabbina Real Estate S.R.L.	Brescia	100.00%	100.00%
2. Credito Veronese S.p.A.	Verona	75.45%	75.45%

Valsabbina Real Estate was incorporated on May 25th, 2010 as an operative instrument to support the Bank's debt collection activities and was provided a credit facility of € 2 million by the latter in order to carry out its scope of business.

### 2.2 Main shareholders

As of the date of this document, Banca Valsabbina has 33,286 shareholders. The Bank's shareholders are almost all also clients and benefit from particularly advantageous conditions on products and services.

The appreciation for the Bank's services and the trust in its activities is shown by the significant increase in the share base over the last few years (there were 3,423 shareholders in 1995 and 19,087 in 2005).

Banca Valsabbina takes the form of a cooperative company and has the characteristics typical of "popular banks" as established by the Consolidated Law on Banking (Italian Legislative Decree no. 385 of 1 September 1993). Therefore, no single shareholder can hold more than 0.50% of the share capital. This prohibition does not apply to collective investment schemes in securities, for which the limits established by the regulation of each apply.

In accordance with Art. 30 of Italian Legislative Decree no. 385 of 1 September 1993 - the "Consolidated Law on Banking" and on the basis of the provisions of the company's articles of association, under Art. 25, each shareholder may express just one vote in the shareholders' meeting, regardless of the number of shares it holds.

As of the date of this document, no party has control of Banca Valsabbina nor were any shareholder agreements in place between shareholders concerning the exercise of voting rights.

### 3. Organisational structure

#### 3.1 The organisation chart and human resources

The bank's organisation chart as of the 31st of December 2010 is reported below with the trend of recent years:

<b>Breakdown of staff according to classification</b>	<b>31.12.2010</b>	<b>%</b>	<b>31.12.2009</b>	<b>%</b>	<b>31.12.2008</b>	<b>%</b>
Managers	8	1.9	7	1.8	8	2.1
3rd and 4th level executives	80	19.4	77	19.3	74	19.4
1st and 2nd level executives	48	11.6	47	11.8	42	11.0
Remaining staff	277	67.1	268	67.1	258	67.5
including:						
professional apprentices	10	2.4	17	4.3	17	4.5
supply	4	1.0	7	1.8	12	3.1
<b>TOTAL</b>	<b>413</b>	<b>100</b>	<b>399</b>	<b>100</b>	<b>382</b>	<b>100</b>

The chart below represents the members of the Board of Directors, the Board of Auditors and the General Management:

<b>Board of Directors</b>	<b>Board of Auditors</b>	<b>Management</b>
<p><b>Chairman</b> Soardi comm. rag. Ezio</p> <p><b>Deputy Chairman</b> Beccalossi Santo Bonomi avv. Giacomo</p> <p><b>Directors</b> Cassetti rag. Giuseppe Ebenestelli Rag. Aldo Fontanella dott. Angelo Gnutti dott. Enrico Pelizzari Rag. Alberto Rubelli arch. Mario</p>	<p><b>Chairman</b> Bastianon rag. Stefano</p> <p><b>Statutory Auditors</b> Garzoni rag. Bruno Mazzari rag. Filippo Nassano rag. Santo Pozzi dott. Federico</p> <p><b>Alternate Auditors</b> Togni dott. Giacomo Vivenzi dott. Giorgio Mauro</p>	<p><b>General Manager</b> Gafforini dott. Spartaco</p> <p><b>Deputy General Manager</b> Barbieri rag. Renato</p>

At the end of 2010, the staff of Banca Valsabbina S.C.p.A. was composed of 413 employees and therefore an increase of 14 over last year's headcount; consequently in addition to having guaranteed normal turnover, the workforce has been strengthened with a 3.4% increase.

These resources have been assigned as follows:

- 71.5% (295 employees) to the sales network, comprising 54 branches, mainly located in the province of Brescia;

- the remaining 28.5% (118 employees) are assigned to the offices of the central headquarters in Brescia.

## 5. Income and equity trend

The 2010 economic result shows a decrease in the interest margin, due to the trend of market rates and the lack of significant profits from financial operations, which instead affected the 2009 figure. These effects have only been partially limited by an increase in net commission and a limitation of operative costs.

<b>Main economic figures (in € '000s)</b>	<b>2010</b>	<b>2009</b>
Net interest income	59,329	65,305
Net commission	19,819	18,875
Dividends and proceeds from trading and other	2,732	6,062
Total income	81,880	90,242
Net value adjustments on financial assets and receivables available for sale and other financial operations	-19,825	-20,699
Net result of financial operations	62,055	69,543
Administrative expenses	-46,668	-46,463
Allocations, net value adjustments on tangible and intangible assets, other operating income and expense and profits and losses	1,254	2,316
Pre-tax profit from continuing operations	16,641	25,396
Income taxes	-6,509	-10,655
Period profit	10,132	14,741

<b>Equity indexes</b>	<b>2010</b>	<b>2009</b>
Tier one Capital Ratio	10.72%	11.20%
Total Capital Ratio	14.20%	16.00%
Shareholders' equity (after allocation of profits)	298,674	305,974
Basic Regulatory Capital	290,601	288,538
Supplementary Regulatory Capital	94,183	124,043
Total Regulatory Capital	384,784	412,581

## 5. The disbursement process

The loan disbursement process adopted by Banca Valsabbina, described below, takes place in the following stages:

- *Presentation of application and data acquisition*
- *Mortgage loan proceedings*
- *Resolution*
- *Appointment of notary and stipulation of the contract*
- *Disbursement*

### 5.1 Presentation of application and data acquisition

Generally speaking, it is the relationship managers (Branch Managers) who have the responsibility of instructing the loan file.

The effective purpose for which the loan is requested must be carefully ascertained and clearly shown in the loan proposal, as it is an element of primary importance and therefore essential to assessing the credit risk.

All information that may help identify the legal and/or economic connections of parties requesting the loan must be acquired.

Each loan application must be prepared complete with all suitable documentation on income, financial, technical and equity matters, according to the nature and level of complexity of the position and the entity of the risk, with the methods laid out in the specific reference legislation.

Following presentation of the loan application by a customer, the branch requests the documentation needed for proceedings to begin.

## **5.2 Mortgage loan proceedings**

The documentation to be acquired may vary depending on whether the party concerned is already a customer of the Bank, in which case the information already available needs merely be updated or supplemented, or a new customer.

The relevant aspects to be taken into consideration in the process of granting a mortgage loan can be summarised as follows:

- the lack of prejudicial elements;
- the number and quality of any relations with other lending institutes;
- the technical trend of relations in place with the bank and the system (SEAC);
- the internal customer rating (CRS);
- the number of requests for first information to the risks centre;
- the age and years to which the relationship with the customer dates back;
- repayment capacity, assessing the suitability of available income in relation to the monthly instalment envisaged
- the presence of any additional debtness, also for indirect risks following guarantees issued in the interest of third parties;
- validity of the guarantee offered;
- additional income and equity responsibility assumed by any guarantors;
- coherence of costs declared and market value

In order to ensure that all essential information is available for a correct assessment, in addition to acquiring suitable evidence documentation, the names of potential customers are also subjected to additional controls by means of:

- Risks Centre
- CRIF

- protest control
- chamber of commerce certificates
- mortgage survey certificates
- verification of negative and/or prejudicial events showing an anomalous situation.

### 5.3 Resolution

Below is the table identifying the basic competences of resolution levels for the various different bodies appointed to grant loans.

#### Autonomous

#### Powers of attorney concerning the granting of loans

(Figures given in € '000s)

<b>BODIES MAKING THE DECISIONS</b>	<b>MORTGAGE LOAN POWERS</b>
<b>Loans Committee</b>	2,000
<b>General Management</b> (Joint signature of the General Manager and Deputy General Manager)	For loans granted to customers who already have facilities and who belong to economic groups: 50% of the powers assigned to the General Manager, namely: 700
<b>General Manager</b>	1,400
<b>Sector Manager Commercial</b>	600
<b>Loans Sector</b>	450
<b>Area Managers</b>	300
<b>Branch Managers (QD4)</b>	120
<b>Branch Managers (QD3-2-1)</b>	70

The methods established for determining the value of the property in terms of the loan application are:

1 - the external expert appraisal, which is compulsory:

- above € 500,000 for mortgage loans granted by legal entities;
- above € 250,000 for mortgage loans requested by private individuals.

2 - the assessment sheet, completed by an independent technician appointed by the Bank, which is compulsory:

- below € 500,000 for mortgage loans taken out for civil, industrial and commercial construction works carried out by legal entities;
- below € 250,000 for mortgage loans requested by private individuals.

### 5.4 Appointment of notary and stipulation of the contract

After the resolution according to which the loan is granted, the files transmitted to the Special Loans Sector.

During this stage, the applicable conditions and documentation available are further verified, with specific regards to the property documentation, the technical appraisal and the notary documents for an additional control of the technical-legal aspects. The verification may result in a request for clarifications, further

investigations, a review of the resolution and sometimes - in the most extreme cases - the revocation of the loan.

A public notary is appointed for the task of providing the preliminary deed that will confirm the ownership of property by the borrower and that the same property is free from encumbrances.

The insurance contract is usually signed at the same time as the loan is executed and in any case always prior to disbursement.

## **5.5 Disbursement**

Once the contract has been executed and the required formalities have been completed in compliance with the loan resolution, the amount is disbursed by the Special Loans Department to an account held by the borrower with the Bank. Disbursement therefore takes place after completion of the formalities described above.

## **6. Loan management**

### **6.1 Collection of instalments**

Payment of instalments can be made by debiting to a current account (direct debit) or in cash.

### **6.2 Monitoring and credit management procedures**

#### **6.2 1 Introduction**

The Bank carefully monitors the loans in order to identify all positions showing negative elements and which may deteriorate over time, representing a potential loss.

Monitoring is the activity necessary for the detection and timely management of altered risk phenomena, through an aware, shared assessment of the critical issues detected, to avoid and/or limit situations of significant deterioration of the loans portfolio.

This activity takes place in the following stages:

- measurement of the level of risk;
- detection of abnormal positions;
- evaluation of the causes of anomalies and search for possible solutions.

In order to effectively monitor the loans, all existing legal and/or economic relations must be taken in consideration, along with the overall exposure of the individual borrower and any group of connected customers, as well as the technical forms used and guarantees in place.

The Branch Managers are responsible for ensuring the operative correctness of the accounts assigned to them in compliance with current provisions of law, operative regulations issued and autonomous powers of attorney granted within the bank.

In relation to the progressive critical issues assigned, the Loans Control Service assesses, requests and coordinates with the customer relations manager to determine the most appropriate activities aimed, in the short/medium-term, at overcoming difficulties and restoring loans to a performing status; by contrast, for lack of suitable economic-equity elements, it takes all action suitable to duly classifying the underlying loans to its own item and preparing the forms of protection necessary to better monitor the risk and effectively recover amounts outstanding.

Positions with specific risk profiles are detected on the basis of information flows and analysis instruments, by means of activities structured on two levels.

The first level lies with the account managers for positions belonging to the portfolio assigned to them, and concerns the analysis of the operations of both retail and corporate customers by the Branch Manager of the branch where the customer holds his account.

The second level of detection of positions with particular risk profiles is assigned to the Loans Control Service, which, in relation to the progressive critical issues assigned, assesses, requests and coordinates with the customer account manager to determine the most appropriate activities aimed, in the short/medium-term, at overcoming difficulties and restoring loans to a performing status; by contrast, for lack of suitable economic-equity elements, it takes all action suitable to duly classifying the underlying loans to its own item and preparing the forms of protection necessary to better monitor the risk and effectively recover amounts outstanding.

### **6.2.2 Risk assessment indexes**

The Bank makes use of the following synthetic indexes summarized below:

#### Customer Trend Expert System (S.E.A.C.)

Procedure used for a summary and trend overview of the evolution of the corporate and analytical risk of the individual positions; the SEAC aims to carry out a more precise and flexible assessment of the customer risk with respect to ASTRA, the procedure used previously, supplied by the Bank of Italy; on the basis of the observation of specific anomaly indexes, a customer assessment is obtained expressed as a numerical score. Instrument used both to analyse the trend of the individual positions and to analyse risk evolution.

#### Operative and Strategic Risk Centre Analysis (ACROS) Control points

ACROS is an application with the aim of providing users with the data contained in the return flows of the Risk Centre (held by the Bank of Italy) and of the Risk Centre Association. Receipt of return data generates control points, namely a series of indicators to be used in identifying all customers showing specific risk characteristics.

#### Credit Rating System (C.R.S.)

The primary objective of the application consists of the definition of a system of rating classes, aimed at assigning a probability of insolvency to each customer, thereby enabling the bank to group its loans portfolio into homogeneous risk classes.

The term "Credit Rating System" (or CRS) is used to refer to an integrated system that evaluates the credit rating of the customer, fully analysing, in an integrated manner, all information useful to assessing this.

Customers are classified by means of the preventative identification of risk classes with the same probabilities of insolvency, on the basis of the following information:

- objective information concerning the customer:
  1. trend of relations;
  2. customer trend with the system (Bank of Italy CR, CRA: risk centre association);
  3. company financial statements.

- sector-related information.

The rating is of a predictive nature and the more the data and information recorded on file is complete, correct and timely, the more it is reliable: it can therefore be said that the purpose of the rating is not merely to "photograph" the probability of customer insolvency within a given time frame, but also that of monitoring the evolution over time, both on an individual level and in terms of the segment of origin.

### 6.2.3 Computer procedures for detecting and managing risk

As part of the activities implemented to monitor risks, as described above, the Bank uses a computer procedure referred to as "past due" in PWS, which, following any event involving a past due, starts up an authorisation procedure starting from the branch and going through to the decision-making body, allowing each level of the authorisation hierarchy to report on the reasons for which the past due position detected has or has not been granted, at the same time creating an electronic archive of decision-making procedures, logging them.

### 6.2.4 Assignment of anomalous status and subsequent management

If the attempt to restore performing status should turn out to be unfeasible, the Credit Control Service may also arrange for loans to be revoked and classed to a risk category (doubtful or non-performing).

**Doubtful status** derives from compliance with the general rules implemented by the Bank of Italy for credit management, hence all exposures with regards to customers experiencing temporary objective difficulty that is considered as able to be overcome within a reasonable period of time, regardless of the existence of any guarantees of the credit, are considered as doubtful loans and are assigned rating class C. In short, these are loans showing critical elements that cannot or are not considered as able to be overcome by adjusting the operative lines or which show cash flow that does not suffice to consider that the position may, in the short term, be normalised. These positions generally show, for example, lasting immobility, a high percentage of unpaid amounts, failure to channel income against advanced on invoices, major tension and overdrafts in the Risks Centre, a reduction in the number of lending banks, etc.

The aggregate of doubtful positions must also include all positions showing characteristics of **objective doubtfulness** as defined by the Supervisory Instructions of the Bank of Italy and therefore the following exposure:

- a) loans to individuals fully backed by mortgage guarantee, granted for the purchase of residential inhabited housing, when notice of attachment has been served to the debtor;
- b) exposure, other than the loans specified above, for which both the following conditions are met:
  - I. continuously overdue and/or past due:
    - 1) by more than 150 days, in the case of exposure connected with consumer credit activities of an original duration of less than 36 months;
    - 2) by more than 180 days, in the case of exposure connected with consumer credit activities of an original duration of or more than 36 months;
    - 3) by more than 270 days, for exposure other than those specified at points 1) and 2) above:
  - II. the total amount of the exposures pursuant to line I. above and the other shares overdue by less than 150, 180 or 270 days (excluding any late payment interest charged to the customer),

depending on the type of exposure overdue, towards the same debtor, is at least 10 per cent of the entire exposure with regards to same debtor (excluding late payment interest).

For all doubtful positions, the approach must follow the scheme given herewith:

- detection of the anomaly
- identification of the causes generating it
- search for possible solutions
- evaluation of their sustainability and coherence
- decision.

Although cases of objective difficulty caused by extraordinary events that could not be intercepted in advance cannot be considered as infrequent, where there is an efficient, effective internal control system in place, the above-described activities and consequent evaluation aimed at defining an agreed repayment plan should, generally speaking, have resulted in fulfilment during the previous monitoring stage.

At this point, more incisive steps are taken with a view to speeding up the definition of the collection. The Credit Control Service monitors branch activity and assesses the risk elements, establishing a meeting during which the reasons for the delay are discussed and the credit risk elements are assessed.

These contacts look to overcome temporary customer difficulties. After assessing the actual situation, the Bank decides whether to:

- leave the position as doubtful;
- return the position to performing status; or
- directly transfer it to non-performing, if the credit position is seriously compromised.

With the exception of rare cases of sudden deterioration of the customer accounts, transfer to non-performing status is generally the stage that follows verified ineffectiveness of amicable collection activities precisely of the previous stage of classification to watch list.

Non-performing positions are managed by the Legal and Disputes Service.

Finally, in order to enable an immediate recording of the listing to "abnormal item", below is a summary of the main anomaly "statuses" used in the above procedures:

- non-performing: exposure with regards to an insolvent party (even if not legally ascertained) or in situations that are basically equivalent to this, regardless of loss forecasts prepared and regardless of whether any guarantees (collateral or personal) back the exposure;
- restructured loans: positions for which, following deterioration of the debtor's economic-financial conditions, the original contractual conditions have been amended by agreement (e.g. terms have been rescheduled, the debt and/or interest has been reduced), giving rise to a loss;
- doubtful: exposure with regards to parties experiencing temporary difficulties that it is foreseen may be removed within reasonable terms, regardless of the existence of any guarantees (personal or collateral) backing the exposure;

- objective doubtful (\*): according to the Supervisory Instructions, these are exposures to be included in watch list positions, they specifically concern loans to natural persons that are fully backed by mortgage guarantee, granted for the purchase of residential property when notice of attachment has been served to the debtor and exposures that are past-due (for the individual risk phenomena: self-liquidating, at expiry, at revocation) for a period in excess of 270 days and exceed the "significant reporting threshold" established by the Bank of Italy as 10% of the amount of the overdraft and the total exposure (lower limits are established for consumer loans);
- persistent default (\*): exposure that shows a past-due (for the individual risk phenomena: self-liquidating, at expiry, at revocation) for a period in excess of 180 days and exceed the "significant reporting threshold" established by the Bank of Italy as 5% of the amount of the overdraft and the total exposure;
- continuous past-due (\*): positions that are overdue for more than 90 days and up to 180 days and beyond this duration, where past-due does not exceed the "significant reporting threshold" established by the Bank of Italy as 5% of the amount of the overdraft and total exposure;
- under control: exposure showing a not completely regular trend of credit relations (delays in making payment of the instalments, some instalments unpaid, anomalous percentage of outstanding amounts, past-due, etc.);

(\*) detected automatically by the computer procedures with immediate assignment of the relevant status.

Attachment 1 provides an explanatory diagram of the various different stages comprising the assessment and transfer of a position to non-performing status.

## 7. Debt collection

Non-performing positions are managed by the Legal and Disputes Service, which is appointed to carry out all activities necessary to ensure an effective, timely collection of the loan both legally - to this end appointing external professionals and following the set-up and structure of the relevant procedures - and by means of out of court settlements - maintaining direct relations with the debtors that have been transferred to non-performing status.

The Legal Department consists of a Manager (a professionally qualified lawyer with ten years of legal experience, also outside the bank sector) and six full-time lawyers (some qualified to work professionally), of whom three work exclusively in litigation management.

The Legal department manages approximately 1,850 proceedings, of which around 1,500 are still in due course, and a gross value of approximately € 127 million (figures as of 30 June 2011). The average workload in terms of number of proceedings per head is approximately 450.

The Legal department also provides consulting services to the Credit Control Service on specific with regards to the servicing of non-defaulted loans ..

### 7.1 Allocation to non-performing account and general managerial aspects

The Regulator identifies as non-performing, all parties in a state of insolvency, even if not legally ascertained, or those in basically equivalent situations, regardless of any loss forecasts prepared by the business.

This is, therefore, regardless of whether or not any guarantees (collateral or personal) exist backing the loans. Allocation of a loan to non-performing status implies an assessment by the Bank of an overall

customer financial position and cannot automatically ensue from a mere delay by the latter in paying the debt.

The most significant cases are given below:

- legally ascertained state of insolvency: bankruptcy, agreements with creditors, compulsory administrative liquidation, etc.;
- situations involving serious difficulties and such as to cause the Bank to take action to force collection.

Classification of loans as non-performing implies prior assessment of the customers' overall financial position, which must show both a specific state of default and a lack of solvency, such as to suggest the objective lasting impossibility of fulfilling the relevant obligations.

Transfer to non-performing status is arranged, in accordance with autonomous powers of attorney, by the Board of Directors (figures in excess of € 50,000), by the General Manager (figures in excess of € 15,000 but less than € 50,000) or by the Credit Control Service (figures of up to € 15,000).

Non-performing loans are legally managed by the Bank, which avails itself of a network of external lawyers or of debt collection agencies (currently only for unsecured loans with a gross book value up to less than € 10,000).

The accounting aspects of non-performing positions are managed, in accordance with and on the basis of the indications provided by the Legal Department, by the Bank's Administration, which takes care of all of the accounting activities required in the passage of a loan to the status of 'non performing'.

The status of the individual collection procedures is promptly and directly reported to the Legal and Disputes Service, which guides, coordinates and controls collection activities; the above also takes place by means of a computer management software called 'LaWeb', implemented as from December 2010, and which enables constant dialogue, through a web interface, between the internal structure and external legal advisors.

The software is aimed at becoming increasingly the "single container" of each all information flows relating to the non-performing loans, containing, in a sort of electronic file that can be consulted by all parties involved in the process (Service employees, Service Manager, control departments, Management, staff of the Board of Directors, external lawyers, etc.), documents relating to correspondence, bank documentation and any guarantees acquired, mortgage surveys, chamber of commerce certificates, protests any commercial data, statements of account, property appraisals, legal deeds and provisions, which are gradually added by the employees and external lawyers.

To facilitate migration to a fully digitalised management of the process, as from September 2010 all new defaulted loan files have been scanned and made available on-line. Additionally, in May 2011, a massive scan was organised of the main documents of each dispute file existing as of that date.

## **7.2 General collection strategies and activities: (1) Out of court settlements**

Out-of-court collection are aimed to achieve a settlement of the balance due by the debtor and guarantors, or rather the signing of a repayment plan to extinguish the loan. This approach is generally preferred for loans that are not backed by guarantees or assets that can be enforced, or which are backed by insufficient guarantees.

Where possible, the Bank privileges reaching agreements with debtors and/or guarantors, given the relatively lengthy terms of enforcement proceedings, the incidence of the costs and expenses involved in

enforcement proceedings (even if covered by a careful legal expense limitation policy) and the risk of seeing the assets awarded at a price far below market value, with clear prejudice of collection forecasts.

When a debtor (or guarantor intending to free itself of its guarantee obligation) suggests such a transaction, the Bank analyses the proposal and chooses whether to accept or reject it; powers are delegated to the General Manager alone, who has the power to accept with a limit of € 10,000 – impact to PnL.

The party proposing the resolutions is always the Legal Department, which carries out all investigations necessary aimed at verifying the value of the proposed settlement.

The assessment is carried out considering the amount and duration of the transaction proposed, the possibilities of obtaining collection from legal actions, the time necessary to conclude them and the incidence of legal expenses.

Only for unsecured positions of less than € 10,000 and which are not backed by significant guarantees, the Bank has stipulated a contract with the company Finservice of the Cerved Group, for an entirely out of court management of creditor positions.

### **7.3 General collection strategies and activities: (2) Legal collection (specifically, the collection of mortgage loans)**

Should not out of court agreement be reached, the Bank will take all suitable legal action, including enforcement orders, or shall claim credits in bankruptcy proceedings or intervene in proceedings filed by third party creditors.

Amicable collection consists of the forced realisation of assets and/or rights that the Bank already has or acquires following the exercise of pre-emption rights; amicable claims are always assessed considering the relevant costs and benefits involved.

The different stages marking a compulsory collection procedure, with specific reference to loans brought by enforcement deed, such as, for example land or property mortgages, are highlighted below.

#### **Order for payment**

This consists of serving notice, through a Bailiff, of default, demanding compliance, resulting from an enforcement deed (generally payment of the amount demanded, inclusive of capital, interest and expenses including legal costs) within no fewer than ten days, with the warning that failure to comply will result in individual compulsory enforcement within ninety days of notice.

#### **Property attachment**

This represents the start of compulsory enforcement.

This is an injunction to the debtor, notified by a Bailiff, to abstain from any action aimed at removing the assets subject to enforcement from the guarantee backing the loan. The debtor may avoid attachment by paying the bailiff the amount due plus expenses.

The proceedings, which are the responsibility of the Court, also establish a restriction on the debtor's asset, by request of the creditor; in other words, by this deed, the debtor forfeits his right to dispose of the asset that has been seized.

Attachment must take place at least ten days after notification of the order for payment, but within ninety days, at risk of inefficiency.

### **Entry on the registry**

The attachment deed must be transcribed on the Property Registry; it therefore becomes enforceable against third parties, making it basically pointless for these, amongst other aspects, to register any additional mortgages on attached assets.

### **Filing of the sales application**

By filing the sales application, which must take place from ten days to ninety days after the date on which the attachment is notified, the Enforcement Judge is asked to sell the seized assets.

### **Preparation of the mortgage survey documentation**

The history of the property (change of ownership, mortgage entries and land registry data) for the last twenty years, must be documented by the Property Records and Land Registry Office with specific certification; this may be replaced by a notary's certificate in accordance with Italian Law no. 302/98. The census maps are also requested and filed, and, where the expropriation concerns lands, the certificate of intended purpose is also required.

The documentation must be filed with the Court Registry, which verifies that it is correct, within one hundred and twenty days (at risk of forfeiture) of the date on which the sales application is filed. At the same time or subsequently, the notice is served to creditors registered and to joint owners of undivided assets and the original notice is filed.

In July 2011, experimentation began of a partnership with the company Ribes of the Cedacri Group, concerning the supply of mortgage survey documentation for all proceedings involving courts other than the Court of Brescia, where the Bank uses a trusted notary with a view to limiting costs.

### **First appearance hearing**

After filing the documentation, the Enforcement Judge schedules the hearing for a first appearance, at which it normally appoints the Court-Appointed Witness (CTU), who is in charge of preparing the estimate report.

### **Hearing for establishing the sales methods**

After the CTU has filed his expert report, the Judge schedules a hearing of the parties and, if no irregularities and/or observations are seen on the expert report, orders the sale of the asset, schedules the date for the first auction and the method of sale (starting auction price and bidder requirements).

In accordance with current legislation, the sale may be delegated to a notary or other professional who prepares the sales order, schedules the public auctions, receives the amounts bid, provides the creditors and debtor with the compulsory notices and prepares the distribution plan.

### **Sales hearing**

Should the first auction not be attended, subsequent auctions are held until the property is sold. Generally speaking, the starting price is dropped 25% from one auction to the next.

### **Hearing for approval of the distribution project and Distribution hearing**

Once the distribution project has been prepared, the hearing is scheduled for its approval. Terms for obtaining the hearing approving the distribution project are approximately six/twelve months, although it may be further postponed if there are disputes as to the credit reasons presented by the proceeding party

and/or those involved and on pre-emption rights. Should such disputes not be settled amicably, the Enforcement Judge proceeds to issue an order.

If the creditor should act to collect a debt arising from a property loan, the successful third party bidder shall pay the balance of the price to the creditor directly, who, therefore, shall see the balance, up to the limits of the price granted, paid more quickly.

In the event of bankruptcy proceedings, the Enforcement Judge may accept a partial division in favour of privileged creditors with mortgage guarantees over the property sold. The entire amount obtained from the sale is not divided up, however, as the following must be deducted from the price awarded:

- the expenses already incurred by the Bankruptcy Curator;
- 25% of the remaining amount as allocations for future expenses.

Average terms for completion of property enforcement proceedings, promoted uninterruptedly, stand at around three years.

The duration of proceedings may depend not only on the speed of the Court, but also on the suspension of proceedings for the negotiation of settlements with the debtor, any bankruptcy of the party affected by the proceedings, the proposal to convert to attachment merely for the purpose of extending terms, the proposal of opposition by the enforced party or third parties or the establishment of divisional cases in the event of the compulsory sale of undivided shares.

Above all for properties for which the capacity with respect to the debt to be collected is in doubt, should time pass before legal proceedings are initiated, sometimes the preference is to intervene in any property expropriation proceedings that may be brought by third parties, in order to enforce its right to be satisfied ahead of other creditors.

#### **7.4 Monitoring and closure of proceedings: Forecast losses and transfers to loss**

The Legal and Disputes Service proposes a review of the doubtful outcomes and transfer to loss of positions to be classed as expenditure; the decision-making body for expenses, except for transfers to losses of up to € 10,000, is always the Board of Directors.

The following is considered when examining each procedure:

- the value of the property mortgaged in the Bank's favour, as can be seen from the technical documentation collected at the time of stipulating the loan, along with its type, intended purpose, location and possibility of realisation in enforcement;
- the overall debt exposure and legal risks of the position;
- the possibility of an economic recovery of the debtor, assessed according to the information available and, in particular with reference to any possible repayment plans with some of the joint-obliged parties.

Loans are generally written off in the following circumstances:

- if the main debtor is subject to bankruptcy proceedings;
- in the event of a settlement agreement, within the year in which the agreement is reached, for the part that has not been collected;

- in the event of legal collection, at the end of enforcement proceedings, when this has been entirely or partially unsuccessful, for the part that has not been collected.

## THE ISSUER

### Introduction

The Issuer was incorporated in the Republic of Italy as a special purpose vehicle pursuant to the Securitisation Law on 21 December 2010 as a limited liability company (*società a responsabilità limitata*) under the name "Orion SPV S.r.l." and changed its name to "**Valsabbina SPV 1 S.r.l.**" by an extraordinary resolution of the meeting of the quotaholder held on 4 October 2011. The registered office of the Issuer is in Via Vittorio Alfieri n. 1, 31015 Conegliano (Treviso), Italy and its telephone number is +39 0438 360962. The Issuer is registered in the Treviso Companies Register with No. 04419940269. Since the date of its incorporation, the Issuer has not engaged in any business other than the purchase of the Portfolio. No dividends have been declared or paid and no indebtedness has been incurred by the Issuer other than the Issuer's costs and expenses of incorporation. The Issuer has no employees and no subsidiaries. The Issuer operates under Italian Law and shall expire on 31 December 2100.

The authorised and issued capital of the Issuer is € 10,000, fully paid up. The Sole Quotaholder of the Issuer is SVM which holds 100 per cent. of the quota capital of the Issuer.

### Issuer's Principal Activities

The principal corporate object of the Issuer as set out in Article 3 of its by-laws (*statuto*) and in compliance with the Securitisation Law is to perform securitisation transactions (*operazioni di cartolarizzazione*).

The Issuer was established as a multi-purpose vehicle and accordingly it may carry out further securitisation transactions in addition to the Securitisation, subject to the provisions set forth in the Terms and Conditions (Condition 5.2 (*Further Securitisations*)).

So long as any of the Notes remain outstanding, the Issuer shall not, without the prior consent of the Representative of the Noteholders and as provided in the Quotaholder Agreement, incur any other indebtedness for borrowed monies (except in relation to any further securitisation carried out in accordance with the Terms and Conditions and the Transaction Documents) or engage in any business (other than acquiring and holding the assets on which the Notes are secured, issuing the Notes 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 Terms and Conditions or the Intercreditor Agreement) or increase its capital.

The Issuer has covenanted to observe, *inter alia*, those restrictions set forth in Condition 5 (*Covenants*).

### Management

The current Sole Director of the Issuer is Andrea Perin. The Sole Director was appointed in the deed of incorporation (*atto costitutivo*) of the Issuer on 21 December 2010. The business address of Andrea Perin, in his capacity as Sole Director of the Issuer, is at Via Vittorio Alfieri n. 1, 31015 Conegliano (TV), Italy.

### Documents Available for Inspection

Copies of the following documents may be inspected during normal business hours at the registered office of each of the Issuer and of the Representative of the Noteholders:

- (a) the memorandum and articles of association of the Issuer (*atto costitutivo* and *statuto*); and

- (b) the Issuer's financial statements, the relevant auditor's report, and all reports, letters, and other documents, historical financial information, valuations and statements (if any) prepared by any expert at the Issuer's request, any part of which is included or referred to this Prospectus.

### **Capitalisation and Indebtedness Statement**

The capitalisation of the Issuer as at the date of this Prospectus, adjusted for the issue of the Notes, is as follows:

<i>Capital</i>	Euro
Issued, authorised and fully paid up capital	10,000
<i>Loan Capital</i>	Euro
Euro 199,500,000 Class A Residential Mortgages Asset Backed Floating Rate Notes due October 2052	199,500,000
Euro 100,100,000 Class B Residential Mortgages Asset Backed Notes due October 2052	100,100,000
<b>Total Loan Capital</b>	<b>299,600,000</b>
<b>Total Capitalisation and Indebtedness</b>	<b>299,610,000</b>

Subject to the above, as at the date of this Prospectus, the Issuer has no borrowings or indebtedness in respect 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.

### **Auditor's Report**

The current Issuer's auditor is Mr. Lino De Luca (certified public accountant enrolled with the register held by the *Ordine dei Dottori Commercialisti di Treviso*, whose offices are at Via Vittorio Alfieri, 1, 31015 Conegliano (Treviso) Italy). The Issuer's accounting reference date is 31 December in each year and its last accounting year ended on 31 December 2011.

## THE BNP PARIBAS GROUP

The BNP Paribas Group (the "**Group**"), Europe's leading provider of banking and financial services, has four domestic retail banking markets in Europe, namely in Belgium, France, Italy and Luxembourg.

It is present in over 80 countries and has more than 200,000 employees, including over 160,000 in Europe. BNP Paribas holds key positions in its three activities:

- (a) Retail Banking, which includes the following operating entities:
  - (i) French Retail Banking (FRB),
  - (ii) BNL banca commerciale (BNL bc), Italian retail banking,
  - (iii) BeLux Retail Banking,
  - (iv) Europe-Mediterranean,
  - (v) BancWest,
  - (vi) Personal Finance, and
  - (vii) Equipment Solutions;
- (b) Investment Solutions; and
- (c) Corporate and Investment Banking (CIB).

BNP Paribas SA is the parent company of the BNP Paribas Group.

At 30 June 2011, the Group had consolidated assets of €1,926.1 billion (compared to €1,998.2 billion at 31 December 2010), consolidated loans and receivables due from customers of €669.6 billion (compared to €684.7 billion at 31 December 2010), consolidated items due to customers of €553.7 billion (compared to €580.9 billion at 31 December 2010) and shareholders' equity (Group share) of €76.1 billion (compared to €74.6 billion at 31 December 2010). Pre-tax net income at 30 June 2011 was €7.4 billion (compared to €7.5 billion at 30 June 2010). Net income, Group share, at 30 June 2011 was €4.7 billion (compared to €4.4 billion at 30 June 2010).

The Group currently has long-term senior debt ratings of "AA-" (CreditWatch **Negative**) from S&P's, "Aa3" (negative) from Moody's and "A+" (stable) from Fitch Ratings.

Fitch	Moody's	Standard & Poor's
Long term senior debt <b>A+</b>	Long term senior debt <b>Aa3</b>	Long term senior debt <b>AA-</b>
Short term <b>F1+</b>	Short term <b>Prime-1</b>	Short-term <b>A-1+</b>
Outlook <b>Stable</b>	Outlook <b>Negative</b>	CreditWatch <b>Negative</b>

The information contained herein relates to and has been obtained from BNP Paribas Securities Services. The delivery of this Prospectus shall not create any implication that there has been no change in the affairs

of BNP Paribas Securities Services since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to such date.

## USE OF PROCEEDS

The proceeds from the issue of the Notes, being equal to Euro 299,600,000, will be applied by the Issuer on the Issue Date to make the following payments:

- (i) First, to credit the Retention Amount into the Expense Account,
- (ii) Second, to credit Euro 14,235,000.00 into the Cash Reserve Account as Required Cash Reserve Amount;
- (iii) Third, to pay to the Originator the Purchase Price of the Portfolio; and
- (iv) Fourth, to pay the Initial Expenses Amount in connection with the Securitisation.

being understood that, after the payments set out in (i), (ii) and (iii) above, any remaining amount will be credited to the Payments Account.

## DESCRIPTION OF THE TRANSFER AGREEMENT

*The description of the Transfer Agreement set out below is a summary of certain features of this agreement and is qualified by reference to the detailed provisions of the Transfer Agreement. Prospective Noteholders may inspect a copy of the Transfer Agreement upon request at the registered office of the Representative of the Noteholders.*

### General

On 12 December 2011 the Originator and the Issuer entered into the Transfer Agreement pursuant to which the Originator assigned and transferred without recourse (*pro soluto*) to the Issuer, and the Issuer acquired from the Originator, in accordance with the Securitisation Law, all of its rights, title and interest in and to the Receivables comprised in the Portfolio.

The Receivables have been selected by the Originator on the basis of the Criteria (for further details, see the section entitled "*The Portfolio*").

Under the terms of the Transfer Agreement, the transfer of the Receivables becomes effective in economic terms from the Valuation Date (excluded).

### Purchase Price

The Purchase Price for the Portfolio is the aggregate of the individual purchase prices of all the Receivables comprised in the Portfolio (each an "**Individual Purchase Price**") and is equal to Euro 284,702,575.22. The Individual Purchase Price of each Receivable is equal to the sum of (i) the outstanding principal as at the Valuation Date and (ii) the interest accrued thereon and unpaid as at the Valuation Date, as indicated in Schedule 3 of the Transfer Agreement. The Purchase Price (will be paid by the Issuer to the Originator on the Issue Date.

No interest will accrue on the Purchase Price during the period between the date of the Transfer Agreement and the relevant date of payment.

### Adjustment of the Purchase Price

The Transfer Agreement provides that:

- (a) if, after the Transfer Date, any of the mortgage loans included in the Portfolio and transferred to the Issuer proves not to meet the Criteria, then the receivables relating to such mortgage loans will be deemed not to have been assigned and transferred to the Issuer pursuant to the Transfer Agreement; and
- (b) if, after the Transfer Date, it transpires that any of the Mortgage Loans meeting the Criteria has not been included in the Portfolio and has not been transferred to the Issuer, then the Receivables relating to such Mortgage Loans will be deemed to have been assigned and transferred to the Issuer pursuant to the Transfer Agreement.

The Purchase Price shall be then adjusted in accordance with the provisions of the Transfer Agreement, provided that any amounts due and payable by the Issuer to the Originator as Adjustment Purchase Price will be paid out of the Issuer Available Funds, in accordance with the applicable Priority of Payments.

### Undertakings of the Originator

The Transfer Agreement contains certain undertakings by the Originator in respect of the Receivables. The Originator has undertaken, *inter alia*, to refrain from carrying out any activities with respect to the

Receivables which may have an adverse effect on the Receivables and, in particular, not to assign or transfer (in whole or in part) the Receivables to any third party or to create any security interest, charge, lien or encumbrance or other right in favour of any third party in respect of the Receivables in the period of time between (i) the date of proposal of the Transfer Agreement by the Originator and (ii) the date on which the relevant notice of sale is published in the Official Gazette and registered in the competent Companies Register. The Originator has also undertaken to refrain from any action which could cause the invalidity or a reduction in the amount of any of the Receivables and not to assign or transfer any of the Mortgage Loan Agreements.

Under the Transfer Agreement the Originator has also undertaken to indemnify the Issuer in respect of the amounts to be paid by the Issuer for any claw-back actions (*azioni revocatorie*) of payments received by the Originator in respect of the Receivables prior to the Transfer Date.

### **Subrogation**

Under the Transfer Agreement the parties thereto have undertaken and agreed that, should a Debtor request the amendment of the terms and/or conditions of the relevant Mortgage Loan, the Originator may accept such request by granting to the relevant Debtor a mortgage loan for the purpose of repayment in full of the original Mortgage Loan. After the repayment in full of such Mortgage Loan, the Originator will have the right to subrogate (i.e. replace) the Issuer in its rights in accordance with Article 1202 of the Italian Civil Code and the provisions of Law Decree No. 7 of 31 January 2007, converted into Law No. 40 of 2 April 2007, as amended from time to time. The Originator may exercise such right provided that:

- (a) it has not favoured, promoted or pressed for in any way the request to amend the terms and/or conditions of the relevant Mortgage Loan raised by the relevant Debtor;
- (b) the Debtor's request to amend the terms and/or conditions of the relevant Mortgage Loan has been formalised in writing, or the Debtor has submitted to the Originator a written statement issued by a bank different from the Originator showing the latter's intention to subrogate the Issuer in its rights in accordance with Article 1202 of the Italian Civil Code and the provisions of Law Decree No. 7 of 31 January 2007, converted into Law No. 40 of 2 April 2007, as amended from time to time;
- (c) the Receivable arising from the Mortgage Loan in relation to which a Debtor has requested such amendment is not a non performing loan (*credito in sofferenza*) or a delinquent loan (*credito incagliato*) pursuant to the Servicing Agreement and the Credit and Collection Policies;
- (d) the mortgage loan granted by it for the purpose of repaying the original Mortgage Loan is granted at current market conditions; and
- (e) the Issuer will receive from the relevant Debtor, for the purpose of repaying the original Mortgage Loan, an amount equal to (i) the principal component of the relevant Mortgage Loan and (ii) the interest accrued and not paid pursuant to such Mortgage Loan, included any interest past due and not paid and any default interest.

Should the Originator intend to consent to any of such requests, and upon all the above conditions being satisfied, the Originator will promptly communicate in writing to the Issuer and the Servicer, if different from the Originator, the Receivable in relation to which the relevant Debtor has requested such amendment.

### **Governing Law and Jurisdiction**

The Transfer Agreement and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Transfer Agreement (including a

dispute relating to the existence, validity or termination of the Transfer Agreement or any non-contractual obligation arising out of or in connection with it).

## DESCRIPTION OF THE WARRANTY AND INDEMNITY AGREEMENT

*The description of the Warranty and Indemnity Agreement set out below is a summary of certain features of this agreement and is qualified by reference to the detailed provisions of the Warranty and Indemnity Agreement. Prospective Noteholders may inspect a copy of the Warranty and Indemnity Agreement upon request at the registered office of the Representative of the Noteholders.*

### General

Pursuant to the Warranty and Indemnity Agreement entered into on 12 December 2011 between the Issuer and Banca Valsabbina, in its capacity as Originator, the Issuer has given certain representations and warranties in favour of the Originator in relation to itself, and Banca Valsabbina (a) has given certain representations and warranties in favour of the Issuer in relation to the Portfolio and (b) has agreed to indemnify the Issuer in respect of certain liabilities of the Issuer incurred in connection with the purchase and ownership of the Portfolio.

The Warranty and Indemnity Agreement contains representations and warranties by Banca Valsabbina in respect of the following categories:

- (1) status and power to execute the relevant Transaction Documents;
- (2) existence and legal ownership of the Receivables;
- (3) transfer of the Receivables and Transaction Documents;
- (4) Mortgage Loan Agreements, Collateral Securities;
- (5) Mortgage Loans;
- (6) compliance with Privacy Law;
- (7) Collateral Securities and Insurance Policies; and
- (8) Real Estate Assets.

### Representations and Warranties of the Originator

Under the Warranty and Indemnity Agreement Banca Valsabbina has represented and warranted, *inter alia*, as follows:

#### *Existence and Legal Ownership of the Receivables:*

- all the Receivables are valid and existing for the amount indicated in the Prospectus of Receivables;
- as of the Valuation Date each Receivable was fully and unconditionally owned by and available to Banca Valsabbina and was not subject to any lien (*pignoramento*), seizure (*sequestro*) or other charges in favour of any third party and was freely transferable to the Issuer;
- Banca Valsabbina has not assigned (whether absolutely or by way of security), participated, charged, transferred or otherwise disposed of any of the Mortgage Loan Agreements, the Security Interests and/or the Insurance Policies, or terminated, waived or amended any of the Mortgage Loan Agreements, the Security Interests and/or the Insurance Policies or otherwise created or

allowed creation or constitution of any further lien, pledge, encumbrance, security interest, arrangement or other right, claim or beneficial interest of any third party on any of the Mortgage Loan Agreements, the Security Interests and/or the Insurance Policies other than those provided in the Transaction Documents to which it is a party;

*Transfer of the Receivables and Transaction Documents:*

- the transfer of the Receivables to the Issuer is in accordance with the Securitisation Law. The Receivables possess specific objective common elements such as to constitute a portfolio of homogenous monetary rights within the meaning and for the purposes of Securitisation Law, Bank of Italy Supervisory Regulations and the applicable law. The Criteria have been correctly applied in the selection of the Receivables;
- there are no clauses or provisions in the Mortgage Loan Agreements, or in any other agreement, deed or document, pursuant to which Banca Valsabbina is prevented from transferring, assigning or otherwise disposing of the Receivables or of any of them;
- the transfer of the Receivables to the Issuer pursuant to the Transfer Agreement shall not impair or affect in any manner whatsoever the obligation of the relevant Debtors to pay the amounts outstanding in respect of any Receivables and the enforceability of the Mortgages and the Collateral Security;
- all the information supplied by Banca Valsabbina to the Issuer, the Arrangers, and/or any other party of any of the Transaction Documents and/or the representative agents and consultants for the purpose or in connection with the Transaction Documents or the Securitisation, including, without limitation, with respect to the Mortgage Loans, the Mortgage Loan Agreements, the Receivables, the Real Estate Assets, the Collateral Security, as well as the application of the Criteria, is true, accurate and complete in every material respect and no material information available to Banca Valsabbina which may adversely impact on the Issuer has been omitted;

*Mortgage Loan Agreements, Collateral Securities:*

- each Loan Agreement and each other agreement, Collateral Security, deed or document relating thereto is valid and effective and constitutes valid, legal and binding obligations of each party thereto enforceable in accordance with its terms;
- each of the Receivables and the Mortgages relating to the Mortgage Loans arises from agreements executed as public deeds (*atti pubblici*) drawn up by an Italian Notary Public or as private deeds subsequently notarised (*scritture private autenticate*);
- each Loan Agreement was entered into substantially in the same form as the standard form agreements used by Banca Valsabbina from time to time and in compliance with the lending and financial practices adopted by Banca Valsabbina from time to time, as described in the Credit and Collections Policies. After the execution of each Loan Agreement, the general conditions of such agreement were not substantially modified in respect of the standard form agreements used by the Originator;
- there are no floating rate Loan Agreement which benefit or have benefit of the reduction of the amounts of the Instalments due during year 2009 pursuant to Article 2 of Law Decree number 185 of 29 November 2008 ("*Misure urgenti per il sostegno a famiglie, lavoro, occupazione e impresa*");

*per ridisegnare in funzione anti-crisi il quadro strategico nazionale*"), as integrated and/or amended pursuant to the relevant conversion law;

- there are no Debtors who benefit or have benefit of the suspension of payments of Instalments pursuant to:
  - (i) Article 2, paragraphs 475-480 of Law 244 of 24 December 2007 ("*Legge Finanziaria 2008*") and Decree 132 of 21 June 2010 (*Regolamento recante norme di attuazione del Fondo di solidarietà per i mutui per l'acquisto della prima casa*);
  - (ii) Article 6 of Law Decree 39 of 28 April 2009 ("*Interventi urgenti in favore delle popolazioni colpite dagli eventi sismici nella regione Abruzzo nel mese di aprile 2009 e ulteriori interventi urgenti di protezione civile*"), as integrated and/or amended pursuant to the relevant conversion law; and
  - (iii) the agreement entered into on 18 December 2009 between the Italian Banking Association and the Italian consumers' associations ("*Piano Famiglie*");
- to the best knowledge of the Originator, each Loan Agreement, Collateral Security and other agreement, deed or document relating thereto has been executed and each Mortgage Loan has been advanced in compliance with all applicable laws, rules and regulations, including, without limitation, all laws, rules and regulations relating to land credit ("*credito fondiario*" as defined in the Consolidated Banking Act), usury, compounding of interests personal data protection and disclosure at the time in force, as well as in accordance with the internal rules, including underwriting and origination guidelines and lending policies and procedures adopted from time to time by Banca Valsabbina. In particular, the Originator has executed all the forms of publicity, where applicable, provided by Article 116 of the Consolidated Banking Act and by the resolution issued on 4 March 2003 by the Comitato Interministeriale per il Credito ed il Risparmio on the I.S.C. (*indicatore sintetico di costo*) and T.A.N. (*tasso annuo nominale*) and the relevant rate of interest and costs of the financing are clearly indicated in each Mortgage Loan;
- each Loan Agreement, Collateral Security and any other related agreement, deed or document was entered into and executed without any fraud (*frode*) or wilful misrepresentation (*dolo*) or undue influence by or on behalf of Banca Valsabbina or any of its directors (*amministratori*), managers (*dirigenti*), officers (*funzionari*) and/or employees (*impiegati*), which would entitle the relevant Debtor(s), Mortgagor(s) and/or other Guarantor(s) to claim against Banca Valsabbina for fraud or wilful misrepresentation or to repudiate any of the obligations under or in respect of the relevant Loan Agreement, Mortgage, Collateral Security or other agreement, deed or document relating thereto;

#### *Mortgage Loans:*

- each Mortgage Loan has been fully advanced, disbursed and drawn-down to or to the account of the relevant Debtor and there is no obligation on the part of Banca Valsabbina to advance or disburse further amounts in connection therewith;
- all the Mortgage Loans have been granted on the basis of an appraisal of the relevant Real Estate Assets, made and signed by an appraiser duly qualified and authorised, having no direct or indirect

interest in the relevant Real Estate Asset or Loan Agreement and whose compensation was not related or subject to the approval of such agreement;

- all the Mortgage Loans are performing (*in bonis*) according to the supervisory regulations of the Bank of Italy;
- as of the Valuation Date no Mortgage Loan fell within the definition of non-performing loan (*credito in sofferenza*), delinquent loan (*credito incagliato*), restructured debt (*credito ristrutturato*) under the Bank of Italy Supervisory Regulations or the Credit and Collections Policies or was in the process of being restructured (*credito in corso di ristrutturazione*) under such regulations or the Credit and Collections Policies. The scheduled amortisation plans disclosed are the up to date amortisation plans applied to the Debtors;
- the books, records, data and the documents relating to the Mortgage Loan Agreements, the Receivables, all instalments and any other amounts paid or repaid thereunder have been maintained in all material respects complete, proper and up to date, and all such books, records, data and documents are kept by or are available to Banca Valsabbina. Furthermore, in relation to each Receivable, the Originator has files which contain (a) in master copy and in conformed copy form the Loan from which such Receivables, as the case may be, arise and, (ii) in relation to Loans secured by Collateral Securities, the Mortgage deeds, those deeds relating to Collateral Securities, any other probatory documents of the Receivable and the relevant judicial acts and acts of performance (*atti esecutivi*), if any;
- the list of Mortgage Loans set out in Schedule 3 to the Transfer Agreement is an accurate list of all of the Receivables comprised in the Portfolio and contains the indication of the Individual Purchase Price for each Receivable and the outstanding amount, as of the Valuation Date, of each Mortgage Loan out of which such Receivables arise and all information contained therein (including information on Mortgages and Real Estate Assets) is true and correct in all material respects;
- as of the date on which the relevant Loan has been disbursed (*erogato*) the relevant Debtor has represented that the relevant Real Estates (which guarantee the relevant Receivables) are used for residential purposes;

*Collateral Securities and Insurance Policies:*

- each Mortgage has been duly granted, created, registered, renewed (when necessary) and preserved, is valid and enforceable and has been duly and properly perfected, meets all requirements under all applicable laws or regulations and is not affected by any material defect whatsoever;
- each Mortgage has been created simultaneously with the granting of the relevant Mortgage Loan. The "hardening" period (*periodo di consolidamento*) applicable to each Mortgage has expired and the relevant security interest created thereby is not capable of being challenged under any applicable laws and regulations whether by way of claw-back action or otherwise including, without limitation, pursuant to Article 67 of the Bankruptcy Law or Article 39 of the Consolidated Banking Act;
- Banca Valsabbina has not (whether in whole or in part) cancelled, released or reduced or consented to cancel, release or reduce any of the Mortgages except (i) to the extent such

cancellation, release or reduction is in accordance with prudent and sound banking practice in Italy, and (ii) when requested by the relevant Debtor or Mortgagor in circumstances where such cancellation, release or reduction is required by any applicable laws or contractual provisions of the relevant Loan Agreement. No Loan Agreement contains provisions entitling the relevant Debtor(s) or Mortgagor(s) to any cancellation, release or reduction of the relevant Mortgage other than when and to the extent it is required under any applicable law and/or regulation;

- each Mortgage is an "economic" first ranking priority mortgage (*ipoteca di primo grado economico*), i.e. there are no mortgages granted on the relevant Real Estate Assets in favour of third parties ranking equal or in priority with respect to the rank of such Mortgage or, if such mortgages exist, the relevant granted creditors have been repaid in full and the relevant debt has been extinguished or is to be cancelled since a consent to the cancellation of the previous mortgage has been obtained;
- each Mortgage is a security (*garanzia reale*) which secures the entire principal and interest amount (pursuant to Article 2855 of the Italian civil code) and any other collateral amount relating to the relevant Loan;
- Banca Valsabbina has not relieved or discharged any Debtor, Mortgagor or other Guarantor, has not entered into any agreement relating to composition, restructuring, rescheduling, which sets forth suspensions or *pactum de non petendum* for a certain time, or any subordination and/or waiver of rights of the Originator in relation to a Receivable, which are effective as of the Valuation Date and/or involve effects which may result in a subordination or waiver of rights, or subordinated its rights to claims of those of other creditors thereof, or waived any rights, except in relation to payments made in a corresponding amount in satisfaction of the relevant Receivables;
- each surety, pledge, collateral and other security interest constituting Collateral Security has been duly granted, created, perfected and maintained and is still valid and enforceable in accordance with the terms upon which it was granted and relied upon by Banca Valsabbina, meets all requirements under all applicable laws and regulations and is not affected by any material defect whatsoever;

#### *Real Estate Assets:*

- all of the Real Estate Assets were fully owned by the relevant Mortgagors, at the time the relevant Mortgages were registered;
- to the best of Banca Valsabbina's knowledge no claim has been made for adverse possession (including *usucapione*) in respect of any of the Real Estate Assets;
- to the best of Banca Valsabbina's knowledge there are no prejudicial registration, annotation (*iscrizioni o trascrizioni pregiudizievoli*) or third party claim in relation to any of the Real Estate Assets which may impair, affect or jeopardise in any manner whatsoever the relevant Mortgages, their enforceability and/or their ranking and/or any of the Issuer's related rights;
- to the best of Banca Valsabbina's knowledge there are no Real Estate Assets preliminary purchase agreements, or similar or analogous agreements, executed between Mortgagors and third parties which have been registered with the competent land offices and registration offices;

- to the best of Banca Valsabbina's knowledge and belief, all the Real Estate Assets comply with all applicable laws and regulations concerning health and safety and environmental protection (*legislazione in materia di igiene, sicurezza e tutela ambientale*);
- to the best of Banca Valsabbina's knowledge and belief at the Valuation Date the Real Estate Assets are not damaged and do not present any material defect, are in good condition and there are no pending or threatened proceedings;
- all the Real Estate Assets have been completed and are not under construction and the Debtors are not entitled to break down the relevant loan into instalments and fractionate the securing mortgage pursuant to Article 39 of the Consolidated Banking Act;
- risks of fire and explosion of the Real Estate Assets are covered by insurance policies for an amount at least equal to the value of the Real Estate Assets (as determined in the relevant appraisal), the premia for which have been fully and timely paid. The relevant indemnity may be settled upon Banca Valsabbina's prior authorisation;
- all the Real Estate Assets comply with all applicable planning and building laws and regulations (*legislazione edilizia, urbanistica e vincolistica*) or, otherwise, a valid petition of amnesty with reference to any existing irregularity had been duly filed with the competent authorities;
- all the Real Estate Assets are duly registered with the competent land offices and registration offices, in compliance with all applicable laws and regulations;
- all the Real Estate Assets comply with all applicable laws and regulations in matters of use (*destinazione d'uso*) and, in particular, as a building intended for residential use;
- each Real Estate Asset is located in Italy;
- to the best of Banca Valsabbina's knowledge the Real Estate Assets are provided with a certificate of occupancy (*certificato di abitabilità e/o agibilità*).

Each of the representations and warranties of the Originator under the Warranty and Indemnity Agreement have been made as of the Transfer Date. However, such representations and warranties shall be deemed to be repeated and confirmed by the Originator on the Issue Date, with reference to the facts and circumstances then subsisting.

#### **Limited Recourse Loan and Indemnities in favour of the Issuer**

Pursuant to the Warranty and Indemnity Agreement, in the event of any misrepresentation or breach by Banca Valsabbina of any of its representations and warranties made under such agreement in relation to any Receivables included in the Portfolio (and to the extent such breach is not cured by Banca Valsabbina, within a period of 10 days from receipt of a written notice from the Issuer to that effect), Banca Valsabbina has undertaken to grant the Issuer, upon its first demand and within 10 Business Days from such demand, a Limited Recourse Loan in an amount equal to the sum of:

- (a) the Outstanding Balance of the relevant Mortgage Loan as of the date on which the Limited Recourse Loan is granted; plus

- (b) the costs and the expenses (including, but not limited to, legal fees and disbursements plus VAT, if applicable) incurred by the Issuer in respect of the relevant Receivable up to the date on which the Limited Recourse Loan is granted; plus
- (c) the damages and the losses incurred by the Issuer as a consequence of any claim raised by any third party in respect of such Receivable until the date on which the Limited Recourse Loan is granted; plus
- (d) an amount equal to the interest which would have accrued on the Outstanding Principal of the relevant Receivable (calculated at the rate of interest applicable to the Senior Notes according to the relevant Terms and Conditions) between the date on which the Limited Recourse Loan is granted and the date which falls on the last day of the relevant Collection Period (hereinafter, the "**Mortgage Loan Value**").

The Limited Recourse Loan will constitute a non-interest bearing limited recourse advance made by Banca Valsabbina to the Issuer which shall be repayable by the Issuer to Banca Valsabbina only if and to the extent that the Receivable in respect of which the relevant Limited Recourse Loan is granted is collected or recovered by the Issuer.

Pursuant to the Warranty and Indemnity Agreement, the Originator has agreed to indemnify and hold harmless the Issuer, its directors 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*:

- (a) any representations and/or warranties made by the Originator thereunder, being false, incomplete or incorrect;
- (b) the failure by Banca Valsabbina to comply with any of its obligations under the Transaction Documents;
- (c) any amount of any Receivable not being collected as a result of the proper and legal exercise of any right of set-off against the Originator or right of termination by a Debtor and/or a Mortgagor and/or a Guarantor or the insolvency receiver of any Debtor or Mortgagor;
- (d) the failure of the terms and conditions of any Mortgage Loan on the Valuation Date to comply with the provision of Article 1283 or Article 1346 of the Italian Civil Code; or
- (e) the failure to comply with the provisions of the Usury Law in respect of any interest accrued under the Mortgage Loans up to the Valuation Date.

Under the Warranty and Indemnity Agreement, the Originator and the Issuer have agreed and acknowledged that the indemnity rights deriving thereunder shall in no event be construed so as to invalidate the pro soluto nature of the assignment and transfer of the Receivables made pursuant to the Transfer Agreement.

In the event of any Counterclaim being raised by a Debtor and/or a Mortgagor and/or a Guarantor or the insolvency receiver of any Debtor or Mortgagor in respect of any Receivable in the circumstances referred to in the Warranty and Indemnity Agreement including those referred to in the preceding paragraph under (c), (d) and (e) above, Banca Valsabbina shall give a notice thereof to the Issuer, specifying the amount of the Counterclaim and whether it is in Banca Valsabbina's view legally founded (hereinafter, the

**"Counterclaim Accepted Amount")** or legally unfounded (hereinafter, the **"Counterclaim Disputed Amount")**). Following service of the notice, the Originator shall pay to the Issuer by transfer into the Payments Account an amount equal to the amount of the Counterclaim, together with interest accrued thereon from and including the date on which such amount should have been paid by the relevant Debtor (and/or Mortgagor and/or any Guarantor) to but excluding the date on which such amount is actually paid to the Issuer at an annual rate equal to the EURIBOR applicable during such period plus a margin of 2 per cent.. Any such payment made (i) to the extent it consists of a Counterclaim Accepted Amount, shall be deemed to constitute a payment on account of the indemnity obligation of the Originator and (ii) to the extent it consists of a Counterclaim Disputed Amount, shall be deemed to constitute a limited recourse advance made by the Originator to the Issuer which shall not accrue interest and which shall be repayable by the Issuer to the Originator if and to the extent that the amounts which are the subject of the relevant Counterclaim are actually paid to the Issuer by the relevant Debtor (and/or Mortgagor and/or any Guarantor).

### **Representations and Warranties of the Issuer**

Under the Warranty and Indemnity Agreement the Issuer has given certain representations and warranties to the Originator in relation to its due incorporation, solvency and due authorisation, execution and delivery of the Warranty and Indemnity Agreement and the other Transaction Documents.

### **Limited Recourse**

The Warranty and Indemnity Agreement provides that the obligations of the Issuer to make any payments thereunder, including the indemnity obligations of the Issuer shall be limited to the lesser of the nominal amount thereof and the Issuer Available Funds which may be applied by the Issuer in making such payment in accordance with the applicable Priority of Payments. The Originator acknowledges that the obligations of the Issuer contained in the Warranty and Indemnity Agreement will be limited to such sums as aforesaid and that it will have no further recourse to the Issuer in respect of such obligations.

### **Governing Law and Jurisdiction**

The Warranty and Indemnity Agreement and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Warranty and Indemnity Agreement (including a dispute relating to the existence, validity or termination of the Warranty and Indemnity Agreement or any non-contractual obligation arising out of or in connection with it).

## DESCRIPTION OF THE SERVICING AGREEMENT

*The description of the Servicing Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Servicing Agreement. Prospective Noteholders may inspect a copy of the Servicing Agreement at the registered office of the Representative of the Noteholders.*

### General

Pursuant to the Servicing Agreement entered into on 12 December 2011 between the Issuer and Banca Valsabbina, the Issuer has appointed Banca Valsabbina as Servicer of the Receivables and the Servicer has agreed to administer and service the Receivables.

Under the Servicing Agreement, the Servicer shall credit on a daily basis all Collections received and recovered in relation to the Receivables into the Collection Account. The receipt of cash collections in respect of the Mortgage Loans is the responsibility of the Servicer. Banca Valsabbina will also act as the entity responsible for the collection of the assigned credits and cash and payment services "*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e pagamento*" pursuant to Article 2, paragraph 3(c) of the Securitisation Law. In such capacity, Banca Valsabbina shall also be responsible for ensuring that such operations comply with all applicable laws and the Prospectus pursuant to Article 2, paragraph 6 and 6 *bis* of the Securitisation Law.

The Servicer will also be responsible for carrying out, on behalf of the Issuer, in accordance with the Servicing Agreement and the Credit and Collections Policies, any activities related to the Management of the Defaulted Receivables, including activities in connection with the enforcement and recovery of the Defaulted Receivables.

### Obligations of the Servicer

Under the Servicing Agreement the Servicer has undertaken, *inter alia*:

- (a) to carry out the management, administration and collection of the Receivables and to manage the recovery of the Defaulted Receivables and to bring or participate in the relevant enforcement procedures in relation thereto in accordance with best professional skills;
- (b) to comply with laws and regulations applicable in Italy to the activities contemplated for under the Servicing Agreement and, in particular, to perform any activities provided by the relevant laws and regulations applicable in Italy in relation to the administration and collection of the Receivables, including, but not limited to, the Bank of Italy Supervisory Regulations;
- (c) to maintain effective accounting and auditing procedures in order to comply with the Servicing Agreement;
- (d) not to authorise, other than in certain limited circumstances specified in the Servicing Agreement, any waiver in respect of any Receivables or other security interest, lien or privilege pursuant to or in connection with the Mortgage Loan Agreements and not to authorise any modification thereof which may be prejudicial to the Issuer's interests to the extent such waiver or modification is not imposed by law, by judicial or other authority unless such waiver or modification is authorised by the Issuer; and

- (e) to ensure that the Usury Law will not be breached in carrying out its functions under the Servicing Agreement.

The activities to be carried out by the Servicer include also the processing of administrative and accounting data in relation to the Receivables and the management of such data. The Servicer has represented to the Issuer that it has all skills, software, hardware, information technology and human resources necessary to comply with the efficiency standards required by the Servicing Agreement.

The Servicer has undertaken to use all due diligence to maintain all accounting records in respect of the Receivables and on the Defaulted Receivables and shall (i) supply all relevant information to the Issuer and the Corporate Servicer and (ii) assist and cooperate with the Corporate Servicer to prepare the financial statements of the Issuer.

In the event of any material failure on the part of the Servicer to observe or perform any of its obligations under the Servicing Agreement, the Issuer and the Representative of the Noteholders shall be authorised to carry out all necessary activities to perform the relevant obligation in accordance with the terms thereunder. The Servicing Agreement provides that the Servicer will indemnify the Issuer and the Representative of the Noteholders from and against any cost and expenses incurred by them in connection with performance of the relevant obligation.

Pursuant to the terms of the Servicing Agreement, the Issuer has authorised the Servicer to execute settlement agreements or re-negotiate the terms of the Mortgage Loan Agreements, to grant delay and assumptions (*accogli*) in relation to the payment obligations of the Debtors under the Mortgage Loan Agreements, only in certain limited circumstances specified in the Servicing Agreement.

The Issuer and the Representative of the Noteholders have the right to inspect and take copies of the documentation and records relating to the Receivables in order to verify the performance by the Servicer of its obligations pursuant to the Servicing Agreement to the extent the Servicer has been informed reasonably in advance of such inspection.

Pursuant to the Servicing Agreement, the Servicer shall perform the duties provided for by the Servicing Agreement and take any steps and decision in relation to the management, servicing, recovery and collection of the Receivables in compliance with:

- (a) the Collection Procedures;
- (b) the sound and prudent banking management (*sana e prudente gestione bancaria*) adopted by the Servicer in the management of its receivables;
- (c) any laws and regulation applicable to the Receivables and/or the Servicer, including the Consolidated Banking Act, the Bank of Italy Supervisory Regulations and the Usury Law;
- (d) the provisions of the Mortgage Loans Agreements; and
- (e) the instructions which may be given by the Issuer and, following a Trigger Notice, by the Representative of the Noteholders.

The Servicer has acknowledged and accepted that, pursuant to the terms of the Servicing Agreement (other than the Servicing Fee) it will have no further recourse against the Issuer for any damages, losses, liabilities, costs or expenses incurred by the Servicer as a result of the performance of its obligations under

the Servicing Agreement, except and to the extent that such damages are caused by the wilful misconduct (*dolo*) or gross negligence (*colpa grave*) of the Issuer.

### **Renegotiations and Suspensions**

Pursuant to the terms and conditions of the Servicing Agreement the Issuer has authorised the Servicer to enter into agreements in order to renegotiate, *inter alia*:

- (a) the interest rate provided by the Mortgage Loan Agreements, in respect of which the parties have agreed that from the Valuation Date the Outstanding Principal of the Receivables whose interest rate can be renegotiated (as at the date on which the relevant renegotiation have been executed) will not exceed in any case the 8% of the Outstanding Balance of the Portfolio as at the Valuation Date;
- (b) the early termination fee (*penale di estinzione anticipata*), in respect of which the parties have agreed that from the Valuation Date the Outstanding Principal of the Receivables whose amortisation schedule can be renegotiated (as at the date on which the relevant renegotiation have been executed) will not exceed in any case the 5% of the Outstanding Balance of the Portfolio as at the Valuation Date; and
- (c) the amortisation schedule.

In addition, the Issuer has authorised Banca Valsabbina to agree with the Debtors the suspension of the payments of the Instalments due under the relevant Mortgage Loan Agreement for a maximum period of 12 months, subject to, *inter alia*, Banca Valsabbina, having credited into the Suspension Account the relevant Suspension Amount, in accordance with the provisions set out therein.

Finally, in certain circumstances only, the Servicer shall be entitled to sell and transfer to third parties (other than the Originator) one or more Defaulted Receivables provided that certain conditions set out therein are fully satisfied.

### **Reports of the Servicer**

The Servicer has undertaken to prepare and deliver:

- (a) to the Issuer, the Computation Agent, the Corporate Servicer and the Rating Agencies, on or prior to each Monthly Servicer's Report Date, the Monthly Servicer's Report (inserting all the dates and information provided for by Annex 1 to the Servicing Agreement); and
- (b) to the Issuer, the Computation Agent, the Representative of the Noteholders, the Account Bank, the Paying Agent, the Rating Agencies and the Corporate Servicer, on or prior to each Quarterly Servicer's Report Date, the Quarterly Servicer's Report (inserting all the dates and information provided for by Annex 2 to the Servicing Agreement).

The above reports shall set out detailed information in relation to, *inter alia*, the Collections in relation to the Receivables comprised in the Portfolio.

### **Servicing Fee**

In return for the services provided by the Servicer, the Issuer will pay Banca Valsabbina the following Servicing Fee, in accordance with the applicable Priority of Payments:

- (a) for the supervision, administration, management and collection of the Receivables (excluding the activities of recovery and compliance under (b) and (c) below, respectively), on each Payment Date a fee equal to 0,45 per cent. *per annum* (plus VAT, if applicable) of the Collections in respect of performing Receivables (excluding Defaulted Receivables and Collected Insurance Premia) collected by the Servicer during the Collection Period immediately preceding the relevant Payment Date;
- (b) for the supervision, administration, management and collection and recoveries of the Defaulted Receivables (excluding the activity of compliance under (c) below), on each Payment Date in respect of the Collection Period immediately preceding, a fee equal to 0.05 per cent. *per annum* (including VAT, if applicable) of the Collections made by the Servicer in respect of the Defaulted Receivables during the Collection Period immediately preceding the relevant Payment Date, net of any expenses in relation to such Collections; and
- (c) for the activity of compliance (i.e. compliance with duties imposed by the applicable regulation and/or reporting and communication duties), on each Payment Date a fee equal to Euro 500 (plus VAT, if applicable).

The fees specified under paragraph (b) above are inclusive of any expenses (including, without limitation, the fees of external legal advisers) incurred by the Servicer in connection with the recovery of the Defaulted Receivables.

#### **Termination of the Appointment of the Servicer**

The Servicer may not terminate its appointment before the Cancellation Date.

The Issuer may, at its sole discretion, terminate the Servicer's appointment and appoint a Successor Servicer if a Servicer Termination Event occurs. The Servicer Termination Events include, *inter alia*, the following events:

- (a) an Insolvency Event occurs in respect of the Servicer;
- (b) a failure on the part of Banca Valsabbina to observe or perform any of its undertakings under any Transaction Documents to which it is party and such failure (i) could result into (upon discretion of the Representative of the Noteholders) a prejudice for the Issuer or the Noteholders, and (ii) is not remedied within 10 (ten) days after the receipt by the Servicer and the Representative of the Noteholders of a notice by the Issuer requiring the same to be remedied;
- (c) any of the representations and warranties given by Banca Valsabbina under the Servicing Agreement and/or any other Transaction Document to which it is party proves to be false or misleading in any respect and this could be prejudicial (at the sole discretion of the Representative of the Noteholders) to the interests of the Issuer or the Noteholders;
- (d) the Servicer fails to deposit or pay any amount due under the Servicing Agreement within 5 (five) Business Days from the day on which such amount is due (unless such failure is due to strikes, technical delays or other justified reason);
- (e) it becomes illegal for the Servicer to perform any of its obligations under any of the Transaction Documents to which it is a party;

- (f) the economic, financial and managing conditions of the Servicer deteriorate up to the point that, if the Servicer it is not replaced, there could be a downgrading of one or more Classes of Notes;
- (g) the Servicer fails to maintain the legal requirements which are mandatory for its role under the Servicing Agreement in a securitisation transaction or other requirements which could be requested, in the future, by the Bank of Italy or any other relevant governmental or administrative authorities.

#### **The Back-Up Servicer Facilitator**

The Back-Up Servicer Facilitator has agreed under the Cash Allocation, Management and Payment Agreement to reasonably assist and cooperate with the Issuer in order to identify an eligible entity which available to be appointed as substitute Back-Up Servicer under the Transaction Documents, in the event that (a) the appointment of the Back-Up Servicer is terminated in accordance with the terms and conditions of the Back-Up Servicing Agreement, or (b) the Back-Up Servicer replaces the Servicer in its role under the Servicing Agreement.

#### **Governing Law and Jurisdiction**

The Servicing Agreement is governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Servicing Agreement.

## **DESCRIPTION OF THE BACK-UP SERVICING AGREEMENT**

*The description of the Back-Up Servicing Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Back-Up Servicing Agreement. Prospective Noteholders may inspect a copy of the Back-Up Servicing Agreement upon request at the registered office of the Representative of the Noteholders.*

On or about the Issue Date the Back-Up Servicer, the Servicer, the Back-Up Servicer Facilitator and the Issuer entered into the Back-Up Servicing Agreement, pursuant to which the Back-Up Servicer has agreed to be appointed and act as substitute Servicer.

Pursuant to the terms of the Back-Up Servicing Agreement, the Back-Up Servicer shall substitute Banca Valsabbina as Servicer subject to the termination of the Servicing Agreement and/or upon the occurrence of a "Servicer Termination Event", in accordance with the 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 substitute servicer provided for by the Servicing Agreement.

### **Governing Law and Jurisdiction**

The Back-Up Servicing Agreement and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Back-Up Servicing Agreement (including a dispute relating to the existence, validity or termination of the Back-Up Servicing Agreement or any non-contractual obligation arising out of or in connection with it).

## DESCRIPTION OF THE CASH ALLOCATION, MANAGEMENT AND PAYMENT AGREEMENT

*The description of the Cash Allocation, Management and Payment Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Cash Allocation, Management and Payment Agreement. Prospective Noteholders may inspect a copy of the Cash Allocation, Management and Payment Agreement upon request at the registered office of the Representative of the Noteholders.*

### General

Pursuant to the Cash Allocation, Management and Payment Agreement entered into on the Signing Date, the Computation Agent, the Account Bank, the Servicer, the Paying Agent and the Cash Manager have agreed to provide the Issuer with certain calculation, notification, reporting and agency services together with account handling, investment and cash management services in relation to monies and securities from time to time standing to the credit of the Accounts.

### Account Bank

The Account Bank has agreed to:

- (a) open in the name of the Issuer and manage in accordance with the Cash Allocation, Management and Payment Agreement the Collection Account, the Payments Account, the Cash Reserve Account, the Securities Account and the Suspension Account, and
- (b) provide the Issuer with:
  - (i) certain reporting services together with certain handling services in relation to monies from time to time standing to the credit of the Account Bank Eligible Accounts held with it and
  - (ii) certain investment and reporting services together with certain handling services in relation to the securities from time to time deposited in the Securities Account.

In particular, the Account Bank, on each Account Bank Report Date shall deliver to the Issuer, the Representative of the Noteholders, the Cash Manager, the Corporate Servicer and the Computation Agent a copy of:

- (a) the Account Bank Report setting out information concerning, *inter alia*, the transfers and the balances relating to the Eligible Accounts held with it during the relevant Collection Period, and
- (b) the Securities Account Report setting out information concerning, *inter alia*, the transfers and the balances relating to the Securities Account held with it during the relevant Collection Period.

The Account Bank will be required at all times to be an Eligible Institution.

### Cash Manager

The Cash Manager has agreed to provide the Issuer with certain cash management services in relation to the funds standing to the credit of the Eligible Accounts. Upon notification by the Account Bank that the cleared credit balance of any of the Eligible Accounts exceeds Euro 500,000, the Cash Manager shall, in the name and on behalf of the Issuer, select the Eligible Investments in which such credit balance (or most of it) will be invested and shall instruct the Account Bank accordingly (provided that: any such Eligible

Investment has a maturity date falling not beyond the Eligible Investment Maturity Date and no deduction or withholding for or on account of any taxation in respect of such Eligible Investments is directly imposed and due by the Issuer). The Eligible Investments referred to above and related to the Collections to be distributed on the next Payment Date shall not be made in the period starting on the third Business Day preceding a Payment Date and ending on such Payment Date (both included).

### **Computation Agent**

The Computation Agent has agreed to provide the Issuer with certain other calculation, monitoring and reporting services. The Computation Agent shall prepare on or prior to the Investors Report Date, the Investors Report setting out certain information with respect to the Notes. Following the service of a Trigger Notice by the Representative of the Noteholders, the Computation Agent shall, on behalf of the Issuer, calculate and prepare the Post Trigger Report containing the amount of the Issuer Available Funds and the amounts of each of the payments and allocations to be made by the Issuer in accordance with the Post-Enforcement Priority of Payment. In addition, the Computation Agent shall prepare on each Calculation Date and deliver the Payments Report with respect to the relevant Collection Period. The Servicer shall monitor and supervise the Payments Report prepared by the Computation Agent.

### **The Back-Up Servicer Facilitator**

The Back-Up Servicer Facilitator has agreed under the Cash Allocation, Management and Payment Agreement to reasonably assist and cooperate with the Issuer in order to identify an eligible entity which available to be appointed as substitute Back-Up Servicer under the Transaction Documents, in the event that (a) the appointment of the Back-Up Servicer is terminated in accordance with the terms and conditions of the Back-Up Servicing Agreement, or (b) the Back-Up Servicer replaces the Servicer in its role under the Servicing Agreement.

### **Paying Agent**

The Paying Agent has agreed to provide the Issuer with certain calculation, payment and agency services in relation to the Notes, including without limitation, calculating the Rate of Interest, making payment to the Noteholders, giving notices and issuing certificates and instructions in connection with any meeting of the Noteholders.

The Paying Agent will be required at all times to be an Eligible Institution.

### **Payments to Noteholders and Other Issuer Creditors**

Under the Cash Allocation, Management and Payment Agreement, the Issuer will instruct the Account Bank to arrange for the transfer two Business Days prior to each Payment Date, of sufficient amounts, from the Eligible Accounts (other than the Payments Account and the Suspension Account) into the Payments Account as indicated by the Computation Agent and/or in the relevant Payments Report and, upon written instructions by the Issuer, the Account Bank shall make the payments in favour of the Paying Agent or the other Issuer's creditor and/or shall retain into the Payments Account the amounts indicated by the Computation Agent and/or specified in the relevant Payments Report. In particular:

- (i) payments in favour of the Noteholders shall be made by transferring the full amount thereof to the Paying Agent to provide for such payments on such Payment Date; and

- (ii) payments to the Other Issuer Creditors and any other third party creditors shall be made by the Account Bank on such Payment Date,

in each case to the extent that Issuer Available Funds are available for such purposes and in accordance with the applicable Priority of Payments. No payments may be made out of the Accounts which would thereby cause or result in such accounts becoming overdrawn.

#### **Transfer of funds from the Suspension Account**

Under the Cash Allocation, Management and Payment Agreement, the Computation Agent on each Calculation Date shall:

- (a) determine and notify (through the relevant Payments Report) to the Originator, the Issuer, the Servicer, the Account Bank and the Paying Agent, the amount, calculated in accordance with the provisions of the Cash Allocation, Management and Payment Agreement, of the funds deposited into the Suspension Account which shall form part of the Issuer Available Funds and will be applied in accordance with the applicable Priority of Payments; and
- (b) determine and promptly after such determination (and in any event no later than the immediately following Payment Date) notify (also through the delivery of the relevant Payments Report) to the Originator, the Issuer, the Servicer, the Account Bank, the Representative of the Noteholders and the Paying Agent, the amount standing to the credit of the Suspension Account and to be repaid to the Originator (the "**Repayment Amount**").

Following such determinations and notifications, the Account Bank (i) two Business Days before each Payment Date, shall transfer from the Suspension Account to the Payments Account the amount under (a) above and specified in the relevant Payments Report, and (ii) within 3 Business Days following the determination and notification of the Repayment Amount under (b) above, the Account Bank shall transfer from the Suspension Account to the Originator the relevant Repayment Amount.

#### **Termination or resignation of the appointment of the Agents**

The appointment of any of the Computation Agent, the Paying Agent, the Cash Manager, Back-Up Servicer Facilitator and the Account Bank may be terminated by the Issuer, subject to the prior written approval of the Representative of the Noteholders, upon three months written notice provided that the Issuer at all times maintains an agent carrying out the duties provided under the Cash Allocation, Management and Payment Agreement.

Each of the Computation Agent, the Paying Agent, the Cash Manager, Back-Up Servicer Facilitator and the Account Bank may resign from its appointment under the Cash Allocation, Management and Payment Agreement, upon giving not less than three months (or such shorter period as the Representative of the Noteholders may agree) prior written notice of termination to the Representative of the Noteholders, the Issuer and the other relevant parties thereto subject to and conditional upon, *inter alia*, a substitute Computation Agent, Paying Agent, Cash Manager and Account Bank, as the case may be, being appointed by the Issuer, with the prior written approval of the Representative of the Noteholders, on substantially the same terms set out in the Cash Allocation, Management and Payment Agreement.

#### **Governing Law and Jurisdiction**

The Cash Allocation, Management and Payment Agreement and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Cash Allocation, Management and Payment Agreement (including a dispute relating to the existence, validity or termination of the Cash Allocation, Management and Payment Agreement or any non-contractual obligation arising out of or in connection with it).

## DESCRIPTION OF THE INTERCREDITOR AGREEMENT

*The description of the Intercreditor Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Intercreditor Agreement. Prospective Noteholders may inspect a copy of the Intercreditor Agreement at the registered office of the Representative of the Noteholders.*

### General

On the Signing Date, the Issuer and the Other Issuer Creditors entered into the Intercreditor Agreement, pursuant to which provision is made, *inter alia*, as to the order of application of the Issuer Available Funds and the circumstances under which the Representative of the Noteholders will be entitled to exercise certain of the Issuer's rights in relation to the Portfolio and the Transaction Documents.

### Priority of Payments

The Intercreditor Agreement also sets out, *inter alia*, the Priority of Payments to be applied by the Issuer in connection with the Securitisation.

### Limited Recourse Obligations

The obligations owed by the Issuer to each of the Other Issuer Creditors, including without limitation, the obligations under any Transaction Document to which any of such Other Issuer Creditors is a party, will be limited recourse obligations of the Issuer. Each of the Other Issuer Creditors will have a claim against the Issuer only to the extent of the Issuer Available Funds, in each case subject to and as provided in the Intercreditor Agreement and the other Transaction Documents.

### Directions of the Representative of the Noteholders following the service of a Trigger Notice

Under the terms of the Intercreditor Agreement, the Issuer has undertaken, upon the service of a Trigger Notice, to comply with all directions of the Representative of the Noteholders, acting pursuant to the Terms and Conditions, in relation to the management and administration of the Portfolio.

### Disposal of the Portfolio upon Trigger Event

Following the service of a Trigger Notice and in accordance with the Terms and Conditions, the Issuer may (with the prior consent of the Representative of the Noteholders) or the Representative of the Noteholders may (or shall if so requested by an Extraordinary Resolution of the Most Senior Class of Noteholders) direct the Issuer to dispose of the Portfolio if:

- (a) a sufficient amount would be realised from such disposal to allow discharge in full of all amounts owing to the Senior Noteholders and amounts ranking in priority thereto or *pari passu* therewith or, if such amount would not be realised, a certificate issued by a reputable bank or financial institution or auditor stating that the purchase price for the Portfolio is adequate (based upon such bank's or financial institution's or auditor's evaluation of the Portfolio) has been obtained by the Issuer or by the Representative of the Noteholders;
- (b) the relevant purchaser has obtained all the necessary approvals and authorisations;
- (c) the relevant purchaser has produced:

- (i) a certificate signed by its legal representative stating that such purchaser is solvent;
- (ii) a solvency certificate (*certificato di iscrizione nella sezione ordinaria*) issued by the competent Companies Register;
- (iii) a certificate, issued by the Court competent for the territory in which is based the legal office of such purchaser, stating that no insolvency proceedings against such purchaser are pending; and
- (iv) evidence of its solvency satisfactory to the Representative of the Noteholders.

In such case the purchase price of the Receivables shall be equal to the Outstanding Balance of such Receivables as at the date of repurchase by the Originator, provided that, if the Portfolio includes Defaulted Receivables, the purchase price shall not be higher than their fair market value as at the date of repurchase. Such value will be determined by a third party arbitrator (independent from the banking group of the Originator and from any other party involved in the Securitisation) appointed by mutual agreement of the Originator and the Issuer or, if no agreement is reached, by the chairman of the Italian Banking Association

#### **Disposal of the Portfolio following the occurrence of a Tax Event**

Following the occurrence of a Tax Event and in accordance with the Terms and Conditions, the Issuer may, or the Representative of the Noteholders may (or shall if so requested by an Extraordinary Resolution of the Most Senior Class of Noteholders) direct the Issuer to dispose of the Portfolio or any part thereof to finance the early redemption of the relevant Notes under Condition 8.4 (*Redemption, Purchase and Cancellation – Redemption for Taxation*) if:

- (a) a sufficient amount would be realised from such disposal to allow discharge in full of all amounts owing to the holders of the Affected Classes or the Senior Noteholders, as the case may be, and amounts ranking in priority thereto or *pari passu* therewith;
- (b) the relevant purchaser has obtained all the necessary approvals and authorisations; and
- (c) the relevant purchaser has produced:
  - (i) a certificate signed by its legal representative stating that such purchaser is solvent;
  - (ii) a solvency certificate (*certificato di iscrizione nella sezione ordinaria*) issued by the competent Companies Register;
  - (iii) a certificate, issued by the Court competent for the territory in which is based the legal office of such purchaser, stating that no insolvency proceedings against such purchaser are pending; and
  - (iv) evidence of its solvency satisfactory to the Representative of the Noteholders.

In such case the purchase price of the Receivables shall be equal to the Outstanding Balance of such Receivables as at the date of repurchase by the Originator, provided that, if the Portfolio includes Defaulted Receivables, the purchase price shall not be higher than their fair market value as at the date of repurchase. Such value will be determined by a third party arbitrator (independent from the banking group of the Originator and from any other party involved in the Securitisation) appointed by mutual agreement of the Originator and the Issuer or, if no agreement is reached, by the chairman of the Italian Banking Association

### **Option on the Portfolio in favour of Originator**

Under the Intercreditor Agreement, the Issuer has irrevocably granted to the Originator an option, pursuant to Article 1331 of the Italian Civil Code, to repurchase (in whole but not in part) the Portfolio then outstanding on any Payment Date. In order to exercise the above mentioned option the Originator shall, *inter alia*, deliver to the Issuer evidence of its solvency satisfactory to the Representative of the Noteholder.

The purchase price of the Receivables shall be equal to the Outstanding Balance of such Receivables, as at the date of repurchase by the Originator, provided that, if the Portfolio includes Defaulted Receivables, the purchase price shall not be higher than their fair market value as at the date of repurchase, as determined by a third party arbitrator. Such value will be determined by a third party arbitrator (independent from the banking group of the Originator and from any other party involved in the Securitisation) appointed by mutual agreement of the Originator and the Issuer or, if no agreement is reached, by the chairman of the Italian Banking Association.

The Originator will be entitled to exercise the Option provided that the purchase price of the Receivables, so determined, is at least equal to the amount needed by the Issuer to discharge in full all amounts owing to the Senior Noteholders and amounts ranking in priority thereto or *pari passu* therewith pursuant to the Priority of Payments.

### **Option to repurchase Individual Receivables**

Under the Intercreditor Agreement, in order to maintain a good relationship with its clients, the Originator shall have the right to repurchase individual Receivables comprised in the Portfolio to the extent that the purchase price shall be equal to:

- (a) in relation to Receivables that as at the date of the exercise of the option are not classifiable as "*esposizioni in default*" pursuant to the Bank of Italy Supervisory Regulations, the Adjustment Purchase Price provided for in case of erroneous inclusion of a receivable in the Portfolio, calculated, *mutatis mutandis*, in accordance with Article 4.2. (*Adeguamento del Corrispettivo nel caso di erronea inclusione di un credito*) of the Transfer Agreement;
- (b) in relation to Receivables that as at the date of the exercise of the option are classifiable as "*esposizioni in default*" pursuant to the Bank of Italy Supervisory Regulations, their market value "*valore di mercato*".

The Option to Repurchase Individual Receivables shall not be exercised by the Originator:

- (a) in the event that the cumulative amount of the Outstanding Principal of all the Receivables transferred back to the Originator in such calendar year is higher than the 3% of the Outstanding Principal of the Portfolio as at the Valuation Date; and
- (b) after the date in which the cumulative amount of the Outstanding Principal of all the Receivables transferred back to the Originator is higher than the 7% of the Outstanding Principal of the Portfolio as at the Valuation Date.

### **Governing Law and Jurisdiction**

The Intercreditor Agreement and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Intercreditor Agreement (including a

dispute relating to the existence, validity or termination of the Intercreditor Agreement or any non-contractual obligation arising out of or in connection with it).

## DESCRIPTION OF THE DEED OF PLEDGE

*The description of the Deed of Pledge set out below is a summary of certain features of the Deed of Pledge and is qualified by reference to the detailed provisions of such Deed of Pledge. Prospective Noteholders may inspect a copy of the Deed of Pledge at the registered office of the Representative of the Noteholders.*

### **The Deed of Pledge**

On the Signing Date the Issuer, the Representative of the Noteholders (acting on behalf of the Noteholders and the Other Issuer Creditors) and the Account Bank entered into an Italian law Deed of Pledge.

Pursuant to the Deed of Pledge, the Issuer

- (a) has pledged in favour of the Noteholders and the Other Issuer Creditors, as security for the Secured Obligations, a first priority pledge over all existing and future monetary claims and rights deriving from certain Transaction Documents (other than the Receivables and the Collections) and
- (b) has undertaken to pledge in favour of the Noteholders and the Other Issuer Creditors the Eligible Investments that will be made by the Account Bank on behalf of the Issuer and upon instructions from the Cash Manager pursuant to the Cash Allocation, Management and Payment Agreement and all monies, property and other rights which may from time to time be distributed or derived therefrom.

### *Governing Law and Jurisdiction*

The Deed of Pledge and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Deed of Pledge (including a dispute relating to the existence, validity or termination of the Deed of Pledge or any non-contractual obligation arising out of or in connection with it).

## DESCRIPTION OF THE MANDATE AGREEMENT

*The description of the Mandate Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Mandate Agreement. Prospective Noteholders may inspect a copy of the Mandate Agreement at the registered office of the Representative of the Noteholders.*

### **General**

On the Signing Date, the Issuer and the Representative of the Noteholders, have entered into the Mandate Agreement, pursuant to which, subject to a Trigger Notice being served or upon failure by the Issuer to exercise its rights under the Transaction Documents, the Representative of the Noteholders, acting in such capacity, shall be authorised to exercise, in the name and on behalf of the Issuer, all the Issuer's non-monetary rights arising out of the Transaction Documents to which the Issuer is a party.

### **Governing Law and Jurisdiction**

The Mandate Agreement and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Mandate Agreement (including a dispute relating to the existence, validity or termination of the Mandate Agreement or any non-contractual obligation arising out of or in connection with it).

## DESCRIPTION OF THE CORPORATE SERVICES AGREEMENT

*The description of the Corporate Services Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Corporate Services Agreement. Prospective Noteholders may inspect a copy of the Corporate Services Agreement at the registered office of the Representative of the Noteholders.*

### **General**

On the Signing Date, the Issuer and the Corporate Servicer entered into the Corporate Services Agreement.

Pursuant to the Corporate Services Agreement, the Corporate Servicer has agreed to provide the Issuer with certain corporate administration and management services. These services include, *inter alia*, the safekeeping of documentation pertaining to meetings of the Issuer's quotaholders and directors, maintaining the quotaholders' register, preparing VAT and other tax and accounting records, preparing the Issuer's annual balance sheet, administering all matters relating to the taxation of the Issuer and liaising with the Representative of the Noteholders.

### **Governing Law and Jurisdiction**

The Corporate Services Agreement and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Corporate Services Agreement (including a dispute relating to the existence, validity or termination of the Corporate Services Agreement or any non-contractual obligation arising out of or in connection with it).

## DESCRIPTION OF THE QUOTAHOLDER AGREEMENT

*The description of the Quotaholder Agreement set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Quotaholder Agreement. Prospective Noteholders may inspect a copy of the Quotaholder Agreement at the registered office of the Representative of the Noteholders.*

### **General**

On the Signing Date, the Issuer, the Originator, the Sole Quotaholder and the Representative of the Noteholders have entered into the Quotaholder Agreement. Pursuant to the Quotaholder Agreement, the Sole Quotaholder has given certain undertakings to the Representative of the Noteholders in relation to the management of the Issuer and the exercise of its rights as Sole Quotaholder of the Issuer.

The Sole Quotaholder has agreed not to dispose of, or charge or pledge, the quotas of the Issuer without the prior written consent of the Representative of the Noteholders.

### **Governing Law and Jurisdiction**

The Quotaholder Agreement and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Quotaholder Agreement (including a dispute relating to the existence, validity or termination of the Quotaholder Agreement or any non-contractual obligation arising out of or in connection with it).

## **DESCRIPTION OF THE LETTER OF UNDERTAKINGS**

*The description of the Letter of Undertakings set out below is a summary of certain features of that agreement and is qualified by reference to the detailed provisions of the Letter of Undertakings. Prospective Noteholders may inspect a copy of the Letter of Undertakings at the registered office of the Representative of the Noteholders.*

### **General**

On the Signing Date, the Issuer, the Originator and the Representative of the Noteholders have entered into the Letter of Undertakings.

Pursuant to the Letter of Undertakings, the Originator has undertaken to indemnify the Issuer in respect of certain tax charges which may be incurred by the Issuer at any time.

### **Governing Law and Jurisdiction**

The Letter of Undertakings and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Letter of Undertakings (including a dispute relating to the existence, validity or termination of the Letter of Undertakings or any non-contractual obligation arising out of or in connection with it).

## THE ACCOUNTS

The Issuer shall at all times maintain the following accounts:

- (a) a Euro denominated account, the "**Collection Account**" with No. 800883101 (IBAN IT 07 S 03479 01600 000800883101), opened with the Account Bank for the deposit by the Servicer of all amounts received or recovered from the Debtors in accordance with the provisions of the Cash Allocation, Management and Payment Agreement;
- (b) a Euro denominated account, the "**Payments Account**" with No. 800883100 (IBAN: IT 30 R 03479 01600 000800883100), opened with the Account Bank for the deposit of all amounts paid to the Issuer under any of the Transaction Documents (other than the Collections);
- (c) a Euro denominated account, the "**Cash Reserve Account**" with No. 800883102 (IBAN: IT 81 T 03479 01600 000800883102), opened with the Account Bank for the deposit of the Required Cash Reserve Amount in accordance with the applicable Priority of Payments;
- (f) a securities account, the "**Securities Account**" with No. 883100, opened with the Account Bank for the deposit of the bonds, debentures or other kinds of notes or financial instruments purchased with the monies standing to the credit of the Cash Eligible Accounts;
- (g) a Euro denominated account, the "**Suspension Account**" with No. 800883103 (IBAN IT 58 U 03479 01600 000800883103), opened with the Account Bank for the deposit of any amount to be paid by the Servicer prior to the authorisation of suspension of the payment of the Instalments, in accordance with the provisions of the Servicing Agreement;
- (h) a Euro denominated account, the "**Expense Account**" with No. 1279381 (IBAN IT43M0504061621000001279381), opened with Banca Antonveneta, into which the Retention Amount shall be credited and out of which the Expenses will be paid during the Collection Period; and
- (i) a Euro denominated account, the "**Quota Capital Account**" with No. 1264271 (IT71W0504061621000001264271), opened with Banca Antonveneta for the deposit of the Issuer's quota capital.

The Collection Account, the Payments Account, the Cash Reserve Account and the Suspension Account are collectively referred to as the "**Cash Eligible Accounts**". The Cash Eligible Accounts and the Securities Account, are collectively referred to as "**Eligible Accounts**".

The Eligible Accounts, the Expense Account and the Quota Capital Account are collectively referred to as the "**Accounts**".

The Account Bank will be required at all times to be an Eligible Institution pursuant to the Cash Allocation, Management and Payment Agreement.

If the Account Bank ceases to be an Eligible Institution, such Account Bank shall promptly give notice of such event to the Issuer, the Corporate Servicer, the Computation Agent, the Servicer, the Rating Agencies and the Representative of the Noteholders and the Account Bank shall be required to procure, with the assistance and cooperation of the Issuer which shall take any reasonable step in this regard, within 30 calendar days that:

- (i) another bank which is an Eligible Institution assume the role of Account Bank upon the terms of this Agreement and shall agree to become a party to the Intercreditor Agreement and of any other relevant Transaction Documents or, if not practicable, shall agree to act upon terms that shall not prejudice the interests of the Noteholders; and
- (ii) the amounts or securities (as the case may be) standing to the credit of the relevant Eligible Accounts are transferred to the other new accounts opened by the Issuer with the new Account Bank.

The Issuer shall not make such transfers referred above if it receives a written confirmation from the Representative of the Noteholders, acting upon consultation with the Rating Agencies, that the then current rating of the Senior Notes should not be negatively affected.

## EXPECTED AVERAGE LIFE OF THE SENIOR NOTES

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security. The weighted average life of the Senior Notes will be influenced by, *inter alia*, the actual rate of collection of the Receivables.

Calculations as to the weighted average life and the expected maturity of the Senior Notes can be made on the basis of certain assumptions, including the rate at which the Receivables are prepaid, the amount of the Defaulted Receivables and whether the Issuer exercises its option for an early redemption of the Notes.

The following table shows the weighted average life and the expected maturity of the Senior Notes and has been prepared based on the characteristics of the Receivables included in the Portfolio, on historical performance and on the following additional assumptions (the "**Modelling Assumptions**"):

- (i) no Trigger Event occurs in respect to the Notes; and
- (ii) repayment of principal under the Senior Notes occurs from the Payment Date falling in 27 April 2012; and
- (iii) the Optional Redemption under Condition 8.3 (*Redemption, Purchase and Cancellation - Optional Redemption*) is exercised on the Payment Date when the aggregate of the Outstanding Principal of the Portfolio is equal to or less than 10 per cent of the Outstanding Principal of the Portfolio as at the Valuation Date; and
- (iv) no events under Condition 8.4 (*Redemption, Purchase and Cancellation – Redemption for Taxation*) occur; and
- (v) no Receivable is a Defaulted Receivable;
- (vi) there are no Delinquent Receivables; and
- (vii) Euribor flat equal to 1.22%.

The actual characteristics and performance of the Receivables are likely to differ from the assumptions used in constructing the table set forth below, which is hypothetical in nature and is provided only to give a general sense of how the principal cash-flows might behave. Any difference between such assumptions and the actual characteristics and performance of the Receivables will cause the weighted average life of the Senior Notes to differ (which difference could be material) from the corresponding information in the following table.

Constant prepayment rate	Weighted Average Life (years) <i>Class A Notes</i>	Expected Maturity <i>Class A Notes</i>
2%	3.70	January 2020
4%	3.19	January 2019
6%	2.78	April 2018

## TERMS AND CONDITIONS OF THE SENIOR NOTES

The following is the text of the terms and conditions of the Senior Notes (the "**Senior Notes Conditions**"). In these Senior Notes Conditions, references to the "holder" of a Senior Note or to the "Senior Noteholders" are to the ultimate owners of the Senior Notes, issued in bearer form and dematerialised and evidenced as book entries with Monte Titoli S.p.A. ("Monte Titoli") in accordance with the provisions of (i) Article 83 bis of the Financial Laws Consolidated Act; and (ii) Regulation 22 February 2008.

The € 199,500,000 Class A Residential Mortgages Asset Backed Floating Rate Notes due October 2052 (hereinafter, the "**Class A Notes**" or the "**Senior Notes**") and the € 100,100,000 Class B Residential Mortgages Asset Backed Notes due October 2052 (the "**Junior Notes**" or the "**Class B Notes**" and, together with the Senior Notes, the "**Notes**") have been issued by Valsabbina SPV 1 S.r.l. (the "**Issuer**" or "**Valsabbina SPV 1**") on 23 January 2012 (the "**Issue Date**") to finance the purchase of a portfolio of mortgage loan receivables and related rights from Banca Valsabbina S.C.p.A. (the "**Originator**" or "**Banca Valsabbina**").

The principal source of payment of interest and of repayment of principal on the Notes will be the Collections made in respect of the Portfolio of the Receivables arising out of certain residential mortgage agreements entered into by Banca Valsabbina and the Debtors thereunder. The Portfolio was purchased by the Issuer from Banca Valsabbina pursuant to the terms of the Transfer Agreement.

Any reference in these Senior Notes Conditions to a "**Class**" of Notes or a "**Class**" of holders of Notes shall be a reference to the Senior Notes or the Junior Notes, as the case may be, or to the respective holders thereof and any reference to any agreement or document shall be a reference to such agreement or document as the same may have been, or may from time to time be, amended, varied, novated or supplemented.

### 1. INTRODUCTION

#### 1.1 Definitions

Capitalised words and expressions in these Senior Notes Conditions shall, unless otherwise specified or unless the context otherwise requires, have the meanings set out in Condition 2 (*Interpretation and Definitions*).

#### 1.2 Senior Noteholders deemed to have notice of the Transaction Documents

The Senior Noteholders are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of, the Transaction Documents.

#### 1.3 Provisions of the Senior Notes Conditions subject to the Transaction Documents

Certain provisions of these Senior Notes Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents.

#### 1.4 Transaction Documents

##### 1.4.1 Transfer Agreement

By the Transfer Agreement, the Originator has assigned and transferred to the Issuer all of its right, title and interest in and to the Portfolio.

#### 1.4.2 *Warranty and Indemnity Agreement*

By the Warranty and Indemnity Agreement, the Originator has given certain representations and warranties in favour of the Issuer in relation to the Portfolio and certain other matters and has agreed to indemnify the Issuer in respect of certain liabilities of the Issuer incurred in connection with the purchase and ownership of the Portfolio.

#### 1.4.3 *Servicing Agreement*

By the Servicing Agreement, the Servicer has agreed to administer service, collect and recover amounts in respect of the Portfolio on behalf of the Issuer. The Servicer will act as the "*soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e pagamento*" (entity responsible for the collection of the assigned receivables and the cash and payment services) pursuant to the Securitisation Law and, in such capacity, shall be responsible for verifying that the operations comply with the law and the Prospectus pursuant to Article 2, paragraph 3(c) and Article 2, paragraph 6 *bis* of the Securitisation Law.

#### 1.4.4 *Back-Up Servicing Agreement*

By the Back-Up Servicing Agreement, the Back-Up Servicer has undertaken to replace Banca Valsabbina as Servicer of the Portfolio subject to, *inter alia*, the termination of the appointment of Banca Valsabbina as Servicer subject to the termination of the Servicing Agreement and/or upon the occurrence of a "Servicer Termination Event", in accordance with the terms of the Servicing Agreement.

#### 1.4.5 *Senior Notes Subscription Agreement*

By the Senior Notes Subscription Agreement, the Issuer has agreed to issue the Senior Notes and the Senior Notes Underwriter has agreed to subscribe for such Senior Notes, subject to the terms and conditions set out thereunder, and has also appointed Securitisation Services, which has accepted, as Representative of the Noteholders.

#### 1.4.6 *Junior Notes Subscription Agreement*

By the Junior Notes Subscription Agreement, the Issuer has agreed to issue the Junior Notes and the Junior Notes Underwriter has agreed to subscribe for such Junior Notes, subject to the terms and conditions set out thereunder, and has also appointed Securitisation Services, which has accepted, as Representative of the Noteholders.

#### 1.4.7 *Intercreditor Agreement*

By the Intercreditor Agreement, provision has been made as to, *inter alia*, (a) the application of the Issuer Available Funds in accordance with the Priority of Payments, (b) the limited recourse nature of the obligations of the Issuer, and (c) the circumstances in which the Representative of the Noteholders will be entitled to exercise certain rights in relation to the Portfolio.

#### 1.4.8 *Cash Allocation, Management and Payment Agreement*

By the Cash Allocation, Management and Payment Agreement, the Agents have agreed to provide the Issuer with certain calculation, notification, reporting and agency services, together with account handling, investment and cash management services in relation to monies and securities from time to time standing to the credit of the Accounts. The Cash Allocation, Management and Payment Agreement contains also provisions for the payment of principal and interest in respect of the Notes.

#### 1.4.9 *Mandate Agreement*

By the Mandate Agreement, the Representative of the Noteholders shall be authorised, subject to a Trigger Notice being served or upon failure by the Issuer to exercise its rights under the Transaction Documents, to exercise, in the name and on behalf of the Issuer, all the Issuer's non-monetary rights arising out of the Transaction Documents to which the Issuer is a party.

#### 1.4.10 *Quotaholder Agreement*

By the Quotaholder Agreement, the Sole Quotaholder has given certain undertakings to the other parties thereto in relation to the management of the Issuer and the exercise of its rights as Sole Quotaholder of the Issuer.

#### 1.4.11 *Letter of Undertakings*

By the Letter of Undertakings, the Originator has undertaken to indemnify the Issuer in respect of certain tax charges which may at any time be incurred by the Issuer.

#### 1.4.12 *Corporate Services Agreement*

By the Corporate Services Agreement, the Corporate Servicer has agreed to provide the Issuer with certain corporate administrative services, in compliance with any reporting requirements relating to the Receivables and with other requirements imposed on the Issuer.

#### 1.4.13 *Monte Titoli Mandate Agreement*

By the Monte Titoli Mandate Agreement, Monte Titoli has agreed to provide the Issuer with certain depository and administration services in relation to the Notes.

#### 1.4.14 *Deed of Pledge*

By the Italian law Deed of Pledge, the Issuer (a) has pledged in favour of the Noteholders and the Other Issuer Creditors, as security for the Secured Obligations, a first priority pledge over all existing and future monetary claims and rights (other than the Receivables and the Collections) deriving from certain Transaction Documents and (b) has undertaken to pledge in favour of the Noteholders and the Other Issuer Creditors the Eligible Investments that will be made by the Account Bank on behalf of the Issuer and upon instructions from the Cash Manager pursuant to the Cash Allocation, Management and Payment Agreement and all monies, property and other rights which may from time to time be distributed or derived therefrom.

#### 1.4.15 *Master Definitions Agreement*

By the Master Definitions Agreement, the definitions of certain terms used in the Transaction Documents have been set forth.

### 1.5 **Transaction Documents available for inspection**

Copies of the Transaction Documents are available for inspection during normal business hours at the office of the Representative of the Noteholders, being, as at the Issue Date, Via Vittorio Alfieri No. 1, 31015 Conegliano (Treviso), Italy.

### 1.6 **Rules of the Organisation of the Noteholders**

The Noteholders are deemed to have notice of, are bound by, and shall have the benefit of, *inter alia*, the terms of the Rules of the Organisation of the Noteholders which are attached to these Senior Notes Conditions as Exhibit 1 and which are deemed to form part of these Senior Notes Conditions. The rights and powers of the Senior Noteholders may only be exercised in accordance with the Rules of the Organisation of the Noteholders.

### 1.7 **Representative of the Noteholders**

Each Senior Noteholder recognises that the Representative of the Noteholders is the legal representative of the Organisation of the Noteholders and accepts to be bound by the terms of the Transaction Documents which have been signed by the Representative of the Noteholders as if it had signed such documents itself.

## 2. **INTERPRETATION AND DEFINITIONS**

### 2.1 **Interpretation**

In these Senior Notes Conditions, unless otherwise specified or unless the context otherwise requires:

- (a) the exhibit hereto constitutes an integral and essential part of these Senior Notes Conditions and shall have the force of and shall take effect as covenants; and
- (b) headings and subheadings are for ease of reference only and shall not affect the construction of these Senior Notes Conditions.

### 2.2 **Definitions**

Unless otherwise defined in these Senior Notes Conditions, capitalised words and expressions used in these Senior Notes Conditions have the meanings and constructions ascribed to them in the Glossary to the Prospectus.

**"Account"** means each of the Eligible Accounts, the Expense Account and the Quota Capital Account and **"Accounts"** means all of them.

**"Account Bank"** means BNP Paribas Securities Services, Milan Branch or any other person acting as account bank pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**"Account Bank Report"** means the monthly report setting out certain information with reference to each month, in respect of the amounts standing to the credit of each of the Eligible Accounts, the interest accrued thereon and taxes accrued and paid.

**"Account Bank Report Date"** means the tenth day of each month or, if such day is not a Business Day, the immediately following Business Day

**"Accounting Portfolio"** means, on any given date, the Receivables included in the Portfolio which have not been written-off on such date.

**"Accrued Interest"** means, as of any relevant date and in relation to any Receivable, the portion of the Interest Instalment falling due on the next Scheduled Instalment Date which has accrued as at that date.

**"Additional Screen Rate"** shall have the meaning ascribed to it in Condition 7 (*Interest*).

**"Adjustment Purchase Price"** means in relation to any Receivable transferred to the Issuer pursuant to the Transfer Agreement, but for which no purchase price was agreed upon transfer, an amount calculated in accordance with Clause 4.3 of the Transfer Agreement.

**"Affected Class"** shall have the meaning ascribed to it in Condition 8 (*Redemption, Purchase and Cancellation*).

**"Agency"** means the Revenue Agency – Regional Direction of Lombardy.

**"Agents"** means the Cash Manager, the Paying Agent, the Account Bank, the Back-Up Servicer Facilitator and the Computation Agent collectively, and **"Agent"** means each of them.

**"Arranger"** means each of BNP Paribas and Finanziaria Internazionale Securitisation Group and **"Arrangers"** means both of them.

**"Article 65"** means Article 65 of the Italian Bankruptcy Law.

**"Avviso Comune"** means the common announcement subscribed on 3 August 2009 (as subsequently extended from time to time) by the Economy and Finance Ministry and the Italian Banking Association.

**"Back-Up Servicer"** means Cassa di Risparmio di Ferrara or any other person acting as back-up servicer pursuant to the Back-Up Servicing Agreement from time to time, and any its permitted successors or transferees acting as acting as back-up servicer pursuant to the Back-Up Servicing Agreement.

**"Back-Up Servicing Agreement"** means the back-up servicing agreement entered into on or about the Issue Date between the Servicer, the Issuer and the Back-Up Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**"Back-Up Servicer Facilitator"** means Securitisation Services or any other person acting as back-up servicer facilitator pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**"Banca Antonveneta"** means Banca Antonveneta S.p.A., a bank incorporated under the laws of the Republic of Italy, having its office at Via Vittorio Alfieri No. 1, 31015 Conegliano (TV) Italy, Fiscal Code and VAT number 02691680280, registered under No. 05040 with the roll of banks held by the Bank of Italy pursuant to Article 13 of the Consolidated Banking Act.

**"Banca Valsabbina"** means Banca Valsabbina S.C.p.A., a bank incorporated under the laws of the Republic of Italy, whose registered office is at Via Molino 4, 25078 Vestone (Brescia), Italy and headquarters in Via XXV Aprile 8, 25121 Brescia, Italy, Fiscal Code number 00283510170 and Enrolment with the Companies Register of Brescia number 00549950988, quota capital Euro 79.548.507, and parent company of the Banca Valsabbina Banking Group registered under No. 05116.9 with the register of banking groups held by the Bank of Italy pursuant to Article 64 of the Consolidated Banking Act.

**"Bank of Italy Supervisory Regulations"** means the Supervisory Regulations for the Banks and/or the Supervisory Regulations for Financial Intermediaries, as the case may be.

**"BNP Paribas"** means BNP Paribas, *société anonyme*, a company incorporated under the laws of the Republic of France, having its registered office at 16, Boulevard des Italiens, 75009 Paris, France.

**"BNP Paribas Securities Services"** means BNP Paribas Securities Services, *société en commandite par actions*, a company incorporated under the laws of the Republic of France, having its registered office at 3 Rue d'Antin, 75002 Paris, France.

**"BNP Paribas Securities Services, Milan Branch"** means the Milan branch of BNP Paribas Securities Services, with offices at Via Ansperto, 5, 20123 Milan, Italy.

**"BNP Paribas Securities Services, Luxembourg Branch"** means the Luxembourg branch of BNP Paribas Securities Services, with offices at 33 rue de Gasperich, Howald - Hesperange, L 2085, Luxembourg, Grand Duchy of Luxembourg.

**"Business Day"** means any day on which the Trans-European Automated Real Time Gross Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 (TARGET2), or any successor thereto, is open.

**"Calculation Date"** means the third Business Day before the relevant Payment Date on which the Payments Report is due.

**"Cancellation Date"** means the earlier of: (a) the date on which the Notes have been redeemed in full, (b) the Final Maturity Date and (c) the date on which the Representative of the Noteholders has certified to the Issuer and the relevant Noteholders that there are no more Issuer Available Funds to be distributed as a result of no additional amount or asset relating to the Portfolio being available to the Issuer.

**"Cash Allocation, Management and Payment Agreement"** means the cash allocation, management and payment agreement executed on the Signing Date between, *inter alios*, the Issuer, the Computation Agent, the Account Bank, the Cash Manager, the Servicer, the Back-Up Servicer Facilitator and the Paying Agent, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Cash Eligible Account"** means the Collection Account, the Payments Account, the Suspension Account and the Cash Reserve Account and **"Cash Eligible Accounts"** means all of them

**"Cash Manager"** means Finint AI SGR or any other person acting as cash manager pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**"Cash Manager Report"** means the report delivered by the Cash Manager on or prior the Cash Manager Report Date setting out certain information on the investments made.

**"Cash Manager Report Date"** means five Business Days before each Payment Date, if such day is not a Business Day, the immediately following Business Day.

**"Cash Reserve Account"** means the Euro denominated Account with No. 800883102 (IBAN: IT 81 T 03479 01600 000800883102) established in the name of the Issuer with the Account Bank into which the Required Cash Reserve Amount shall be transferred on the Issue Date and thereafter on each Payment Date until any Principal Amount Outstanding under the Senior Notes is repaid in full.

**"Class"** shall be a reference to a class of Notes, being the Class A or the Class B Notes and **"Classes"** shall be construed accordingly.

**"Class A Notes"** means the € 199,500,000 Class A Residential Mortgages Asset Backed Floating Rate Notes due October 2052.

**"Class A Noteholder"** means the Holder of a Class A Note and **"Class A Noteholders"** means all of them.

**"Class B Notes"** means the € 100,100,000 Class B Residential Mortgages Asset Backed Notes due October 2052.

**"Class B Noteholder"** means the Holder of a Class B Note and **"Class B Noteholders"** means all of them.

**"Class B Notes Interest Amount"** means, the amount of interest payable on the Junior Notes on each Payment Date, which shall accrue during each Quarterly Collection Period and shall be calculated on each Calculation Date, as the case may be, immediately preceding such Payment Date as the aggregate of:

(a) the Net Portfolio Yield accrued as at the end of the immediately preceding Quarterly Collection Period;

plus

(b) interest accrued on the Collection Account, the Payments Account, the Suspension Account and the Cash Reserve Account up to the end of the immediately preceding Quarterly Collection Period and interest deriving from the Eligible Investments up to the end of the immediately preceding Quarterly Collection Period;

plus

- (c) any and all amounts received under the Warranty and Indemnity Agreement, the Servicing Agreement and under the Transfer Agreement (other than the Collections), but including the interest revenues deriving from the sale of Receivables;  
minus
- (f) any and all amounts of interest accrued during the immediately preceding Quarterly Collection Period (whether or not actually paid) on the Class A Notes;  
minus
- (g) any and all amounts under items *First, Second, Sixth* (in respect of interests only), *Seventh* and *Eighth* (in respect of cost only) of the Pre-Enforcement Priority of Payments, or any and all amounts under items *First, Second, Fifth* (in respect of interests only) *Sixth* and *Seventh* (in respect of costs only) of the Post-Enforcement Priority of Payments, accrued under such items during the immediately preceding Quarterly Collection Period whether or not actually paid; and  
minus
- (h) the Initial Expenses Instalments accrued during the immediately preceding Quarterly Collection Period.

**"Clearstream"** means Clearstream Banking, *société anonyme*.

**"Collateral Portfolio"** means, on a given date, the aggregate of all Receivables owned by the Issuer which are not Defaulted Receivables as of that date, comprised in the Accounting Portfolio and, in respect of which no Limited Recourse Loan has been granted by Banca Valsabbina to the Issuer pursuant to Clause 4.1 of the Warranty and Indemnity Agreement.

**"Collateral Portfolio Outstanding Principal"** means the sum of the Outstanding Principal of all the Receivables comprised in the Collateral Portfolio.

**"Collateral Securities"** means the Guarantees and the Mortgages, and **"Collateral Security"** means each of them.

**"Collected Insurance Premia"** means the Insurance Premia accrued and paid by each relevant Debtor during the relevant Quarterly Collection Period.

**"Collection Account"** means the Euro denominated Account with No. 800883101 (IBAN IT 07 S 03479 01600 000800883101) established in the name of the Issuer with the Account Bank for the deposit of all the Collections from time to time received or recovered in respect of the Portfolio by the Servicer in accordance with the provisions of the Servicing Agreement and the Cash Allocation, Management and Payment Agreement.

**"Collection Period"** means the Monthly Collection Period or a Quarterly Collection Period as the case may be.

**"Collections"** means all amounts received by the Servicer in respect of the Instalments due under the Receivables and any other amounts whatsoever received by the Servicer or any other person in respect of the Receivables.

**"Computation Agent"** means Securitisation Services or any other person acting as computation agent pursuant to the Cash Allocation, Management and Payment Agreement from time to time, and any its permitted successors or transferees.

**"Condition"** means a condition of the Senior Notes Conditions and/or the Junior Notes Conditions as the context may require.

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

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

**"Corporate Servicer"** means Securitisation Services or any other person acting as corporate servicer pursuant to the Corporate Services Agreement from time to time.

**"Corporate Services Agreement"** means the corporate services agreement executed on or about the Signing Date between the Issuer and the Corporate Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Counterclaim"** has the meaning set out in Clause 6.8 of the Warranty and Indemnity Agreement.

**"Counterclaim Accepted Amount"** has the meaning set out in Clause 6.8 of the Warranty and Indemnity Agreement.

**"Counterclaim Disputed Amount"** has the meaning set out in Clause 6.8 of the Warranty and Indemnity Agreement.

**"CRD II"** means the Directive 2009/111/EC adopted on 16 September 2009 by the European Parliament and the European Council which amended the so-called capital requirements directive (being and expression making reference to Directive 2006/48/EC and Directive 2006/49/EC) (as amended, the **"CRD"**), relating to, *inter alia*, exposures to transferred credit risk in the context of securitisation transactions.

**"Credit and Collections Policies"** means the procedures for the management, collection and recovery of Receivables attached as Schedule 4 to the Servicing Agreement.

**"Criteria"** means the objective criteria for the identification of the Receivables specified in Schedule 2 of the Transfer Agreement and described in section *"The Portfolio"* above.

**"Cumulative Net Default Ratio"** means at each Determination Date, the ratio between:

- (a) an amount equal to the difference between
  - (i) the sum of the Outstanding Principal as at the default date of all the Receivables which have been classified as Defaulted Receivables from the Valuation Date up to such Determination Date; and
  - (ii) the sum of all the recoveries in respect of such Defaulted Receivables from the date in which the relevant Receivable has been classified into default up to such Determination Date; and

(b) the Collateral Portfolio Outstanding Principal as at the Valuation Date.

**"DBRS"** means DBRS Ratings Limited.

**"Debtor"** means any borrower and any other person or entity who or which entered into a Mortgage Loan Agreement as principal debtor or guarantor or who is liable for the payment or repayment of amounts due under a Loan Agreement, as a consequence of having granted any Guarantee to Banca Valsabbina or having assumed the borrower's obligation under an assumption (*accollo*), or otherwise.

**"Decree No. 70"** means Law Decree of 13 May 2011 No. 70 converted into law by Law No. 106 of 12 July 2011.

**"Decree No. 213"** means Italian Legislative Decree No. 213 of 24 June 1998, as amended and supplemented from time to time.

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

**"Decree 239 Deduction"** means any withholding or deduction for or on account of *"imposta sostitutiva"* under Decree No. 239.

**"Decree No. 350"** means Italian Law Decree No. 350 of 25 September 2001, converted into law with amendments by Law No. 409 of 23 November 2001, as amended and supplemented from time to time.

**"Decree No. 351"** means Italian Law Decree No. 351 of 25 September 2001, as amended and supplemented from time to time.

**"Decree No. 435"** means Italian Legislative Decree No. 435 of 21 November 1997, as amended and supplemented from time to time.

**"Decree No. 93/2008"** means Italian Law Decree No. 93 of 27 May 2008, converted into law by Law No. 126 of 24 July 2008, as amended and supplemented from time to time.

**"Decree No. 600"** means the Italian Presidential Decree No. 600 of 29 September 1973, as amended and supplemented from time to time.

**"Deed of Pledge"** means the Italian law deed of pledge executed on the Signing Date between the Issuer, the Account Bank and the Representative of the Noteholders (acting on behalf of the Noteholders and of the Other Issuer Creditors), as from time to time modified in accordance with the provisions herein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Default Date"** means the date on which a Receivable is classified as a Defaulted Receivable as indicated in the relevant Monthly Servicer's Report.

**"Defaulted Receivables"** means any Receivables arising from Mortgage Loan Agreements where either (A) (i) 12 or more monthly Instalments are Delinquent Instalment or (ii) 4 or more quarterly Instalments are Delinquent Instalment or (iii) 2 or more semi-annually Instalments are Delinquent Instalment or (iv) 2 or more annually Instalments are Delinquent Instalment or (B) the relevant

Debtor has been classified as being "*in sofferenza*" by the Servicer in accordance with the Credit and Collection Policies.

**"Delinquency Ratio"** means, with reference to each Quarterly Servicer Report Date, the ratio calculated by dividing: (a) the aggregate amount of the Outstanding Principal in relation to all the Receivables that are Delinquent Receivables as at the last day of the immediately preceding Quarterly Collection Period by (b) the aggregate Collateral Portfolio Outstanding Principal as at the last day of the immediately preceding Quarterly Collection Period.

**"Delinquent Instalment"** means an Instalment which remains unpaid by the Debtor in respect thereof for 31 days or more after the Scheduled Instalment Date.

**"Delinquent Receivables"** means any Receivable related to a Mortgage Loan Agreement which is not a Defaulted Receivable and with respect to which there is at least one Delinquent Instalment.

**"Determination Date"** means in respect of any Payment Date, the last day of the immediately preceding Quarterly Collection Period.

**"ECOFIN"** means the EU Council of Economic and Finance Ministers.

**"Eligible Account"** means the Collection Account, the Payments Account, the Cash Reserve Account, the Securities Account and the Suspension Account and **"Eligible Accounts"** means all of them.

**"Eligible Institution"** means any depository institution organised under the laws of any depository institution organised under the laws of any State which is a member of the European Union or of the United States:

- (i) with an "P-1" short-term rating by Moody's; and
- (ii) whose long-term rating debt obligations are rated at least "A" from DBRS.

For clarification, the DBRS rating is (a) the public rating assigned by DBRS or, if there is no public DBRS rating, then (b) as determined by DBRS through its internal assessment. In the event of a depository institution which does not have an internal assessment nor a public rating from DBRS, then for DBRS the Eligible Institution will mean a depository institution which has the following rating from at least 2 (two) of the following rating agencies:

- (a) a short-term rating of at least "F1" and a long-term rating of at least "A" by Fitch;
- (b) a short-term rating of at least "A-1" and a long-term rating of at least "A"+ by S&P;
- (c) a short-term rating of at least "P-1" and a long-term rating of at least "A1" by Moody's.

**"Eligible Investments" means:**

- (A) euro-denominated senior (unsubordinated) debt securities or other debt instruments but excluding for the avoidance of doubt credit linked notes, or
- (B) repurchase transactions, to the extent that title to the securities underlying such repurchase transactions (in the period comprised between the execution of the relevant repurchase transactions and their respective maturity) effectively passes to the Issuer, between the

Issuer and an Eligible Institution in respect of euro-denominated debt securities or other debt instruments but excluding for the avoidance of doubt credit linked notes, or

- (C) account or deposit with a maturity date falling not later than the next succeeding Eligible Investments Maturity Date, held with an Eligible Institution; or

provided that, in all cases: (i) such investments are immediately repayable on demand, disposable without penalty or have a maturity date falling on or before the next following Eligible Investments Maturity Date; (ii) such investments provide a fixed principal amount at maturity (such amount not being lower than the initially invested amount) and (iii) the debt securities or other debt instruments, or in the case of repurchase transactions, the debt securities or other debt instruments underlying the repurchase transactions, are issued by, or fully and unconditionally guaranteed on an unsubordinated basis by, an institution whose unsecured and unsubordinated debt obligations have at least the following ratings:

- (X) with respect to Moody's ratings, either: (i) "A3" by Moody's in respect of long-term debt or "P-1" by Moody's in respect of short-term debt, with regard to investments having a maturity of less than or equal to one month; or (ii) "A2" by Moody's in respect of long-term debt or "P-1" by Moody's in respect of short-term debt, with regard to investments having a maturity between one and three months, or such other rating as acceptable to Moody's from time to time; and
- (Y) with respect to DBRS ratings, either: (i) "R-1(low)" by DBRS in respect of short-term debt and "A" by DBRS in respect of long-term debt, with regard to investments having a maturity of less than or equal to one month; or (ii) "R-1(middle)" by DBRS in respect of short-term debt and "AA (low)" in respect of long-term debt, with regard to investments having a maturity of less than or equal to three months; or (iii) otherwise which has the following ratings from at least 2 of the following rating agencies: (a) at least "F1" and "A" by Fitch; (b) at least "A-1" and "A" by Standard & Poor's; (c) at least "P-1" and "A2" by Moody's,

provided that, in any event, none of the Eligible Investments set out above may consist, in whole or in part, actually or potentially, of (i) credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any amount available to the Issuer in the context of the Securitisation otherwise be invested in any such instruments at any time, or (ii) asset-backed securities, irrespective of their subordination, status or ranking, or (iii) swaps, other derivatives instruments, or synthetic securities or any other instrument from time to time specified in the European Central Bank monetary policy regulations applicable from time to time.

**"Eligible Investments Maturity Date"** means, in relation to Collections to be distributed on a certain Payment Date, each day falling the second Business Day immediately preceding such Payment Date.

**"EMU"** means the European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union.

**"EONIA"** means the Euro Overnight Index Average.

**"EURIBOR"** shall have the meaning ascribed to it in Condition 7 (*Interest*).

**"Euro", "€" and "cents"** refer to the single currency introduced in the Member States of the European Community which adopted the single currency in accordance with the Treaty of Rome of 25 March 1957, as amended by, *inter alia*, the Single European Act 1986, the Treaty of the European Union of 7 February 1992 establishing the European Union and the European Council of Madrid of 16 December 1995.

**"Euroclear"** means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

**"European Union Insolvency Regulation"** means European Council Regulation (EC) No. 1346 of 29 May 2000 on insolvency proceedings, as amended and supplemented from time to time.

**"Euro-Zone"** means the region comprised of Member States of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended by, *inter alia*, the Treaty on European Union (signed in Maastricht on 7 February 1992).

**"Expense Account"** means the account with No. 1279381 (IBAN IT43M0504061621000001279381) established by the Issuer with Banca Antonveneta, into which the Retention Amount shall be credited and out of which the Expenses will be paid during each Quarterly Collection Period.

**"Expenses"** means any documented fees, costs, expenses and taxes required to be paid to any third party creditors (other than the Noteholders and the Other Issuer Creditors) arising in connection with the Securitisation, and any other documented costs and expenses required to be paid in order to preserve the existence of the Issuer or to maintain it in good standing, or to comply with applicable legislation.

**"Expert"** means an internationally recognised accountancy or a legal firm or a company with expertise in the recovery of claims, in each case selected by the Issuer.

**"Extraordinary Resolution"** means a resolution passed at a Meeting of the relevant Noteholders, duly convened and held in accordance with the provisions contained in the Rules of the Organisation of the Noteholders, by a majority of not less than three quarters of the votes cast.

**"Finint AI SGR"** means Finanziaria Internazionale Alternative Investment SGR S.p.A. a company incorporated under the laws of Italy having its registered office at Via Vittorio Alfieri No. 1, 31015 Conegliano (Treviso), Italy.

**"Final Maturity Date"** means the Payment Date falling on October 2052.

**"Financial Laws Consolidated Act"** means the Italian Legislative Decree No. 58 of 24 February 1998, as amended and supplemented from time to time.

**"First Payment Date"** means the Payment Date falling in April 2012.

**"Fitch"** means Fitch Ratings Ltd.

**"FSMA"** means the Financial Services and Markets Act 2000.

**"Further Securitisation"** means any further securitisation transaction which may be carried out by the Issuer pursuant to the Securitisation Law and in accordance the Condition 5.2 and the other Transaction Documents.

**"Guarantee"** means any guarantee (but does not include any Mortgages), given to the Originator guaranteeing the repayment of the Receivables.

**"Guarantor"** means any person, other than a Mortgagor, who has granted a Guarantee.

**"Holder"** of a Note means the beneficial owner of a Note.

**"Individual Purchase Price"** means the price of the Receivables relating to each Mortgage Loan, as indicated in Schedule 3 of the Transfer Agreement, with the aggregate of the Individual Purchase Prices being equal to the Purchase Price.

**Initial Expenses Amount** means an amount equal to Euro 642,424.78.

**Initial Expenses Instalments** means the amount of quarterly amortisation of the Initial Expenses Amount as calculated by the Corporate Servicer.

**"Initial Interest Period"** means the period comprised between (i) the Issue Date and (ii) the First Payment Date (excluded).

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

- (a) such company or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*" and "*amministrazione straordinaria*", each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including also any equivalent or analogous proceedings under the law of any jurisdiction in which such company or corporation is deemed to carry on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company or corporation are subject to a *pignoramento* or similar procedure having a similar effect (other than in the case of the Issuer, any portfolio of assets purchased by the Issuer for the purposes of further securitisation transactions), unless in the opinion of the Representative of the Noteholders, such proceedings are being disputed in good faith with a reasonable prospect of success; or
- (b) an application for the commencement of any of the proceedings under (a) above is made in respect of or by such company or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Noteholders, the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or
- (c) such company or corporation takes any action for a re-adjustment of 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 the case of the Issuer, the Other Issuer Creditors)

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; or

- (d) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company or corporation (except a winding-up for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Noteholders) or any of the events under Article 2484 of the Italian Civil Code occurs with respect to such company or corporation.

**"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 Policy"** means an insurance policy taken out in relation to each Real Estate Asset having the Originator as beneficiary.

**"Insurance Premia"** means any amount to be paid as insurance premia under an Insurance Policy.

**"Intercreditor Agreement"** means the agreement executed on the Signing Date between, *inter alios*, the Issuer, the Representative of the Noteholders (on its own behalf and as agent for the Noteholders) the Originator, the Servicer, the Account Bank, the Cash Manager, the Corporate Servicer, the Senior Notes Underwriter, the Junior Notes Underwriter, the Back-Up Servicer, the Back-Up Servicer Facilitator, the Paying Agent and the Computation Agent, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Interest Determination Date"** means, with respect to the Initial Interest Period, the date falling two Business Days prior to the Issue Date and with respect to each subsequent Interest Period, the date falling two Business Days prior to the Payment Date at the beginning of such Interest Period.

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

**"Interest Payment Amount"** has the meaning given to it in Condition 7.3 (*Interest - Determination of Rates of Interest and Calculation of Interest Payments*).

**"Interest Period"** means each period from (and including) a Payment Date to (but excluding) the next following Payment Date.

**"Investors Report"** means the quarterly report issued by the Computation Agent on the Investors Report Date, setting out certain information with respect to the Senior Notes.

**"Investors Report Date"** means the third Business Day after each Payment Date.

**"IRAP"** means the regional tax on productive activities.

**"IRES"** means *imposta sul reddito delle società* applied on the corporate taxable income.

**"Issue Date"** means 23 January 2012 or such other date on which the Notes are issued.

**"Issue Price"** means the following percentages of the principal amount of the Notes at which the Notes will be issued:

<i>Class</i>	<i>Issue Price</i>
Class A	100 per cent;
Class B	100 per cent.

"**Issuer**" means Valsabbina SPV 1.

"**Issuer Available Funds**" means, in respect of any Payment Date, the aggregate amounts of:

- (a) all amounts received or recovered by the Issuer or on behalf of the Issuer in accordance with the terms of the Transfer Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement and the Intercreditor Agreement, or from any party to the Transaction Documents during the Collection Period immediately preceding the relevant Payment Date (including but not limited to, for the avoidance of any doubt, all amounts (i) received from the sale, if any, of the Portfolio (in whole or in part) together with any proceeds deriving from the enforcement of the Issuer's Rights, and (ii) collected or recovered by the Issuer under Clause 4.2 of the Warranty and Indemnity Agreement (i.e. the limited recourse loan granted by Banca Valsabbina));
- (b) all amounts of interest accrued and paid on the Collection Account, the Payments Account, the Suspension Account and the Cash Reserve Account (if any) during the Collection Period immediately preceding the relevant Payment Date;
- (c) all amounts deriving from the Eligible Investments made under the terms of the Cash Allocation, Management and Payment Agreement due to be paid on the Eligible Investments Maturity Date immediately prior to the relevant Payment Date;
- (d) any and all other amounts standing to the credit of the Collection Account, the Payments Account and the Cash Reserve Account following the payments required to be made from such accounts on the immediately preceding Payment Date; and
- (e) the amounts standing to the credit of the Suspension Account which shall form part of the Issuer Available Funds as determined by the Computation Agent in accordance with the terms of the Cash Allocation, Management and Payment Agreement.

"**Issuer Creditors**" means (i) the Noteholders; (ii) the Other Issuer Creditors; and (iii) any other third party creditors in respect of any taxes, costs, fees or expenses incurred by the Issuer in relation to the Securitisation and to the corporate existence and good standing of the Issuer according to the applicable laws and legislation.

"**Issuer's Rights**" mean the Issuer's rights under the Transaction Documents.

"**Italian Bankruptcy Law**" means Royal Decree No. 267 of 16 March 1942, as amended and supplemented from time to time.

"**Italy**" means the Republic of Italy.

"**Junior Noteholder**" means the holder of a Junior Note and "**Junior Noteholders**" means all of them.

**"Junior Notes"** means the Class B Notes.

**"Junior Notes Conditions"** means the terms and conditions of the Junior Notes, as from time to time modified in accordance with the provisions herein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Junior Notes Subscription Agreement"** means the subscription agreement in relation to the Junior Notes executed on or about the Issue Date between the Originator, as underwriter, the Issuer and the Representative of the Noteholders, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Junior Notes Underwriter"** means Banca Valsabbina as underwriter for the Junior Notes under the Junior Notes Subscription Agreement.

**"Law No. 383"** means Law No. 383 of 18 October 2001, as amended and supplemented from time to time.

**"Letter of Undertakings"** means the letter of undertakings entered into on the Signing Date between the Issuer, the Representative of the Noteholders and Banca Valsabbina, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereof.

**"Limited Recourse Loan"** means the limited recourse loan advanced by the Originator to the Issuer pursuant to Clause 4.1 of the Warranty and Indemnity Agreement in the event of any misrepresentation or breach of any warranties or representations given by the Originator pursuant to the Warranty and Indemnity Agreement which is not cured within a period of 10 Business Days, in an amount equal to the Mortgage Loan Value.

**"Listing Agent"** means BNP Paribas Securities Services, Luxembourg Branch or any other person acting as listing agent for the listing of the Notes at the Luxembourg Stock Exchange, and any its permitted successors or transferees.

**"Luxembourg Stock Exchange"** means the regulated market named "*Bourse de Luxembourg*".

**"Management of the Defaulted Receivables"** means any activities related to the management of the Defaulted Receivables.

**"Mandate Agreement"** means the mandate agreement executed on the Signing Date between the Issuer and the Representative of the Noteholders, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Master Definitions Agreement"** means the master definitions agreement executed on the Signing Date between all the parties to each of the Transaction Documents, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Meeting"** means a meeting of Noteholders duly convened (whether originally convened or resumed following an adjournment) and held in accordance with the provisions contained in the Rules of the Organisation of the Noteholders.

**"Member State"** means, with reference to the European Union, a state that is party to treaties of the European Union (EU) and has thereby undertaken the privileges and obligations that EU membership entails.

**"Monte Titoli"** means Monte Titoli S.p.A., with registered office at Piazza Affari No. 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 including any depository banks appointed by Euroclear and Clearstream.

**"Monte Titoli Mandate Agreement"** means the agreement entered into before the Signing Date between the Issuer and Monte Titoli, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Monthly Collection Period"** means each period of one month, commencing on (and including) the first calendar day of each month and ending respectively on (and including) the last calendar day of each month, and in the case of the first Monthly Collection Period, commencing on (and excluding) the Valuation Date and ending on (and including), 31 January 2012.

**"Monthly Servicer's Report"** means the monthly report setting out certain information in relation to the performance of the Receivables and the Mortgages during the preceding Monthly Collection Period which shall be delivered by the Servicer on each Monthly Servicer's Report Date pursuant to the Servicing Agreement.

**"Monthly Servicer's Report Date"** means the fifteenth day of each month or, if such day is not a Business Day, the immediately following Business Day and, in the case of the first Monthly Servicer's Report Date, 16 February 2012.

**"Moody's"** means Moody's Investors Services Inc..

**"Mortgage Loan" or "Loan"** means a residential loan granted by Banca Valsabbina to a borrower and secured by a mortgage, the receivables in respect of which have been transferred by Banca Valsabbina to the Issuer pursuant to the Transfer Agreement.

**"Mortgage Loan Agreements" or "Loan Agreements"** means the residential mortgage loan agreements pursuant to which the Mortgage Loans have been granted and out of which the Receivables arise and **"Mortgage Loan Agreement" or a "Loan Agreement"** means each of them.

**"Mortgage Loan Value"** means in respect of any Mortgage Loan, (a) the Outstanding Balance of the relevant Mortgage Loan as of the date on which the Limited Recourse Loan is granted, plus (b) the costs and expenses (including, but not limited to, legal fees and disbursements plus VAT, if applicable) incurred by the Issuer in respect of the relevant Receivable up to the date on which the Limited Recourse Loan is granted, plus (c) the damages and the losses incurred by the Issuer as a consequence of any claim raised by any third party in respect of such Receivable up to the date on which the Limited Recourse Loan is granted, plus (d) an amount equal to the interests which would have accrued on the Outstanding Principal of the relevant Receivable (calculated at the rate of interest applicable to the Senior Notes according to the relevant Terms and Conditions) between the date on which the Limited Recourse Loan is granted and the following (i) Payment Date

immediately following the payment date pursuant to article 4.1 of the Warranty and Indemnity Agreement and (ii) the Payment Date following 18 months and 1 day from the Issue Date .

**"Mortgages"** means the mortgage securities (*ipoteche*) created on the Real Estate Assets pursuant to Italian law in order to secure claims in respect of the Receivables and **"Mortgage"** means each of them.

**"Mortgagor"** means any person, either a borrower or a third party, who has granted a Mortgage in favour of Banca Valsabbina to secure the payment or repayment of any amounts payable in respect of a Mortgage Loan, and/or his/her successor in interest.

**"Most Senior Class of Noteholders"** means the holders of the Most Senior Class of Notes.

**"Most Senior Class of Notes"** means the Class of Notes outstanding which ranks highest with respect to the repayment of principal pursuant to Condition 4.3 (*Ranking*) and in accordance with the applicable Priority of Payments.

**"Mutuo Fondiario"** means the Loans secured by Mortgages which have been granted in accordance with the provisions on *credito fondiario* pursuant to article 38 and subsequent of the Consolidated Banking Act and the relevant applicable regulations and **Mutuo Fondiario** means any of them.

**"Net Balance"** means the amount indicated as such in the Monthly Servicer's Report.

**"Net Portfolio Yield"** means, with respect to any period of time, the amount which is the aggregate of: (i) the Interest Instalments (for avoidance of doubt, in respect of the First Payment Date the Interest Instalments starting from the Valuation Date) accrued on the Portfolio during the relevant period whether or not actually paid less provisions for losses and any losses with respect to such period; (ii) any default interest on the Receivables paid by the Debtor during such period under the terms of the relevant Loan Agreement; (iii) the amount of any and all penalties paid by the Debtor in such period; (iv) any other revenues accrued to the Issuer under the Loan Agreement in such period; (v) the difference between the Accrued Interest as at the last day of the relevant Quarterly Collection Period (if any) and the Accrued Interest as at the beginning of the relevant Quarterly Collection Period.

**"Noteholders"** means the Holders of the Senior Notes and the Junior Notes, collectively.

**"Notes"** means the Senior Notes and the Junior Notes, collectively.

**"Official Gazette"** means the *Gazzetta Ufficiale della Repubblica Italiana*.

**"Option"** has the meaning given to such term in Article 5.1 of the Warranty and Indemnity Agreement.

**"Organisation of the Noteholders"** means the association of the Noteholders, organised pursuant to the Rules of the Organisation of the Noteholders.

**"Original Loan Amount"** means the amount advanced by the Originator to the Debtor in relation to each Loan agreement at the date of inception of such Loan Agreement.

**"Originator"** means Banca Valsabbina.

**"Other Issuer Creditors"** means the Originator, the Servicer, the Representative of the Noteholders, the Computation Agent, the Corporate Servicer, the Paying Agent, the Cash Manager, the Back-Up Servicer Facilitator, the Senior Notes Underwriter, the Junior Notes Underwriter, the Sole Quotaholder, the Junior Notes Underwriter, the Account Bank and any other Issuer creditor which, from time to time, will accede to the Intercreditor Agreement.

**"Outstanding Balance"** means, on any given date and in relation to any Receivable, the sum of the Outstanding Principal and the Interest Instalments due but unpaid as at that day and any outstanding penalties for accrued and unpaid Instalments with respect thereto.

**"Outstanding Credit"** means, on any given date and in relation to any Receivable, the sum of (i) all Principal Instalments due on any subsequent Scheduled Instalment Date and (ii) any Principal Instalments due but unpaid as at that date.

**"Outstanding Principal"** means, on any given date and in relation to any Receivable, the sum of (i) all Principal Instalments due on any subsequent Scheduled Instalment Date and (ii) any Principal Instalments due but unpaid as at that date plus (iii) the Accrued Interest as at that date.

**"Paying Agent"** means BNP Paribas Securities Services, Milan Branch or any other person acting as paying agent pursuant to the Cash Allocation, Management and Payment Agreement from time to time, and any its permitted successors or transferees.

**"Paying Agent Report"** means the report setting out certain information in respect of certain calculations to be made on the Notes pursuant to the Cash Allocation, Management and Payments Agreement.

**"Payments Account"** means the Euro denominated account established in the name of the Issuer with the Account Bank with No. 800883100 (IBAN IT 30 R 03479 01600 000800883100) out of which all the payments to, *inter alios*, the Noteholders will be made and into which all amounts due to the Issuer under the Transaction Documents, but excluding the Collections, shall be paid and into which such amounts shall be paid on each Payment Date pursuant to the Priority of Payments.

**"Payment Amount"** means any amount paid by Banca Valsabbina as Originator and/or Servicer pursuant to articles 6.4.2 (i.e. the interest amounts to be paid in case of renegotiation of the interest of the rate of interest), 6.4.3 (i.e. the interest amounts to be paid in case of renegotiation of the prepayment fees due by Debtors upon early repayment of the Mortgage Loans) and 12.1 (i.e. the interest amounts to be paid as indemnity in respect of breaches of representations or obligations of the Servicer) of the Servicing Agreement, clause 4.1 (d) (i.e. the interest portion of the amounts to be paid as Limited Recourse Loan) of the Warranty and Indemnity Agreement and clause 4.2.2 (i.e. the interest amounts to be paid as Adjustment Purchase Price) of the Transfer Agreement.

**"Payment Date"** means 27 of April 2012 and thereafter 27 of July, October, January and April in each year or, if such day is not a Business Day, the immediately following Business Day.

**"Payments Report"** means the report setting out all the payments to be made on the following Payment Date under the relevant Priority of Payments which shall be delivered on each Calculation Date by the Computation Agent to the Issuer, the Representative of the Noteholders, the Servicer, the Account Bank, the Paying Agent, the Corporate Servicer and the Rating Agencies, pursuant to the Cash Allocation, Management and Payment Agreement.

**"Pension Fund Tax"** means an annual substitutive tax of 11 per cent. on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Senior Notes) applied to Italian resident pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005.

**"Portfolio"** means the portfolio of mortgage loan receivables purchased by the Issuer from Banca Valsabbina pursuant to the terms of the Transfer Agreement.

**"Portfolio Call Option"** means the option provided for by the Intercreditor Agreement pursuant to article 1331 of the Italian Civil Code, according to which the Originator may repurchase from the Issuer (a) the Portfolio on any Payment Date, or (b) one or more individual Receivables comprised in the Portfolio.

**"Post-Enforcement Priority of Payments"** means the order of priority in which the Issuer Available Funds shall be applied following the delivery of a Trigger Notice in accordance with Condition 6.2 (*Priority of Payments - Post-Enforcement Priority of Payments*).

**"Post Trigger Report"** means the report setting out all the payments to be made under the Priority of Payments which shall be delivered, upon request of the Representative of the Noteholders, by the Computation Agent after a Trigger Notice has been served to the Issuer, the Representative of the Noteholders, the Other Issuer Creditors and the Rating Agencies, pursuant to the Cash Allocation, Management and Payment Agreement.

**"Pre-Enforcement Priority of Payments"** means the order of priority in which the Issuer Available Funds shall be applied prior to the delivery of a Trigger Notice in accordance with Condition 6.1 (*Priority of Payments - Pre-Enforcement Priority of Payments*).

**"Principal Amount Outstanding"** means, with respect to any Note on any date, the principal amount thereof upon issue less the aggregate amount of all principal payments that have been made in respect of that Note prior to such date.

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

**"Priority of Payments"** means, collectively, the Pre-Enforcement Priority of Payments and the Post-Enforcement Priority of Payments.

**"Privacy Law"** means (i) Italian Law n. 675 of 31 December 1996, (together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*) as subsequently amended, modified or supplemented from time to time, with reference to the period starting on the entry into force of such law and ending on the repealing of such law by the entry into force of Legislative Decree No. 196 of 30 June 2003, published in the Official Gazette No. 174 of 29 July 2003, Ordinary Supplement No. 123/L (hereinafter, the **"Personal Data Protection Code"**) and (ii) after such repeal of Italian Law n. 675 of 31 December 1996, the Personal Data Protection Code (together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*) as subsequently amended, modified or supplemented from time to time.

**"Property Value"** means the estimated value of each Real Estate Asset as stated in each Mortgage Loan Agreement.

**"Prospectus"** means this prospectus.

**"Prospectus Directive"** means the Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

**"Purchase Price"** means the purchase price paid to the Originator by the Issuer as consideration for the acquisition of the Portfolio pursuant to the Transfer Agreement equal to Euro 284,702,575.22.

**"Quarterly Collection Period"** means each period of three months, commencing on (and including) the first day of January, April, July and October of each year and ending respectively on (and including) 31 March, 30 June, 30 September and 31 December of each year, and in the case of the first Quarterly Collection Period, commencing on (and including) the Valuation Date and ending on (and including) 31 March 2012.

**"Quarterly Servicer's Report"** means the quarterly report delivered by the Servicer on each Quarterly Servicer's Report Date and containing details of the performance of the Receivables during the relevant Quarterly Collection Period prepared in accordance with Article 5.1 of the Servicing Agreement and delivered by the Servicer to the Issuer, the Corporate Servicer, the Computation Agent, the Representative of the Noteholders, the Paying Agent, the Account Bank and the Rating Agencies.

**"Quarterly Servicer's Report Date"** means the day falling 5 Business Days before the Payment Date or, if such day is not a Business Day, the immediately following Business Day.

**"Quota Capital Account"** means the account with IBAN IT71W0504061621000001264271 established by the Issuer with Banca Antonveneta, for the deposit of the Issuer's quota capital.

**"Quotaholder Agreement"** means the agreement executed on the Signing Date between the Issuer, the Sole Quotaholder, the Originator and the Representative of the Noteholders, as from time to time modified according with the provisions therein contained and including any agreement, deed or other document expressed to be supplemented thereto.

**"Rate of Interest"** shall have the meaning ascribed to it in Condition 7.2 (*Interest - Rate of Interest*).

**"Rating Agency"** means each Moody's and DBRS that has given a rating to the Senior Notes and **"Rating Agencies"** means all of them.

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

**"Receivables"** means each and every claim arising under and/or related to the Mortgage Loan Agreements including but not limited to:

- (a) the claim relating to:
  - (i) all the amounts due as at the Valuation Date as Instalment or as other title pursuant to the Mortgage Loan Agreements;
  - (ii) principal due but not paid;

- (iii) agreed interests, interests by operation of law and defaulted interests accrued but not paid or that will accrue in relation to the Mortgage;
  - (iv) the amounts due or that will accrue as reimbursement of costs (including legal and judicial amounts), liabilities, costs and indemnities in relation to the Mortgages, including penalties (if any);
  - (v) any other amount due to the Originator or that will accrue in relation to the Mortgages, the Mortgage Loan Agreements and Collateral Securities;
  - (vi) pecuniary claims deriving from the enforcement of the Collateral Securities; and
  - (vii) pecuniary claims and all the amounts recovered from any judicial proceeding;
- (b) any other claim related to or connected with the Mortgages and the Mortgage Loan Agreement, including the claims *vis-à-vis* the Debtors by way of compensation or indemnity;
- (c) the claims of the Originator pursuant to or in connection with the Insurance Policies;
- (d) all the rights and actions to which the Originator is entitled to pursuant to law or contract in relation to the Receivables, the Mortgages, the Collateral Securities, the Insurance Policies and/or any other deed related to or connected with the same, to the extent such rights and actions are transferrable pursuant to the Securitisation Law; en
- (e) the claims of the Originator *vis-à-vis* third parties by way of compensation and deriving from third parties activities in relation to the receivables, the Mortgages, the Collateral Securities, the Insurance Policies or the related object.

**"Reference Banks"** means three (3) major banks in the Euro-Zone Inter-Bank market selected by the Paying Agent with the approval of the Representative of the Noteholders.

**"Regulated Market"** means a regulated market for the purposes of the Market and Financial Instruments Directive 2004/39/EC.

**"Regulation 22 February 2008"** means the regulation, regarding post-trading systems, issued by the Bank of Italy and the CONSOB on 22 February 2008, as subsequently amended and supplemented from time to time.

**"Regulation No. 11971"** means the regulation issued by CONSOB on 14 May 1999, as subsequently amended and supplemented from time to time.

**"Relevant Margin"** has the meaning given to it in Condition 7.2 (*Interest - Rate of Interest*).

**"Representative of the Noteholders"** means Securitisation Services or any other person acting as representative of the Noteholders pursuant to the Subscription Agreements, Terms and Conditions and Rules of the Organisation of the Noteholders from time to time.

**"Required Cash Reserve Amount"** means, in relation to the Issue Date and to each Payment Date, an amount equal to the lesser of (without taking into account any principal payment to be made to the Noteholders on such Payment Date):

- (i) Euro 14,235,000.00; and

(ii) the greater of:

(a) 7.14 % of the Principal Amount Outstanding of the Senior Notes as of the preceding Payment Date (being understood that such amount will be calculated after having made on such Payment Date the relevant payments in accordance with the applicable Priority of Payments); and

(b) Euro 2,000,000.00

being understood that in the event that on the immediately preceding Payment Date the Required Cash Reserve Amount has not been paid in full into the Cash Reserve Account, such amount will be equal to the Required Cash Reserve Amount as of the Payment Date immediately preceding such event and provided that in any case at the Final Maturity Date or, if earlier, on the Payment Date when the Principal Amount Outstanding of the Senior Notes is equal or lower than the Required Cash Reserve Amount, the Required Cash Reserve Amount will be equal to zero.

**"Retention Amount"** means an amount equal to € 20,000.

**"Rules of the Organisation of the Noteholders"** means the Rules of the Organisation of Noteholders attached as Exhibit 1 to the Terms and Conditions, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereof.

**"Scheduled Instalment Date"** means any date on which payment is due pursuant to each Mortgage Loan Agreement.

**"Screen Rate"** shall have the meaning ascribed to it in Condition 7 (*Interest*).

**"Securities Account"** means the Euro denominated account established in the name of the Issuer with the Account Bank with No. 883100, for the deposit of the bonds, debentures or other kinds of the notes or financial instruments purchased with the monies standing to the credit of the Eligible Accounts.

**"Securities Act"** means the U.S. Securities Act of 1933, as amended.

**"Securitisation"** means the securitisation of the Receivables made by the Issuer through the issuance of the Notes.

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

**"Securitisation Services"** means Securitisation Services S.p.A., a joint stock company incorporated under the laws of Italy, registered with No. 03546510268 in the Treviso Companies Register, registered with No. 31816 in the General Register of Financial Intermediaries and in the Special Register held by the Bank of Italy pursuant to Articles 106 and 107 respectively of the Consolidated Banking Act, having its registered office at Via Vittorio Alfieri, 1, 31015 Conegliano (Treviso), Italy, subject to the activity of management and coordination ("attività di direzione e coordinamento") of Finanziaria Internazionale Holding S.p.A., having its registered office at Via Vittorio Alfieri, 1, 31015 Conegliano (Treviso), Italy.

**"Security"** means the security created under the Deed of Pledge.

**"Security Interest"** means any mortgage, charge pledge, lien, right of set-off, special privilege (*privilegio speciale*), assignment by way of security, retention of title or any other security interest whatsoever or any other agreement or arrangement having the effect of conferring security.

**"Senior Noteholder"** means the holder of a Senior Note and **"Senior Noteholders"** means all of them.

**"Senior Notes"**, or **"Class A Notes"** means the Class A Notes.

**"Senior Notes Conditions"** means the terms and conditions of the Senior Notes, as from time to time modified in accordance with the provisions herein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Senior Notes Subscription Agreement"** means the subscription agreement in relation to the Senior Notes executed on or about the Issue Date between the Issuer, the Representative of the Noteholders, and the Senior Notes Underwriter, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Senior Notes Underwriter"** means Banca Valsabbina as underwriter for the Senior Notes under the Senior Notes Subscription Agreement.

**"Servicer"** means Banca Valsabbina or any other person acting as Servicer pursuant to the Servicing Agreement from time to time.

**"Servicer's Reports"** mean the Monthly Servicer's Report and the Quarterly Servicer's Report collectively, and **"Servicer's Report"** means each of them.

**"Servicer Insolvency Event"** means an Insolvency Event relating to the Servicer.

**"Servicer Termination Event"** means any event referred to in Clause 9.1 of the Servicing Agreement.

**"Servicing Agreement"** means the agreement entered into on 12 December 2011 between the Issuer and the Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Servicing Fee"** means:

- (a) for the supervision, administration, management and collection of the Receivables (excluding the activities of recovery and compliance under (b) and (c) below, respectively), on each Payment Date a fee equal to 0.45 per cent. *per annum* (plus VAT, if applicable) of the Collections in respect of performing Receivables (excluding Defaulted Receivables and Collected Insurance Premia) collected by the Servicer during the Collection Period immediately preceding the relevant Payment Date;
- (b) for the supervision, administration, management and collection and recoveries of the Defaulted Receivables (excluding the activity of compliance under (c) below), on each Payment Date in respect of the Collection Period immediately preceding, a fee equal to 0.05 per cent. *per annum* (including VAT, if applicable) of the Collections made by the

Servicer in respect of the Defaulted Receivables during the Collection Period immediately preceding the relevant Payment Date, net of any expenses in relation to such Collections; and

- (c) for the activity of compliance (i.e. compliance with duties imposed by the applicable regulation and/or reporting and communication duties), on each Payment Date a fee equal to Euro 500 (plus VAT, if applicable).

**"Signing Date"** means 19 January 2012.

**"Sole Quotaholder"** means SVM.

**"Specified Office"** means with respect to the Paying Agent: BNP Paribas Securities Services, acting through its Milan branch at Via Ansperto 5, 20123 Milan, Italy.

**"Standard and Poor's"** means Standard & Poor's Rating Services, a division of the McGraw Hill Companies.

**"Subscription Agreements"** means the Senior Notes Subscription Agreement and the Junior Notes Subscription Agreement, collectively.

**"Successor Servicer"** means the entity appointed by the Issuer to replace the Servicer if a Servicer Termination Event occurs, or any other person acting in such capacity pursuant to the Servicing Agreement from time to time.

**"Supervisory Regulations for the Banks"** means the "*Istruzioni di Vigilanza per le banche*" issued by the Bank of Italy by Circular No. 229 of 21 April 1999 and the "*Nuove Disposizioni di Vigilanza per le Banche*" issued by the Bank of Italy by Circular No. 263 of 27 December 2006, as amended and supplemented from time to time.

**"Supervisory Regulations for Financial Intermediaries"** means the "*Istruzioni di Vigilanza per gli Intermediari Finanziari*" issued by the Bank of Italy by Circular No. 216 of 5 August 1996, as amended and supplemented from time to time.

**"Suspension Account"** means the Euro denominated account established in the name of the Issuer with the Account Bank with No. 800883103 (IBAN IT 58 U 03479 01600 000800883103) for the deposit of any amount to be paid by the Servicer prior to the authorisation of suspension of the payment of the Instalments, in accordance with the provisions of the Servicing Agreement.

**"Suspension Amounts"** means any amount to be paid by the Servicer and to be credited into the Suspension Account prior to the authorisation of suspend the payment of the Instalments, in accordance with the provisions of the Servicing Agreement.

**"Suspension Period"** means, with reference to each relevant Debtor, the period during which the payment of the relevant Instalments has been suspended in accordance with the provisions of the Servicing Agreement.

**"SVM"** means SVM Securitisation Vehicles Management S.r.l., a limited liability stock company incorporated under the laws of Italy, whose registered office is at Via Vittorio Alfieri, 1, 31015 Conegliano (Treviso), Italy, VAT Code and registration with the Companies Register in Treviso No. 03546650262.

**"Tax Event"** shall have the meaning ascribed to it in Condition 8.4 (*Redemption, Purchase and Cancellation - Redemption for Taxation*).

**"Terms and Conditions"** means the Senior Notes Conditions and/or the Junior Notes Conditions as the context may require.

**"Transaction Documents"** means the Transfer Agreement, the Subscription Agreements, the Warranty and Indemnity Agreement, the Servicing Agreement, the Corporate Services Agreement, the Cash Allocation, Management and Payment Agreement, the Monte Titoli Mandate Agreement, the Intercreditor Agreement, the Deed of Pledge, the Mandate Agreement, the Letter of Undertakings, the Quotaholder Agreement, the Back-up Servicing Agreement, the Master Definitions Agreement, the Terms and Conditions, the Prospectus and any other deed, act, document or agreement executed in the context of the Securitisation.

**"Transfer Agreement"** means the transfer agreement dated 12 December 2011 between the Issuer and Banca Valsabbina, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Transfer Date"** means 12 December 2011.

**"Trigger Event"** means any of the events described in Condition 13 (*Trigger Events*).

**"Trigger Notice"** means the notice described in Condition 13 (*Trigger Events*).

**"Usury Law"** means, collectively, Italian Law No. 108 of 7 March 1996, as amended and supplemented from time to time, and Italian Law No. 24 of 28 February 2001, which converted into law the Law Decree No. 394 of 29 December 2000 (including the provisions of Article 1, paragraphs 2 and 3 of such decree).

**"Valsabbina SPV 1"** means Valsabbina SPV 1 S.r.l., a limited liability company incorporated under the laws of the Republic of Italy, whose registered office is at Via Vittorio Alfieri No. 1, 31015 Conegliano (TV), Italy, Fiscal Code and enrolment with the Companies Register of Treviso No. 04419940269 and having as its sole corporate object the realisation of securitisation transactions pursuant to Article 3 of the Securitisation Law.

**"Valuation Date"** means 25 November 2011 at 00:01 Italian time.

**"Warranty and Indemnity Agreement"** means the warranty and indemnity agreement entered into on 12 December 2011 between Banca Valsabbina and the Issuer, as from time to time modified in accordance with the provisions herein contained and including any agreement, deed or other document expressed to be supplemental thereof.

### 3. **FORM, DENOMINATION AND TITLE**

#### 3.1 **Form**

The Senior Notes are in bearer form and dematerialised and will be wholly and exclusively deposited with Monte Titoli, in accordance with Article 83 *bis* of the Financial Laws Consolidated Act and Regulation 22 February 2008.

### 3.2 **Title**

The Senior Notes will be issued in bearer form and held in dematerialised form on behalf of the beneficial owners, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holders. The Senior Notes will be accepted for clearance by Monte Titoli with effect from the Issue Date. The Senior Notes will at all times be in book entry form and title to the Notes will be evidenced by book entry in accordance with the provisions of (i) Article 83 *bis* of the Financial Laws Consolidated Act; and (ii) Regulation 22 February 2008. No physical document of title will be issued in respect of the Notes.

### 3.3 **Denomination**

The Senior Notes are issued in the denomination of Euro 100,000.

### 3.4 **Rights arising from the Deed of Pledge**

The rights arising from the Deed of Pledge are included in each Senior Note.

## 4. **STATUS, PRIORITY AND SEGREGATION**

### 4.1 **Status**

The Senior Notes constitute limited recourse obligations of the Issuer and, accordingly, the extent of the obligation of the Issuer to make payments under the Senior Notes is limited to the amounts received or recovered by the Issuer in respect of the Portfolio and the Issuer's Rights, and is subject to payment of the amounts required under the applicable Priority of Payments to be paid in priority to or *pari passu* with the Senior Notes. By holding Notes, the Senior Noteholders acknowledge that the limited recourse nature of the Senior Notes produces the effects of a *contratto aleatorio* under Italian law and are deemed to accept the consequences thereof, including (but not limited to) the provisions of Article 1469 of the Italian Civil Code.

### 4.2 **Segregation**

#### 4.2.1 *Segregation of the Portfolio*

By virtue of the operation of Article 3 of the Securitisation Law and the Transaction Documents, the Issuer's rights, title and interest in and to the Portfolio will be segregated from all other assets of the Issuer (including any other receivables purchased by the Issuer pursuant to the Securitisation Law) and, therefore, any cash-flow deriving therefrom (to the extent identifiable) will be exclusively available, both prior to and following a winding up of the Issuer, to satisfy the obligations of the Issuer to the Noteholders, to the Other Issuer Creditors and to any other creditors of the Issuer in respect of any costs, fees and expenses in relation to the Securitisation.

#### 4.2.2 *Security over certain assets*

In addition, the Notes have the benefit of security over certain assets of the Issuer arising out of certain Transaction Documents created pursuant to the Deed of Pledge.

### 4.3 **Ranking**

In respect of the obligations of the Issuer to pay interest and repay principal on the Notes, the Conditions and the Intercreditor Agreement provide that:

- (a) prior to the service of a Trigger Notice:
  - (i) in respect of the obligations of the Issuer to pay interest on the Notes:
    - (1) the Class A Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B Notes;
    - (2) the Class B Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but subordinated to the Class A Notes;
  - (ii) in respect of the obligations of the Issuer to repay principal on the Notes:
    - (1) the Class A Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B Notes;
    - (2) the Class B Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but subordinated to the Class A Notes.
- (b) following the service of a Trigger Notice, in respect of the obligations of the Issuer to pay interest and repay principal on the Notes:
  - (i) the Class A Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but in priority to the Class B Notes;
  - (ii) the Class B Notes will rank pari passu and rateably without any preference or priority among themselves for all purposes, but subordinated to the Class A Notes;

In respect of the obligation of the Issuer to make payments on the Notes, under this Senior Notes Conditions and the Junior Notes Conditions the payment obligations of the Issuer in respect of the Junior Notes are subordinated to its payment obligations in respect of the Senior Notes, the Other Issuer Creditors and any other creditors of the Issuer, as provided by the Priority of Payments. Therefore, in the event that the Issuer sustains losses and is unable to meet in full its obligations in respect of each of its creditors, the first creditors to bear any shortfall shall be the Junior Noteholders.

#### 4.4 **Conflict of interests**

The Intercreditor Agreement and the Rules of the Organisation of the Noteholders contain provisions regarding the protection of the respective interests of all Noteholders in connection with the exercise of the powers, authorities, rights, duties and discretions of the Representative of the Noteholders under or in relation to the Notes or any of the Transaction Documents. If, however, in the opinion of the Representative of the Noteholders, there is a conflict between interests of

- (a) different Classes of Noteholders, then the Representative of the Noteholders is required to have regard to the interests of the Most Senior Class of Noteholders only;
- (b) the Noteholders and of the Other Issuer Creditors, the Representative of the Noteholders will have regard solely to the interests of the Noteholders.

#### 4.5 Amendments to the Transaction Documents

Any Transaction Document may only be modified with the consent of each party to such document and in accordance with the Intercreditor Agreement and any relevant provisions of the Rules of the Organisation of the Noteholders.

The Terms and Conditions may only be modified with the consent of the Issuer and the Representative of the Noteholders and in accordance with any relevant provisions of the Rules of the Organisation of the Noteholders.

### 5. COVENANTS

#### 5.1 Covenants by the Issuer

For so long as any amount remains outstanding in respect of the Notes of any Class, the Issuer shall not, save with the prior written consent of the Representative of the Noteholders, or as provided in or contemplated by any of the Transaction Documents:

##### 5.1.1 *Negative pledge*

create or permit to subsist any Security Interest whatsoever over the Portfolio or any part thereof or over any of its other assets (save for any Security Interest created in connection with any Further Securitisation and to the extent that such Security Interest is created over assets which form part of the segregated assets of such Further Securitisation, as the case may be), or sell, lend, part with or otherwise dispose of, all or any part of the Portfolio or any of its other assets; or

##### 5.1.2 *Restrictions on activities*

- (a) engage in any activity whatsoever which is not incidental to or necessary in connection with any Further Securitisation or with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage; or
- (b) have any *società controllata* (as defined in Article 2359 of the Italian Civil Code) or any employees or premises; or
- (c) at any time approve or agree or consent to any act or thing whatsoever which may be materially prejudicial to the interests of the Noteholders under the Transaction Documents, or do, or permit to be done, any act or thing in relation thereto which may be materially prejudicial to the interests of the Noteholders under the Transaction Documents; or
- (d) become the owner of any real estate asset, including in the context of a foreclosure proceeding over a Real Estate Asset; or

5.1.3 *Dividends or distributions*

pay any dividend or make any other distribution or return or repay any equity capital to its quotaholders, or increase its capital, save as required by the applicable law; or

5.1.4 *De-registrations*

ask for de-registration from the Register of the *Società Veicolo* held by Bank of Italy, the Consolidated Banking Act or any other applicable law or regulation requires an issuer of notes issued under the Securitisation Law or companies incorporated pursuant to the Securitisation Law to be registered therein; or

5.1.5 *Borrowings*

incur any indebtedness in respect of borrowed money whatsoever (save for any indebtedness to be incurred in relation to any Further Securitisation) or give any guarantee in respect of indebtedness or of any obligation of any person; or

5.1.6 *Merger*

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person; or

5.1.7 *No variation or waiver*

- (a) permit any of the Transaction Documents to which it is party to be amended, terminated or discharged if such amendment, termination or discharge may materially prejudice the interest of the Noteholders; or
- (b) exercise any power of consent or waiver pursuant to the terms of any of the Transaction Documents to which it is party which may materially prejudice the interest of the Noteholders; or
- (c) permit any party to any of the Transaction Documents to which it is party to be released from such obligations, if such release may materially prejudice the interest of the Noteholders; or

5.1.8 *Bank accounts*

have an interest in any bank account other than the Accounts and any bank account opened in the context of any Further Securitisation; or

5.1.9 *Statutory documents*

amend, supplement or otherwise modify its *statuto* in any manner which is prejudicial to the interest of the Noteholders, except where such amendment, supplement or modification is required by compulsory provisions of Italian law or by the competent regulatory authorities; or

5.1.10 *Centre of interest*

move its "centre of main interest" (as that term is used in Article 3(1) of the EU Insolvency Regulation) outside the Republic of Italy; or

5.1.11 *Branch outside Italy*

establish any branch or "establishment" (as that term is used in Article 2(h) of the EU Insolvency Regulation) outside the Republic of Italy; or

5.1.12 *Corporate formalities*

cease to comply with all corporate formalities necessary to ensure its corporate existence and good standing.

5.2 **Further Securitisations**

5.2.1 *Further Securitisation*

Nothing in these Senior Notes Conditions or the Transaction Documents shall prevent or restrict the Issuer from carrying out any one or more other securitisation transactions pursuant to the Securitisation Law (each a "**Further Securitisation**") or, without limiting the generality of the foregoing, implementing, entering into, making or executing any document, deed or agreement in connection with any Further Securitisation, provided that the Issuer confirms in writing to the Representative of the Noteholders - or the Representative of the Noteholders (which, for such purpose, may rely on the advice of any certificate or opinion of or any information obtained from any lawyer, accountant, banker, broker or other expert) is otherwise satisfied - that:

- (a) the transaction documents entered into in the context of the Further Securitisation constitute valid, legally binding and enforceable obligations of the parties thereto under the relevant governing law;
- (b) in the context of the Further Securitisation the Sole Quotaholder gives undertakings in relation to the management of the Issuer, the exercise of its rights as quotaholder or the disposal of the quotas of the Issuer which are the same as or, in the sole discretion of the Representative of the Noteholders, equivalent to the undertakings provided for in the Quotaholder Agreement;
- (c) all the participants to the Further Securitisation and the holders of the notes issued in the context of such Further Securitisation will accept non-petition provisions and limited recourse provisions in every material respect equivalent to those provided in Condition 9 (*Non Petition and Limited Recourse*) below;
- (d) the security deeds or agreements entered into in connection with such Further Securitisation do not comprise (or extend over) any of the Receivables or any of the Issuer's Rights;
- (e) the notes to be issued in the context of such Further Securitisation:
  - (i) are not cross-collateralised or cross-defaulted with the Notes or any note issued by the Issuer in the context of any other previous Further Securitisation; and

- (ii) include provisions which are the same as, or (in the sole discretion of the Representative of the Noteholders) equivalent to, this Condition 5 (*Covenants*); and
- (f) the Rating Agencies have confirmed in writing that such Further Securitisation will not adversely affect the then current rating of any of the Senior Notes.

#### 5.2.2 Confirmation to the Representative of the Noteholders

In giving any confirmation on the foregoing, the Representative of the Noteholders may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents (as may itself consent thereto on behalf of the Noteholders) or may impose such other conditions or requirements as the Representative of the Noteholders may deem expedient or appropriate (in its reasonable discretion) in the interests of the Noteholders and may rely on any written confirmation from the Issuer or as to the matters contained therein. For the avoidance of doubt, the provisions contained in Article 28 of the Rules of the Organisation of the Noteholders (*Exoneration of the Representative of the Noteholders*) will also apply (where appropriate) to the Representative of the Noteholders when acting under this Condition 5 (*Covenants*).

## 6. PRIORITY OF PAYMENTS

### 6.1 Pre-Enforcement Priority of Payments

Prior to the service of a Trigger Notice, the Issuer Available Funds shall be applied on each Payment Date in making the following payments in the following order of priority (in each case only if and to the extent that payments 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 (to the extent that amounts standing to the credit of the Expense Account have been insufficient to pay such costs during the immediately preceding Collection Period), and
  - (b) to credit to the Expense Account such an amount equal to the lower of (1) the Retention Amount, and (2) any Expenses paid during the immediately preceding Collection Period;
- (ii) *Second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof,
  - (a) the remuneration due to the Representative of the Noteholders and any indemnity, proper costs and expenses incurred by the Representative of the Noteholders under the provisions of or in connection with any of the Transaction Documents;
  - (b) any amounts due and payable on such Payment Date to the Account Bank, the Computation Agent, the Paying Agent, the Cash Manager, the Corporate Servicer, the Back-Up Servicer, the Back-Up Servicer Facilitator and the Servicer (but excluding any amount to be paid under item *Seventh* below); and

- (c) any other documented costs, fees and expenses due to persons who are not parties to the Intercreditor Agreement which have been incurred in or in connection with the preservation or enforcement of the Issuer's Rights;
- (iii) *Third*, to pay the Class A Notes Interest Payment Amount due and payable on such Payment Date (to the Class A Noteholders *pari passu* and *pro rata* according to the amounts then due);
- (iv) *Fourth*, to pay the Required Cash Reserve Amount into the Cash Reserve Account;
- (v) *Fifth*, to pay in full any Principal Amount Outstanding in respect of the Class A Notes (to the Class A Noteholders *pro rata* according to the amounts then due);
- (vi) *Sixth*, to pay all amounts due and payable as Adjustment Purchase Price;
- (vii) *Seventh*, to pay to the Servicer any amounts due and payable pursuant to Clauses 8.1(b) and 8.2 of the Servicing Agreement (i.e. fees due to the Servicer in respect of the activities carried out in relation to the Defaulted Receivables and expenses to be reimbursed);
- (viii) *Eighth*, to pay (*pro rata*) to Banca Valsabbina and the Other Issuer Creditors any amounts due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Pre-Enforcement Priority of Payments;
- (ix) *Ninth*, to pay the Class B Notes Interest Amount due and payable on such Payment Date (to the Junior Noteholders *pro rata* according to the amounts then due);
- (x) *Tenth*, subject to the Class A Notes having been redeemed in full, to pay the Principal Amount Outstanding and any other amount due in respect of the Class B Notes (to the Junior Noteholders *pro rata* according to the amounts then due).

The Issuer shall, if necessary, make the payments set out under items First (a) and Second (c) above also during the following Interest Period using the amounts standing to the credit of the Expense Account and the Payments Account.

## 6.2 Post-Enforcement Priority of Payments

Following the service of a Trigger Notice, the Issuer Available Funds shall be applied on each Payment Date in making the following payments in the following order of priority (in each case, only if and to the extent that payments 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 (to the extent that amounts standing to the credit of the Expense Account have been insufficient to pay such costs during the immediately preceding Collection Period), and
  - (b) to credit to the Expense Account such an amount equal to the lower of (1) the Retention Amount, and (2) any Expenses paid during the immediately preceding Collection Period;
- (ii) *Second*, to pay, *pari passu* and *pro rata* according to the respective amounts thereof,

- (a) the remuneration due to the Representative of the Noteholders and any indemnity, proper costs and expenses incurred by the Representative of the Noteholders under the provisions of or in connection with any of the Transaction Documents;
  - (b) any amounts due and payable on such date to the Account Bank, the Computation Agent, the Paying Agent, the Cash Manager, the Corporate Servicer, the Back-Up Servicer, the Back-Up Servicer Facilitator and the Servicer (but excluding any amount to be paid under item *Sixth* below); and
  - (c) (if the Trigger Event is not an Insolvency Event) any other documented costs, fees and expenses due to persons who are not parties to the Intercreditor Agreement which have been incurred in or in connection with the preservation or enforcement of the Issuer's Rights;
- (iii) *Third*, to pay the Class A Notes Interest Payment Amount due and payable on such date (to the Class A Noteholders *pro rata* according to the amounts then due);
  - (iv) *Fourth*, to pay in full any Principal Amount Outstanding in respect of the Class A Notes (to the Class A Noteholders *pro rata* according to the amounts then due);
  - (v) *Fifth*, to pay all amounts due and payable as Adjustment Purchase Price;
  - (vi) *Sixth*, to pay to the Servicer any amounts due and payable pursuant to Clauses 8.1(b) and 8.2 of the Servicing Agreement (i.e. fees due to the Servicer in respect of the activities carried out in relation to the Defaulted Receivables and expenses to be reimbursed);
  - (vii) *Seventh*, to pay (*pro rata*) to Banca Valsabbina and the Other Issuer Creditors any amounts due and payable under the Transaction Documents, to the extent not already paid or payable under other items of this Post-Enforcement Priority of Payments;
  - (viii) *Eighth*, to pay the Class B Notes Interest Amount due and payable on such Payment Date (to the Junior Noteholders *pro rata* according to the amounts then due);
  - (ix) *Ninth*, subject to the Principal Amount Outstanding of the Class A Notes having been repaid in full, to pay the Principal Amount Outstanding in respect of the Class B Notes (to the Junior Noteholders *pro rata* according to the amounts then due).

The Issuer shall, if necessary, make the payments set out under items First (a) and Second (c) above also during the following Interest Period using the amounts standing to the credit of the Expense Account and the Payments Account.

## 7. INTEREST

### 7.1 Payment Dates and Interest Periods

The Senior Notes will bear interest on their Principal Amount Outstanding from (and including) the Issue Date. Interest in respect of the Senior Notes shall accrue on a daily basis and will be payable in arrears in Euro on each Payment Date in respect of the Interest Period ending immediately prior thereto in accordance with the applicable Priority of Payments.

The First Payment Date is in April 2012 in respect of the Initial Interest Period.

Interest in respect of any Interest Period or any other period will be calculated on the basis of the actual number of days elapsed and a 360 day year.

## 7.2 Rate of Interest

The rate of interest payable from time to time in respect of the Senior Notes (the "**Rate of Interest**") will be determined by the Paying Agent on each Interest Determination Date.

The Rate of Interest applicable to the Senior Notes for each Interest Period and the Initial Interest Period, from the Issue Date and up to and including the Final Maturity Date shall be the aggregate of:

7.2.1 the Relevant Margin (as defined below); and

7.2.2 the following rate (the "**EURIBOR**"):

(a) the Euro-Zone Inter-Bank offered rate for three month Euro deposits which appears:

- (i) on Bloomberg Page EUR003M index (except that for the Initial Interest Period, where it shall be the rate *per annum* obtained by linear interpolation of the Euro-Zone Inter-Bank offered rate for 3 and 4 month deposits in Euro (rounded to four decimal places with the mid-point rounded up); or
- (ii) such other page as may replace the relevant Bloomberg Page on that service for the purpose of displaying such information; or
- (iii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Representative of the Noteholders) as may replace the relevant Bloomberg Page,

at or about 11.00 a.m. (Brussels time) on the Interest Determination Date (the "**Screen Rate**" or, in the case of the Initial Interest Period, the "**Additional Screen Rate**"); or

(b) if the Screen Rate (or, in the case of the Initial Interest Period, the Additional Screen Rate) is unavailable at such time for Euro deposits for the relevant period, then the rate for any relevant period shall be the arithmetic mean (rounded to four decimal places with the mid-point rounded up) of the rates notified to the Paying Agent at its request by each of the Reference Banks as the rate at which deposits in Euro for the relevant period in a representative amount are offered by that Reference Bank to leading banks in the Euro-Zone Inter-Bank market at or about 11.00 a.m. (Brussels time) on that date; or

(c) if, on any Interest Determination Date, the Screen Rate (or, in the case of the Initial Interest Period, the Additional Screen Rate) is unavailable and if only two of the Reference Banks provide such offered quotations to the Paying Agent, the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations; or

- (d) if, on any Interest Determination Date, the Screen Rate (or, in the case of the Initial Interest Period, the Additional Screen Rate) is unavailable and if only one of the Reference Banks provides the Paying Agent with such an offered quotation, the Rate of Interest for the relevant Interest Period shall be the Rate of Interest in effect for the immediately preceding Interest Period which one of sub-paragraph (a) or (b) above shall have been applied to,

being agreed and understood that such rate shall be capped to and shall not in any event be higher than 8 (eight) per cent.

**"Relevant Margin"** means, in respect of the Class A Notes, a margin of 0.40 per cent. *per annum*;

There shall be no maximum or minimum Rate of Interest.

### 7.3 **Determination of Rates of Interest and Calculation of Interest Payments**

The Issuer shall, on each Interest Determination Date, determine (or cause the Paying Agent to determine) and notify (or cause the Paying Agent to notify) to the Representative of the Noteholders:

- (i) the Rate of Interest applicable to the Interest Period beginning after such Interest Determination Date (or in the case of the Initial Interest Period, beginning on and including the Issue Date) in respect of the Senior Notes; and
- (ii) the Euro amount (the **"Interest Payment Amount"**) payable as interest on the Senior Notes in respect of such Interest Period. The Interest Payment Amount payable in respect of any Interest Period in respect of the Senior Notes shall be calculated by applying the relevant Rate of Interest to the Principal Amount Outstanding of the relevant Class of Senior Notes on the Payment Date (or, in the case of the Initial Interest Period, the Issue Date), at the commencement of such Interest Period (after deducting therefrom any payment of principal due and paid on that Payment Date), multiplying the product of such calculation by the actual number of days in the Interest Period and dividing by 360, and rounding the resultant figure to the nearest cent (half a cent being rounded up); and
- (iii) the Payment Date in respect of the Interest Payment Amount on the Senior Notes.

### 7.4 **Publication of the Rate of Interest and the Interest Payment Amount**

The Paying Agent will cause the Rate of Interest, the Relevant Margin and the Interest Payment Amount applicable to the Senior Notes for each Interest Period and the Payment Date in respect of such Interest Payment Amount to be notified promptly after determination (and in any event not later than the first day of each relevant Interest Period) to the Issuer, the Servicer, the Representative of the Noteholders, the Account Bank, the Computation Agent, the Corporate Servicer, Monte Titoli and the Luxembourg Stock Exchange and will cause the same to be published in accordance with Condition 16 (*Notices*) on or as soon as possible after the relevant Interest Determination Date.

### 7.5 **Determination or calculation by the Representative of the Noteholders**

If the Paying Agent does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Payment Amount for the Senior Notes in accordance with the foregoing

provisions of this Condition 7 (*Interest*), the Representative of the Noteholders as legal representative of the Organisation of the Noteholders shall:

- (a) determine the Rate of Interest for the Senior Notes at such rate as (having regard to the procedure described above) it shall consider fair and reasonable in all the circumstances; and/or
- (b) calculate the Interest Payment Amount for the Senior Notes in the manner specified in Condition 7.3 (*Interest – Determination of Rates of Interest and Calculation of Interest Payments*) above, and any such determination and/or calculation shall be deemed to have been made by the Paying Agent.

#### **7.6 Notifications to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Interest*), whether by the Reference Banks (or any of them), the Paying Agent, the Issuer or the Representative of the Noteholders shall (in the absence of wilful misconduct, bad faith or manifest error) be binding on the Reference Banks, the Paying Agent, the Computation Agent, the Issuer, the Account Bank, the Representative of the Noteholders and all Senior Noteholders and (in such absence as aforesaid) no liability to the Senior Noteholders shall attach to the Reference Banks, the Paying Agent, the Computation Agent, the Issuer or the Representative of the Noteholders in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretion hereunder.

#### **7.7 Reference Banks and Paying Agent**

The Issuer shall ensure that, so long as any of the Senior Notes remain outstanding, there shall at all times be three Reference Banks and a Paying Agent. In the event of any such bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall appoint such other bank as may have been previously approved in writing by the Representative of the Noteholders to act as such in its place. The Paying Agent may not resign until a successor approved in writing by the Representative of the Noteholders has been appointed. If a new Paying Agent is appointed a notice will be published in accordance with Condition 16 (*Notices*).

#### **7.8 Unpaid Interest with respect to the Senior Notes**

Unpaid interest on the Senior Notes shall accrue no interest.

### **8. REDEMPTION, PURCHASE AND CANCELLATION**

#### **8.1 Final Maturity Date**

8.1.1 Unless previously redeemed in full or cancelled in accordance with this Condition 8 (*Redemption, Purchase and Cancellation*), the Senior Notes are due to be repaid in full at their Principal Amount Outstanding (together with interest accrued thereon) on the Final Maturity Date.

8.1.2 The Issuer may not redeem the Senior Notes in whole or in part prior to that date except as provided below in Condition 8.2 (*Redemption, Purchase and Cancellation - Mandatory Redemption*), 8.3 (*Redemption, Purchase and Cancellation - Optional Redemption*) and 8.4

(*Redemption, Purchase and Cancellation - Redemption for Taxation*), but without prejudice to Condition 13 (*Trigger Events*).

## 8.2 **Mandatory Redemption**

The Notes of each Class will be subject to mandatory redemption in full (or in part *pro rata*) on each Payment Date thereafter, in each case if and to the extent that, on such dates, there are sufficient Issuer Available Funds which may be applied towards redemption of the Notes, in accordance with the applicable Priority of Payments set out in Condition 6 (*Priority of Payments*).

## 8.3 **Optional Redemption**

8.3.1 Unless previously redeemed in full, the Issuer, having given not less than 30 days' prior notice to the Representative of the Noteholders in writing and to the Noteholders in accordance with the Terms and Conditions, may redeem the Senior Notes (in whole but not in part) and the Junior Notes (in whole or in part) at their Principal Amount Outstanding, together with interest accrued thereon, up to the date fixed for redemption, in accordance with this Condition 8.3 on any Payment Date.

8.3.2 The Issuer may obtain the necessary funds in order to effect the above optional redemption of the Notes, in accordance with this Condition 8.3, through the sale of the Portfolio subject to the terms and conditions of the Intercreditor Agreement (for further details, see the section entitled "*Description of the Intercreditor Agreement*"). The relevant sale proceeds shall form part of the Issuer Available Funds.

## 8.4 **Redemption for Taxation**

8.4.1 If the Issuer at any time satisfies the Representative of the Noteholders, immediately prior to giving the notice referred to below, that on the next Payment Date:

- (a) the Issuer or any other person would be required to deduct or withhold (other than in respect of a Decree 239 Deduction) from any payment of principal or interest on any Class of Notes (the "**Affected Class**"), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Italy or any political or administrative sub-division thereof or any authority thereof or therein (or that amounts payable to the Issuer in respect of the Portfolio would be subject to withholding or deduction) (hereinafter, the "**Tax Event**"); and
- (b) the Issuer will have the necessary funds (not subject to the interests of any other person) to discharge all of its outstanding liabilities in respect of the Affected Class and any amount required to be paid, according to the Priority of Payments in priority to or *pari passu* with the Notes of the Affected Class;

then the Issuer may, on any such Payment Date at its option having given not less than 30 days' prior notice to the Representative of the Noteholders in writing and to the Noteholders in accordance with Condition 16 (*Notices*) hereof, redeem the Notes of the Affected Class (if the Affected Class is the Senior Notes, in whole but not in part or, if the Affected Class is the Junior Notes, in whole or in part) at their Principal Amount Outstanding together with all accrued but unpaid interest thereon up to and including the relevant Payment Date, in

accordance with Condition 8.4 (*Redemption, Purchase and Cancellation - Redemption for Taxation*).

In addition, following the occurrence of a Tax Event, the Issuer may, or the Representative of the Noteholders may (or shall if so requested by an Extraordinary Resolution of the Most Senior Class of Noteholders) direct the Issuer to dispose of the Portfolio, or any part thereof, to finance the early redemption of the Notes in accordance with this Condition 8.4, subject to the terms and conditions of the Intercreditor Agreement.

## 8.5 **Principal Payment on the Notes, Redemption Amounts and Principal Amount Outstanding**

8.5.1 On each Calculation Date, the Issuer shall procure that the Computation Agent determines:

- (i) the amount of the Issuer Available Funds;
- (ii) the principal payment (if any) due on the Senior Notes on the next following Payment Date; and
- (iii) the Principal Amount Outstanding of the Senior Notes on the next following Payment Date (after deducting any principal payment due to be made on such Payment Date).

8.5.2 Each determination by (or on behalf of) the Issuer of the Issuer Available Funds, any principal payment on the Senior Notes and the Principal Amount Outstanding of the Senior Notes shall in each case (in the absence of wilful misconduct, gross negligence, bad faith or manifest error) be final and binding on all persons.

8.5.3 The Issuer will, on each Calculation Date, cause the determination of a principal payment on the Senior Notes (if any) and Principal Amount Outstanding of the Senior Notes to be notified by the Computation Agent (through the Payments Report) to the Representative of the Noteholders, the Rating Agencies, the Paying Agent and the Luxembourg Stock Exchange. The Issuer will cause notice of each determination of a principal payment on the Senior Notes and of Principal Amount Outstanding of the Senior Notes to be given to Monte Titoli and in accordance with Condition 16 (*Notices*).

8.5.4 The principal amount redeemable in respect of each Note shall be a *pro rata* share of the aggregate amount determined in accordance with Condition 8.2 (*Redemption, Purchase and Cancellation - Mandatory Redemption*) to be available for redemption of the Notes of the same Class as such Note on such date, calculated with reference to the ratio between (A) the then Principal Amount Outstanding of such Note and (B) the then Principal Amount Outstanding of all the Notes of the same Class (rounded down to the nearest cent), provided always that no such Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

8.5.6 If no principal payment on the Senior Notes or Principal Amount Outstanding of the Senior Notes is determined by or on behalf of the Issuer in accordance with the preceding provisions of this Condition 8.5 (*Redemption, Purchase and Cancellation - Principal Payment on the Notes, Redemption Amounts and Principal Amount Outstanding*), such principal payment on the Senior Notes and Principal Amount Outstanding of the Senior Notes shall be determined by the Representative of the Noteholders in accordance with this

Condition 8 (*Redemption, Purchase and Cancellation*) and each such determination or calculation shall be deemed to have been made by the Issuer.

8.5.7 In the event of the Computation Agent not receiving or receiving with delay (such a delay not enabling the Computation Agent to prepare the Payments Report in time for applying the Pre-Enforcement Priority of Payments on the relevant Payment Date) the information (in whole or in part) of any amount necessary for it to prepare the Payments Report in respect of any Calculation Date, but has evidence that the amounts standing to the credit of the Accounts (excluding the Quota Capital Account) are sufficient to pay the interests on the Senior Notes and any other amount ranking in priority thereto pursuant to the Pre-Enforcement Priority of Payments, the Computation Agent shall:

- (a) promptly inform the Issuer and the Representative of the Noteholders;
- (b) nonetheless prepare a Payments Report on or prior to the relevant Calculation Date based on the assumption that:
  - (i) the amounts to be retained into the Expense Account and the fees due and payable on the next following Payment Date pursuant to item *Second* of the Pre-Enforcement Priority of Payments, shall be equal to the amount specified in the last available Payment Report; and
  - (ii) no payments will be made on any item of the Pre-Enforcement Priority of Payments different from the interests on the Senior Notes and any other amount ranking in priority thereto (and, therefore, for the avoidance of doubt, no principal will be due and payable on the Senior Notes on such Payment Date)

being understood (for the avoidance of any doubt) that, if the principal due under the Notes set out in such Payments Report results equal to zero, such circumstance shall not constitute in any event a Trigger Event.

It remains understood and agreed that any amount that will not be used and applied in accordance with the Pre-Enforcement Priority of Payments on each Payment Date shall remain credited onto the Payments Accounts and shall be considered as Issuer Available Funds and applied on the immediately following Payment Date.

The Computation Agent shall not be liable for any liability suffered or incurred by any party or any other any Other Issuer Creditors as a result of such assumption, being understood that should such assumptions be communicated to the Computation Agent to be wrong by the Party in charge to determine them, then the Computation Agent on the immediately following Calculation Date shall prepare a Payments Report which shall consider any incorrect assumed amounts with the purpose to set-off such amounts with any amounts due and payable on the next following Payment Date.

## 8.6 **Notice of redemption**

Any notice of redemption, including those as set out in Condition 8.3 (*Redemption, Purchase and Cancellation - Optional Redemption*) and 8.4 (*Redemption, Purchase and Cancellation - Redemption for Taxation*), must be given in accordance with Condition 16 (*Notices*) and shall be

irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Senior Notes in accordance with this Condition 8 (*Redemption, Purchase and Cancellation*).

#### 8.7 **No purchase by Issuer**

The Issuer is not permitted to purchase any of the Notes.

#### 8.8 **Cancellation**

8.8.1 The Notes shall be cancelled on the Cancellation Date, being the earlier of:

- (a) the date on which the Notes have been redeemed in full;
- (b) the Final Maturity Date; and
- (c) the date on which the Representative of the Noteholders has certified to the Issuer and the Noteholders that there are no more Issuer Available Funds to be distributed as a result of no additional amount or asset relating to the Portfolio being available to the Issuer,

at which date any amount outstanding, whether in respect of interest, principal and/or other amounts in respect of the Notes, shall be finally and definitively cancelled.

8.8.2 Upon cancellation the Notes may not be resold or re-issued.

### 9. **NON PETITION AND LIMITED RECOURSE**

#### 9.1 **Non Petition**

The Representative of the Noteholders only may pursue the remedies available under general law or under the Transaction Documents to obtain payment of the obligations of the Issuer deriving from any of the Transaction Documents or enforce the Security and no Noteholder shall be entitled to proceed directly against the Issuer to obtain payment of such obligations or to enforce the Security, save as provided by the Rules of the Organisation of the Noteholders. In particular no Noteholder:

- (a) is entitled, save as expressly permitted by the Transaction Documents, to direct the Representative of the Noteholders to enforce the Security or take any proceedings against the Issuer to enforce the Security;
- (b) shall, save as expressly permitted by the Transaction Documents, have the right to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to it;
- (c) shall be entitled, until the date falling one year and one day after the date on which all the Notes and any other notes issued in the context of any other securitisation by the Issuer have been redeemed in full or cancelled in accordance with their terms and conditions, to cause, initiate or join any person in initiating an Insolvency Event in relation to the Issuer; and
- (d) shall be entitled to take or join in the taking of any corporate action, legal proceeding or other procedure or step which would result in the Priority of Payments not being complied

with.

## 9.2 **Limited recourse obligations of Issuer**

Notwithstanding any other provision of the Transaction Documents, all obligations of the Issuer to the Noteholders are limited in recourse as set out below:

- (a) each Noteholder will have a claim only in respect of the Issuer Available Funds and at all times only in accordance with the applicable Priority of Payments and will not have, by operation of law or otherwise, any claim against, or recourse to, the Issuer's other assets or its contributed capital;
- (b) sums payable to each Noteholder in respect of the Issuer's obligations to such Noteholder shall be limited to the lesser of (i) the aggregate amount of all sums due and payable to such Noteholder; and (ii) the Issuer Available Funds, net of any sums which are payable by the Issuer in accordance with the applicable Priority of Payments in priority to or *pari passu* with such sums payable to such Noteholder; and
- (c) upon the Representative of the Noteholders giving notice in accordance with Condition 16 (*Notices*) that it has determined, in its sole opinion, that there is no reasonable likelihood of there being any further amounts to be realised in respect of the Portfolio or the Security (whether arising from judicial enforcement proceedings, enforcement of the Security or otherwise) which would be available to pay unpaid amounts outstanding under the Transaction Documents and the Servicer having confirmed the same in writing to the Representative of the Noteholders, the Noteholders shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be cancelled and discharged in full.

## 10. **PAYMENTS**

### 10.1 **Payments through Monte Titoli, Euroclear and Clearstream**

Payment of principal and interest in respect of the Senior Notes will be credited, according to the instructions of Monte Titoli, by the Paying Agent on behalf of the Issuer to the accounts of those banks and authorised brokers whose Monte Titoli accounts are credited with such Senior Notes and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of such Senior Notes or through Euroclear and Clearstream to the accounts with Euroclear and Clearstream of the beneficial owners of such Senior Notes, in accordance with the rules and procedures of Monte Titoli, Euroclear or Clearstream, as the case may be. As payment is made through Euroclear and Clearstream the financial services are carried out also in Luxembourg.

### 10.2 **Payments subject to tax laws**

Payments of principal and interest in respect of the Senior Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

### 10.3 **Variation of Paying Agent**

The Issuer reserves the right, subject to the prior written approval of the Representative of the Noteholders, at any time to vary or terminate the appointment of the Paying Agent and to appoint

another paying agent. The Issuer will cause at least 30 days' prior notice of any replacement of the Paying Agent to be given to the Noteholders in accordance with Condition 16 (*Notices*) and to the Rating Agencies.

11. **TAXATION**

All payments in respect of the Senior Notes will be made without withholding or deduction for or on account of any present or future taxes, duties or charges of whatsoever nature other than a Decree 239 Deduction (as recently amended) or any other withholding or deduction required to be made by applicable law. Neither the Issuer nor any other person shall be obliged to pay any additional amount to any holder of Notes on account of such withholding or deduction.

12. **PRESCRIPTION**

Claims against the Issuer for payments in respect of the Senior Notes shall be prescribed and shall become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the date on which a payment in respect thereof first becomes due and payable.

13. **TRIGGER EVENTS**

13.1 **Trigger Events**

The occurrence of any of the following events shall constitute a Trigger Event:

- (a) *Non-payment*: The Issuer defaults in the payment of:
- (i) (1) the amount of interest accrued on the Most Senior Class of Notes; or
  - (2) the amount of principal due and payable on the Most Senior Class of Notes (as set out in the relevant Payments Report)
- and such default is not remedied within a period of five Business Days from the due date thereof; or
- (ii) any amount due to the Other Issuer Creditors under items First and Second of the Priority of Payments and such default is not remedied within a period of five Business Days from the due date thereof; or
- (b) *Breach of other obligations*: The Issuer defaults in the performance or observance of any of its obligations under or in respect of the Notes or any of the Transaction Documents to which it is a party (other than any obligation specified in (a) above) which is in the Representative of the Noteholders' sole and absolute opinion materially prejudicial to the interests of the Noteholders and such default remains unremedied for 30 days after the Representative of the Noteholders having given written notice thereof to the Issuer requiring the same to be remedied (except where, in the sole opinion of the Representative of the Noteholders, such default is not capable of remedy in which case no term of 30 days will be given); or
- (c) *Breach of Representations and Warranties by the Issuer*: Any of the representations and warranties given by the Issuer under any of the Transaction Documents to which it is party is, or proves to have been, incorrect or erroneous in any material respect when made, or

deemed to be made, or at any time thereafter, unless it has been remedied within 15 days after the Representative of the Noteholders has served notice requiring remedy; or

- (d) *Insolvency of the Issuer*: An Insolvency Event occurs in respect of the Issuer; or
- (e) *Unlawfulness*: It is or will become unlawful (in any respect deemed to be material by the Representative of the Noteholders) for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or any of the Transaction Documents to which it is a party.

## 13.2 **Trigger Notice**

Upon the occurrence of a Trigger Event, the Representative of the Noteholders:

- (a) in the case of a Trigger Event under Condition 13.1 (a) or (e) above, shall; and/or
- (b) in the case of a Trigger Event under Condition 13.1 (b) or (c) above, shall, if so directed by an Extraordinary Resolution of the Most Senior Class of Noteholders; and/or
- (c) in the case of a Trigger Event under Condition 13.1 (d) above, may at its sole discretion or shall, if so directed by an Extraordinary Resolution of the Most Senior Class of Noteholders,

serve a Trigger Notice to the Issuer. Upon the service of a Trigger Notice, the Issuer Available Funds shall be applied in accordance with Condition 6.2 (*Priority of Payments – Post-Enforcement Priority of Payments*).

Following the service of a Trigger Notice, the Issuer may (subject to the consent of the Representative of the Noteholders) or the Representative of the Noteholders may (or shall if so requested by an Extraordinary Resolution of the Most Senior Class of Noteholders) direct the Issuer to dispose of the Portfolio (in full or in part), subject to the terms and conditions of the Intercreditor Agreement.

## 14. **ACTIONS FOLLOWING THE SERVICE OF A TRIGGER NOTICE**

### 14.1 **Actions of the Representative of the Noteholders**

At any time after a Trigger Notice has been served, the Representative of the Noteholders may or shall, if so requested or authorised by an Extraordinary Resolution of the Most Senior Class of Noteholders, take such steps and/or institute such proceedings against the Issuer as it may think fit to ensure repayment of the Senior Notes and payment of accrued interest thereon in accordance with the Priority of Payments set out in Condition 6.2 (*Priority of Payments - Post-Enforcement Priority of Payments*).

### 14.2 **Notifications, determinations and liability of the Representative of the Noteholders**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 13 (*Trigger Events*) or this Condition 14 (*Actions following the service of a Trigger Notice*) by the Representative of the Noteholders shall (in the absence of wilful misconduct, bad faith or manifest error) be binding on the Issuer and all Senior Noteholders and (in such absence as aforesaid) no liability to the Senior Noteholders or the Issuer

shall attach to the Representative of the Noteholders in connection with the exercise or non-exercise by it of its powers, duties and discretion hereunder.

#### 14.3 **Actions against the Issuer**

No Noteholder shall be entitled to proceed directly against the Issuer save as provided in these Senior Notes Conditions and the Rules of the Organisation of the Noteholders.

#### 14.4 **Limited claims against the Issuer**

If the Representative of the Noteholders takes action to ensure the Noteholders' rights in respect of the Portfolio and the Issuer's Rights and after payment of all other claims ranking in priority to the Senior Notes under the Terms and Conditions and the Intercreditor Agreement, if the remaining proceeds of such action (the Representative of the Noteholders having taken action to ensure the Noteholders' rights in respect of the entire Portfolio and all the Issuer's Rights) are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Senior Notes and all other claims ranking *pari passu* therewith, then the Senior Noteholders' claims against the Issuer will be limited to their *pro rata* share of such remaining proceeds (if any) and the obligations of the Issuer to the Senior Noteholders will be discharged in full and any amount in respect of principal, interest or other amounts due under the Senior Notes will be finally and definitively cancelled.

#### 14.5 **Disposal of the Portfolio**

Following the service of a Trigger Notice, the Issuer may (subject to the consent of the Representative of the Noteholders) or the Representative of the Noteholders may (or shall if so requested by an Extraordinary Resolution of the Most Senior Class of Noteholders) direct the Issuer to dispose of the Portfolio, subject to the terms and conditions of the Intercreditor Agreement.

### 15. **THE REPRESENTATIVE OF THE NOTEHOLDERS**

#### 15.1 **The Organisation of the Noteholders**

The Organisation of the Noteholders shall be established upon and by virtue of the issuance of the Notes and shall remain in force and in effect until repayment in full or cancellation of the Notes.

#### 15.2 **Appointment of the Representative of the Noteholders**

Pursuant to the Rules of the Organisation of the Noteholders, for so long as any Senior Note is outstanding, there shall at all times be a Representative of the Noteholders. The appointment of the Representative of the Noteholders, as legal representative of the Organisation of the Noteholders, is made by the Noteholders subject to and in accordance with the Rules of the Organisation of the Noteholders, except for the initial Representative of the Noteholders who has been appointed by the initial holder of the Senior Notes at the time of the issue of the Senior Notes, subject to and in accordance with the provisions of the Senior Notes Subscription Agreement. Each Senior Noteholder is deemed to accept such appointment.

### 16. **NOTICES**

#### 16.1 **Notices**

Any notice regarding the Senior Notes, as long as the Notes are held through Monte Titoli, shall be deemed to have been duly given if given through the systems of Monte Titoli and, in relation to the Senior Notes and as long as the Senior Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, if published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in accordance with the rules of the Luxembourg Stock Exchange 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 one of the manners referred to above.

## **16.2 Alternative methods of notice**

The Representative of the Noteholders shall be at liberty to sanction some other method of giving notice to the Noteholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the rules of the stock exchange on which the Senior Notes are then listed and provided that notice of such other method is given to the Senior Noteholders in such manner as the Representative of the Noteholders shall require and in accordance with the rules of the stock exchange on which the Senior Notes are then listed.

## **17. GOVERNING LAW AND JURISDICTION**

### **17.1 Governing law of the Notes**

The Notes and all non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with Italian Law.

### **17.2 Governing law of the Transaction Documents**

All the Transaction Documents and all non-contractual obligations arising in any way whatsoever out of or in connection with them, are governed by, and shall be construed in accordance with Italian Law.

### **17.3 Jurisdiction**

Any dispute arising from the interpretation and execution of these Conditions or from the legal relationships established by these Notes and these Conditions will be submitted to the exclusive jurisdiction of the Courts of Brescia.

**EXHIBIT 1**  
**TO THE SENIOR NOTES CONDITIONS**  
**RULES OF THE ORGANISATION OF THE NOTEHOLDERS**  
**TITLE I**  
**GENERAL PROVISIONS**

**1 General**

1.1 *Establishment*

The Organisation of the Noteholders is created concurrently with the issue by Valsabbina SPV 1 S.r.l. and subscription for the Euro 199,500,000 Class A Residential Mortgages Asset Backed Floating Rate Notes due October 2052 and the Euro 100,100,000 Class B Residential Mortgages Asset Backed Notes due October 2052 and is governed by these Rules of the Organisation of the Noteholders (the "**Rules**").

1.2 *Validity*

These Rules shall remain in force and effect until full repayment or cancellation of all the Notes.

1.3 *Integral part of the Notes*

These Rules are deemed to be an integral part of each Note issued by the Issuer.

**2 Definitions and interpretations**

2.1 *Interpretation*

2.1.1 Unless otherwise provided in these Rules, any capitalised term shall have the meaning attributed to it in the Senior Notes Conditions.

2.1.2 Any reference herein to an "Article" shall be a reference to an article of these Rules.

2.1.3 Headings and subheadings used herein are for ease of reference only and shall not affect the construction of these Rules.

2.2 *Definitions*

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

**"Basic Terms Modification"** means any proposal to:

- (a) change the date of maturity of the Notes of any Class;
- (b) change any date fixed for the payment of principal or interest in respect of the Notes of any Class;
- (c) reduce or cancel the amount of principal or interest payable on any date in respect of the Notes of any Class (other than any reduction or cancellation permitted under the Terms and Conditions) or alter the method of calculating the amount of any payment in respect of the Notes of any Class on redemption or maturity;
- (d) change the quorum required at any Meeting or the majority required to pass any Resolution;
- (e) change the currency in which payments are due in respect of any Class of Notes;

- (f) alter the priority of payments affecting the payment of interest and/or the repayment of principal in respect of any of the Senior Notes;
- (g) effect the exchange, conversion or substitution of the Notes of any Class for, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate, formed or to be formed;
- (h) a change to this definition.

**"Blocked Notes"** means Notes which have been blocked by an authorised intermediary in an account with a clearing system.

**"Block Voting Instruction"** means in relation to a Meeting, the document issued by the Paying Agent stating *inter alia*:

- (a) that the Blocked Notes specified therein will not be released until a specified date which falls after the conclusion of the Meeting;
- (b) that the Paying Agent has been instructed by the holder of the relevant Notes to cast the votes attributable to such Blocked Notes in a particular way on each resolution to be put to the relevant Meeting and that during the period of 48 hours before the time fixed for the Meeting such instructions may not be amended or revoked; and
- (c) authorising a Proxy to vote in accordance with such instructions.

**"Chairman"** means, in relation to any Meeting, the individual who takes the chair in accordance with Title II, Article 7 of these Rules.

**"Extraordinary Resolution"** means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules to resolve on the object set out in Article 18.

**"Meeting"** means a meeting of Noteholders of any Class or Classes (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 including any depository banks appointed by Euroclear and Clearstream.

**"Ordinary Resolution"** means a resolution passed at a Meeting, duly convened and held in accordance with the provisions contained in these Rules to resolve on the object set out in Article 17.

**"Proxy"** means any person to which the powers to vote at a Meeting have been duly granted under a Voting Certificate or a Block Voting Instruction.

**"Resolution"** means an Ordinary Resolution and/or an Extraordinary Resolution, as the case may be.

**"Terms and Conditions"** means the Senior Notes Conditions and/or the Junior Notes Conditions, as the context may require and as from time to time modified in accordance with the provisions herein contained and including any agreement or other document expressed to be supplemental thereto, and any reference to a numbered **"Condition"** is to the corresponding numbered provision thereof.

**"Voter"** means, in relation to any Meeting, the holder of a Voting Certificate or a Proxy;

**"Voting Certificate"** means, in relation to any Meeting, a certificate issued by the Monte Titoli Account Holder in accordance with Regulation 22 February 2008, as subsequently amended and supplemented, stating *inter alia*:

- (a) that the Blocked Notes specified therein will not be released until a specified date which falls after the conclusion of the Meeting; and
- (b) that the bearer of such certificate is entitled to attend and vote at such Meeting in respect of such Blocked Notes.

"**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 in the place where the Paying Agent has its specified office.

"**48 hours**" means 2 consecutive periods of 24 hours.

### **3 Purpose of the Organisation**

#### *3.1 Membership*

Each Noteholder is a member of the Organisation of the Noteholders.

#### *3.2 Purpose*

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

## **TITLE II**

### **MEETINGS OF NOTEHOLDERS**

#### **4 Voting Certificates and Validity of the Proxies and Voting Certificates**

##### *4.1 Participation in Meetings*

Noteholders may participate in any Meeting by obtaining a Voting Certificate or by depositing a Block Voting Instruction at the specified office of the Representative of the Noteholders not later than 24 hours before the relevant Meeting.

##### *4.2 Validity*

A Block Voting Instruction or a Voting Certificate shall be valid only if deposited at the specified office of the Representative of the Noteholders, or at any other place approved by the Representative of the Noteholders, at least 24 hours before the time of the relevant Meeting. If a Block Voting Instruction or a Voting Certificate is not deposited before such deadline, it shall not be valid unless the Chairman decides otherwise before the Meeting proceeds to discuss the items on the agenda. If the Representative of the Noteholders so requires, notarised copy of each Voting Certificate or Block Voting Instruction and satisfactory evidence of the identity of each Proxy named therein shall be produced at the Meeting but the Representative of the Noteholders shall not be obliged to investigate the validity of a Voting Certificate, a Block Voting Instruction or the identity of any Proxy.

##### *4.3 Mutually exclusive*

A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Note.

##### *4.4 Blocking and release of Notes*

References to the blocking or release of Notes shall be construed in accordance with the usual practices (including blocking the relevant account) of any relevant clearing system.

## **5 Convening the Meeting**

### *5.1 Meetings convened by the Representative of the Noteholders*

The Representative of the Noteholders may convene a Meeting at any time.

The Representative of the Noteholders shall convene a Meeting at any time it is requested to do so in writing by (a) the Issuer, or (b) Noteholders representing at least one-tenth of the aggregate Principal Amount Outstanding of all the Notes outstanding for the Class in respect of which the Meeting is to be convened.

### *5.2 Request from the Issuer*

Whenever the Issuer requests the Representative of the Noteholders to convene a Meeting, it shall immediately send a communication in writing to that effect to the Representative of the Noteholders specifying the proposed day, time and place of the Meeting and the items to be included in the agenda.

### *5.3 Time and place of the Meeting*

Every Meeting will be held on a date and at a time and place selected or approved by the Representative of the Noteholders.

## **6 Notice of Meeting and Documents Available for Inspections**

### *6.1 Notice of meeting*

At least 21 days' notice (exclusive of the day on which 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 by the Paying Agent (upon instruction from the Representative of the Noteholders) to the relevant Noteholders, with copy to the Issuer and the Representative of the Noteholders.

### *6.2 Content of the notice*

The notice of any resolution to be proposed at the Meeting shall specify at least the following information:

- (a) day, time and place of the Meeting, on first and second call;
- (b) agenda of the Meeting; and
- (c) nature of the Resolution.

### *6.3 Validity notwithstanding lack of notice*

Notwithstanding the formalities required by this Article 6, a Meeting is validly held if the entire Principal Amount Outstanding of the relevant Class or Classes of Notes is represented thereat and the Issuer and the Representative of the Noteholders are present.

### *6.4 Documentation Available for Inspection*

All the documentation (including, if possible, the full text of the resolution to be proposed at the Meeting) which is necessary, useful or appropriate for the Noteholders consciously to (i) determine whether or not to take part in the relevant Meeting and (ii) exercise their right to vote on the items on the agenda, shall be deposited at the specified office of the Representative of the Noteholders at least 7 days before the date set for the relevant Meeting.

## **7 Chairman of the Meeting**

### *7.1 Appointment of the Chairman*

The Meeting is chaired by an individual (who may, but need not be, a Noteholder) appointed by the Representative of the Noteholders. If the Representative of the Noteholders fails to make such appointment or the individual so appointed declines 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.

## 7.2 *Duties of the 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 defines the terms for voting.

## 7.3 *Assistance*

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 Noteholders.

# 8 **Quorum**

## 8.1 *Quorum and Passing of Resolution*

The quorum (*quorum constitutivo*) at any Meeting shall be:

- (a) in respect of a Meeting convened to vote on an Ordinary Resolution:
  - (i) on first call, one or more Voters holding or representing at least one half of the Principal Amount Outstanding of the outstanding Notes for the Class in respect of which the Meeting is convened; or
  - (ii) on second call, following any adjournment pursuant to Article 9, such fraction of the Principal Amount Outstanding of the outstanding Notes as is represented or held by Voters present at the Meeting;
- (b) in respect of a Meeting convened to vote on an Extraordinary Resolution, other than in respect of a Basic Terms Modification:
  - (i) on first call, one or more Voters holding or representing at least two thirds of the Principal Amount Outstanding of the Notes outstanding for the Class in respect of which the Meeting is convened; or
  - (ii) on second call, following any adjournment pursuant to Article 9, such fraction of the Principal Amount Outstanding of the outstanding Notes as is represented or held by Voters present at the Meeting;
- (c) in respect of a Meeting convened to vote on an Extraordinary Resolution in respect of a Basic Terms Modification:
  - (i) on first call, one or more Voters holding or representing at least three quarters of the Principal Amount Outstanding of the outstanding Notes for the Class in respect of which the Meeting is convened; or
  - (ii) on second call, following any adjournment pursuant to Article 9, one or more Voters holding or representing at least one half of the Principal Amount Outstanding of the outstanding Notes for the Class in respect of which the Meeting is convened.

## 8.2 *Passing of a Resolution*

A Resolution shall be deemed validly passed if voted by the following majorities:

- (a) in respect of an Ordinary Resolution, a majority of the votes cast; and
- (b) in respect of an Extraordinary Resolution, a majority of not less than three quarters of the votes cast.

## **9 Adjournment for lack of quorum**

If a quorum is not reached within 30 minutes after the time fixed for any Meeting:

- (a) if such Meeting was requested by Noteholders, the Meeting shall be dissolved; or
- (b) in any other case, the Meeting (unless the Issuer and the Representative of the Noteholders otherwise agree) shall be adjourned to a new date no earlier than 14 days and no later than 42 days after the original date of such Meeting, and to such place and time as the Chairman determines with the approval of the Representative of the Noteholders, provided however that no meeting may be adjourned more than once for want of quorum.

## **10 Adjourned Meeting**

Except as provided in Article 9, 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.

## **11 Notice following adjournment**

### *11.1 Notice required*

If a Meeting is adjourned in accordance with the provisions of Article 9, Articles 5 and 6 above shall apply to the resumed meeting except that:

- (a) 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
- (b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

### *11.2 Notice not required*

It shall not be necessary to give notice to resume any Meeting adjourned for reasons other than those described in Article 9.

## **12 Participation**

The following categories of persons may attend and speak at a Meeting:

- (a) Voters;
- (b) the director(s) and the auditors of the Issuer;
- (c) the Representative of the Noteholders;
- (d) financial and/or legal advisers to the Issuer and the Representative of the Noteholders; and
- (e) any other person authorised by the Issuer, the Representative of the Noteholders or by virtue of a resolution of the relevant Meeting.

### **13 Voting by show of hands**

#### *13.1 First instance vote*

Every question submitted to a Meeting shall be decided in the first instance by a vote by show of hands.

#### *13.2 Demand of poll*

If, before the vote by show of hands, the Issuer, the Representative of the Noteholders, the Chairman or one or more Voters who represent or hold at least one-tenth of the aggregate Principal Amount Outstanding of the relevant Class or Classes of Notes request to vote by poll, the question shall be voted on in compliance with the provisions of Article 14. No request to vote by poll shall hinder the continuation of the Meeting in relation to the other items on the agenda.

#### *13.3 Approval of a resolution*

A resolution is only passed on a vote by show of hands if the Meeting has been validly constituted and the relevant resolution is unanimously approved by all the Voters at the Meeting. The Chairman's declaration that on a show of hands a resolution has been passed or rejected shall be conclusive. Whenever it is not possible to approve a resolution by show of hands, voting shall be carried out by poll.

### **14 Voting by poll**

#### *14.1 Demand for a poll*

A demand for a poll shall be valid if it is made by the Chairman, the Issuer, the Representative of the Noteholders or one or more Voters representing or holding not less than one-tenth of the Principal Amount Outstanding of the outstanding Notes entitled to vote at the Meeting. A poll may be taken immediately or after any adjournment as 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.

#### *14.2 Conditions of a poll*

The Chairman sets the conditions for voting by poll, 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 conditions set by the Chairman shall be null. After voting ends, the votes shall be counted and after the counting the Chairman shall announce to the Meeting the outcome of the vote.

### **15 Votes**

#### *15.1 Votes*

Each Voter shall have:

- (a) one vote, when voting by a show of hands; and
- (b) one vote for each Euro 1,000 of Principal Amount Outstanding of each Note represented or held by the Voter, when voting by poll.

#### *15.2 Exercise of multiple votes*

Unless the terms of any Block Voting Instruction or Voting Certificate borne by a Proxy state otherwise, a Voter shall not be obliged to exercise all the votes to which such Voter is entitled or to cast all the votes which he exercises in the same manner.

### 15.3 *Voting tie*

In case of a voting tie, the Chairman shall have the casting vote.

## **16 Voting by Proxy**

### 16.1 *Validity*

Any vote by a Proxy appointed in accordance with the relevant Block Voting Instruction or Voting Certificate shall be valid even if such Block Voting Instruction or Voting Certificate or any other instruction pursuant to which it has been given had been amended or revoked provided that none of the Paying Agent, the Issuer, the Representative of the Noteholders or the Chairman has been notified in writing of such revocation at least 24 hours prior to the time set for the relevant Meeting.

### 16.2 *Adjournment of Meeting*

Unless revoked, the appointment of a Proxy in relation to a Meeting shall remain valid also in relation to a resumption of such Meeting following an adjournment, unless such Meeting was adjourned for lack of quorum pursuant to Article 9. If a Meeting is adjourned pursuant to Article 9, any person appointed to vote in such Meeting must be re-appointed by virtue of a Block Voting Instruction or Voting Certificate in order to vote at the resumed Meeting.

## **17 Ordinary Resolutions**

Save as provided by Article 18 and subject to the provisions of Article 19, a Meeting shall have the power exercisable by Ordinary Resolution to:

- (a) waive (including to waive a prior breach) any breach by the Issuer of its obligations arising under the Transaction Documents or the Notes, or waive a Trigger Event, if such waivers are not previously authorised by the Representative of the Noteholders in accordance with the Transaction Documents;
- (b) determine any other matters submitted to the Meeting, other than matters required to be subject of an Extraordinary Resolution, in accordance with the provisions of these Rules and the Transaction Documents; and
- (c) authorise the Representative of the Noteholders or any other person to execute all documents and do all things necessary to give effect to any Ordinary Resolution.

## **18 Extraordinary Resolutions**

The Meeting, subject to Article 19, shall have power exercisable by Extraordinary Resolution to:

- (a) approve any Basic Terms Modification;
- (b) approve any proposal by the Issuer or the Representative of the Noteholders for any alteration or waiver of the rights of the Noteholders against the Issuer;
- (c) approve any scheme or proposal related to the mandatory exchange or substitution of any Class of Notes;
- (d) save as provided by Article 29, approve any amendments of the provisions of (i) these Rules, (ii) the Terms and Conditions, (iii) the Intercreditor Agreement, (iv) the Cash Allocation, Management and Payment Agreement, or (v) any other Transaction Document in respect of the obligations of the Issuer under or in respect of the Notes which is not a Basic Terms Modification be proposed by the Issuer, the Representative of the Noteholders and/or any other party thereto;

- (e) discharge or exonerate (including prior or retrospective discharge or exoneration) the Representative of the Noteholders from any liability in relation to any act or omission for which the Representative of the Noteholders has or may become liable pursuant or in relation to these Rules, the Terms and Conditions or any other Transaction Document;
- (f) grant any authority, order or sanction which, under the provisions of these Rules or of the Terms and Conditions, must be granted by Extraordinary Resolution (including the issue of a Trigger Notice as a result of a Trigger Event pursuant to Condition 13);
- (g) authorise and ratify the actions of the Representative of the Noteholders in compliance with these Rules, the Intercreditor Agreement and any other Transaction Document;
- (h) authorise the Representative of the Noteholders or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (i) appoint and remove the Representative of the Noteholders; and
- (j) authorise or object to individual actions or remedies of Noteholders under Article 23.

## **19 Relationship between Classes and conflict of interests**

### **19.1 Basic Terms Modification**

No Extraordinary Resolution involving a Basic Terms Modification that is passed by the Holders of one Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the Holders of each of the other Classes of Notes (to the extent that there are Notes outstanding in any of such other Class).

### **19.2 Extraordinary Resolution other than in respect of a Basic Terms Modification or Ordinary Resolution**

No Extraordinary Resolution of any Class of Notes to approve any matter other than a Basic Terms Modification or a matter to be approved by an Ordinary Resolution shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Classes of Notes ranking at that time senior to such Class with respect to the repayment of the principal pursuant to Condition 4.3 and in accordance with the applicable Priority of Payments (to the extent that there are Notes outstanding ranking senior to such Class).

### **19.3 Binding nature of the Resolutions**

Any Resolution passed at a Meeting of the Noteholders of one or more Classes of Notes duly convened and held in accordance with these Rules shall be binding upon all Noteholders of such Class or Classes, whether or not present at such Meeting and whether or not dissenting and whether or not voting and, except in the case of Meeting relating to a Basic Terms Modification, any Resolution passed at a meeting of the then Most Senior Class of Noteholders duly convened and held as aforesaid shall also be binding upon all the other Class of Noteholders. In each such case, all of the relevant Classes of Noteholders shall be bound to give effect to any such resolutions accordingly.

### **19.4 Conflict between Classes**

If, however, in the opinion of the Representative of the Noteholders, there is a conflict between the interest of

- (a) different Classes of Noteholders, then the Representative of the Noteholders is required to have regard to the interests of the Most Senior Class of Noteholders only;
- (b) the Noteholders and of the Other Issuer Creditors, the Representative of the Noteholders will have regard solely to the interests of the Noteholders.

### **19.5 Resolution of the Junior Noteholders**

For the avoidance of doubt, amendments or modifications which do not affect the payment of interest and/or the repayment of principal in respect of any of the Senior Notes and/or any other interest or rights of the Senior Noteholders may be passed at a Meeting of the Junior Noteholders without any sanction being required by the holders of the Senior Notes.

#### 19.6 *Joint Meetings*

Subject to the provisions of these Rules and the Terms and Conditions, if the Representative of the Noteholders considers it is not detrimental to the holders of any relevant Class of Notes, joint meetings of the Senior Noteholders and of the Junior Noteholders may be held to consider the same Resolution and the provisions of these Rules shall apply *mutatis mutandis* thereto.

#### 19.7 *Separate and combined Meetings of the Noteholders*

Subject to the aforesaid provisions of this Article 19, the following provisions shall apply where outstanding Notes belong to more than one Class:

- (a) business which, in the sole opinion of the Representative of the Noteholders, affects only one Class of Notes shall be transacted at a separate Meeting of the Noteholders of such Class;
- (b) business which, in the opinion of the Representative of the Noteholders, affects more than one Class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one such Class of Notes and the Noteholders of the other Class of Notes shall be transacted either at separate Meetings of the Noteholders of each such Class of Notes or at a single Meeting of the Noteholders of all such Classes of Notes, as the Representative of the Noteholders shall determine in its absolute discretion; and
- (c) business which, in the opinion of the Representative of the Noteholders, affects the Noteholders of more than one Class of Notes and gives rise to an actual or potential conflict of interest between the Noteholders of one such Class of Notes and the Noteholders of the other Class of Notes shall be transacted at separate Meetings of the Noteholders of each such Class.

In this paragraph "**business**" includes (without limitation) the passing or rejection of any Resolution.

#### 19.8 *Notice of Resolution*

Within 14 days after the conclusion of each Meeting, the Issuer shall give notice, in accordance with Condition 16 (*Notices*), of the result of the votes on each resolution put to the Meeting. Such notice shall also be sent by the Issuer (or its agents) to the Paying Agent and the Representative of the Noteholders.

### **20 Challenge of Resolution**

Any absent or dissenting Noteholder 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. 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**

Notwithstanding the formalities required by Article 6, a Meeting is validly held if a resolution in writing is signed

by or on behalf of all Noteholders of the relevant Class or Classes who 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 Noteholders (the "**Written Resolution**").

A Written Resolution shall take effect as if it were an Extraordinary Resolution or an Ordinary Resolution, in respect of matters to be determined by Ordinary Resolution.

## **23 Individual Actions and Remedies**

### *23.1 Individual actions of the Noteholders*

Each Noteholder is deemed to have accepted and is bound by the limited recourse and non petition provisions of Condition 9. Accordingly, the right of each Noteholder to bring individual actions or use other individual remedies to enforce his/her rights under the Notes or the Transaction Documents will be subject to a Meeting passing an Extraordinary Resolution authorising such individual action or other remedy. In this respect, the following provisions shall apply:

- (a) the Noteholder intending to enforce his/her rights under the Notes or the Transaction Documents will notify the Representative of the Noteholders of his/her intention;
- (b) the Representative of the Noteholders will, without delay, call a Meeting in accordance with these Rules at the expense of such Noteholder;
- (c) if the Meeting passes a resolution objecting to the enforcement of the individual action or remedy, the Noteholder will be prevented from taking such action or remedy (without prejudice to the fact that after a reasonable period of time, the same matter may be resubmitted for review of another Meeting); and
- (d) if the Meeting of Noteholders authorises such individual action or remedy, the Noteholder will not be prohibited from taking such individual action or remedy.

### *23.2 Individual actions subject to Resolution*

No Noteholder will be permitted to take any individual action or remedy to enforce his/her rights under the Notes or the Transaction Documents unless a Meeting has been held to resolve on such action or remedy in accordance with the provisions of this Article 23.

### *23.3 Breach of Condition 9*

No Noteholder shall be permitted to take any individual action or remedy to enforce his/her rights under the Notes or the Transaction Documents in the event that such action or remedy would cause or result in a breach of Condition 9.

### *23.4 Exclusive power of the Representative of the Noteholders*

Save as provided in this Article 23, only the Representative of the Noteholders may pursue the remedies available under the general law or the Transaction Documents to obtain payment of obligations or to enforce the Security and no Noteholder shall be entitled to proceed directly against the Issuer to obtain or enforce such remedies.

## **24 Further Regulations**

Subject to all other provisions contained in these Rules, the Representative of the Noteholders 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 Noteholders in its sole discretion may decide.

### TITLE III

#### THE REPRESENTATIVE OF THE NOTEHOLDERS

#### **25 Appointment, Removal and Remuneration**

##### *25.1 Appointment*

The appointment of the Representative of the Noteholders takes place by Extraordinary Resolution of the Most Senior Class of Noteholders in accordance with the provisions of this Article 25, except for the appointment of the first Representative of the Noteholders which will be Securitisation Services S.p.A.

##### *25.2 Requirements for the Representative of the Noteholders*

The Representative of the Noteholders shall be:

- (a) a bank incorporated in any jurisdiction of the European Union, or a bank incorporated in any other jurisdiction acting through an Italian branch; or
- (b) a company or financial institution enrolled with the register held by the Bank of Italy pursuant to Article 106 of the Consolidated Banking Act; or
- (c) any other entity which is not prohibited from acting in the capacity of Representative of the Noteholders pursuant to the law.

##### *25.3 Directors and auditors of the Issuer*

The director/s and auditors of the Issuer cannot be appointed as Representative of the Noteholders, and if appointed as such they shall be automatically removed.

##### *25.4 Duration of appointment*

Unless the Representative of the Noteholders is removed by Extraordinary Resolution pursuant to Title II above or it resigns in accordance with Article 27, it shall remain in office until full repayment or cancellation of all the Notes.

##### *25.5 Removal*

The Representative of the Noteholders may be removed by Extraordinary Resolution of the Most Senior Class of Noteholders at any time.

##### *25.6 Office after termination*

In the event of a termination of the appointment of the Representative of the Noteholders for any reason whatsoever, such Representative of the Noteholders shall remain in office until a substitute Representative of the Noteholders, which shall be a subject among those listed in Article 25.2, paragraphs (a), (b), and (c) above, accepts its appointment, and the powers and authority of the Representative of the Noteholders 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 Notes.

##### *25.7 Remuneration*

The Issuer shall pay to the Representative of the Noteholders for its services as Representative of the Noteholders, an annual fee for its services as Representative of the Noteholders from the Issue Date, as agreed either in the initial agreement(s) for the issue of and subscription for the Notes or in separate fee letter. Such fees shall accrue from day to day and shall be payable in accordance with the applicable Priority of Payments.

## **26 Duties and Powers of the Representative of the Noteholders**

### **26.1 *Legal representative of the Organisation of the Noteholders***

The Representative of the Noteholders is the legal representative of the Organisation of the Noteholders and has the power to exercise the rights conferred on it pursuant to the Transaction Documents in order to protect the interests of the Noteholders.

### **26.2 *Meetings and implementation of Resolutions***

Subject to Article 28.9 (*Illegality*), the Representative of the Noteholders is responsible for implementing all resolutions of the Noteholders and has the right to convene Meetings to propose any course of action which it considers from time to time necessary or desirable.

### **26.3 *Delegation***

26.3.1 The Representative of the Noteholders may also, whenever it considers it expedient and in the interest of the Noteholders, whether by power of attorney or otherwise, delegate to any person(s) specific activities vested in it as aforesaid.

26.3.2 The terms and conditions (including power to sub-delegate) of such appointment shall be established by the Representative of the Noteholders depending on what it deems suitable in the interest of the Noteholders.

26.3.3 The Representative of the Noteholders shall not, other than in the normal course of its business, 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 any misconduct, omission or default on the part of such delegate or sub-delegate, provided that the Representative of the Noteholders 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 (*culpa in eligendo*).

26.3.4 As soon as reasonably practicable, the Representative of the Noteholders shall give notice to the Issuer 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 of the appointment of any sub-delegate as soon as reasonably practicable.

### **26.4 *Judicial proceedings***

The Representative of the Noteholders is authorised to represent the Organisation of the Noteholders, *inter alia*, in any judicial proceedings.

## **27 Resignation of the Representative of the Noteholders**

### **27.1 *Resignation***

The Representative of the Noteholders may resign at any time by giving at least three calendar months' written notice to the Issuer, with no need to provide any specific reason for the resignation and without being responsible for any costs incurred as a result of such resignation.

### **27.2 *Effectiveness***

The resignation of the Representative of the Noteholders shall not become effective until a new Representative of the Noteholders has been appointed by an Extraordinary Resolution of the Most Senior Class of Noteholders and such new Representative of the Noteholders has accepted its appointment provided that if the Noteholders fail to select a new Representative of the Noteholders within three months of written notice of resignation

delivered by the Representative of the Noteholders, the Representative of the Noteholders may appoint a successor which is a qualifying entity pursuant to Article 25.

## **28 Exoneration of the Representative of the Noteholders**

### **28.1 Limited obligations**

The Representative of the Noteholders shall not assume any obligations or responsibilities in addition to those expressly provided herein and in the Transaction Documents.

### **28.2 Other limitations**

Without limiting the generality of Article 28.1, the Representative of the Noteholders:

- (i) shall not be under any obligation to take any steps to ascertain whether a Trigger Event 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 Noteholders hereunder or under any other Transaction Document has occurred, and until the Representative of the Noteholders has actual knowledge or express notice to the contrary, it shall be entitled to assume that no Trigger Event has occurred;
- (ii) shall not be under any obligation to monitor or supervise the observance and performance by the Issuer or any other parties of their obligations contained in the Terms and Conditions and hereunder or, as the case may be, in any Transaction Document to which each such party is a party, and until it shall have actual knowledge or express notice to the contrary, the Representative of the Noteholders shall be entitled to assume that the Issuer and each other party to the Transaction Documents are carefully observing and performing all their respective obligations;
- (iii) except as otherwise required under these Rules or the Transaction Documents, 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;
- (iv) shall not be responsible for (or for investigating) the legality, validity, effectiveness, adequacy, suitability or genuineness of these Rules or of any Transaction Document, or of any other document or any obligation or rights created or purported to be created hereby or thereby or pursuant hereto or thereto, and (without prejudice to the generality of the foregoing) it shall not have any responsibility for or have any duty to make any investigation in respect of or in any way be liable whatsoever for:
  - (1) the nature, status, creditworthiness or solvency of the Issuer;
  - (2) 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 herewith;
  - (3) the suitability, adequacy or sufficiency of any collection procedure operated by the Servicer or compliance therewith;
  - (4) the failure by the Issuer to obtain or comply with any licence, consent or other authority in connection with the purchase or administration of the Portfolio; and
  - (5) any accounts, books, records or files maintained by the Issuer, the Servicer, and the Paying Agent or any other person in respect of the Portfolio or the Notes;
- (v) shall not be responsible for the receipt or application by the Issuer of the proceeds of the issue of the Notes or the distribution of any of such proceeds to the persons entitled thereto;

- (vi) shall have no responsibility to procure that the Rating Agencies or any other credit or rating assessment institution or any other subject maintain the rating of the Senior Notes;
- (vii) shall not be responsible for (or for investigating) any matter which is the subject of any recital, statement, warranty or representation by any party other than the Representative of the Noteholders contained herein or in any Transaction Document or any certificate, document or agreement relating to thereto or for the execution, legality, validity, effectiveness, enforceability or admissibility in evidence thereof;
- (viii) 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 Issuer in relation to the Portfolio or any part thereof, whether such defect or failure was known to the Representative of the Noteholders or might have been discovered upon examination or enquiry or whether capable of being remedied or not;
- (ix) 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;
- (x) shall not be under any obligation to guarantee or procure the repayment of the Portfolio or any part thereof;
- (xi) shall not be obliged to evaluate the consequences that any modification of these Rules or any of the Transaction Documents or exercise of its rights, powers and authorities may have for any individual Noteholder;
- (xii) shall not (unless and to the extent ordered to do so by a court of competent jurisdiction) be under any obligation to disclose to any Noteholder, any Other Issuer Creditor or any other party any confidential, financial, price sensitive or other information made available to the Representative of the Noteholders by the Issuer or any other person in connection with these Rules and no Noteholder, Other Issuer Creditor or any other party shall be entitled to take any action to obtain from the Representative of the Noteholders any such information;
- (xiii) shall not be responsible for reviewing or investigating any report relating to the Portfolio provided by any person;
- (xiv) shall not be responsible for or have any liability with respect to any loss or damage arising from the realisation of the Portfolio or any part thereof;
- (xv) shall not be responsible for (except as otherwise provided in the Terms and Conditions or in the Transaction Documents) making or verifying any determination or calculation in respect of the Portfolio and the Notes; and
- (xvi) shall not be deemed responsible for having acted pursuant to instructions received from the Meeting, even if it is later discovered that the Meeting had not been validly convened or constituted, and that such resolution had not been duly approved or was not otherwise valid or binding for the Noteholders.

### 28.3 *Discretion*

#### 28.3.1 The Representative of the Noteholders:

- (i) save as expressly otherwise provided herein and in the Intercreditor Agreement, shall have absolute discretion as to the exercise, non-exercise or refraining from exercise of any right, power and discretion vested in the Representative of the Noteholders by these Rules or by operation of law, and the Representative of the Noteholders shall not be responsible for any loss, cost, damage, expense or inconvenience resulting from the exercise, non-exercise or refraining from exercise thereof except insofar as the same are incurred as a result of its

wilful misconduct (*dolo*) or gross negligence (*colpa grave*);

- (ii) in connection with matters in respect of which the Representative of the Noteholders is entitled to exercise its discretion hereunder, the Representative of the Noteholders has the right - but not the obligation - to convene a Meeting or Meetings in order to obtain the Noteholders' instructions as to how it should act. Prior to undertaking any action, the Representative of the Noteholders shall be entitled to request that the Noteholders indemnify it and/or provide it with security to its satisfaction against all actions, proceedings, claims and demands which may be brought against it and against all costs, charges, damages, expenses and liabilities which it may incur by taking such action;
- (iii) may certify whether or not a Trigger Event is in its opinion prejudicial to the interest of the Noteholders and any such certification shall be conclusive and binding upon the Issuer, the Noteholders, the Other Issuer Creditors and any other subject party to the Transaction Documents;
- (iv) may determine whether or not a default in the performance by the Issuer of any obligation under the provisions of these Rules, the Notes or any other Transaction Documents may be remedied, and if the Representative of the Noteholders 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 Noteholders, the Other Issuer Creditors and any other party to the Transaction Documents;

28.3.2 Any consent or approval given by the Representative of the Noteholders 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 Noteholders deems appropriate.

28.3.3 The Representative of the Noteholders shall, prior to taking any action (as well as prior to deciding not to take any action) in the execution and exercise of its powers and authorities and discretions under the Conditions, these Rules and the Transaction Documents, request in writing the Noteholders to determine in its sole discretion acting in good faith, whether any such action (or decision not to take any such action) would be prejudicial to, or have a negative impact on, the interests of the Notes. Upon determination by the Noteholders that any such action (or decision not to take any such action) of the Representative of the Noteholders would be materially prejudicial to, or have a material negative impact on, the interests of the Notes, the Representative of the Noteholders shall comply with the written instructions received by the Noteholders. On the contrary, in case the Noteholders will consider any such action (or decision not to take any such action) as no materially prejudicial to, or with no material negative impact on its interests, then the Representative of the Noteholders will act in accordance with its own determination, the Conditions, these Rules and the provisions of the Intercreditor Agreement.

#### 28.4 Certificates

The Representative of the Noteholders:

- (i) may act on the advice of or a certificate or opinion of or any information obtained from any lawyer, accountant, banker, broker, credit or rating agency or other expert whether obtained by the Issuer, the Representative of the Noteholders or otherwise, and shall not be responsible for any loss incurred by so acting in the absence of gross negligence (*colpa grave*) or wilful misconduct (*dolo*) on the part of the Representative of the Noteholders;
- (ii) may call for, and shall be at liberty to accept as sufficient evidence of any fact or matter, a certificate duly signed by the Issuer, and the Representative of the Noteholders 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 it has information which casts a doubt on the truthfulness of the certificates signed by the Issuer;

- (iii) shall have the right to call for (or have the Issuer call for) and to rely on written attestations issued by any one of the parties to the Intercreditor Agreement, or by any Other Issuer Creditor or by a Rating Agency. The Representative of the Noteholders shall not be required to seek additional evidence and shall not be held responsible for any loss, liability, cost, damage, expense, or charge incurred as a result of having failed to do so.

#### 28.5 *Ownership of the Notes*

28.5.1 In order to ascertain ownership of the Notes, the Representative of the Noteholders may fully rely on the certificates issued by any authorised institution listed in Article 30 of Decree No. 213, which certificates are conclusive proof of the statements attested to therein.

28.5.2 The Representative of the Noteholders may assume without enquiry that no Notes are, at any given time, held by or for the benefit of the Issuer.

#### 28.6 *Certificates of Monte Titoli Account Holders*

The Representative of the Noteholders, in order to ascertain ownership of the Notes, may fully rely on the certificates issued by any Monte Titoli Account Holder in accordance with Regulation 22 February 2008, as amended from time to time, which certificates are to be conclusive proof of the matters certified therein.

#### 28.7 *Certificates of Clearing Systems*

The Representative of the Noteholders 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 Noteholders 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 Notes.

#### 28.8 *Rating Agencies*

The Representative of the Noteholders 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 Noteholders if, along with other factors, the Rating Agencies have confirmed that the then current rating of the Senior Notes would not be adversely affected by such exercise or have otherwise given their consent. If the Representative of the Noteholders, in order properly to exercise its rights or fulfil its obligations, deems it necessary to obtain the valuation of the Rating Agencies regarding how a specific act would affect the rating of the Senior Notes, the Representative of the Noteholders shall so inform the Issuer, which will have to obtain the valuation at its expense on behalf of the Representative of the Noteholders, unless the Representative of the Noteholders wishes to seek and obtain the valuation itself.

#### 28.9 *Illegality*

No provision of these Rules shall require the Representative of the Noteholders to do anything which may be illegal or contrary to applicable law or regulations or to expend or otherwise risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its powers or discretion, and the Representative of the Noteholders 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 liability which it may incur as a consequence of such action. The Representative of the Noteholders may do anything which, in its opinion, is necessary to comply with any such law, regulation or directive as aforesaid.

## **29 Amendments to the Transaction Documents**

### *29.1 Consent of the Representative of the Noteholders*

The Representative of the Noteholders may agree to any amendment or modification to these Rules or to any of the Transaction Documents, without the prior consent or sanction of the Noteholders if in its opinion:

- (i) it is expedient to make such amendment or modification in order to correct a manifest error or an error of a formal, minor or technical nature; or
- (ii) save as provided under paragraph (i) above, such amendment or modification (which shall be other than in respect of a Basic Terms Modification or any provision in these Rules which makes a reference to the definition of "Basic Terms Modification") is not materially prejudicial to the interest of the Most Senior Class of Noteholders.

### *29.2 Binding nature of amendments*

Any such amendment or modification shall be binding on the Noteholders and the Other Issuer Creditors and, unless the Representative of the Noteholders otherwise agrees, the Issuer shall procure that such amendment or modification be notified to the Noteholders and the Other Issuer Creditors as soon as practicable thereafter.

## **30 Security Documents**

### *30.1 Exercise of rights under the Security Documents*

The Representative of the Noteholders shall have the right to exercise all the rights granted by the Issuer to Noteholders which have the benefit of the Deed of Pledge. The beneficiaries of the Deed of Pledge are referred to as the "**Secured Noteholders**".

### *30.2 Rights of the Representative of the Noteholders*

The Representative of the Noteholders, acting on behalf of the Secured Noteholders, shall be entitled to:

- (a) appoint and entrust the Issuer to collect, in the Secured Noteholders' interest and on their behalf, any amounts deriving from the receivables and from the pledged receivables and rights, and shall be entitled to give instructions, jointly with the Issuer, to the respective debtors of the pledged receivables to effect the payments related to such receivables standing to the credit of the relevant Accounts or any other account opened in the name of the Issuer;
- (b) attest that the account(s) to which payments have been made in respect of the pledged receivables shall be deposit accounts for the purpose of Article 2803 of the Italian Civil Code, and procure that such account(s) is(are) operated in compliance with the provisions of the Cash Allocation, Management and Payment Agreement and the Intercreditor Agreement. For such purpose and until a Trigger Notice is served, the Representative of the Noteholders, acting in the name and on behalf of the Secured Noteholders, shall appoint the Issuer to manage the Accounts in compliance with the Cash Allocation, Management and Payment Agreement;
- (c) procure that all funds credited to the relevant Accounts from time to time are applied in accordance with the Cash Allocation, Management and Payment Agreement and the Intercreditor Agreement; and
- (d) procure that the funds from time to time deriving from the pledged receivables and the amounts standing to the credit of the relevant Accounts are applied towards satisfaction not only of the amounts due to the Secured Noteholders, but also of such amounts due and payable to any other parties that rank prior to the Secured Noteholders according to the applicable Priority of Payments set forth in the Terms and Conditions, and to the extent that all amounts due and payable to the Secured Noteholders

have been paid in full, that any remaining amount be used towards satisfaction of any amounts due to any other parties that rank below the Secured Noteholders.

### 30.3 *Waiver of the Secured Noteholders*

The Secured Noteholders irrevocably waive any right they may have in relation to any amount deriving from time to time from the pledged receivables or credited to the Accounts which is not in accordance with the provisions of this Article 30.

### 30.4 *Limitation of rights*

The Representative of the Noteholders 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 receivables under the Deed of Pledge except in accordance with the provisions of this Article 30 and the Intercreditor Agreement.

## **31 Indemnity**

### 31.1 *Indemnification*

Pursuant to the Subscription Agreements, the Issuer 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 Noteholders, all costs, liabilities, losses, charges, expenses, damages, actions, proceedings, receivables and demand (including, without limitation, legal fees and any applicable tax, value added tax or similar tax) properly incurred by or made against the Representative of the Noteholders or any subject to which the Representative of the Noteholders has delegated any power, authority or discretion in relation to the exercise or purported exercise of its powers, authority and discretion and the performance of its duties under and otherwise in relation to these Rules and the Transaction Documents, including but not limited to legal and travelling expenses, and any stamp, issue, registration, documentary and other taxes or duties paid by the Representative of the Noteholders in connection with any action and/or legal proceedings brought or contemplated by the Representative of the Noteholders pursuant to the Transaction Documents against the Issuer, or any other person to enforce any obligation under these Rules, the Notes or the Transaction Documents, except insofar as the same are incurred because of the fraud, gross negligence or wilful misconduct of the Representative of the Noteholders or the abovementioned appointed persons. It remains understood and agreed that such costs, expenses and liabilities shall be reasonably incurred.

### 31.2 *Liability*

Notwithstanding any other provision of these Rules, the Representative of the Noteholders shall not be liable for any act, matter or thing done or omitted in any way in connection with the Transaction Documents, the Notes or these Rules except in relation to gross negligence (*colpa grave*) or wilful misconduct (*dolo*) of the Representative of the Noteholders.

## **TITLE IV**

### **THE ORGANISATION OF THE NOTEHOLDERS AFTER SERVICE OF A TRIGGER NOTICE**

## **32 Powers**

It is hereby acknowledged that, upon the occurrence of a Trigger Event, pursuant to the Mandate Agreement, the Representative of the Noteholders, in its capacity as legal representative of the Organisation of the Noteholders, shall be entitled - also in the interest of the Other Issuer Creditors, pursuant to Articles 1411 and 1723 of the Italian Civil Code - to exercise certain rights in relation to the Portfolio. Therefore, the Representative of the Noteholders, in its capacity as legal representative of the Organisation of the Noteholders, will be authorised, pursuant to the terms of the Mandate Agreement, to exercise, in the name and on behalf of the Issuer and as *mandatario in rem propriam* of the Issuer, any and all of the Issuer'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

#### **33 Governing law and Jurisdiction**

##### *33.1 Governing law*

These Rules and all non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with the laws of the Republic of Italy.

##### *33.2 Jurisdiction*

Any dispute arising from the interpretation and execution of these Rules or from the legal relationships established by these Rules will be submitted to the exclusive jurisdiction of the Courts of Brescia.

## SELECTED ASPECTS OF ITALIAN LAW

### The Securitisation Law

The Securitisation Law was enacted on 30 April 1999 and subsequently amended and was conceived to simplify the securitisation process and to facilitate the increased use of securitisation as a financing technique in the Republic of Italy.

It applies to securitisation transactions involving the "true" sale (by way of non-gratuitous assignment) of receivables, where the sale is to a company created in accordance with Article 3 of the Securitisation Law and all amounts paid by the debtors in respect of the receivables are to be used by the relevant company exclusively to meet its obligations under notes issued to fund the purchase of such receivables and all costs and expenses associated with the securitisation transaction.

As at the date of this Prospectus, no interpretation of the application of the Securitisation Law has been issued by any Italian court or governmental or regulatory authority, except for: (i) regulations issued by the Bank of Italy concerning, *inter alia*, the accounting treatment of securitisation transactions for special purpose companies incorporated under the Securitisation Law, such as the Issuer, and the duties of companies which carry out collection and recovery activities in the context of a securitisation transaction; (ii) the Circular No. 8/E issued by *Agenzia delle Entrate* on 6 February 2003 on the tax treatment of the issuers (see paragraph "*Tax treatment of the Issuer*" in the section entitled "*Risk Factors*"); (iii) the Decree of the Italian Ministry of Treasury dated 14 December 2006 No. 310 on the covered bonds, as provided by Article 7-*bis* of the Securitisation Law; and (iv) the Decree of the Italian Ministry of Economy and Finance No. 29 of 17 February 2009 on the terms for the registration of the financial intermediaries in the registers held by the Bank of Italy pursuant to Article 106 of the Consolidated Banking Act and the Legislative Decree 13 August 2010 No. 141 which has, *inter alia*, entirely replaced, as from 19 September 2010, Title V of the Banking Act, even though the implementing regulations with respect to the amended provisions on the registration of financial intermediaries have not yet been issued by the Bank of Italy. Consequently, it is possible that such or different authorities may issue further regulations relating to the Securitisation Law or the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Prospectus.

### Ring-fencing of the assets

Under the terms of Article 3 of the Securitisation Law, the assets relating to each securitisation transaction will, by operation of law, be segregated for all purposes from all other assets of the company which purchases the receivables (including any other receivables purchased by the Issuer pursuant to the Securitisation Law). Prior to and on a winding up of such company such assets will only be available to holders of the notes issued to finance the acquisition of the relevant receivables and to certain creditors claiming payment of debts incurred by the company in connection with the securitisation of the relevant assets. In addition, the assets relating to a particular transaction will not be available to the holders of notes issued to finance any other securitisation transaction or to general creditors of the issuer company.

Under Italian law, however, any creditor of the Issuer would be able to commence insolvency or winding-up proceedings against the Issuer in respect of any unpaid debt.

### The assignment

The assignment of the receivables under the Securitisation Law is governed by Article 58 paragraphs 2, 3 and 4 of the Consolidated Banking Act. The prevailing interpretation of this provision, which view has been strengthened by Article 4 of the Securitisation Law, is that the assignment can be perfected against the assignor, the debtors in respect of the receivables and third party creditors by way of publication of the relevant notice in the Official Gazette of the Republic of Italy and registration in the Companies Register, so avoiding the need for notification to be served on each debtor.

On the date of publication of the notice in the Official Gazette of the Republic of Italy and registration in the Companies Register, the assignment becomes enforceable against:

- (i) the debtors in respect of the receivables and any creditors of the assignor who have not commenced enforcement proceedings in respect of the relevant receivables prior to the date of publication of the notice and registration in the Companies Register, provided that following the registration of the assignment in the Companies Register and the publication of the notice in the Official Gazette, the claw-back provisions set forth in Article 67 of the Italian Bankruptcy Law will not apply to payments made by any debtor to the purchasing company in respect of the portfolio to which the registration of the assignment and the publication of the notice thereof relate;
- (ii) the liquidator or other bankruptcy official of the debtors in respect of the receivables (so that any payments made by such a debtor to the purchasing company may not be subject to any claw-back action pursuant to Article 67 of the Italian Bankruptcy Law); and
- (iii) other permitted assignees of the assignor who have not perfected their assignment prior to the date of publication in the Official Gazette and of registration in the Companies Register.

The benefit of any privilege, guarantee or security interest guaranteeing or securing repayment of the assigned receivables will automatically be transferred to and perfected with the same priority in favour of the Issuer, without the need for any formality or annotation.

With effect from the date of publication of the notice of the assignment in the Official Gazette of the Republic of Italy and registration in the Companies Register, no legal action may be brought against the receivables assigned or the sums derived therefrom other than for the purposes of enforcing the rights of the holders of the notes issued for the purpose of financing the acquisition of the relevant receivables and to meet the costs of the transaction.

The transfer of the Receivables from Banca Valsabbina to the Issuer has been (i) registered on the Companies Register of Treviso on 20 December 2011 and (ii) published in the Official Gazette No. 145 of 17 December 2011.

Assignments executed under the Securitisation Law are subject to revocation on bankruptcy under Article 67 of Royal Decree number 267 of 16 March 1942 but only in the event that the adjudication of bankruptcy of the relevant party is made within three months of the securitisation transaction or, in cases where paragraph 1 of Article 67 applies, within six months of the securitisation transaction. It is uncertain whether such limitation on claw-back would be applicable if the relevant insolvency procedure or claw-back action were not governed by the law of the Republic of Italy, as would probably be the case if the seller were to become insolvent.

## **The Issuer**

Under the regime normally prescribed for Italian companies under the Italian Civil Code, it is unlawful for any company (other than banks) to issue securities for an amount exceeding two times the company's share capital. Under the provisions of the Securitisation Law, the standard provisions described above are inapplicable to the Issuer.

### **Foreclosure proceedings**

Mortgages may be "voluntary" (*ipoteche volontarie*), where granted by a borrower or a third party guarantor by way of a deed, or "judicial" (*ipoteche giudiziarie*), where registered in the appropriate land registry (*Conservatoria dei Registri Immobiliari*) following a court order or injunction to pay amounts in respect of any outstanding debt or unperformed obligation.

A mortgage lender (whose debt is secured by a mortgage, whether "voluntary" or "judicial") may commence foreclosure proceedings by seeking a court order or injunction for payment in the form of a *titolo esecutivo* from the court in whose jurisdiction the mortgaged property is located. This court order or injunction must be served on the debtor.

If the mortgage loan was executed in the form of a public deed, a mortgage lender can serve a copy of the mortgage loan agreement, stamped by a notary public with an order for the execution thereof (*formula esecutiva*) directly on the debtor without the need to obtain a *titolo esecutivo* from the court. An *atto di precetto* is notified to the debtor together with either the *titolo esecutivo* or the loan agreement, as the case may be.

Within 10 days of filing, but no later than 90 days from the date on which notice of the *atto di precetto* is served, the mortgage lender may request the attachment of the mortgaged property. The property will be attached by a court order, which must then be filed with the appropriate land registry. The court will, upon request of the mortgage lender, appoint a custodian to manage the mortgaged property in the interests of the mortgage lender. If the mortgage lender does not make such request, the debtor will automatically become the custodian of such property.

The mortgage lender is required to search the land registry to ascertain the identity of the current owner of the property and must then serve notice of the request for attachment on the current owner, even if no transfer of the property from the original borrower or mortgagor to a third party purchaser has been previously notified to the mortgage lender. Not earlier than 10 days and no later than 90 days after serving the attachment order, the mortgage lender may request the court to sell the mortgaged property. The court may delay its decision in respect of the mortgage lender's request in order to hear any challenge by the debtor to the attachment.

Technical delays may be caused by the need to append to the mortgage lender's request for attachment copies of the relevant mortgage and cadastral certificates, which usually take some time to obtain.

Within 30 days of deposit of the required documentation, the court shall set a hearing in order to examine any challenge filed by the debtor and to plan the sale of the mortgaged property. The Italian code of civil procedure, as recently amended, provides that the court shall make every effort to sell the mortgaged property by acquiring sealed bids (*vendita senza incanto*) rather than proceeding by an auction (*vendita con incanto*). Should the bidding procedure not be successful, the mortgaged property shall be sold with an auction.

If the court decides to proceed with an auction (*vendita con incanto*) of the mortgaged property, it will usually appoint an expert to value the property. The court will then order the sale by auction. The court

determines on the basis of the expert's appraisal the minimum bid price for the property at the auction. If an auction fails to result in the sale of the property, the court will arrange a new auction with a lower minimum bid price. The courts have discretion to decide whether, and to what extent, the bid price should be reduced (the maximum permitted reduction being one-fifth of the minimum bid price of the previous auction). In practice, the courts tend to apply the one-fifth reduction. In the event that no offers are made during an auction, the mortgage lender may apply to the court for a direct assignment of the mortgaged property to the mortgage lender itself. In practice, however, the courts tend to hold auctions until the mortgaged property is sold.

The sale proceeds, after deduction of the expenses of the foreclosure proceedings and any expenses for the cancellation of the mortgages, will be applied towards satisfaction of the claims of the mortgage lender in priority to the claims of any other creditor of the debtor (except for the claims for taxes due in relation to the mortgaged property and for which the collector of taxes participates in the foreclosure proceedings).

Pursuant to Article 2855 of the Italian Civil Code the claims of a mortgage lender in respect of interest may be satisfied in priority to the claims of all other unsecured creditors in an amount equal to the aggregate of (i) the interest accrued at the contractual rate in the calendar year in which the initial stage of the foreclosure proceedings are taken and in the two preceding calendar years and (ii) the interest accrued at the legal rate (currently 3 per cent.) until the date on which the mortgaged property is sold. Any amount recovered in excess of this will be applied to satisfy the claims of any other creditor participating in the foreclosure proceedings. The mortgage lender will be entitled to participate in the distribution of any such excess as an unsecured creditor. The balance, if any, will then be paid to the debtor.

Upon payment in full of the purchase price by the purchaser within the specified time period, title to the property will be transferred after the court issues an official decree ordering the transfer. In the event that proceedings have been commenced by creditors other than the mortgage lender, the mortgage lender will have priority over such other creditors in having recourse to the assets of the borrower during such proceedings, such recourse being limited to the value of the mortgaged property.

The average length of foreclosure proceedings, from the court order or injunction of payment to the final sharing out, is between six and seven years. In the medium-sized Central and Northern Italian cities it can be significantly less whereas in major cities or in Southern Italy the duration of the procedure can significantly exceed the average. Law No. 302 of 3 August 1998 (as amended by Law No. 80 of 14 May 2005 and by Law No. 263 of 28 December 2005) has been issued for the purpose of shortening the duration of the foreclosure proceedings by allowing the mortgage lender to substitute the cadastral certificates referred to above with certificates obtained from public notaries and by allowing public notaries and certain lawyers and accountants to conduct various activities which were before exclusively within the powers of the courts.

### ***Mutui fondiari* foreclosure proceedings**

At least 87% of the Portfolio is comprised of Mortgage Loans qualifying as *mutui fondiari*. Foreclosure proceedings in respect of *mutui fondiari* commenced after 1 January 1994 are currently regulated by Article 38 (and following) of the Consolidated Banking Act in which several exceptions to the rules applying to foreclosure proceedings in general are provided for.

In particular, mortgages securing the loans are not capable of being challenged under actions for revocation pursuant to Article 67 of the Italian Bankruptcy Law if they were registered at least 10 days prior to the publication of the decision declaring the bankruptcy of the debtor, there is no requirement to serve a

copy of the loan agreement directly on the borrower and the mortgage lender of *mutui fondiari* is entitled to commence or continue foreclosure proceedings after the debtor is declared insolvent or insolvency proceedings have been commenced.

Moreover, the custodian appointed to manage the mortgaged property in the interest of the *fondario* lender pays directly to the lender the revenues recovered on the mortgaged property (net of administration expenses and taxes). After the sale of the mortgaged property, the court orders the purchaser (or the assignee in the case of an assignment) to pay that part of the price corresponding to the *mutui fondiari* lender's debt directly to the lender.

Pursuant to Article 58 of the Consolidated Banking Act, the Issuer will be entitled to benefit from such procedural advantages which apply in favour of a lender of a *mutui fondiari* loan.

### **Attachment of Debtor's Credits**

Attachment proceedings may be commenced also on due and payable credits of a borrower (such as bank accounts, salary etc.) or on a borrower's movable property which is located on a third party's premises.

### **Prepayment fees and subrogation under Law Decree of 31 January 2007 No. 7 (i.e. *Decreto Bersani*)**

#### *General*

Italian Law Decree No. 7 of 31 January 2007 ("**Decree 7**"), converted into law No. 40 of 2 April 2007, has introduced certain provisions aimed at, *inter alia*, protecting consumers and promoting competitiveness in the banking sector. Decree 7 sets out also provisions affecting mortgage loans granted to individuals for the purpose of purchasing or restructuring real estate assets for residential use (*uso abitativo*), as is the case for certain securitised Mortgage Loans. Such provisions deal also with (i) prepayment fees due by borrowers upon early repayment of the loan, (ii) prepayment of the loan by way of voluntary subrogation of the debtor (*surrogazione per volontà del debitore*) and (iii) simplification of the cancellation process of mortgages. The key features of such provisions of Decree 7 are set out in the following paragraphs.

#### *Prepayment fee*

In relation to the prepayment fees due by the borrowers upon the early or partial repayment of the mortgage loan, Article 7 of Decree 7 provides a different regime for (i) mortgage loan agreements entered into after 2 February 2007 (i.e. the date on which Decree 7 entered into force) and (ii) mortgage loan agreements entered into before such date. The Portfolio comprises Mortgage Loans Agreements entered into both prior to and after 2 February 2007.

With reference to mortgage loan agreements entered into after 2 February 2007, Article 7 of Decree 7 has provided the nullity of any arrangements (even if subsequent to the execution of the relevant agreement) requiring the payment of any prepayment fee by the relevant borrower upon the early or partial repayment of the loan.

With reference to mortgage loan agreements entered into before 2 February 2007, pursuant to Article 7 of Decree 7, the Italian Banking Association and the Italian national Consumers' Associations (such associations as determined pursuant to Article 137 of Legislative Decree No. 206, 6 September 2005 (i.e. the Italian consumer code)) had to agree the general rules for rendering the terms and conditions of such mortgage loan agreements fair (*riconduzione ad equità*) by determining, in particular, the maximum amount of the prepayment fee payable upon early or partial repayment of the loan. On 2 May 2007 the Italian

Banking Association and the above national Consumers' Associations achieved the above agreement. In particular, according to such agreement, the maximum amount of the prepayment fee payable upon early or partial repayment of the above mentioned loans shall be as follows:

- (a) for mortgage loan agreements providing a floating rate of interest:
  - (i) 0.50 point per cent.;
  - (ii) 0.20 point per cent. if the prepayment is made during the third year before the maturity of the mortgage loan;
  - (iii) nil if the prepayment is made during the last two years before the maturity of the mortgage loan;
- (b) for mortgage loan agreements providing a fixed rate of interest executed before 1 January 2001:
  - (i) 0.50 point per cent.;
  - (ii) 0.20 point per cent. if the prepayment is made during the third year before the maturity of the mortgage loan; and
  - (iii) nil if the prepayment is made during the last two years before the maturity of the mortgage loan; and
- (c) for mortgage loan agreements providing a fixed rate of interest executed after 31 December 2000:
  - (i) 1.90 points per cent. if the prepayment is made during the first half of the tenor of the mortgage loan;
  - (ii) 1.50 points per cent. if the prepayment is made during the second half of the tenor of the mortgage;
  - (iii) 0.20 point per cent. if the prepayment is made during the third year before the maturity of the mortgage loan; and
  - (iv) nil if the prepayment is made during the last two amortisation years before the maturity of the mortgage loan; and
- (d) for mortgage loans providing a mixed rate interest (i.e. a rate of interest which may change from fixed to floating and *vice versa*) one of the maximum amounts described under paragraphs (a), (b) and (c) above depending on, *inter alia*, the date of granting of the relevant mortgage loan, the remaining term of, and type of interest rate applied to, the relevant mortgage loan as at the date when the prepayment is made.

The agreement between the Italian Banking Association and the national Consumers' Associations contemplates also some protection provisions (*clausola di salvaguardia*) for mortgage loans providing a prepayment fee equal to or lower than those established by the above agreement. The Italian Banking Association and the national Consumers' Associations undertook to set up a committee which shall meet every three months with the purposes of verifying the enforcement of the agreement achieved pursuant to Decree 7.

Pursuant to Article 7 of Decree 7, lenders, such as Banca Valsabbina (and, thus, also the relevant assignees, including the Issuer) cannot refuse the renegotiation of a mortgage loan agreement executed prior to 2 February 2007 if the relevant borrower proposes that the amount of the prepayment fee be reduced within the limits established by the Italian Banking Association and the national Consumers' Associations.

#### *Prepayment of loans by voluntary subrogation of the debtor (surrogazione per volontà del debitore)*

Pursuant to Article 8 of Decree 7 a borrower under a loan granted by a banking or financial intermediary is entitled to fund the repayment of such loan by obtaining a new loan from a third party without any charges, notwithstanding any provision to the contrary set out in the relevant loan agreement. In such case the lender of the new loan would be subrogated (*surrogazione per volontà del debitore*) in the rights relating to any guarantees securing the relevant subrogated claim (such as the Mortgages), without prejudice to any applicable tax benefits. Under Article 8 of Decree 7, the annotation of the subrogation can be requested to the relevant land registry through simplified formalities. Pursuant to Article 8 of Decree 7, any arrangements preventing a debtor from the exercise of the above right of subrogation or providing that it may be exercised only subject to certain charges shall be deemed null. Pursuant to Article 5-quater of Decree 185/2008, in the event that the provisions of such Article 8 are not observed and starting from 1 January 2009, the monetary penalties provided by Article 144, paragraph 4, of the Consolidated Banking Act will be applied.

Moreover Law Decree No. 78 of 1 July 2009 has amended Article 2 of Decree 185/2008 providing that, in case the subrogation proceeding is not perfected within 30 days from the date on which cooperation between the original lender and the new lender has commenced, the original lender is obliged to indemnify the relevant borrower for an amount equal to 1% of the value of the loan, in respect of each month of delay or part of it. The original lender will have recourse to the new lender in case the latter is responsible for such delay.

#### *Cancellation of mortgages*

Decree 7, has simplified the procedure for the cancellation of mortgages. Pursuant to Article 13 of Decree 7, the mortgage securing a loan granted by a creditor which exercises banking or financing activities is automatically discharged on the same date on which the relevant secured obligation has been discharged. Pursuant to Article 13 of Decree 7, within 30 days from the date of discharge of the secured obligation the relevant creditor shall be under the duty to (i) give the quitance to the relevant debtor evidencing the above date of discharge and (ii) communicate such discharge to the relevant land registry. Pursuant to Article 13 of Decree 7, the discharge of the mortgage does not take place in case, on the basis of grounded reasons, the relevant creditor communicates to the *Agenzia del Territorio* that the mortgage must be maintained.

Pursuant to Article 13 of Decree 7, in the absence of the above creditor's communication requesting the maintenance of the mortgage, upon expiration of 30 days from the date of discharge of the secured obligation, within the following day, the land registry shall cancel the relevant mortgage and make available to third parties the communication of discharge of the secured obligation provided by the relevant creditor.

#### **Suspension of payments under the Year 2008 Budget Law**

Article 2, paragraphs 475-480, of Law No. 244 of 24 December 2007 (the "**Year 2008 Budget Law**") has established a solidarity fund in relation to the mortgage loans for first home purchases (*Fondo di solidarietà per i mutui per l'acquisto della prima casa*) (the "**Fund**"), also granting to the borrower which

(a) has entered into a mortgage loan for first home purchase, and

- (b) is able to prove, in accordance with the procedures provided by the Implementation Regulation (as defined below), that he/she is unable to pay the relevant instalments due under the mortgage loan and the relevant costs connected with the banking procedures and notarial fees necessary for the suspension of the payment of the instalments due under the mortgage loan,

the right to request the suspension of the payment of the instalments due under the mortgage loan, despite any provision to the contrary under the mortgage loan agreement.

In particular, the Year 2008 Budget Law provides, *inter alia*, as follows:

- (i) the Fund must be funded with Euro 10 million for each of 2008 and 2009 (Article 2, paragraph 475);
- (ii) in relation to mortgage loans for the purchases of real estates to be used as a first home of the relevant borrower, such borrower may request the suspension of the payments no more than twice and for an aggregate maximum period not higher than 18 months. In this case, the duration of the mortgage loan and the relevant guarantees is extended for a period equal to the period for which the payments have been suspended. Following the end of the suspension period, the payments of the instalments shall be made in accordance with the amounts and the periodicity originally agreed under the relevant mortgage loan, save as otherwise agreed between the relevant parties (Article 2, paragraph 476);
- (iii) the suspension of payments cannot be requested following the commencement of any relevant foreclosure proceedings for the enforcement of the relevant guarantees (Article 2, paragraph 477);
- (iv) the Fund shall bear the costs connected with the banking procedures and the notarial fees necessary for the suspension of the payment of the instalments due under the mortgage loan (Article 2, paragraph 478);
- (v) in order to request the suspension of the relevant payments, the borrower shall prove, in accordance with the procedures provided by the Implementation Regulation that it is unable to pay the relevant instalments under the mortgage loan and the relevant costs connected with the banking procedures and the notarial fees necessary for the suspension of the payment of the instalments due under the mortgage loan (Article 2, paragraph 479);
- (vi) the Economy and Finance Ministry, in agreement with the Welfare Ministry, shall implement provisions relating to the Fund by regulation (the "**Implementation Regulation**") (Article 2, paragraph 480).

Furthermore, Decree 185/2008 has integrated and specified certain provisions related to the Fund, stating that (i) any monetary penalty imposed for the non-observance of the provisions of Article 8 of Law Decree No. 7 of 31 January 2007, converted into Law No. 40 of 2 April 2007, as amended from time to time (i.e. *Decreto Bersani*), will be assigned to increase the amount of the Fund, and (ii) the Economy and Finance Ministry should approve and implement the Implementation Regulation within sixty days from the date on which the law conversion of Decree 185/2008 (i.e. Law of 28 January 2009 No. 2) has become effective.

The Implementation Regulation has been implemented through the Ministerial Decree of 21 June 2010 No. 132 (the "**Decree No. 132**"). Pursuant to Decree No. 132, the suspension can be requested by the relevant borrower if, *inter alia*, the following main requirements are satisfied:

- the loan is a residential mortgage loans for the purchase of the primary residence building; and

- the mortgage loan does not exceed Euro 250,000.

Furthermore, the relevant borrower has experienced, following the subscription of the mortgage loan, one of the following events that determine the temporary inability of the payments of the instalments:

- loss of employment;
- death or the arising of conditions of no self-sufficiency of one of the members of the family of the borrower;
- payment of medical expenses exceeding Euro 5,000 annually;
- expenses of extraordinary maintenance, renovation or functional adequacy of the building object of the mortgage loan, exceeding Euro 5,000;
- increase of the instalments of the mortgage loan.

Subject to the beneficiary's request for the suspension, the Fund shall reimburse to the banks:

- the relevant costs connected with the banking procedures and the notarial fees necessary for the suspension of the payment of the instalments due under the mortgage loan; and
- the sums equal to quota interest amount due by the borrower.

#### **Suspension of payments under the ABI "*Piano Famiglie*"**

On 18 December 2009 the Italian Banking Association and certain consumer associations have entered into an agreement for the suspension of the loan instalments in the context of the programme for the support of the retail credit market called "*Piano Famiglie*" (the "***Piano Famiglie Agreement***"). The measures provided by the *Piano Famiglie* Agreement include, *inter alia*, the suspension of payment of instalments due under mortgage loans agreements for a period of at least 12 months, to be granted upon request of the relevant debtor by the banks and the special purpose vehicles incorporated pursuant to the Securitisation Law which have adhered to the *Piano Famiglie* Agreement, pursuant to the terms and conditions therein provided.

In particular, the suspension of payment provided by the *Piano Famiglie* Agreement can be granted to the relevant debtors if, *inter alia*, the following main requirements are satisfied:

- (a) the loans are residential mortgage loans for the purchase, building and renovation of the main residence (*abitazione principale*) granted to individuals with a taxable income not higher than Euro 40,000 per annum, for an amount not exceeding Euro 150,000;
- (b) the debtors have experienced, between 1 January 2009 to 31 December 2011, the following events:
  - (i) loss of employment;
  - (ii) death or the arising of conditions of no self-sufficiency; or
  - (iii) suspension from the work or reduction of the working hours for a period of at least 30 days, also in case of inclusion in redundancy payment schemes (*cassa integrazione ordinaria e straordinaria*); and

- (c) the suspension of the loan instalments has been requested by the relevant debtor from 1 February 2010 to 31 January 2012 (as postponed in accordance with the agreement executed on 25 July 2011)

#### **Suspension of payments under the ABI "Avviso Comune" for small and medium sized enterprises**

On 3 August 2009 the Economy and Finance Ministry, the Italian Banking Association and the other business associations representing Italian enterprises have subscribed a common announcement (the "**Avviso Comune**") for the suspension of the debts of the small and medium enterprises. The *Avviso Comune* is aimed, *inter alia*, at providing the small and medium enterprises, able to demonstrate the continuity of their business activity, with the appropriate liquidity enhancement to overcome the current financial and economic situation, upon the terms and subject to the conditions set out in the *Avviso Comune*. The measures provided by the *Avviso Comune* include, *inter alia*, the suspension of payment of principal instalments due under mortgage loans agreements for a maximum period of 12 months, to be granted upon request of the relevant debtor by the banks and financial intermediaries which have adhered to the *Avviso Comune*. The small and medium enterprises which have the requirements provided for under the *Avviso Comune* were entitled to request the suspension by 31 July 2011.

#### **Renegotiation and Extension of payments under Law Decree of 13 May 2011 n. 70 (Decreto Sviluppo)**

Pursuant to Article 8, Paragraph 6, of Law Decree of 13 May 2011 No. 70 (the "Decree No. 70"), certain borrowers meeting the requirements set forth by Decree No. 70 may request and obtain from the lending bank (a) a renegotiation of mortgage loans which may result in an amendment of the interest calculation method, varying from a floating rate to a fixed rate; and (b) an additional extension for a period not longer than 5 years provided that, as a result of the extension, the relevant outstanding reimbursement plan does not exceed a period equal to 25 years. The Decree No. 70 has been converted into law by Law No. 106 of 12 July 2011.

In particular, the Decree No. 70 provides that borrowers who, before the entry in force of such new provisions have executed or assumed a mortgage loan agreement, will have the right to renegotiate the terms of their mortgage loan with their respective lender, provided that:

- (a) the relevant mortgage loan agreement has been entered into for purchasing or rebuilding a residential property;
- (b) the original amount of the relevant mortgage loan is not higher than Euro 200,000;
- (c) the relevant mortgage loan accrues interest at a floating rate and provides for payment of variable instalments for the whole duration;
- (d) the relevant borrower submits, together with the request of the renegotiation, the certificate of the relevant ISEE (Indicatore della Situazione Economica Equivalente), which should not exceed the amount of Euro 35,000;
- (e) no late payments have been made with respect to the relevant mortgage loan; and
- (f) the request to renegotiate the terms of the relevant mortgage loan has been made before 31 December 2012.

Prospective investors should consider that as at the date of this Prospectus it is not possible to foresee the potential impact of the suspension schemes and/or the renegotiations under the Decree No. 70 on the

cashflows deriving from the Portfolio and, consequently, on the amortisation of the Notes.

## TAXATION

*The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposal of the Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to your decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules.*

*This summary is based upon tax laws and practice of Italy in effect on the date of this Prospectus which are subject to change potentially retroactively. Prospective Noteholders should consult their tax advisers as to the consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.*

*Prospective Noteholders who may be unsure as to their tax position should seek their own professional advice.*

### Income Tax

Under current legislation, pursuant to the provision of Article 6, paragraph 1, of the Securitisation Law and to Decree No. 239, as amended and restated, in particular, by Decree No. 350, payments of interest and other proceeds in respect of the Notes:

- (a) will be subject to final *imposta sostitutiva* at the rate of 20 per cent. in Italy if made to beneficial owners who are: (i) individuals resident in Italy for tax purposes, holding the Notes not in connection with entrepreneurial activities (unless they have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the *risparmio gestito* regime according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997 - the "Asset Management Option"); (ii) 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; (iii) Italian resident public and private entities, other than companies, including trusts, not carrying out commercial activities; (iv) Italian resident entities exempt from corporate income tax; and (v) non-Italian resident entities or persons without a permanent establishment in Italy to which the Notes are effectively connected, which are not eligible for the exemption from the *imposta sostitutiva* and/or do not timely comply with the requirements set forth in Decree No. 239 and the relevant application rules in order to benefit from the exemption from *imposta sostitutiva*. As to non-Italian resident beneficial owners, *imposta sostitutiva* may apply at lower or nil rate under double taxation treaties entered into by Italy, where applicable.

The 20 per cent. (or, in certain cases, for treaty covered non-Italian resident beneficial owners, the lower rate provided for by the relevant applicable double tax treaty) final *imposta sostitutiva* will be applied by qualified financial intermediaries such as: (i) Italian resident banks; (ii) Italian resident Società d'Intermediazione Mobiliare ("**SIM**"), which are Italian financial intermediaries; (iii) Italian resident SGRs, as indicated in Italian Ministerial Decree dated 2 April 2001; (iv) Italian resident fiduciary companies; (v) Italian resident stockbrokers and (vi) permanent establishment in Italy of non-resident banks or non-resident financial intermediaries that will intervene, in any way, in the collection of interest and other proceeds on the Notes or in the transfer of the Notes. Interest is therefore not to be included in the aggregate income of the investor subject to progressive tax rates,

and the tax levied may not be credited against the investor's income tax liability. An exception to this rule is the "*imposta sostitutiva*" applied in the case of Notes held by an individual in connection with entrepreneurial activities: and in such a case the "*imposta sostitutiva*" applies as a provisional tax;

- (b) will not be subject to the *imposta sostitutiva* at the rate of 20 per cent. if made to beneficial owners who are: (i) Italian resident corporations, commercial entities (including trusts carrying out commercial activities), or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected; (ii) Italian resident collective investment funds, Italian resident pension funds referred to in Italian Legislative Decree No. 252 of 5 December 2005 and Italian resident real estate investment funds; (iii) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the Asset Management Option; and (iv) according to Decree No. 350, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected, provided that:
- (i) pursuant to Article 6, paragraph 1, of Decree No. 239, as modified in particular by Article 41 of Law Decree No. 269 of 30 September 2003, converted with amendments into Italian Law No. 326 of 24 November 2003, non Italian resident beneficial owners are resident, for tax purposes in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information, so called "**White List Country**" (according to Ministerial Decree of 12 December 2001, the present list of the countries allowing an adequate exchange of information is that contained in the Italian Ministerial Decree 4 September, 1996 – as recently amended and supplemented by Italian Ministerial Decree dated 27 July 2010 – which contemplates all the countries with which Italy has entered into a double taxation treaty providing for an exchange of information. According to Article 1, paragraph 87 of Law No. 244 of 24 December 2007 ("**Law No. 244**"), the aforementioned list will be amended by a specific Ministerial Decree which will be issued pursuant to Article 168-*bis* of the Presidential Decree No. 917 of 22 December 1986); and
- (ii) all the requirements and procedures set forth in Decree No. 239 and in the relevant application rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in a timely manner. To ensure payment of interest and other proceeds in respect of the Notes without the application of *imposta sostitutiva*, investors indicated above must:
- (1) timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian authorised financial intermediary, or permanent establishment in Italy of a foreign intermediary, which are directly connected with the Italian Ministry of Finance. For this purpose two categories of intermediaries are identified:
- (x) an Italian or non Italian resident bank or financial institution (there is no requirement for the bank to be EU resident) (the "**First Level Bank**"), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank, and
- (y) an Italian resident bank or a SIM or a permanent establishment in Italy of a non-resident bank or SIM, acting as depository or sub-depository of the Notes appointed to maintain direct relationships, via electronic link, with the Italian

Financial Administration (the "**Second Level Bank**"). Organisations and companies non-resident in the Republic of Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or permanent establishment in the Republic of Italy of a non-resident bank or SIM). In the event that the non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

- (2) file with the relevant depository in a timely manner a self-declaration (the "**Declaration**") stating their residence, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information and, *inter alia*, that the non-Italian resident entity is the beneficial owner of the proceeds. Such self-declaration, which must be in conformity with the model approved by the Italian Ministry of Economy and Finance (approved with Italian Decree of the Italian Ministry of Economy and Finance 12 December 2001, published on the Ordinary Supplement No. 287 to the Italian Official Journal No. 301 of 29 December 2001), is valid until withdrawn or revoked and may not be filed in the event that a certificate, declaration or other similar document with an equivalent purpose has previously been filed with the same depository. In the case of institutional investors not subject to tax, the institutional investor shall be regarded as the beneficial owner and the relevant self-declaration shall be produced by the management company. Once the Declaration has been properly completed, the First Level Bank is obliged to send it to the Second Level Bank within 15 days from receipt. Second Level Banks are expected to file the data relating to the non-resident Noteholder together with data relating to the transactions carried out, via electronic link, to the Italian fiscal authorities within the first transmission period after receipt of such data. The Italian fiscal authorities monitor and control such data and any discrepancies. For Noteholders non-resident in the Republic of Italy, the Second Level Bank acts as an intermediary responsible for assessing the applicability of the *imposta sostitutiva* and, consequently, for levying and paying it to the Italian tax authority in accordance with the procedure described above. The Declaration has to be filed by the actual beneficial owner of the proceeds.

Non-resident holders are subject to the 20 per cent. substitute tax on interest and other proceeds on the Notes if any of the above conditions are not satisfied.

The exemption from *imposta sostitutiva* also applies to (i) international organisations created pursuant to International treaties that are effective in Italy, (ii) central banks or entities managing also the official reserves of the State, and (iii) non Italian resident "institutional investors" (i.e. entities the activity of which consists of making or managing investments on their own behalf or on behalf of other persons, as defined by *Circolare dell'Agenzia delle Entrate* dated 1 March 2002 No. 23/E), even if they are not treated as taxpayers in their country of residence, but provided that: (a) they are resident in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information, (b) they declare that they have not been incorporated or established for the purpose of executing and/or managing investments made by a limited number of persons resident in Italy or in countries/territories which do not recognise the

Italian fiscal authorities' right to an adequate exchange of information; or, alternatively, in case of foreign institutional investors that are trusts or partnerships, provided that (c) they declare that they were established for the sole purpose of managing investments on behalf of other institutional investors (1) subject to forms of surveillance or vigilance in the State where they are located and (2) resident in countries which allow an adequate administrative exchange of information with the Italian tax administration and whose managing company is also resident in such countries.

Where the beneficial owners of the Notes are one of the subjects indicated sub paragraph b) (i) (i.e. Italian resident corporations, commercial entities, including trusts carrying out commercial activities, or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected) interest and other proceeds accrued on the Notes are included in the corporate taxable income (*imposta sul reddito delle società*, "**IRES**") at 27.5 per cent. and in certain circumstances, depending on the status of the Noteholders, also in the net value of production for purposes of regional tax on productive activities ("**IRAP**") at a rate of 3.9 per cent. (IRAP rate may be increased in certain Italian regions, also in accordance with the provisions of Italian Law Decree No. 93 of 27 May 2008, which has been converted into Law No. 126 of 24 July 2008, and may be different depending on the activity carried out by the taxpayer) of such beneficial.

Italian resident collective investment funds and SICAVs were subject to an annual substitutive tax of 12.5 per cent. (the "**Collective Investment Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Notes).

From 1 July 2011, Italian resident collective investment funds and SICAVs are no longer taxed on the increase in value of the managed asset accrued at the end of each year as they were in the past. However, such Italian resident collective investment funds and SICAVs, through their managing company, are subject to withholding tax on the investors of the funds, in the amount, at the date of this Prospectus, of 20 per cent. Such withholding shall be levied on a distribution basis and no longer on an accrual basis.

From the same 1 July 2011, EU harmonised investment funds and non-harmonised EU funds are equally subject to a withholding tax which, at the date of this Prospectus, is levied on the investors at the rate of 20 per cent. on the proceeds arising from the participation to the above funds. Such tax treatment is applicable to non harmonised EU funds only upon certain conditions. The new rules, in fact, set out the application of a withholding tax in the non-harmonised EU funds, provided that 1) they are subject to supervision in the country of registration, where they are registered; 2) such country is either in the EU or in the European Economic Area, and 3) such country has an adequate exchange of information level with Italy. The mentioned withholding tax must be levied by the Italian resident intermediary collecting the proceeds.

Italian resident pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005, are subject to an 11 per cent. annual substitutive tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Notes).

Pursuant to Decree No. 351, as amended by Article 41-*bis* of Italian Law Decree No. 269 of 30 September 2003, converted with amendments into Law No. 326 of 24 November 2003, starting from 1 January 2004, beneficial owners of Notes who are Italian resident real estate investment funds ("**REIT**") established pursuant to Article 37 of Italian Legislative Decree No. 58 of 24 February 1998 and to Article 14-*bis* of Law No. 86 of 25 January 1994, from 26 September 2001 or, if established before 26 September 2001, provided that the managing company has opted for the application of the regime provided for by Decree No. 351, are not subject to taxation at the Fund level.

According to the tax regime, recently introduced by Decree Law No. 70 of 13 May 2011 ("**Decreto Sviluppo**"), the taxation of the proceeds arising from the participation to the REIT depends on the nature of the investors.

- (i) If the REIT is exclusively owned by:
  - (a) Institutional investors fiscally resident in Italy or in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information, the Italian investors are subject to a 20% withholding tax, levied at the moment of the distribution of the proceeds, or at the redemption, liquidation or transfer of the relevant quotas by the managing company.
- (ii) If the REIT is owned also by private investors, the following taxation applies:
  - (a) for institutional investors the tax treatment sub (i) is applicable;
  - (b) for private investors owning less than 5% of the net asset value of the fund, the tax treatment of sub (i) is applicable;
  - (c) for private investors owning more than 5% of the net asset value of the REIT, the proceeds are taxed under transparency principles and directly on such investors.
  - (d) for foreign private investors owning more than 5% of the net asset value of the REIT, the tax regime under sub (i) is applicable.

In order to identify the correct tax treatment to be applied, each private investor has to communicate to the management company the amounting of its participation to the REIT, by taking into account also the participations directly or indirectly owned through affiliated companies, fiduciary companies or interposed entities.

An exemption of the above withholding tax is available for the foreign investors qualified as (a) pension funds and collective investment funds tax resident in a White List Country; (b) international entities incorporated on the basis of international treaties executed by the Italian Government; and (c) central banks or international entities which manage also the official reserves.

According to the Circular No. 11/E issued by the Italian Tax Authorities on 9 March 2011, the proceeds arising from the participation to the REIT are qualified as income from capital (i.e. interest) pursuant to Article 11 of the Tax Treaties against the double taxation. As a consequence, in case the investor is not Italian resident the withholding tax at 20% may be reduced by applying the lower rates set out by the Tax Treaties, if any.

Any positive difference between the nominal amount of the Notes and their issue price is deemed to be interest for tax purposes.

### **Capital Gains**

Any capital gain realised upon the sale for consideration or redemption of the Notes would be treated as part of the taxable business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant tax provisions, if derived by Noteholders who are:

- (a) Italian resident corporations;
- (b) permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; or
- (c) Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity carried out.

Pursuant to Legislative Decree No. 461 of 21 November 1997, any capital gain realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity and certain other persons upon sale for consideration or redemption of the Notes would be subject to an *imposta sostitutiva* at the current rate of 20 per cent.

The capital gain/loss is represented by the positive/negative difference between the Notes' sale price (or the redemption value) and the purchase or subscription price (or value) gross of any inherent expenses (stamp duties, commissions, notary fees, etc.). Such difference is to be considered net of any interest (or issue margin) accrued but not yet paid, which is to be taxed according to the criteria explained under the previous paragraph, headed "Income Tax". If a negative difference arises from a relevant transaction, such difference represents a capital loss which can be, in general terms, carried forward and set off with future gains of a similar nature.

Three different regimes may apply to the taxation of a resident investor, holding Notes otherwise than in connection with entrepreneurial activity, with reference to capital gains not pertaining to business activities:

- (1) under the tax declaration regime, which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activity, *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by Italian resident individual noteholders holding Notes not in connection with entrepreneurial activity pursuant to all disposals of Notes carried out during any given fiscal year. Italian resident individuals holding Notes not in connection with entrepreneurial activity must report overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax declaration to be filed with the Italian tax authorities for such year and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. However, carried forward capital losses in excess of capital gains realized prior to 1 January 2012 may be used against capital gains realised in any of the four succeeding tax years limitedly to 62,5% of their amount;
- (2) as an alternative to the tax declaration regime, Italian resident individual noteholders holding the Notes not in connection with entrepreneurial activity may elect to pay 20 per cent. *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "**Risparmio Amministrato**" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, *Società di Intermediazione Mobiliare (SIM)* or certain authorised financial intermediaries and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Noteholder. Under the *Risparmio Amministrato* regime, the financial intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised at revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the taxpayer, deducting a corresponding

amount from proceeds to be credited to the Noteholder. Under the *Risparmio Amministrato* regime, where a sale or redemption of the Notes results in capital loss, such loss may be deducted from capital gains subsequently realised within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *Risparmio Amministrato* regime, the Noteholder is not required to declare capital gains in its annual tax declaration and remains anonymous. However, capital losses realized prior to 1 January 2012 may be carried forward against capital gains realised after such date within the same relationship of deposit, according to the same conditions above described, limitedly to 62,5% of their amount; and

- (3) in the event that the Notes form part of a portfolio of securities managed by qualified Italian professional intermediaries, any capital gains realised by Italian resident individuals holding Notes not in connection with entrepreneurial activity who have elected for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end. Such income is subject to a 20 per cent. Asset Management Tax to be applied on behalf of the taxpayer by the managing authorised intermediary. Under the Asset Management Option, any decrease in value of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. However any decrease in value of the managed assets accrued until 31 December 2011 may be carried forward against increase in value of the managed assets accrued after such date limitedly to 62,5% of their amount. Under the Asset Management Option, the Noteholder is not required to report capital gains realised in its annual tax declaration and remains anonymous.

From 1 July 2011, any capital gains realised by Noteholders who are Italian resident collective investment funds are taxed on the investors who subscribe the quotas of the funds, once the fund result is distributed (or the fund is closed or the units are redeemed). From 1 July 2011, EU harmonised investment funds and non-harmonised EU funds are equally subject to a withholding tax levied on the investors at the rate of 20 per cent on the proceeds arising from the participation to the above funds. Such withholding is applicable both on the proceeds distributed during the life of the fund, and on the amount due in case of closure or redemption of the funds.

Any capital gains realised by Noteholders who are Italian resident pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005, will be included in the computation of the taxable basis of Pension Fund Tax.

The 20 per cent. final *imposta sostitutiva* on capital gains may in certain circumstances be payable on capital gains realised upon sale for consideration or redemption of the Notes by non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Italian Legislative Decree No. 259 of 21 July 1999, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad (including the Luxembourg Stock Exchange) and in certain cases subject to timely filing of required documentation (in particular, a self-declaration not to be resident in Italy for tax purposes), even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

In case the Notes are not listed on a regulated market in Italy or abroad:

- (i) pursuant to the provisions of Italian Legislative Decree No. 461 of 21 November 1997, Decree No. 350 and decree No. 239, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the *imposta sostitutiva* in Italy on any capital gains realised, upon sale for consideration or redemption of the Notes if they are resident, for tax purposes, in a country which recognises the Italian fiscal authorities' right to an adequate exchange of information as currently listed in Ministerial Decree 4 September 1996, as amended and supplemented. According to Article 1, paragraph 87 of Law No. 244, the above mentioned list will be amended by a specific Italian Ministerial Decree which will be issued pursuant to Article 168-bis of the Italian Presidential Decree No. 917 of 22 December 1986.

In such case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *Risparmio Amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply on condition that they file in time with the authorised financial intermediary an appropriate self-declaration stating to meet the requirements indicated under (a);

- (ii) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, provided that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes. In such case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *Risparmio Amministrato* regime or the Asset Management Option, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary appropriate documents which include, *inter alia*, a statement from the competent tax authorities of the country of residence of the non-Italian residents.

## Trusts

According to Article 73, paragraph 2, of Italian Presidential Decree No. 917 of 22 December 1986, as amended by paragraph 74, Article 1, of Law 27 December 2006 No. 296, if the beneficiaries are named in the trust documents, any such beneficiary will be taxed on the trust's income. Moreover, according to Article 73, paragraph 3, of Italian Presidential Decree No. 917 of 22 December 1986, as amended by paragraph 74, Article 1, of Italian Law 27 December 2006 No. 296, trusts that are not Italian resident could be considered Italian resident for tax purposes if (i) they are created in a country that does not recognise the Italian tax authorities' right to the adequate exchange of information and at least one settlor and one beneficiary of the trust are Italian tax residents; or (ii) it is created in a country described under point (i) above and, following incorporation of the trust, an Italian resident subject transfers certain assets to the trust.

## Inheritance and Gift Tax

Italian Law No. 286 of 24 November 2006 (published on the Official Gazette No. 277 of 28 November 2006), which has converted into law, with amendments, Article 2, paragraph 48 of Italian Law Decree No. 262 of 3 October 2006, has introduced inheritance and gift tax to be paid at the transfer of assets (such as the Notes) and rights by reason of death or gift. As regards the inheritance and gift tax to be paid at the transfer of the Notes by reason of death or gift, the following rates apply:

- 1) transfers in favour of spouses and direct descendants or direct relatives are subject to a registration

tax of 4% on the value of the inheritance or the gift exceeding Euro 1,000,000.00 for each transferee;

- 2) transfers in favour of brothers and sisters are subject to a registration tax of 6% on the value of the inheritance or the gift exceeding Euro 100,000.00 for each transferee;
- 3) transfers in favour of relatives up to the fourth degree or relatives-in-law to the third degree, are subject to a registration tax of 6% on the entire value of the inheritance or the gift;
- 4) any other transfer is subject to a registration tax of 8% on the entire value of the inheritance or the gift.
- 5) transfers in favour of seriously disabled persons are subject to a registration tax at the relevant rate as described above on the value of the inheritance or the gift exceeding Euro 1,500,000.00 for each transferee.

Moreover, an anti-avoidance rule is provided by Italian Law No. 383 of 18 October 2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to the imposta sostitutiva provided for by Italian Legislative Decree No. 461 of 21 November 1997. In particular, if the donee sells the Notes for consideration within five years from the receipt thereof as a gift, the donee is required to pay the relevant imposta sostitutiva on capital gains as if the gift had never taken place.

#### **Transfer tax**

According to Article 37 of Italian Legislative Decree No. 248 of 31 December 2007, as converted with amendments into Law No. 31 of 28 February 2008, the transfer of the Notes is not subject to the Italian transfer tax.

The transfer of the Notes could be subject, in some specific cases, to the Italian registration tax at the fixed rate of 168.00 Euro.

#### **European Withholding Tax Directive**

On 3 June 2003, the EU Council of Economic and Finance Ministers ("**ECOFIN**") adopted the EU Directive No. 2003/48/EC (the "**European Withholding Tax Directive**"), a directive regarding the taxation of savings income. The European Withholding Tax Directive was scheduled to be applied by Member States of the European Union (each, a "**Member State**" and together, the "**Member States**") from 1 July 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the European Withholding Tax Directive each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State.

The Italian Government has implemented the European Withholding Tax Directive with the Legislative Decree No. 84 of 18 April 2005 (the "**Decree No. 84**"). Decree No. 84 will apply to payments of interest made by paying agents established in Italy to beneficial owners who are individuals resident in a different EU Member State as well as in other jurisdictions that have adopted similar legislation (Jersey, Guernsey, Isle of Man, Dutch Antilles, British Virgin Islands, Turks and Caicos, Cayman, Montserrat, Anguilla and Aruba). According to Article 1(1) of the Decree No. 84, the definition of paying agents includes, *inter alia*, banks, SGRs, fiduciary companies, financial intermediaries, and any economic operator that may be involved, commercially or professionally, in a payment of interest.

More specifically, according to Article 5 of the Decree No. 84, paying agents acting shall provide the Italian tax authorities with the following data: identity and residence of the beneficial owner; name and address of the paying agent; account number of the beneficial owner or, otherwise, information of the debt claim giving rise to the interest payment and amount of interest paid. Such information is then transmitted to the Italian tax authorities. Residence of the beneficial owner is ascertained on the basis of the address indicated in the passport (if any), in the official identity card or, if necessary, on the basis of any other evidence. The beneficial owner that having a EU passport or identity card is resident for income tax purposes in a third country, shall file a tax certificate issued by the State of residence. Any individual receiving an interest payment is presumed to be the beneficial owner with the burden to give evidence and prove the contrary in his hands.

Companies, similar entities subject to taxation on business profits, UCITs passported under the Directive No. 85/611/EEC and non passported UCITs that have elected to be treated like passported, are excluded from the application of Decree No. 84. Mistakes, omissions and any other contravention may be fined under the Decree No. 84 with sanctions from Euro 2,065.00 to Euro 20,658.00. Either payments of interest on the Notes or the realisation of the capitalised interest through a sale of the Notes would constitute "payments of interest" under Article 6 of the European Withholding Tax Directive and, as far as Italy is concerned, Article 2 of the Decree 84. Accordingly, such payment of interest arising out of the Notes would fall within the scope of the European Withholding Tax Directive being the Notes issued after March 1st, 2001 (see Articles 15 of the European Withholding Tax Directive and Article 2(5) of the Decree 84).

The European Withholding Tax Directive provides that Austria or Luxembourg shall apply a withholding tax for a transitional period as defined therein, unless during such period they would elect otherwise.

The withholding tax shall be levied at the rate of 15 per cent. during the first three years of the transitional period, 20 per cent. for the subsequent three years and 35 per cent. thereafter. European Withholding Tax Directive provides for the exemption from the withholding tax to the extent that the beneficial owner provides the paying agent with minimum data requirements. The transitional period is to commence on the date from which the directive is to be applied by Member States and to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. The mechanism of application of such withholding tax would, however, be governed by the implementing legislation of the relevant country to which the investors of the Notes shall refer to.

## **SUBSCRIPTION AND SALE**

### **1. THE SENIOR NOTES SUBSCRIPTION AGREEMENT**

Pursuant to the Senior Notes Subscription Agreement entered into on or about the Issue Date, Banca Valsabbina has agreed to subscribe for the Senior Notes, subject to the terms and conditions set out thereunder.

The Senior Notes Subscription Agreement is subject to a number of conditions and may be terminated by Banca Valsabbina, in its capacity as Senior Notes Underwriter in certain circumstances prior to payment for the Senior Notes to the Issuer. The Issuer has agreed to indemnify the Senior Notes Underwriter against certain liabilities in connection with the issue of the Senior Notes.

No commission, fee or concession shall be due by the Issuer to Banca Valsabbina in respect of its subscription of the Senior Notes.

The Senior Notes Subscription Agreement and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Senior Notes Subscription Agreement (including a dispute relating to the interpretation or the execution of the Senior Notes Subscription Agreement or the legal relationships established by such Senior Notes Subscription Agreement).

### **2. THE JUNIOR NOTES SUBSCRIPTION AGREEMENT AND THE JUNIOR NOTES CONDITIONS**

Pursuant to the Junior Notes Subscription Agreement, Banca Valsabbina has agreed to subscribe and pay the Issuer for the Junior Notes at their Issue Price. Save for the rate of interest applicable to the Junior Notes for each Interest Period, the Junior Notes Conditions are substantially the same as the Senior Notes Conditions.

In respect of the obligation of the Issuer to make payment on the Notes, under the Terms and Conditions the payment obligations of the Issuer in respect of the Junior Notes are subordinated to its payment obligations in respect of the Senior Notes, the Other Issuer Creditors and any other creditors of the Issuer, as provided by the Priority of Payments. Therefore, in the event that the Issuer sustains losses and is unable to meet in full its obligations in respect of each of its creditors, the first creditors to bear any shortfall shall be the Junior Noteholders.

The Issuer will not pay any commission or concession to Banca Valsabbina in respect of its subscription of the Junior Notes.

The Junior Notes Subscription Agreement and all non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with Italian Law and the Courts of Brescia shall have exclusive jurisdiction in relation to any disputes arising in respect of the Junior Notes Subscription Agreement (including a dispute relating to the interpretation or the execution of the Junior Notes Subscription Agreement or the legal relationships established by such Junior Notes Subscription Agreement).

### **3. SELLING RESTRICTIONS**

#### **3.1 *General***

Under the Senior Notes Subscription Agreement each of the Originator and the Senior Notes Underwriter:

**3.1.1 No action to permit public offering**

has acknowledged that no action has been or will be taken in any jurisdiction by the Issuer that would permit a public offering of the Senior Notes, or possession or distribution of any offering material in relation to the Senior Notes, in any country or jurisdiction where action for that purpose is required;

**3.1.2 Compliance with laws**

has represented and warranted to the Issuer that it has complied with and will undertake that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers the Senior Notes or has in its possession, distributes or publishes such offering material, in all cases at its own expense; and

**3.1.3 Publicity**

has represented and warranted to the Issuer that it has not made or provided undertakes that it will not make or provide any representation or information regarding the Issuer or the Senior Notes save as contained in the Prospectus or as approved for such purpose by the Issuer or which is a matter of public knowledge.

**3.2 United States**

**3.2.1 No registration under Securities Act**

The Senior Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (hereinafter, the "**Securities Act**"). The Senior Notes are being offered and sold in offshore transactions in reliance on Regulation S under the Securities Act and may not be offered or sold within the United States 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.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in transactions permitted by U.S. Treasury Regulations.

**3.2.2 Compliance by the Issuer with United States securities laws**

The Issuer has represented, warranted and undertaken to the Senior Notes Underwriter that:

- (a) neither it nor any of its affiliates nor any other person acting on its or their behalf has, directly or indirectly, offered or sold, or will offer or sell, to any person any securities in any circumstances which would cause such securities to be integrated with the Senior Notes in a manner which would require the registration of any of the Senior Notes under the Securities Act or the qualification of any document related to the Senior Notes as an indenture under the United States Trust Indenture Act of 1939, as amended;

- (b) neither it nor any of its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts within the meaning of Rule 902 under the Securities Act with respect to the Senior Notes;
- (c) the Issuer is a "foreign issuer" (as defined in Regulation S) and there is no "substantial U.S. market interest" (as defined in Regulation S) in the securities of the Issuer of the same class as the Senior Notes, and the Issuer and its affiliates have complied with and will comply with the offering restrictions requirement of Regulation S under the Securities Act; and
- (d) the Issuer is not, and after giving effect to the offering and sale of the Senior Notes will not be, a company registered or required to be registered as an "investment company", as such term is defined in the United States Investment Company Act of 1940, as amended.

### 3.2.3 Senior Notes Underwriter's compliance with United States securities laws

Terms used in the following paragraphs have the meanings given to them in Regulation S under the Securities Act. The Senior Notes Underwriter has represented, warranted and undertaken to the Issuer as follows:

- (a) it has offered and sold the Senior Notes, and will offer or sell the Senior Notes
  - (i) as part of its distribution, at any time, or
  - (ii) otherwise, until the expiration of the distribution compliance period of 40 days after the later of the commencement of the offering of the Senior Notes and the Issue Date, only in accordance with Rule 903 of Regulation S under the Securities Act;
- (b) at or prior to the confirmation of each sale of Senior Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Senior Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect: "The securities covered hereby have not been registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons by any person referred to in Rule 903(b)(2)(iii), (i) as part of their distribution, at any time or (ii) otherwise, until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them in Regulation S;
- (c) it, its affiliates and any person acting on its behalf have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act;
- (d) neither it, its affiliates nor any person acting on its or their behalf have engaged or will engage in any directed selling efforts within the meaning of Rule 902 under the Securities Act with respect to the Senior Notes; and
- (e) it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Senior Notes, except with its affiliates or with the prior written consent of the Issuer.

### 3.2.4 General Compliance with TEFRA D

Terms used in paragraphs 2.4 through 2.6 below have the meanings given to them by the United States Internal Revenue Code of 1986, as amended (the "**U.S. Tax Code**") and regulations promulgated thereunder, including U.S. Treasury Regulation Section 1.163-5(c)(2)(i)(D) (the "**TEFRA D**").

- 3.2.4.1 During the period of forty (40) days following the later of the commencement of the offering of the Senior Notes and the Issue Date (the "**Restricted Period**"), the Senior Notes may not be offered, sold, resold, traded, pledged, redeemed, transferred, delivered or exercised, directly or indirectly, in the United States or to, or for the account or benefit of, any "United States person" (as defined in Section 7701(a)(30) of the U.S. Tax Code, referred to herein as a "**U.S. Person**").
- 3.2.4.2 All payments, including in respect of interest and principal in connection with the Senior Notes and whether at maturity or otherwise, will be payable only outside of the United States.
- 3.2.4.3 During the Restricted Period, any amounts payable in respect of the Senior Notes will be made only to the extent that certification (in a form to be provided) that the beneficial owners of interests in such Senior Notes are not U.S. Persons or persons who have purchased for resale directly or indirectly to any U.S. Person or to a person within the United States, as required by U.S. Treasury Regulations, has been received (i) by Monte Titoli and/ or Monte Titoli has given a like certification (based on the certifications it has received) to the Issuer and Paying Agent or (ii) by any other holder thereof, if applicable.
- 3.2.4.4 For any Senior Notes which have an original maturity of more than 365 days, the following legend will appear in any book or record where a book entry is made with respect to a Senior Note (for Senior Notes in book entry form) and on the face of the Senior Note and on any and all receipts, interest coupons and talons relating to such Senior Note (for any Senior Notes in physical form):

"Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code".

Selling restrictions may also apply to the Junior Notes; however, such restrictions are not addressed here, as the Junior Notes are not being offered pursuant to this Prospectus.

### 3.2.5 **Senior Notes Underwriter's compliance with United States TEFRA D**

Pursuant to the Senior Notes Subscription Agreement the Senior Notes Underwriter has represented, warranted and undertaken to the Issuer and the Arrangers, as follows:

- (a) except to the extent permitted under the TEFRA D, (i) it has not offered or sold and during the Restricted Period will not offer or sell any Senior Notes to a person who is within the United States or its possessions or to a United States person; and (ii) it has not delivered and will not deliver within the United States or its possessions any Senior Notes that will be sold during the Restricted Period;
- (b) it has, and throughout the Restricted Period will have, in effect procedures reasonably designed to ensure that its employees and agents who are directly engaged in selling or offering Senior Notes are aware that the Senior Notes may

not be offered or sold during the Restricted Period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D;

- (c) if it is a United States person, (i) it is acquiring the Senior Notes for the purposes of resale in connection with their original issuance and, (ii) if it retains Senior Notes for its own account, it will only do so in accordance with the requirements of the TEFRA D;
- (d) with respect to each affiliate of the Senior Notes Underwriter that acquires the Senior Notes from it for the purpose of offering or selling such Senior Notes during the Restricted Period, the Senior Notes Underwriter either repeats and confirms for the benefit of the Issuer and the Arrangers the representations, warranties and undertakings contained in paragraphs (a), (b) and (c) above on such affiliate's behalf or agrees that it will obtain from such affiliate for the benefit of the Issuer and the Arrangers the representations, warranties, and undertakings contained in such paragraphs; and
- (e) it has not and will not enter into any contractual arrangement (other than confirmation or other notice of the transaction) pursuant to which any other party to the contract (other than one of its affiliates) has offered or sold, or during the Restricted Period will offer or sell, any Senior Notes except where pursuant to the contract the Senior Notes Underwriter has obtained or will obtain from that party, for the benefit of Issuer and the Arrangers, the representations, warranties, and undertakings contained in, and that party's agreement to comply with, the provisions of paragraphs (a), (b), (c) and (d) above.

### **3.2.6 The Hiring Incentives to Restore Employment Act (the "HIRE Act")**

On 18 March 2010, the Hire Act was signed into law by President Barak Obama, which, among other things, repeals certain provisions related to TEFRA D. Bearer notes that are originally issued on or before 18 March 2012, however, are not subject to this change in law. Senior Notes issued on or before 18 March 2012 are intended to be issued in compliance with TEFRA D or under circumstances in which the Senior Notes are considered registered under the U.S. Tax Code (or such Senior Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982).

## **3.3 United Kingdom**

Under the Senior Notes Subscription Agreement, the Senior Notes Underwriter has represented, warranted and undertaken to the Issuer that:

### **3.3.1 Financial promotion**

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 the Senior Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

### **3.3.2 General compliance**

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Senior Notes in, from or otherwise involving the United Kingdom.

### **3.4. Italy**

Under the Senior Notes Subscription Agreement, the Senior Notes Underwriter has represented, warranted and undertaken to the Issuer as follows:

#### **3.4.1 No offer to public**

the offering of the Senior Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Senior Notes have been or may be offered, sold or delivered, nor may copies of the Prospectus or any other document relating to the Senior Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*) ("**Qualified Investors**"), as defined under Article 34-ter, paragraph 1, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation 11971**"); or
- (b) in circumstances which are exempted from the rules on offers of securities to be made to the public pursuant to Article 100 of the Financial Laws Consolidated Act and Article 34-ter, first paragraph, of Regulation 11971;

provided that, in any case, the offer or sale of the Senior Notes in Italy shall be effected in accordance with all relevant Italian securities, tax and other applicable laws and regulations.

#### **3.4.2 Offer to Professional Investors**

any offer, sale or delivery of the Senior Notes in the Republic of Italy or distribution of copies of the Prospectus or any other document relating to the Senior Notes in the Republic of Italy under paragraph 3.4.1 (a) and (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 Laws Consolidated Act, CONSOB Regulation No. 16190 of 29 October 2007 and the Consolidated Banking Act, as amended; and
- (b) in compliance with any other applicable laws and regulations.

*Please note that, in accordance with Article 100-bis of the Financial Laws Consolidated Act, where no exemption under paragraph 4.1, letter (b) above applies, the subsequent distribution of the Senior Notes on the secondary market in Italy must be made in compliance with the rules on offers of securities to be made to the public provided under the Financial Laws Consolidated Act and Regulation 11971. Failure to comply with such rules may result, inter alia, in the sale of the Senior Notes being declared null and void and in the liability of the intermediary transferring the Senior Notes for any damages suffered by the investors.*

The Junior Notes remain subject to the further selling restrictions provided for in the Junior Notes Subscription Agreement.

### **3.5. European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Senior Notes Underwriter has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), it has not made and will not make an offer of Senior Notes to the public in that Relevant Member State from the time the Prospectus has been approved by the competent authority in Luxembourg and published in accordance with the Prospectus Directive as implemented in Luxembourg, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Senior Notes to the public in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than € 43,000,000; and (3) an annual net turnover of more than € 50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Senior Notes shall require the Issuer or the Senior Notes Underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Senior Notes to the public** in relation to any Senior Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Senior Notes to be offered so as to enable an investor to decide to purchase or subscribe the Senior Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

#### **4. REGULATORY DISCLOSURE AND RETENTION UNDERTAKING UNDER THE CRD II**

On 16 September 2009 the European Parliament and the European Council adopted the Directive 2009/111/EC (the "**CRD II**") amending the so-called capital requirements directive (being and expression making reference to Directive 2006/48/EC and Directive 2006/49/EC) (as amended, the "**CRD**"), relating to, *inter alia*, exposures to transferred credit risk in the context of securitisation transactions.

Pursuant to the Article 122a of the CRD as amended by CRD II ("**Article 122a**"), an EU regulated credit institution, other than when acting as originator, sponsor or original lender, may assume an exposure in the context of a securitisation in its trading or non-trading book only if the originator, sponsor or original lender has explicitly disclosed to such credit institution that it will retain, on an on-going basis, a material net economic interest not lower than 5% in such securitisation.

Article 122a became effective on 1 January 2011 and has been implemented in Italy in the New Supervisory Regulation for the Banks ("*Nuove disposizioni di vigilanza prudenziale per le banche*").

Under the Senior Notes Subscription Agreement Banca Valsabbina has covenanted to and agreed with the Issuer and with the Representative of the Noteholders that it will retain on the Issue Date and maintain on an on-going basis at least 5 per cent. of net economic interest in accordance with option (d) of Article 122a, as implemented into Italian law by the Bank of Italy Supervisory Regulations (i.e. "the first loss tranche and, if necessary, other tranches having the same or a more severe risk profile than those transferred or sold to investors and not maturing any earlier than those transferred or sold to investors, so that the retention equals in total no less than 5% of the nominal value of the securitised exposures") or any permitted alternative method thereafter and provide adequate disclosure to the Noteholders in accordance with such Article 122a. Notice on such alternative method shall be given to the Noteholders through the systems of Monte Titoli and, as long as the Senior Notes are listed on the Official List of the Luxemburg Stock Exchange, be published on the website of the Luxemburg Stock Exchange, in accordance with Conditions 16 (*Notices*).

As of the Issue Date such net economic interest will be - in accordance with option (d) of Article 122a - comprised of the retention by Banca Valsabbina of the Junior Notes.

Pursuant to Article 122a, the Originator is prohibited from hedging or otherwise transferring the retained risk.

Article 122a further requires an EU regulated credit institution, before investing, and as appropriate thereafter, for each of its individual exposure in securitisation transaction, to carry out a due diligence in respect of each such exposure and the relevant securitisation, to implement formal policies and procedures appropriate for such activities to be conducted on an on-going basis, to regularly perform its own stress tests appropriate to its exposure and to monitor on an on-going basis and in a timely manner performance information on such exposures. Failure to comply with one or more of the requirements set out in Article 122a will result in the imposition of a higher capital requirement in relation to the relevant exposure by the relevant EU regulated credit institution. In such respect, Article 122a requires originators and sponsors to ensure that prospective investors have readily available access as at the Issue Date and on an on-going basis to all information necessary to comply with their due diligence and monitoring obligations and all relevant data necessary to conduct comprehensive and well informed stress tests on the underlying exposures.

Under the Senior Notes Subscription Agreement Banca Valsabbina, in its capacity as Originator, (i) has made available on the Issue Date and (ii) has undertaken under the Senior Notes Subscription Agreement to continue to make available upon request, any of such information required by Article 122a which may be of assistance to the prospective investors prior to their investment and, in particular, but not limited to:

- (1) the aggregate amount of the Collections related to the Receivables collected during the relevant Quarterly Collection Period;
- (2) a description, by aggregate amounts, of the Portfolio during the relevant Quarterly Collection Period similar to the information contained in the section headed "The Portfolio" in the Prospectus;

- (3) the net economic interest held by Originator in the Securitisation;
- (4) a description, by aggregate amounts, of the Receivables comprised in the Portfolio and classified as Defaulted Receivables by the Servicer;
- (5) a description, by aggregate amounts, of the Receivables comprised in the Portfolio and classified as Delinquent Receivables by the Servicer; and
- (6) a description, by aggregate amounts, of the amounts recovered in relation to Defaulted Receivables by the Servicer.

The information set out above will be available to the Noteholders and prospective investors with the following modalities:

- (a) on the Issue Date it will appear:
  - (i) in the stratification tables included in the Prospectus;
  - (ii) with reference to any further information required by Article 122a and not covered under point (i) immediately above, will be provided, upon request, by the Servicer;
- (b) after the Issue Date, on a quarterly basis, it will:
  - (i) be publish, on a quarterly basis, on the Computation Agent's web site ([www.securitisation-services.com](http://www.securitisation-services.com)) provided that the Computation Agent will include such information in the Investors Report on the basis and to the extent of the information received by the Servicer in the Quarterly Servicer Report. It is understood that the Investors Report shall be deemed to have been produced on behalf of the Originator, under the Originator's full responsibility, with reference to the information described above that the Originator has the obligation to make available to investors under Article 122a;
  - (ii) with reference to any further information required by Article 122a and not covered under point (b) (i) immediately above, it will be provided, upon request, by the Servicer.

For further details see the section entitled "Risk factors - Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes".

## GENERAL INFORMATION

### Listing and admission to trading

Application has been made to list on the official list of the Luxembourg Stock Exchange and to admit to trading the Senior Notes on the Regulated Market of the Luxembourg Stock Exchange. In connection with the listing application, the constitutional documents of the Issuer and a legal notice relating to the issue of the Senior Notes will be deposited prior to listing with the Listing Agent and the Representative of the Noteholders, where such documents will be available for inspection and where copies thereof may be obtained upon.

### Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in Italy in connection with the issue and performance of the Notes. The Issuer is managed by a Sole Director. Therefore, in accordance with Italian law, the issue of the Notes has been authorised by such Sole Director without the need of any formal meeting or resolution. However, the issue of the Notes was authorised also by the resolution of the quotaholder passed on 30 November 2011.

### Clearing of the Notes

The Notes have been accepted for clearance through Monte Titoli, Euroclear and Clearstream as follows:

<b>Classes</b>	<b>ISIN</b>	<b>Common code</b>
Class A	IT0004783848	072380355
Class B	IT0004783830	N/A

### No material litigation

There have been no governmental, litigation or arbitration proceedings against or affecting the Issuer or any of its assets or revenues in the last twelve months, nor is the Issuer aware of any pending or threatened proceedings of such kind, which are or might be material.

### No material adverse change

Since its incorporation, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise), business, prospects or general affairs of the Issuer that is material.

### Documents available for inspection

For as long as the Senior Notes are listed on the Luxembourg Stock Exchange, copies of the following documents are available in physical and electronic form for inspection during normal business hours at the registered office of the Issuer and of the Representative of the Noteholders:

- (i) Memorandum and Articles of Association of the Issuer;
- (ii) Transfer Agreement;
- (iii) Warranty and Indemnity Agreement;

- (iv) Servicing Agreement;
- (v) Back-Up Servicing Agreement;
- (vi) Intercreditor Agreement;
- (vii) Cash Allocation, Management and Payment Agreement;
- (viii) Deed of Pledge;
- (ix) Mandate Agreement;
- (x) Quotaholder Agreement;
- (xi) Senior Notes Subscription Agreement;
- (xii) Junior Notes Subscription Agreement;
- (xiii) Letter of Undertakings;
- (xiv) Corporate Services Agreement;
- (xv) Monte Titoli Mandate Agreement; and
- (xvi) Master Definitions Agreement.

#### **Financial statements available**

The Issuer will produce financial statements in respect of each financial year. So long as any of the Senior Notes remains outstanding, upon publication, copies of the Issuer's annual audited financial statements, the Payments Reports (starting with the first Payments Report which will be made available on or about the First Payment Date), the Investors Report and the Post Trigger Reports shall be made available in physical and/or electronic form for collection at the registered offices of the Issuer and of the Representative of the Noteholders.

#### **Post Issuance Information**

So long as any of the Senior Notes remains outstanding, the Issuer will provide the post issuance information described in this paragraph. Copies of the Payments Report, the Investor Report, and the Post Trigger Report shall be made available for collection at the registered offices of the Issuer, Paying Agent and the Representative of the Noteholders. The first Investor Report will be available at the registered office of the Issuer, Paying Agent and the Representative of the Noteholders on or about the Investors Report Date immediately succeeding the First Payment Date. The Investor Report will be produced on or prior to the Investors Report Date and will contain details of amounts paid on the Payment Date to which it refers in accordance with the Priority of Payments, including the amount payable as principal and Interest in respect of each Senior Note.

#### **Fees and expenses**

The estimated annual fees and expenses payable by the Issuer in connection with the transaction described herein amount to approximately € 114,000 (excluding servicing fees and any VAT, if applicable) and the estimated total expenses related to the admission to trading of the Senior Notes amount approximately to € 25,000 (excluding VAT, if applicable).

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated by reference in, and form part of, this Prospectus, and may be inspected during normal business hours at the registered office of the Issuer and of the Representative of the Noteholders:

Documents	Information contained	Reference Page
Auditors' reports	- Registered Accountant's letter on financial statement as of 19 January 2012 prepared in connection with the issue of the Notes	

The Prospectus and the documents incorporated by reference will be available on the Luxembourg Stock Exchange website ([www.bourse.lu](http://www.bourse.lu)). Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purpose only

## GLOSSARY

"**Account**" means each of the Eligible Accounts, the Expense Account and the Quota Capital Account and "**Accounts**" means all of them.

"**Account Bank**" means BNP Paribas Securities Services, Milan Branch or any other person acting as account bank pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

"**Account Bank Report**" means the monthly report setting out certain information with reference to each month, in respect of the amounts standing to the credit of each of the Eligible Accounts, the interest accrued thereon and taxes accrued and paid.

"**Account Bank Report Date**" means the tenth day of each month or, if such day is not a Business Day, the immediately following Business Day

"**Accounting Portfolio**" means, on any given date, the Receivables included in the Portfolio which have not been written-off on such date.

"**Accrued Interest**" means, as of any relevant date and in relation to any Receivable, the portion of the Interest Instalment falling due on the next Scheduled Instalment Date which has accrued as at that date.

"**Additional Screen Rate**" shall have the meaning ascribed to it in Condition 7 (*Interest*).

"**Adjustment Purchase Price**" means in relation to any Receivable transferred to the Issuer pursuant to the Transfer Agreement, but for which no purchase price was agreed upon transfer, an amount calculated in accordance with Clause 4.3 of the Transfer Agreement.

"**Affected Class**" shall have the meaning ascribed to it in Condition 8 (*Redemption, Purchase and Cancellation*).

"**Agency**" means the Revenue Agency – Regional Direction of Lombardy.

"**Agents**" means the Cash Manager, the Paying Agent, the Account Bank, the Back-Up Servicer Facilitator and the Computation Agent collectively, and "**Agent**" means each of them.

"**Arranger**" means each of BNP Paribas and Finanziaria Internazionale Securitisation Group and "**Arrangers**" means both of them.

"**Article 65**" means Article 65 of the Italian Bankruptcy Law.

"**Avviso Comune**" means the common announcement subscribed on 3 August 2009 (as subsequently extended from time to time) by the Economy and Finance Ministry and the Italian Banking Association.

"**Back-Up Servicer**" means Cassa di Risparmio di Ferrara or any other person acting as back-up servicer pursuant to the Back-Up Servicing Agreement from time to time, and any its permitted successors or transferees acting as acting as back-up servicer pursuant to the Back-Up Servicing Agreement.

"**Back-Up Servicing Agreement**" means the back-up servicing agreement entered into on or about the Issue Date between the Servicer, the Issuer and the Back-Up Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement or other document expressed to be supplemental thereto.

**"Back-Up Servicer Facilitator"** means Securitisation Services or any other person acting as back-up servicer facilitator pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**"Banca Antonveneta"** means Banca Antonveneta S.p.A., a bank incorporated under the laws of the Republic of Italy, having its office at Via Vittorio Alfieri No. 1, 31015 Conegliano (TV) Italy, Fiscal Code and VAT number 02691680280, registered under No. 05040 with the roll of banks held by the Bank of Italy pursuant to Article 13 of the Consolidated Banking Act.

**"Banca Valsabbina"** means Banca Valsabbina S.C.p.A., a bank incorporated under the laws of the Republic of Italy, whose registered office is at Via Molino 4, 25078 Vestone (Brescia), Italy and headquarters in Via XXV Aprile 8, 25121 Brescia, Italy, Fiscal Code number 00283510170 and Enrolment with the Companies Register of Brescia number 00549950988, quota capital Euro 79.548.507, and parent company of the Banca Valsabbina Banking Group registered under No. 05116.9 with the register of banking groups held by the Bank of Italy pursuant to Article 64 of the Consolidated Banking Act.

**"Bank of Italy Supervisory Regulations"** means the Supervisory Regulations for the Banks and/or the Supervisory Regulations for Financial Intermediaries, as the case may be.

**"BNP Paribas"** means BNP Paribas, *société anonyme*, a company incorporated under the laws of the Republic of France, having its registered office at 16, Boulevard des Italiens, 75009 Paris, France.

**"BNP Paribas Securities Services"** means BNP Paribas Securities Services, *société en commandite par actions*, a company incorporated under the laws of the Republic of France, having its registered office at 3 Rue d'Antin, 75002 Paris, France.

**"BNP Paribas Securities Services, Milan Branch"** means the Milan branch of BNP Paribas Securities Services, with offices at Via Ansperto, 5, 20123 Milan, Italy.

**"BNP Paribas Securities Services, Luxembourg Branch"** means the Luxembourg branch of BNP Paribas Securities Services, with offices at 33 rue de Gasperich, Howald - Hesperange, L 2085, Luxembourg, Grand Duchy of Luxembourg.

**"Business Day"** means any day on which the Trans-European Automated Real Time Gross Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 (TARGET2), or any successor thereto, is open.

**"Calculation Date"** means the third Business Day before the relevant Payment Date on which the Payments Report is due.

**"Cancellation Date"** means the earlier of: (a) the date on which the Notes have been redeemed in full, (b) the Final Maturity Date and (c) the date on which the Representative of the Noteholders has certified to the Issuer and the relevant Noteholders that there are no more Issuer Available Funds to be distributed as a result of no additional amount or asset relating to the Portfolio being available to the Issuer.

**"Cash Allocation, Management and Payment Agreement"** means the cash allocation, management and payment agreement executed on the Signing Date between, *inter alios*, the Issuer, the Computation Agent, the Account Bank, the Cash Manager, the Servicer, the Back-Up Servicer Facilitator and the Paying Agent, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Cash Eligible Account"** means the Collection Account, the Payments Account, the Suspension Account and the Cash Reserve Account and **"Cash Eligible Accounts"** means all of them

**"Cash Manager"** means Finint AI SGR or any other person acting as cash manager pursuant to the Cash Allocation, Management and Payment Agreement from time to time.

**"Cash Manager Report"** means the report delivered by the Cash Manager on or prior the Cash Manager Report Date setting out certain information on the investments made.

**"Cash Manager Report Date"** means five Business Days before each Payment Date, if such day is not a Business Day, the immediately following Business Day.

**"Cash Reserve Account"** means the Euro denominated Account with No. 800883102 (IBAN: IT 81 T 03479 01600 000800883102) established in the name of the Issuer with the Account Bank into which the Required Cash Reserve Amount shall be transferred on the Issue Date and thereafter on each Payment Date until any Principal Amount Outstanding under the Senior Notes is repaid in full.

**"Class"** shall be a reference to a class of Notes, being the Class A or the Class B Notes and **"Classes"** shall be construed accordingly.

**"Class A Notes"** means the € 199,500,000 Class A Residential Mortgages Asset Backed Floating Rate Notes due October 2052.

**"Class A Noteholder"** means the Holder of a Class A Note and **"Class A Noteholders"** means all of them.

**"Class B Notes"** means the € 100,100,000 Class B Residential Mortgages Asset Backed Notes due October 2052.

**"Class B Noteholder"** means the Holder of a Class B Note and **"Class B Noteholders"** means all of them.

**"Class B Notes Interest Amount"** means, the amount of interest payable on the Junior Notes on each Payment Date, which shall accrue during each Quarterly Collection Period and shall be calculated on each Calculation Date, as the case may be, immediately preceding such Payment Date as the aggregate of:

(a) the Net Portfolio Yield accrued as at the end of the immediately preceding Quarterly Collection Period;

plus

(b) interest accrued on the Collection Account, the Payments Account, the Suspension Account and the Cash Reserve Account up to the end of the immediately preceding Quarterly Collection Period and interest deriving from the Eligible Investments up to the end of the immediately preceding Quarterly Collection Period;

plus

(c) any and all amounts received under the Warranty and Indemnity Agreement, the Servicing Agreement and under the Transfer Agreement (other than the Collections), but including the interest revenues deriving from the sale of Receivables;

minus

(f) any and all amounts of interest accrued during the immediately preceding Quarterly Collection Period (whether or not actually paid) on the Class A Notes;

minus

(g) any and all amounts under items *First, Second, Sixth* (in respect of interests only), *Seventh* and *Eighth* (in respect of cost only) of the Pre-Enforcement Priority of Payments, or any and all amounts under items *First, Second, Fifth* (in respect of interests only) *Sixth* and *Seventh* (in respect of costs only) of the Post-Enforcement Priority of Payments, accrued under such items during the immediately preceding Quarterly Collection Period whether or not actually paid; and

minus

(h) the Initial Expenses Instalments accrued during the immediately preceding Quarterly Collection Period.

**"Clearstream"** means Clearstream Banking, *société anonyme*.

**"Collateral Portfolio"** means, on a given date, the aggregate of all Receivables owned by the Issuer which are not Defaulted Receivables as of that date, comprised in the Accounting Portfolio and, in respect of which no Limited Recourse Loan has been granted by Banca Valsabbina to the Issuer pursuant to Clause 4.1 of the Warranty and Indemnity Agreement.

**"Collateral Portfolio Outstanding Principal"** means the sum of the Outstanding Principal of all the Receivables comprised in the Collateral Portfolio.

**"Collateral Securities"** means the Guarantees and the Mortgages, and **"Collateral Security"** means each of them.

**"Collected Insurance Premia"** means the Insurance Premia accrued and paid by each relevant Debtor during the relevant Quarterly Collection Period.

**"Collection Account"** means the Euro denominated Account with No. 800883101 (IBAN IT 07 S 03479 01600 000800883101) established in the name of the Issuer with the Account Bank for the deposit of all the Collections from time to time received or recovered in respect of the Portfolio by the Servicer in accordance with the provisions of the Servicing Agreement and the Cash Allocation, Management and Payment Agreement.

**"Collection Period"** means the Monthly Collection Period or a Quarterly Collection Period as the case may be.

**"Collections"** means all amounts received by the Servicer in respect of the Instalments due under the Receivables and any other amounts whatsoever received by the Servicer or any other person in respect of the Receivables.

**"Computation Agent"** means Securitisation Services or any other person acting as computation agent pursuant to the Cash Allocation, Management and Payment Agreement from time to time, and any its permitted successors or transferees.

**"Condition"** means a condition of the Senior Notes Conditions and/or the Junior Notes Conditions as the context may require.

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

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

"**Corporate Servicer**" means Securitisation Services or any other person acting as corporate servicer pursuant to the Corporate Services Agreement from time to time.

"**Corporate Services Agreement**" means the corporate services agreement executed on or about the Signing Date between the Issuer and the Corporate Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

"**Counterclaim**" has the meaning set out in Clause 6.8 of the Warranty and Indemnity Agreement.

"**Counterclaim Accepted Amount**" has the meaning set out in Clause 6.8 of the Warranty and Indemnity Agreement.

"**Counterclaim Disputed Amount**" has the meaning set out in Clause 6.8 of the Warranty and Indemnity Agreement.

"**CRD II**" means the Directive 2009/111/EC adopted on 16 September 2009 by the European Parliament and the European Council which amended the so-called capital requirements directive (being and expression making reference to Directive 2006/48/EC and Directive 2006/49/EC) (as amended, the "**CRD**"), relating to, *inter alia*, exposures to transferred credit risk in the context of securitisation transactions.

"**Credit and Collections Policies**" means the procedures for the management, collection and recovery of Receivables attached as Schedule 4 to the Servicing Agreement.

"**Criteria**" means the objective criteria for the identification of the Receivables specified in Schedule 2 of the Transfer Agreement and described in section "*The Portfolio*" above.

"**Cumulative Net Default Ratio**" means at each Determination Date, the ratio between:

- (a) an amount equal to the difference between
  - (i) the sum of the Outstanding Principal as at the default date of all the Receivables which have been classified as Defaulted Receivables from the Valuation Date up to such Determination Date; and
  - (ii) the sum of all the recoveries in respect of such Defaulted Receivables from the date in which the relevant Receivable has been classified into default up to such Determination Date; and
- (b) the Collateral Portfolio Outstanding Principal as at the Valuation Date.

"**DBRS**" means DBRS Ratings Limited.

"**Debtor**" means any borrower and any other person or entity who or which entered into a Mortgage Loan Agreement as principal debtor or guarantor or who is liable for the payment or repayment of amounts due under a Loan Agreement, as a consequence of having granted any Guarantee to Banca Valsabbina or having assumed the borrower's obligation under an assumption (*accollo*), or otherwise.

**"Decree No. 70"** means Law Decree of 13 May 2011 No. 70 converted into law by Law No. 106 of 12 July 2011.

**"Decree No. 213"** means Italian Legislative Decree No. 213 of 24 June 1998, as amended and supplemented from time to time.

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

**"Decree 239 Deduction"** means any withholding or deduction for or on account of "*imposta sostitutiva*" under Decree No. 239.

**"Decree No. 350"** means Italian Law Decree No. 350 of 25 September 2001, converted into law with amendments by Law No. 409 of 23 November 2001, as amended and supplemented from time to time.

**"Decree No. 351"** means Italian Law Decree No. 351 of 25 September 2001, as amended and supplemented from time to time.

**"Decree No. 435"** means Italian Legislative Decree No. 435 of 21 November 1997, as amended and supplemented from time to time.

**"Decree No. 93/2008"** means Italian Law Decree No. 93 of 27 May 2008, converted into law by Law No. 126 of 24 July 2008, as amended and supplemented from time to time.

**"Decree No. 600"** means the Italian Presidential Decree No. 600 of 29 September 1973, as amended and supplemented from time to time.

**"Deed of Pledge"** means the Italian law deed of pledge executed on the Signing Date between the Issuer, the Account Bank and the Representative of the Noteholders (acting on behalf of the Noteholders and of the Other Issuer Creditors), as from time to time modified in accordance with the provisions herein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Default Date"** means the date on which a Receivable is classified as a Defaulted Receivable as indicated in the relevant Monthly Servicer's Report.

**"Defaulted Receivables"** means any Receivables arising from Mortgage Loan Agreements where either (A) (i) 12 or more monthly Instalments are Delinquent Instalment or (ii) 4 or more quarterly Instalments are Delinquent Instalment or (iii) 2 or more semi-annually Instalments are Delinquent Instalment or (iv) 2 or more annually Instalments are Delinquent Instalment or (B) the relevant Debtor has been classified as being "*in sofferenza*" by the Servicer in accordance with the Credit and Collection Policies.

**"Delinquency Ratio"** means, with reference to each Quarterly Servicer Report Date, the ratio calculated by dividing: (a) the aggregate amount of the Outstanding Principal in relation to all the Receivables that are Delinquent Receivables as at the last day of the immediately preceding Quarterly Collection Period by (b) the aggregate Collateral Portfolio Outstanding Principal as at the last day of the immediately preceding Quarterly Collection Period.

**"Delinquent Instalment"** means an Instalment which remains unpaid by the Debtor in respect thereof for 31 days or more after the Scheduled Instalment Date.

**"Delinquent Receivables"** means any Receivable related to a Mortgage Loan Agreement which is not a Defaulted Receivable and with respect to which there is at least one Delinquent Instalment.

**"Determination Date"** means in respect of any Payment Date, the last day of the immediately preceding Quarterly Collection Period.

**"ECOFIN"** means the EU Council of Economic and Finance Ministers.

**"Eligible Account"** means the Collection Account, the Payments Account, the Cash Reserve Account, the Securities Account and the Suspension Account and **"Eligible Accounts"** means all of them.

**"Eligible Institution"** means any depository institution organised under the laws of any depository institution organised under the laws of any State which is a member of the European Union or of the United States:

- (i) with an "P-1" short-term rating by Moody's; and
- (ii) whose long-term rating debt obligations are rated at least "A" from DBRS.

For clarification, the DBRS rating is (a) the public rating assigned by DBRS or, if there is no public DBRS rating, then (b) as determined by DBRS through its internal assessment. In the event of a depository institution which does not have an internal assessment nor a public rating from DBRS, then for DBRS the Eligible Institution will mean a depository institution which has the following rating from at least 2 (two) of the following rating agencies:

- (a) a short-term rating of at least "F1" and a long-term rating of at least "A" by Fitch;
- (b) a short-term rating of at least "A-1" and a long-term rating of at least "A"+ by S&P;
- (c) a short-term rating of at least "P-1" and a long-term rating of at least "A1" by Moody's.

**"Eligible Investments"** means:

- (A) euro-denominated senior (unsubordinated) debt securities or other debt instruments but excluding for the avoidance of doubt credit linked notes, or
- (B) repurchase transactions, to the extent that title to the securities underlying such repurchase transactions (in the period comprised between the execution of the relevant repurchase transactions and their respective maturity) effectively passes to the Issuer, between the Issuer and an Eligible Institution in respect of euro-denominated debt securities or other debt instruments but excluding for the avoidance of doubt credit linked notes, or
- (C) account or deposit with a maturity date falling not later than the next succeeding Eligible Investments Maturity Date, held with an Eligible Institution; or

provided that, in all cases: (i) such investments are immediately repayable on demand, disposable without penalty or have a maturity date falling on or before the next following Eligible Investments Maturity Date; (ii) such investments provide a fixed principal amount at maturity (such amount not being lower than the initially invested amount) and (iii) the debt securities or other debt instruments, or in the case of repurchase transactions, the debt securities or other debt instruments underlying the repurchase transactions, are

issued by, or fully and unconditionally guaranteed on an unsubordinated basis by, an institution whose unsecured and unsubordinated debt obligations have at least the following ratings:

- (X) with respect to Moody's ratings, either: (i) "A3" by Moody's in respect of long-term debt or "P-1" by Moody's in respect of short-term debt, with regard to investments having a maturity of less than or equal to one month; or (ii) "A2" by Moody's in respect of long-term debt or "P-1" by Moody's in respect of short-term debt, with regard to investments having a maturity between one and three months, or such other rating as acceptable to Moody's from time to time; and
- (Y) with respect to DBRS ratings, either: (i) "R-1(low)" by DBRS in respect of short-term debt and "A" by DBRS in respect of long-term debt, with regard to investments having a maturity of less than or equal to one month; or (ii) "R-1(middle)" by DBRS in respect of short-term debt and "AA (low)" in respect of long-term debt, with regard to investments having a maturity of less than or equal to three months; or (iii) otherwise which has the following ratings from at least 2 of the following rating agencies: (a) at least "F1" and "A" by Fitch; (b) at least "A-1" and "A" by Standard & Poor's; (c) at least "P-1" and "A2" by Moody's,

provided that, in any event, none of the Eligible Investments set out above may consist, in whole or in part, actually or potentially, of (i) credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives nor may any amount available to the Issuer in the context of the Securitisation otherwise be invested in any such instruments at any time, or (ii) asset-backed securities, irrespective of their subordination, status or ranking, or (iii) swaps, other derivatives instruments, or synthetic securities or any other instrument from time to time specified in the European Central Bank monetary policy regulations applicable from time to time.

**"Eligible Investments Maturity Date"** means, in relation to Collections to be distributed on a certain Payment Date, each day falling the second Business Day immediately preceding such Payment Date.

**"EMU"** means the European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union.

**"EONIA"** means the Euro Overnight Index Average.

**"EURIBOR"** shall have the meaning ascribed to it in Condition 7 (*Interest*).

**"Euro"**, **"€"** and **"cents"** refer to the single currency introduced in the Member States of the European Community which adopted the single currency in accordance with the Treaty of Rome of 25 March 1957, as amended by, *inter alia*, the Single European Act 1986, the Treaty of the European Union of 7 February 1992 establishing the European Union and the European Council of Madrid of 16 December 1995.

**"Euroclear"** means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

**"European Union Insolvency Regulation"** means European Council Regulation (EC) No. 1346 of 29 May 2000 on insolvency proceedings, as amended and supplemented from time to time.

**"Euro-Zone"** means the region comprised of Member States of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended by, *inter alia*, the Treaty on European Union (signed in Maastricht on 7 February 1992).

**"Expense Account"** means the account with No. 1279381 (IBAN IT43M0504061621000001279381) established by the Issuer with Banca Antonveneta, into which the Retention Amount shall be credited and out of which the Expenses will be paid during each Quarterly Collection Period.

**"Expenses"** means any documented fees, costs, expenses and taxes required to be paid to any third party creditors (other than the Noteholders and the Other Issuer Creditors) arising in connection with the Securitisation, and any other documented costs and expenses required to be paid in order to preserve the existence of the Issuer or to maintain it in good standing, or to comply with applicable legislation.

**"Expert"** means an internationally recognised accountancy or a legal firm or a company with expertise in the recovery of claims, in each case selected by the Issuer.

**"Extraordinary Resolution"** means a resolution passed at a Meeting of the relevant Noteholders, duly convened and held in accordance with the provisions contained in the Rules of the Organisation of the Noteholders, by a majority of not less than three quarters of the votes cast.

**"Finint AI SGR"** means Finanziaria Internazionale Alternative Investment SGR S.p.A. a company incorporated under the laws of Italy having its registered office at Via Vittorio Alfieri No. 1, 31015 Conegliano (Treviso), Italy.

**"Final Maturity Date"** means the Payment Date falling on October 2052.

**"Financial Laws Consolidated Act"** means the Italian Legislative Decree No. 58 of 24 February 1998, as amended and supplemented from time to time.

**"First Payment Date"** means the Payment Date falling in April 2012.

**"Fitch"** means Fitch Ratings Ltd.

**"FSMA"** means the Financial Services and Markets Act 2000.

**"Further Securitisation"** means any further securitisation transaction which may be carried out by the Issuer pursuant to the Securitisation Law and in accordance the Condition 5.2 and the other Transaction Documents.

**"Guarantee"** means any guarantee (but does not include any Mortgages), given to the Originator guaranteeing the repayment of the Receivables.

**"Guarantor"** means any person, other than a Mortgagor, who has granted a Guarantee.

**"Holder"** of a Note means the beneficial owner of a Note.

**"Individual Purchase Price"** means the price of the Receivables relating to each Mortgage Loan, as indicated in Schedule 3 of the Transfer Agreement, with the aggregate of the Individual Purchase Prices being equal to the Purchase Price.

**Initial Expenses Amount** means an amount equal to Euro 642,424.78.

**Initial Expenses Instalments** means the amount of quarterly amortisation of the Initial Expenses Amount as calculated by the Corporate Servicer.

**"Initial Interest Period"** means the period comprised between (i) the Issue Date and (ii) the First Payment Date (excluded).

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

- (a) such company or corporation has become subject to any applicable bankruptcy, liquidation, administration, insolvency, composition or reorganisation (including, without limitation, "*fallimento*", "*liquidazione coatta amministrativa*", "*concordato preventivo*" and "*amministrazione straordinaria*", each such expression bearing the meaning ascribed to it by the laws of the Republic of Italy, and including also any equivalent or analogous proceedings under the law of any jurisdiction in which such company or corporation is deemed to carry on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration) or similar proceedings or the whole or any substantial part of the undertaking or assets of such company or corporation are subject to a *pignoramento* or similar procedure having a similar effect (other than in the case of the Issuer, any portfolio of assets purchased by the Issuer for the purposes of further securitisation transactions), unless in the opinion of the Representative of the Noteholders, such proceedings are being disputed in good faith with a reasonable prospect of success; or
- (b) an application for the commencement of any of the proceedings under (a) above is made in respect of or by such company or corporation or such proceedings are otherwise initiated against such company or corporation and, in the opinion of the Representative of the Noteholders, the commencement of such proceedings are not being disputed in good faith with a reasonable prospect of success; or
- (c) such company or corporation takes any action for a re-adjustment of 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 the case of the Issuer, the Other Issuer Creditors) 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; or
- (d) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution in any form of such company or corporation (except a winding-up for the purposes of or pursuant to a solvent amalgamation or reconstruction, the terms of which have been previously approved in writing by the Representative of the Noteholders) or any of the events under Article 2484 of the Italian Civil Code occurs with respect to such company or corporation.

**"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 Policy"** means an insurance policy taken out in relation to each Real Estate Asset having the Originator as beneficiary.

**"Insurance Premia"** means any amount to be paid as insurance premia under an Insurance Policy.

**"Intercreditor Agreement"** means the agreement executed on the Signing Date between, *inter alios*, the Issuer, the Representative of the Noteholders (on its own behalf and as agent for the Noteholders) the Originator, the Servicer, the Account Bank, the Cash Manager, the Corporate Servicer, the Senior Notes Underwriter, the Junior Notes Underwriter, the Back-Up Servicer, the Back-Up Servicer Facilitator, the Paying Agent and the Computation Agent, as from time to time modified in accordance with the provisions

therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Interest Determination Date"** means, with respect to the Initial Interest Period, the date falling two Business Days prior to the Issue Date and with respect to each subsequent Interest Period, the date falling two Business Days prior to the Payment Date at the beginning of such Interest Period.

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

**"Interest Payment Amount"** has the meaning given to it in Condition 7.3 (*Interest - Determination of Rates of Interest and Calculation of Interest Payments*).

**"Interest Period"** means each period from (and including) a Payment Date to (but excluding) the next following Payment Date.

**"Investors Report"** means the quarterly report issued by the Computation Agent on the Investors Report Date, setting out certain information with respect to the Senior Notes.

**"Investors Report Date"** means the third Business Day after each Payment Date.

**"IRAP"** means the regional tax on productive activities.

**"IRES"** means *imposta sul reddito delle società* applied on the corporate taxable income.

**"Issue Date"** means 23 January 2012 or such other date on which the Notes are issued.

**"Issue Price"** means the following percentages of the principal amount of the Notes at which the Notes will be issued:

<i>Class</i>	<i>Issue Price</i>
Class A	100 per cent;
Class B	100 per cent.

**"Issuer"** means Valsabbina SPV 1.

**"Issuer Available Funds"** means, in respect of any Payment Date, the aggregate amounts of:

- (a) all amounts received or recovered by the Issuer or on behalf of the Issuer in accordance with the terms of the Transfer Agreement, the Warranty and Indemnity Agreement, the Servicing Agreement and the Intercreditor Agreement, or from any party to the Transaction Documents during the Collection Period immediately preceding the relevant Payment Date (including but not limited to, for the avoidance of any doubt, all amounts (i) received from the sale, if any, of the Portfolio (in whole or in part) together with any proceeds deriving from the enforcement of the Issuer's Rights, and (ii) collected or recovered by the Issuer under Clause 4.2 of the Warranty and Indemnity Agreement (i.e. the limited recourse loan granted by Banca Valsabbina));
- (b) all amounts of interest accrued and paid on the Collection Account, the Payments Account, the Suspension Account and the Cash Reserve Account (if any) during the Collection Period immediately preceding the relevant Payment Date;

- (c) all amounts deriving from the Eligible Investments made under the terms of the Cash Allocation, Management and Payment Agreement due to be paid on the Eligible Investments Maturity Date immediately prior to the relevant Payment Date;
- (d) any and all other amounts standing to the credit of the Collection Account, the Payments Account and the Cash Reserve Account following the payments required to be made from such accounts on the immediately preceding Payment Date; and
- (e) the amounts standing to the credit of the Suspension Account which shall form part of the Issuer Available Funds as determined by the Computation Agent in accordance with the terms of the Cash Allocation, Management and Payment Agreement.

**"Issuer Creditors"** means (i) the Noteholders; (ii) the Other Issuer Creditors; and (iii) any other third party creditors in respect of any taxes, costs, fees or expenses incurred by the Issuer in relation to the Securitisation and to the corporate existence and good standing of the Issuer according to the applicable laws and legislation.

**"Issuer's Rights"** mean the Issuer's rights under the Transaction Documents.

**"Italian Bankruptcy Law"** means Royal Decree No. 267 of 16 March 1942, as amended and supplemented from time to time.

**"Italy"** means the Republic of Italy.

**"Junior Noteholder"** means the holder of a Junior Note and **"Junior Noteholders"** means all of them.

**"Junior Notes"** means the Class B Notes.

**"Junior Notes Conditions"** means the terms and conditions of the Junior Notes, as from time to time modified in accordance with the provisions herein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Junior Notes Subscription Agreement"** means the subscription agreement in relation to the Junior Notes executed on or about the Issue Date between the Originator, as underwriter, the Issuer and the Representative of the Noteholders, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Junior Notes Underwriter"** means Banca Valsabbina as underwriter for the Junior Notes under the Junior Notes Subscription Agreement.

**"Law No. 383"** means Law No. 383 of 18 October 2001, as amended and supplemented from time to time.

**"Letter of Undertakings"** means the letter of undertakings entered into on the Signing Date between the Issuer, the Representative of the Noteholders and Banca Valsabbina, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereof.

**"Limited Recourse Loan"** means the limited recourse loan advanced by the Originator to the Issuer pursuant to Clause 4.1 of the Warranty and Indemnity Agreement in the event of any misrepresentation or breach of any warranties or representations given by the Originator pursuant to the Warranty and Indemnity

Agreement which is not cured within a period of 10 Business Days, in an amount equal to the Mortgage Loan Value.

**"Listing Agent"** means BNP Paribas Securities Services, Luxembourg Branch or any other person acting as listing agent for the listing of the Notes at the Luxembourg Stock Exchange, and any its permitted successors or transferees.

**"Luxembourg Stock Exchange"** means the regulated market named "*Bourse de Luxembourg*".

**"Management of the Defaulted Receivables"** means any activities related to the management of the Defaulted Receivables.

**"Mandate Agreement"** means the mandate agreement executed on the Signing Date between the Issuer and the Representative of the Noteholders, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Master Definitions Agreement"** means the master definitions agreement executed on the Signing Date between all the parties to each of the Transaction Documents, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Meeting"** means a meeting of Noteholders duly convened (whether originally convened or resumed following an adjournment) and held in accordance with the provisions contained in the Rules of the Organisation of the Noteholders.

**"Member State"** means, with reference to the European Union, a state that is party to treaties of the European Union (EU) and has thereby undertaken the privileges and obligations that EU membership entails.

**"Monte Titoli"** means Monte Titoli S.p.A., with registered office at Piazza Affari No. 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 including any depository banks appointed by Euroclear and Clearstream.

**"Monte Titoli Mandate Agreement"** means the agreement entered into before the Signing Date between the Issuer and Monte Titoli, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Monthly Collection Period"** means each period of one month, commencing on (and including) the first calendar day of each month and ending respectively on (and including) the last calendar day of each month, and in the case of the first Monthly Collection Period, commencing on (and excluding) the Valuation Date and ending on (and including), 31 January 2012.

**"Monthly Servicer's Report"** means the monthly report setting out certain information in relation to the performance of the Receivables and the Mortgages during the preceding Monthly Collection Period which shall be delivered by the Servicer on each Monthly Servicer's Report Date pursuant to the Servicing Agreement.

**"Monthly Servicer's Report Date"** means the fifteenth day of each month or, if such day is not a Business Day, the immediately following Business Day and, in the case of the first Monthly Servicer's Report Date, 16 February 2012.

**"Moody's"** means Moody's Investors Services Inc..

**"Mortgage Loan"** or **"Loan"** means a residential loan granted by Banca Valsabbina to a borrower and secured by a mortgage, the receivables in respect of which have been transferred by Banca Valsabbina to the Issuer pursuant to the Transfer Agreement.

**"Mortgage Loan Agreements"** or **"Loan Agreements"** means the residential mortgage loan agreements pursuant to which the Mortgage Loans have been granted and out of which the Receivables arise and **"Mortgage Loan Agreement"** or a **"Loan Agreement"** means each of them.

**"Mortgage Loan Value"** means in respect of any Mortgage Loan, (a) the Outstanding Balance of the relevant Mortgage Loan as of the date on which the Limited Recourse Loan is granted, plus (b) the costs and expenses (including, but not limited to, legal fees and disbursements plus VAT, if applicable) incurred by the Issuer in respect of the relevant Receivable up to the date on which the Limited Recourse Loan is granted, plus (c) the damages and the losses incurred by the Issuer as a consequence of any claim raised by any third party in respect of such Receivable up to the date on which the Limited Recourse Loan is granted, plus (d) an amount equal to the interests which would have accrued on the Outstanding Principal of the relevant Receivable (calculated at the rate of interest applicable to the Senior Notes according to the relevant Terms and Conditions) between the date on which the Limited Recourse Loan is granted and the following (i) Payment Date immediately following the payment date pursuant to article 4.1 of the Warranty and Indemnity Agreement and (ii) the Payment Date following 18 months and 1 day from the Issue Date .

**"Mortgages"** means the mortgage securities (*ipoteche*) created on the Real Estate Assets pursuant to Italian law in order to secure claims in respect of the Receivables and **"Mortgage"** means each of them.

**"Mortgagor"** means any person, either a borrower or a third party, who has granted a Mortgage in favour of Banca Valsabbina to secure the payment or repayment of any amounts payable in respect of a Mortgage Loan, and/or his/her successor in interest.

**"Most Senior Class of Noteholders"** means the holders of the Most Senior Class of Notes.

**"Most Senior Class of Notes"** means the Class of Notes outstanding which ranks highest with respect to the repayment of principal pursuant to Condition 4.3 (*Ranking*) and in accordance with the applicable Priority of Payments.

**"Mutuo Fondiario"** means the Loans secured by Mortgages which have been granted in accordance with the provisions on *credito fondiario* pursuant to article 38 and subsequent of the Consolidated Banking Act and the relevant applicable regulations and **Mutuo Fondiario** means any of them.

**"Net Balance"** means the amount indicated as such in the Monthly Servicer's Report.

**"Net Portfolio Yield"** means, with respect to any period of time, the amount which is the aggregate of: (i) the Interest Instalments (for avoidance of doubt, in respect of the First Payment Date the Interest Instalments starting from the Valuation Date) accrued on the Portfolio during the relevant period whether or not actually paid less provisions for losses and any losses with respect to such period; (ii) any default interest on the Receivables paid by the Debtor during such period under the terms of the relevant Loan

Agreement; (iii) the amount of any and all penalties paid by the Debtor in such period; (iv) any other revenues accrued to the Issuer under the Loan Agreement in such period; (v) the difference between the Accrued Interest as at the last day of the relevant Quarterly Collection Period (if any) and the Accrued Interest as at the beginning of the relevant Quarterly Collection Period.

**"Noteholders"** means the Holders of the Senior Notes and the Junior Notes, collectively.

**"Notes"** means the Senior Notes and the Junior Notes, collectively.

**"Official Gazette"** means the *Gazzetta Ufficiale della Repubblica Italiana*.

**"Option"** has the meaning given to such term in Article 5.1 of the Warranty and Indemnity Agreement.

**"Organisation of the Noteholders"** means the association of the Noteholders, organised pursuant to the Rules of the Organisation of the Noteholders.

**"Original Loan Amount"** means the amount advanced by the Originator to the Debtor in relation to each Loan agreement at the date of inception of such Loan Agreement.

**"Originator"** means Banca Valsabbina.

**"Other Issuer Creditors"** means the Originator, the Servicer, the Representative of the Noteholders, the Computation Agent, the Corporate Servicer, the Paying Agent, the Cash Manager, the Back-Up Servicer Facilitator, the Senior Notes Underwriter, the Junior Notes Underwriter, the Sole Quotaholder, the Junior Notes Underwriter, the Account Bank and any other Issuer creditor which, from time to time, will accede to the Intercreditor Agreement.

**"Outstanding Balance"** means, on any given date and in relation to any Receivable, the sum of the Outstanding Principal and the Interest Instalments due but unpaid as at that day and any outstanding penalties for accrued and unpaid Instalments with respect thereto.

**"Outstanding Credit"** means, on any given date and in relation to any Receivable, the sum of (i) all Principal Instalments due on any subsequent Scheduled Instalment Date and (ii) any Principal Instalments due but unpaid as at that date.

**"Outstanding Principal"** means, on any given date and in relation to any Receivable, the sum of (i) all Principal Instalments due on any subsequent Scheduled Instalment Date and (ii) any Principal Instalments due but unpaid as at that date plus (iii) the Accrued Interest as at that date.

**"Paying Agent"** means BNP Paribas Securities Services, Milan Branch or any other person acting as paying agent pursuant to the Cash Allocation, Management and Payment Agreement from time to time, and any its permitted successors or transferees.

**"Paying Agent Report"** means the report setting out certain information in respect of certain calculations to be made on the Notes pursuant to the Cash Allocation, Management and Payments Agreement.

**"Payments Account"** means the Euro denominated account established in the name of the Issuer with the Account Bank with No. 800883100 (IBAN IT 30 R 03479 01600 000800883100) out of which all the payments to, *inter alios*, the Noteholders will be made and into which all amounts due to the Issuer under the Transaction Documents, but excluding the Collections, shall be paid and into which such amounts shall be paid on each Payment Date pursuant to the Priority of Payments.

**"Payment Amount"** means any amount paid by Banca Valsabbina as Originator and/or Servicer pursuant to articles 6.4.2 (i.e. the interest amounts to be paid in case of renegotiation of the interest of the rate of interest), 6.4.3 (i.e. the interest amounts to be paid in case of renegotiation of the prepayment fees due by Debtors upon early repayment of the Mortgage Loans) and 12.1 (i.e. the interest amounts to be paid as indemnity in respect of breaches of representations or obligations of the Servicer) of the Servicing Agreement, clause 4.1 (d) (i.e. the interest portion of the amounts to be paid as Limited Recourse Loan) of the Warranty and Indemnity Agreement and clause 4.2.2 (i.e. the interest amounts to be paid as Adjustment Purchase Price) of the Transfer Agreement.

**"Payment Date"** means 27 of April 2012 and thereafter 27 of July, October, January and April in each year or, if such day is not a Business Day, the immediately following Business Day.

**"Payments Report"** means the report setting out all the payments to be made on the following Payment Date under the relevant Priority of Payments which shall be delivered on each Calculation Date by the Computation Agent to the Issuer, the Representative of the Noteholders, the Servicer, the Account Bank, the Paying Agent, the Corporate Servicer and the Rating Agencies, pursuant to the Cash Allocation, Management and Payment Agreement.

**"Pension Fund Tax"** means an annual substitutive tax of 11 per cent. on the increase in value of the managed assets accrued at the end of each tax year (which increase would include interest and other proceeds accrued on the Senior Notes) applied to Italian resident pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005.

**"Portfolio"** means the portfolio of mortgage loan receivables purchased by the Issuer from Banca Valsabbina pursuant to the terms of the Transfer Agreement.

**"Portfolio Call Option"** means the option provided for by the Intercreditor Agreement pursuant to article 1331 of the Italian Civil Code, according to which the Originator may repurchase from the Issuer (a) the Portfolio on any Payment Date, or (b) one or more individual Receivables comprised in the Portfolio.

**"Post-Enforcement Priority of Payments"** means the order of priority in which the Issuer Available Funds shall be applied following the delivery of a Trigger Notice in accordance with Condition 6.2 (*Priority of Payments - Post-Enforcement Priority of Payments*).

**"Post Trigger Report"** means the report setting out all the payments to be made under the Priority of Payments which shall be delivered, upon request of the Representative of the Noteholders, by the Computation Agent after a Trigger Notice has been served to the Issuer, the Representative of the Noteholders, the Other Issuer Creditors and the Rating Agencies, pursuant to the Cash Allocation, Management and Payment Agreement.

**"Pre-Enforcement Priority of Payments"** means the order of priority in which the Issuer Available Funds shall be applied prior to the delivery of a Trigger Notice in accordance with Condition 6.1 (*Priority of Payments - Pre-Enforcement Priority of Payments*).

**"Principal Amount Outstanding"** means, with respect to any Note on any date, the principal amount thereof upon issue less the aggregate amount of all principal payments that have been made in respect of that Note prior to such date.

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

**"Priority of Payments"** means, collectively, the Pre-Enforcement Priority of Payments and the Post-Enforcement Priority of Payments.

**"Privacy Law"** means (i) Italian Law n. 675 of 31 December 1996, (together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*) as subsequently amended, modified or supplemented from time to time, with reference to the period starting on the entry into force of such law and ending on the repealing of such law by the entry into force of Legislative Decree No. 196 of 30 June 2003, published in the Official Gazette No. 174 of 29 July 2003, Ordinary Supplement No. 123/L (hereinafter, the **"Personal Data Protection Code"**) and (ii) after such repeal of Italian Law n. 675 of 31 December 1996, the Personal Data Protection Code (together with any relevant implementing regulations as integrated from time to time by the *Autorità Garante per la Protezione dei Dati Personali*) as subsequently amended, modified or supplemented from time to time.

**"Property Value"** means the estimated value of each Real Estate Asset as stated in each Mortgage Loan Agreement.

**"Prospectus"** means this prospectus.

**"Prospectus Directive"** means the Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

**"Purchase Price"** means the purchase price paid to the Originator by the Issuer as consideration for the acquisition of the Portfolio pursuant to the Transfer Agreement equal to Euro 284,702,575.22.

**"Quarterly Collection Period"** means each period of three months, commencing on (and including) the first day of January, April, July and October of each year and ending respectively on (and including) 31 March, 30 June, 30 September and 31 December of each year, and in the case of the first Quarterly Collection Period, commencing on (and including) the Valuation Date and ending on (and including) 31 March 2012.

**"Quarterly Servicer's Report"** means the quarterly report delivered by the Servicer on each Quarterly Servicer's Report Date and containing details of the performance of the Receivables during the relevant Quarterly Collection Period prepared in accordance with Article 5.1 of the Servicing Agreement and delivered by the Servicer to the Issuer, the Corporate Servicer, the Computation Agent, the Representative of the Noteholders, the Paying Agent, the Account Bank and the Rating Agencies.

**"Quarterly Servicer's Report Date"** means the day falling 5 Business Days before the Payment Date or, if such day is not a Business Day, the immediately following Business Day.

**"Quota Capital Account"** means the account with IBAN IT71W0504061621000001264271 established by the Issuer with Banca Antonveneta, for the deposit of the Issuer's quota capital.

**"Quotaholder Agreement"** means the agreement executed on the Signing Date between the Issuer, the Sole Quotaholder, the Originator and the Representative of the Noteholders, as from time to time modified according with the provisions therein contained and including any agreement, deed or other document expressed to be supplemented thereto.

**"Rate of Interest"** shall have the meaning ascribed to it in Condition 7.2 (*Interest - Rate of Interest*).

**"Rating Agency"** means each Moody's and DBRS that has given a rating to the Senior Notes and **"Rating Agencies"** means all of them.

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

**"Receivables"** means each and every claim arising under and/or related to the Mortgage Loan Agreements including but not limited to:

- (a) the claim relating to:
  - (i) all the amounts due as at the Valuation Date as Instalment or as other title pursuant to the Mortgage Loan Agreements;
  - (ii) principal due but not paid;
  - (iii) agreed interests, interests by operation of law and defaulted interests accrued but not paid or that will accrue in relation to the Mortgage;
  - (iv) the amounts due or that will accrue as reimbursement of costs (including legal and judicial amounts), liabilities, costs and indemnities in relation to the Mortgages, including penalties (if any);
  - (v) any other amount due to the Originator or that will accrue in relation to the Mortgages, the Mortgage Loan Agreements and Collateral Securities;
  - (vi) pecuniary claims deriving from the enforcement of the Collateral Securities; and
  - (vii) pecuniary claims and all the amounts recovered from any judicial proceeding;
- (b) any other claim related to or connected with the Mortgages and the Mortgage Loan Agreement, including the claims *vis-à-vis* the Debtors by way of compensation or indemnity;
- (c) the claims of the Originator pursuant to or in connection with the Insurance Policies;
- (d) all the rights and actions to which the Originator is entitled to pursuant to law or contract in relation to the Receivables, the Mortgages, the Collateral Securities, the Insurance Policies and/or any other deed related to or connected with the same, to the extent such rights and actions are transferrable pursuant to the Securitisation Law; en
- (e) the claims of the Originator *vis-à-vis* third parties by way of compensation and deriving from third parties activities in relation to the receivables, the Mortgages, the Collateral Securities, the Insurance Policies or the related object.

**"Reference Banks"** means three (3) major banks in the Euro-Zone Inter-Bank market selected by the Paying Agent with the approval of the Representative of the Noteholders.

**"Regulated Market"** means a regulated market for the purposes of the Market and Financial Instruments Directive 2004/39/EC.

**"Regulation 22 February 2008"** means the regulation, regarding post-trading systems, issued by the Bank of Italy and the CONSOB on 22 February 2008, as subsequently amended and supplemented from time to time.

**"Regulation No. 11971"** means the regulation issued by CONSOB on 14 May 1999, as subsequently amended and supplemented from time to time.

**"Relevant Margin"** has the meaning given to it in Condition 7.2 (*Interest - Rate of Interest*).

**"Representative of the Noteholders"** means Securitisation Services or any other person acting as representative of the Noteholders pursuant to the Subscription Agreements, Terms and Conditions and Rules of the Organisation of the Noteholders from time to time.

**"Required Cash Reserve Amount"** means, in relation to the Issue Date and to each Payment Date, an amount equal to the lesser of (without taking into account any principal payment to be made to the Noteholders on such Payment Date):

- (i) Euro 14,235,000.00; and
- (ii) the greater of:
  - (a) 7.14 % of the Principal Amount Outstanding of the Senior Notes as of the preceding Payment Date (being understood that such amount will be calculated after having made on such Payment Date the relevant payments in accordance with the applicable Priority of Payments); and
  - (b) Euro 2,000,000.00

being understood that in the event that on the immediately preceding Payment Date the Required Cash Reserve Amount has not been paid in full into the Cash Reserve Account, such amount will be equal to the Required Cash Reserve Amount as of the Payment Date immediately preceding such event and provided that in any case at the Final Maturity Date or, if earlier, on the Payment Date when the Principal Amount Outstanding of the Senior Notes is equal or lower than the Required Cash Reserve Amount, the Required Cash Reserve Amount will be equal to zero.

**"Retention Amount"** means an amount equal to € 20,000.

**"Rules of the Organisation of the Noteholders"** means the Rules of the Organisation of Noteholders attached as Exhibit 1 to the Terms and Conditions, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereof.

**"Scheduled Instalment Date"** means any date on which payment is due pursuant to each Mortgage Loan Agreement.

**"Screen Rate"** shall have the meaning ascribed to it in Condition 7 (*Interest*).

**"Securities Account"** means the Euro denominated account established in the name of the Issuer with the Account Bank with No. 883100, for the deposit of the bonds, debentures or other kinds of the notes or financial instruments purchased with the monies standing to the credit of the Eligible Accounts.

**"Securities Act"** means the U.S. Securities Act of 1933, as amended.

**"Securitisation"** means the securitisation of the Receivables made by the Issuer through the issuance of the Notes.

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

**"Securitisation Services"** means Securitisation Services S.p.A., a joint stock company incorporated under the laws of Italy, registered with No. 03546510268 in the Treviso Companies Register, registered with No. 31816 in the General Register of Financial Intermediaries and in the Special Register held by the Bank of Italy pursuant to Articles 106 and 107 respectively of the Consolidated Banking Act, having its registered office at Via Vittorio Alfieri, 1, 31015 Conegliano (Treviso), Italy, subject to the activity of management and coordination ("attività di direzione e coordinamento") of Finanziaria Internazionale Holding S.p.A., having its registered office at Via Vittorio Alfieri, 1, 31015 Conegliano (Treviso), Italy.

**"Security"** means the security created under the Deed of Pledge.

**"Security Interest"** means any mortgage, charge pledge, lien, right of set-off, special privilege (*privilegio speciale*), assignment by way of security, retention of title or any other security interest whatsoever or any other agreement or arrangement having the effect of conferring security.

**"Senior Noteholder"** means the holder of a Senior Note and **"Senior Noteholders"** means all of them.

**"Senior Notes"**, or **"Class A Notes"** means the Class A Notes.

**"Senior Notes Conditions"** means the terms and conditions of the Senior Notes, as from time to time modified in accordance with the provisions herein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Senior Notes Subscription Agreement"** means the subscription agreement in relation to the Senior Notes executed on or about the Issue Date between the Issuer, the Representative of the Noteholders, and the Senior Notes Underwriter, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Senior Notes Underwriter"** means Banca Valsabbina as underwriter for the Senior Notes under the Senior Notes Subscription Agreement.

**"Servicer"** means Banca Valsabbina or any other person acting as Servicer pursuant to the Servicing Agreement from time to time.

**"Servicer's Reports"** mean the Monthly Servicer's Report and the Quarterly Servicer's Report collectively, and **"Servicer's Report"** means each of them.

**"Servicer Insolvency Event"** means an Insolvency Event relating to the Servicer.

**"Servicer Termination Event"** means any event referred to in Clause 9.1 of the Servicing Agreement.

**"Servicing Agreement"** means the agreement entered into on 12 December 2011 between the Issuer and the Servicer, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Servicing Fee"** means:

- (a) for the supervision, administration, management and collection of the Receivables (excluding the activities of recovery and compliance under (b) and (c) below, respectively), on each Payment Date

a fee equal to 0.45 per cent. *per annum* (plus VAT, if applicable) of the Collections in respect of performing Receivables (excluding Defaulted Receivables and Collected Insurance Premia) collected by the Servicer during the Collection Period immediately preceding the relevant Payment Date;

- (b) for the supervision, administration, management and collection and recoveries of the Defaulted Receivables (excluding the activity of compliance under (c) below), on each Payment Date in respect of the Collection Period immediately preceding, a fee equal to 0.05 per cent. *per annum* (including VAT, if applicable) of the Collections made by the Servicer in respect of the Defaulted Receivables during the Collection Period immediately preceding the relevant Payment Date, net of any expenses in relation to such Collections; and
- (c) for the activity of compliance (i.e. compliance with duties imposed by the applicable regulation and/or reporting and communication duties), on each Payment Date a fee equal to Euro 500 (plus VAT, if applicable).

**"Signing Date"** means 19 January 2012.

**"Sole Quotaholder"** means SVM.

**"Specified Office"** means with respect to the Paying Agent: BNP Paribas Securities Services, acting through its Milan branch at Via Ansperto 5, 20123 Milan, Italy.

**"Standard and Poor's"** means Standard & Poor's Rating Services, a division of the McGraw Hill Companies.

**"Subscription Agreements"** means the Senior Notes Subscription Agreement and the Junior Notes Subscription Agreement, collectively.

**"Successor Servicer"** means the entity appointed by the Issuer to replace the Servicer if a Servicer Termination Event occurs, or any other person acting in such capacity pursuant to the Servicing Agreement from time to time.

**"Supervisory Regulations for the Banks"** means the "*Istruzioni di Vigilanza per le banche*" issued by the Bank of Italy by Circular No. 229 of 21 April 1999 and the "*Nuove Disposizioni di Vigilanza per le Banche*" issued by the Bank of Italy by Circular No. 263 of 27 December 2006, as amended and supplemented from time to time.

**"Supervisory Regulations for Financial Intermediaries"** means the "*Istruzioni di Vigilanza per gli Intermediari Finanziari*" issued by the Bank of Italy by Circular No. 216 of 5 August 1996, as amended and supplemented from time to time.

**"Suspension Account"** means the Euro denominated account established in the name of the Issuer with the Account Bank with No. 800883103 (IBAN IT 58 U 03479 01600 000800883103) for the deposit of any amount to be paid by the Servicer prior to the authorisation of suspension of the payment of the Instalments, in accordance with the provisions of the Servicing Agreement.

**"Suspension Amounts"** means any amount to be paid by the Servicer and to be credited into the Suspension Account prior to the authorisation of suspend the payment of the Instalments, in accordance with the provisions of the Servicing Agreement.

**"Suspension Period"** means, with reference to each relevant Debtor, the period during which the payment of the relevant Instalments has been suspended in accordance with the provisions of the Servicing Agreement.

**"SVM"** means SVM Securitisation Vehicles Management S.r.l., a limited liability stock company incorporated under the laws of Italy, whose registered office is at Via Vittorio Alfieri, 1, 31015 Conegliano (Treviso), Italy, VAT Code and registration with the Companies Register in Treviso No. 03546650262.

**"Tax Event"** shall have the meaning ascribed to it in Condition 8.4 (*Redemption, Purchase and Cancellation - Redemption for Taxation*).

**"Terms and Conditions"** means the Senior Notes Conditions and/or the Junior Notes Conditions as the context may require.

**"Transaction Documents"** means the Transfer Agreement, the Subscription Agreements, the Warranty and Indemnity Agreement, the Servicing Agreement, the Corporate Services Agreement, the Cash Allocation, Management and Payment Agreement, the Monte Titoli Mandate Agreement, the Intercreditor Agreement, the Deed of Pledge, the Mandate Agreement, the Letter of Undertakings, the Quotaholder Agreement, the Back-up Servicing Agreement, the Master Definitions Agreement, the Terms and Conditions, the Prospectus and any other deed, act, document or agreement executed in the context of the Securitisation.

**"Transfer Agreement"** means the transfer agreement dated 12 December 2011 between the Issuer and Banca Valsabbina, as from time to time modified in accordance with the provisions therein contained and including any agreement, deed or other document expressed to be supplemental thereto.

**"Transfer Date"** means 12 December 2011.

**"Trigger Event"** means any of the events described in Condition 13 (*Trigger Events*).

**"Trigger Notice"** means the notice described in Condition 13 (*Trigger Events*).

**"Usury Law"** means, collectively, Italian Law No. 108 of 7 March 1996, as amended and supplemented from time to time, and Italian Law No. 24 of 28 February 2001, which converted into law the Law Decree No. 394 of 29 December 2000 (including the provisions of Article 1, paragraphs 2 and 3 of such decree).

**"Valsabbina SPV 1"** means Valsabbina SPV 1 S.r.l., a limited liability company incorporated under the laws of the Republic of Italy, whose registered office is at Via Vittorio Alfieri No. 1, 31015 Conegliano (TV), Italy, Fiscal Code and enrolment with the Companies Register of Treviso No. 04419940269 and having as its sole corporate object the realisation of securitisation transactions pursuant to Article 3 of the Securitisation Law.

**"Valuation Date"** means 25 November 2011 at 00:01 Italian time.

**"Warranty and Indemnity Agreement"** means the warranty and indemnity agreement entered into on 12 December 2011 between Banca Valsabbina and the Issuer, as from time to time modified in accordance with the provisions herein contained and including any agreement, deed or other document expressed to be supplemental thereof.

**ISSUER**

**VALSABBINA SPV 1 S.R.L.**

Via Vittorio Alfieri, 1  
31015 Conegliano (Treviso)  
Italy

**ORIGINATOR AND SERVICER**

**Banca Valsabbina S.C.p.A.**

Via XXV Aprile, 8  
25121 Brescia,  
Italy

**COMPUTATION AGENT,  
CORPORATE SERVICER,  
BACK-UP SERVICER FACILITATOR AND  
REPRESENTATIVE OF THE NOTEHOLDERS**

**Securitisation Services S.p.A.**

Via Vittorio Alfieri, 1  
31015 Conegliano (Treviso)  
Italy

**CASH MANAGER**

**Finanziaria Internazionale  
Alternative Investments SGR S.p.A.**

Via Vittorio Alfieri, 1  
31015 Conegliano (Treviso)  
Italy

**ACCOUNT BANK AND PAYING AGENT**

**BNP Paribas Securities Services,  
Milan Branch**

Via Ansperto, 5  
20123 Milan  
Italy

**LISTING AGENT**

**BNP Paribas Securities Services,  
Luxembourg Branch**

33, Rue de Gasperich, Howald - Hesperange  
L 2085 Luxembourg

**BACK-UP SERVICER**

**Cassa di Risparmio di Ferrara S.p.A.**

Corso Giovecca, 108  
44121 Ferrara  
Italy

**LEGAL ADVISER TO THE ARRANGERS**

**Hogan Lovells Studio Legale**

Via Santa Maria alla Porta 2  
20123 Milan  
Italy

**LEGAL ADVISER TO THE ORIGINATOR**

**DLA Piper Studio Legale**

Via Dei Due Macelli 66  
00187 Rome  
Italy