

BP Mortgages S.r.l.

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

€ 147,300,000 Series 2007-2-A1 Residential Mortgage-Backed Floating Rate Notes due January 2018

Issue Price: 100 per cent.

€ 1,382,000,000 Series 2007-2-A2 Residential Mortgage-Backed Floating Rate Notes due July 2044

Issue Price: 100 per cent.

€ 28,200,000 Series 2007-2-B Residential Mortgage-Backed Floating Rate Notes due July 2044

Issue Price: 100 per cent.

€ 36,200,000 Series 2007-2-C Residential Mortgage-Backed Floating Rate Notes due July 2044

Issue Price: 100 per cent.

€ 8,639,000 Series 2007-2-M1 Residential Mortgage-Backed Variable Rate Notes due July 2044

Issue Price: 104.60 per cent.

€ 7,479,000 Series 2007-2-M2 Residential Mortgage-Backed Variable Rate Notes due July 2044

Issue Price: 104.60 per cent.

This Prospectus contains information relating to the issue by BP Mortgages S.r.l. (the "Issuer") of the € 147,300,000 Series 2007-2-A1 Residential Mortgage-Backed Floating Rate Notes due January 2018 (the "Series A1 Notes"), the € 1,382,000,000 Series 2007-2-A2 Residential Mortgage-Backed Floating Rate Notes due July 2044 (the "Series A2 Notes" and, together with the Series A1 Notes, the "Series A Notes"), the € 28,200,000 Series 2007-2-B Residential Mortgage-Backed Floating Rate Notes due July 2044 (the "Series B Notes"), the € 36,200,000 Series 2007-2-C Residential Mortgage-Backed Floating Rate Notes due July 2044 (the "Series C Notes" and, together with the Series A Notes and the Series B Notes, the "Senior Notes"), the € 8,639,000 Series 2007-2-M1 Residential Mortgage-Backed Variable Rate Notes due July 2044 (the "Series M1 Notes") and the € 7,479,000 Series 2007-2-M2 Residential Mortgage-Backed Variable Rate Notes due July 2044 (the "Series M2 Notes" and, together with the Series M1 Notes, the "Series M Notes" or the "Junior Notes" and, together with the Senior Notes, the "Notes").

The Issuer is a limited liability company incorporated under the laws of the Republic of Italy under article 3 of Italian law No. 130 of 30 April 1999 (*Disposizioni sulla cartolarizzazione dei crediti*), as amended from time to time (the "Securitisation Law"), having its registered office at via Romanino, 1, 25122 Brescia, and is registered both with *Ufficio Italiano dei Cambi* and with the Bank of Italy pursuant to, respectively, article 106 and article 107 of Italian legislative decree No. 385 of 1 September 1993 (the "Italian Banking Act"). The Issuer has been established as a multi-purpose vehicle for the purposes of issuing asset backed securities and, accordingly, it has carried out the BPVN Securitisation and it may carry out other securitisation transactions in accordance with the Securitisation Law, in addition to the one contemplated in this Prospectus, subject to certain conditions. This Prospectus is issued pursuant to article 2, paragraph 3 of the Securitisation Law and constitutes a *prospetto informativo* for all Series of Notes in accordance with the Securitisation Law. 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, the Representative of the Noteholders, the Principal Paying Agent, the Irish Paying Agent, the Corporate Services Provider, the Calculation Agent, the Servicer, the Back-up Servicer, the Swap Counterparty (each as defined below in "Transaction Summary - The Principal Parties"), Banca Popolare di Novara S.p.A. ("BPN") (in any capacity), Credito Bergamasco S.p.A. ("CREBERG") (in any capacity), the Joint-Lead Managers and the Joint Arrangers (both as defined below) or the Issuer's Quotaholder. 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.

The net proceeds of the issue of the Notes will be applied by the Issuer to fund the purchase of a pool of monetary claims and other connected rights arising under a portfolio of residential (i) mortgage loans which qualify as *mutui fondiari* and (ii) other *mutui ipotecari* mortgage loans (the "Claims") granted by, respectively, BPN (the "BPN Claims") and CREBERG (the "CREBERG Claims"). The BPN Claims and the CREBERG Claims (collectively, the "Claims") have been transferred to the Issuer pursuant to the terms of two transfer agreements dated 22 June 2007 between the Issuer and, respectively, BPN and CREBERG (collectively, the "Originators"). The principal source of funds available to the Issuer for the payment of interest and the repayment of principal on the Notes will be collections received in respect of the Claims.

Interest on the Notes is payable by reference to successive interest periods (each an "Interest Period"). Interest on the Notes will accrue on a daily basis and will be payable in arrear in euro on 20 October 2007 (the "Initial Interest Payment Date") and thereafter quarterly in arrear on the 20th of January, April, July and October in each year (in each case, subject to adjustment for non-business days as set out in Condition 5 (*Interest*)) (each such date, a "Payment Date"). The rate of interest applicable to the Notes for each Interest Period shall be the rate offered in the euro-zone inter-bank market ("EURIBOR") for three-month deposits in euro (save that for the Initial Interest Period the rate will be obtained upon linear interpolation of EURIBOR for three and four month deposits in euro) (as determined in accordance with Condition 5 (*Interest*)) plus the following margins in respect of the relevant Series of Notes: (a) Series A1 Notes: margin of 0.07 per cent. per annum; (b) Series A2 Notes: margin of 0.13 per cent. per annum; (c) Series B Notes: margin of 0.25 per cent. per annum; (d) Series C Notes: margin of 0.66 per cent. per annum; (e) Series M1 Notes: margin of 2.00 per cent. per annum; (f) Series M2 Notes: margin of 2.00 per cent. per annum. At issue, it is expected that the Notes will be assigned the respective ratings of Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Rating Services a division of McGraw-Hill Companies Inc. ("S&P") and Fitch Ratings Ltd. ("Fitch"), and together with Moody's and S&P, the "Rating Agencies" and each a "Rating Agency") set forth in the table below. 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 one or more of the assigning rating organizations.

Series	Initial Amount Outstanding	Applicable margin	Legal Maturity Date	Rating Moody's/S&P/ Fitch
Series A1 Notes	€ 147,300,000	100% per cent. per annum	January 2018	Aaa/AAA/AAA
Series A2 Notes	€ 1,382,000,000	100% per cent. per annum	July 2044	Aaa/AAA/AAA
Series B Notes	€ 28,200,000	100% per cent. per annum	July 2044	Aa3/AA/AA+
Series C Notes	€ 36,200,000	100% per cent. per annum	July 2044	Baa1/BBB/BBB+
Series M1 Notes	€ 8,639,000	104.60 per cent. per annum	July 2044	Not Rated
Series M2 Notes	€ 7,479,000	104.60 per cent. per annum	July 2044	Not Rated

Application has been made to the Irish Financial Services Regulatory Authority (the "IFRSRA") as competent authority under Directive 2003/71/EC of 4 November 2003 ("Prospectus Directive") for approval of this Prospectus. Application has been made to the Irish Stock Exchange for the Notes to be listed on the Irish Stock Exchange (the "Irish Stock Exchange") and to be admitted to trading on the regulated market of the Irish Stock Exchange (the "Regulated Market"). Approval by the IFSRA relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European economic area.

Payments under the Notes may be subject to withholding for or on account of tax, or to a substitute tax, in accordance with Italian legislative decree No. 239 of 1 April 1996, as subsequently amended. Upon the occurrence of any withholding for or on account of tax, whether or not in the form of a substitute tax, from any payments under the Notes, neither the Issuer nor any other person shall have any obligation to pay any additional amount to any holder of Notes of any Series. The Issuer has no other assets other than those described in this Prospectus.

The Notes will be issued in dematerialised form (*emesse in forma dematerializzata*) on the terms of, and subject to, the Conditions and will be held in such form on behalf of the beneficial owners, until redemption and cancellation thereof, by Monte Titoli S.p.A. ("Monte Titoli") for the account of the relevant Monte Titoli Account Holders. The expression "Monte Titoli Account Holders" means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depository banks appointed by Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear"). The Notes will be deposited by the Issuer with Monte Titoli on 11 April 2007, 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 article 28 of Italian legislative decree No. 213 of 24 June 1998 and with resolution No. 11768 of 23 December 1998 of the *Commissione Nazionale per le Società e la Borsa* ("CONSOB"), as subsequently amended. No physical document of title will be issued in respect of the Notes. However, the Notes may be deemed for certain regulatory and fiscal purposes to constitute "bearer" (*al portatore*) and not "registered" (*nominativi*) securities.

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" beginning on page 32.

Joint-Lead Managers

Banca Aletti

UBS Investment Bank

Joint Arrangers

Banca Aletti

UBS Investment Bank

The date of this Prospectus is 29 June 2007

NOTICE TO INVESTORS

None of the Issuer, the Representative of the Noteholders, Banca Aletti & C. S.p.A. (“Banca Aletti”) and UBS Limited (“UBS Limited”), each in its capacity as a manager (collectively, the “**Joint-Lead Managers**”) and Banca Aletti and UBS Limited each in its capacity as an arranger (collectively, the “**Joint Arrangers**”) or any other party to any of the Transaction Documents (as defined below), other than the Originators, has undertaken or will undertake any investigations, searches or other actions to verify the details of the Claims sold by the Originators to the Issuer, nor have the Issuer, the Representative of the Noteholders, the Joint-Lead Managers, the Joint Arrangers or any other party to any of the Transaction Documents, other than the Originators, undertaken, nor will they undertake, any investigations, searches or other actions to establish the creditworthiness of any Debtor in respect of the Claims.

The Issuer accepts responsibility for the information contained in this Prospectus (other than for the information for which each of the Originators and UBS Limited accept responsibility as stated below). To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import. The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains or incorporates all information which is material in the context of the issuance and offering of the Notes, that the information contained or incorporated in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading.

Each of the Originators accept responsibility for the information contained in this Prospectus under the sections headed “*The Provisional Portfolio*”, “*The Originators and the Servicers*”, “*The Credit and Collection Policies*” and any other information contained in this Prospectus relating to itself, the collection and underwriting procedures relating to the relevant Portfolio, the relevant Claims, Mortgage Loans and Mortgages (each as defined below) (other than for the information for which the Issuer and UBS Limited accept responsibility). Each of the Originators has also provided the historical data used as assumptions to make the calculations contained in the section headed “*Estimated Weighted Average Life of the Notes and Assumptions*” on the basis of which the information and assumptions contained in the same section have been extrapolated accepts responsibility for such historical data. To the best of the knowledge of each of the Originators (having taken all reasonable care to ensure that such is the case) the information and data in relation to which it is responsible as described above are in accordance with the facts and do not contain any omission likely to affect the import of such information and data.

UBS Limited has provided the information under the section headed “*The Swap Counterparty and the Swap Guarantor*” and accepts responsibility for the information contained in that section and, to the best of the knowledge of UBS Limited (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and contains no omission likely to affect its import. UBS Limited accept responsibility for its relevant section of this Prospectus, but does not accept responsibility for any other part of this Prospectus.

No person has been authorised to give any information or to make any representation concerning the issue of the Notes other than as 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 Joint-Lead Managers, the Joint Arrangers, the Representative of the Noteholders, the Issuer, the Back-up Servicer, the Corporate Services Provider, the Quotaholder, the Swap Counterparty, each of the Originators (in any capacity), the Principal Paying Agent, the Italian Account Bank or

any other person. Neither the delivery of this Prospectus nor any sale or allotment made in connection with the offering of any of the Notes shall, under any circumstances, constitute a representation or imply that there has been no change in the affairs of the Issuer or each of the Originators (in any capacity) 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 hereof.

This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer or any of the Joint-Lead Managers to subscribe for, or purchase, any of the Notes. This document does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

The Joint-Lead Managers, the Joint Arrangers and the Representative of the Noteholders have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, expressed or implied, is made and no responsibility or liability is accepted by the Joint-Lead Managers, the Joint Arrangers and the Representative of the Noteholders or any of them as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer or each of the Originators (in any capacity) in connection with the Notes or their distribution.

The Notes constitute limited recourse obligations of the Issuer. Each Note will be secured, in each case, over certain of the assets of the Issuer pursuant to and as more fully described in the sections titled "*The Transfer Agreements*", "*The Servicing Agreement and the Back-up Servicing Agreement*" and "*The Other Transaction Documents*", below. Furthermore, by operation of Italian law, the Issuer's right, title and interest in and to the Claims will be segregated from all other assets of the Issuer and amounts deriving therefrom will only be available, both prior to and following a winding-up of the Issuer, to satisfy the obligations of the Issuer to the holders of the Notes, to pay any costs, fees, expenses and other amounts required to be paid to the Corporate Services Provider, the Representative of the Noteholders, the Calculation Agent, the Principal Paying Agent, the Italian Account Bank, the Cash Manager, the Servicer, the Back-up Servicer, the Irish Listing Agent, the Swap Counterparty, the Joint-Lead Managers and the Originators and to any third-party creditor in respect of any costs, fees, expenses or liabilities incurred by the Issuer to such third-party creditor in relation to the securitisation of the Claims contemplated by this document (the "**Securitisation**"). Furthermore, none of such persons accept any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes. Amounts derived from the Claims will not be available to any other creditors of the Issuer and will be applied by the Issuer in accordance with the applicable order of priority.

The distribution of this Prospectus and the offer, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint-Lead Managers to inform themselves about, and to observe, any such restrictions. Neither this Prospectus nor any part of it constitutes an offer, and may not be used for the purpose of an offer to sell any of the Notes, or 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.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, each of the Originators (in any capacity), the Joint Arrangers or the Joint-Lead Managers that any recipient of this Prospectus should purchase any of the Notes. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the Claims, the Portfolio and the Issuer and the terms of the offering including the merits and the risks involved, and its own determination of the suitability of

any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such an investment. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The contents of this Prospectus should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), are in bearer form and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see “*Subscription and sale*”, below.

The Notes may not be offered or sold directly or indirectly, and neither this Prospectus nor any other offering circular nor any prospectus, form of application, advertisement, other offering material nor 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 of Great Britain and Northern Ireland and the United States), except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. No action has or will be taken which could allow an offering (*sollecitazione all’investimento*) of the Notes to the public in the Republic of Italy. For a further description of certain restrictions on offers and sales of the Notes and the distribution of this Prospectus, see “*Subscription and sale*”, below.

All of the Issuer’s assets are located outside the United States. Not all of the officers and directors of the Issuer are residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons not residing in the United States with respect to matters arising under the federal or state securities laws of the United States, or to enforce against them judgements of courts of the United States predicated upon the civil liability provisions of such securities laws. There is doubt as to the enforceability in the United Kingdom, in original actions or in actions for the enforcement of judgements of U.S. courts, of civil liabilities predicated solely upon such securities laws.

Each initial and each subsequent purchaser of a Note will be deemed, by its acceptance of such Note, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof as described in this Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases. See “*Subscription and sale*”, below.

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to certain other characteristics of the Claims and the Portfolio and reflect significant assumptions and subjective judgments by the Issuer that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as “may”, “will”, “could”, “believes”, “expects”, “projects”, “anticipates”, “continues”, “intends”, “plans” or similar terms. Consequently, future results may differ from the Issuer’s expectations due to a variety of factors, including (but not limited to) the economic environment and changes in governmental regulations, fiscal policy, planning or tax in the Republic of Italy. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. The Joint-

Lead Managers have not attempted to verify any such statements, nor do they make any representation, express or implied, with respect thereto.

In connection with the issue of the Notes, UBS Limited (the “Stabilisation Manager”) (or persons acting on behalf of the Stabilisation Manager) may over-allot the Notes (provided that the aggregate principal amount of the Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant series) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

Any foreign language text included within the document is for convenience purposes only and does not form part of this Prospectus.

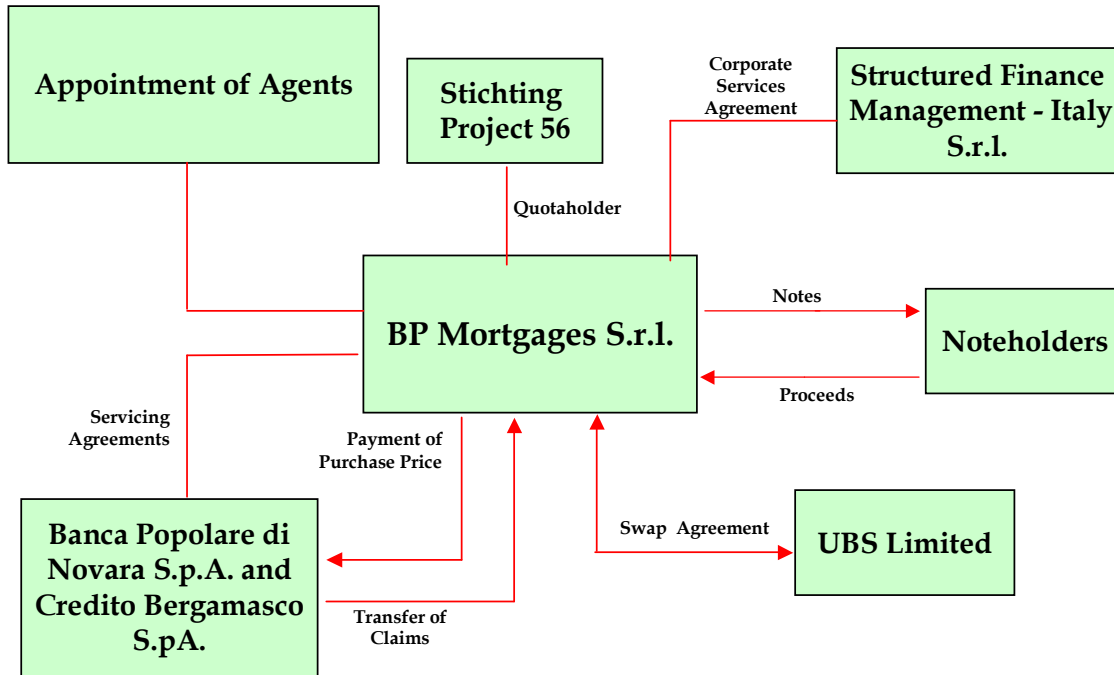
All references in this document to “Euro”, “€” and “euro” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended.

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STRUCTURE DIAGRAM

The following structure diagram does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this structure diagram.



TRANSACTION SUMMARY

This summary must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions on the Prospectus Directive in each Member State of the European Economic Area no civil liability will attach to the Responsible Persons in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

The following information summarises the principal parties in general and the asset ownership structure, the financing parties, the principal characteristics of the Notes, the Transaction Documents and generally matters relating to this transaction. This summary should be read in conjunction with and is qualified in its entirety by reference to the more detailed information appearing elsewhere in this Prospectus. Capitalised terms used but not defined in this summary, have the meanings given to them elsewhere in this Prospectus, see the "Glossary" , commencing on page 212.

1. The Principal Parties

Issuer

BP Mortgages S.r.l., a limited liability company incorporated in the Republic of Italy under article 3 of Italian law No. 130 of 30 April 1999 (*Disposizioni sulla cartolarizzazione dei crediti*), as amended and supplemented from time to time (the "**Securitisation Law**"), having its registered office at via Romanino, 1, 25122, Brescia, Italy, fiscal code, VAT number and enrolment with the companies' register of Brescia No 08705611005, registered with the register (*elenco generale*) held by *Ufficio Italiano dei Cambi* pursuant to article 106 of the Italian legislative decree No. 385 of 1 September 1993 (the "**Italian Banking Act**") under No. 37454 and with the special register (*elenco speciale*) held by the Bank of Italy pursuant to article 107 of the Italian Banking Act (the "**Issuer**").

The Issuer has been established as a special purpose vehicle for the purposes of issuing asset backed securities within the context of one or more securitisation transaction, accordingly it has carried out the BPVN Securitisation and it may carry out other securitisation transactions in accordance with the Securitisation Law, in addition to the one contemplated in this Prospectus, subject to certain conditions as specified in the Terms and Conditions of the Notes.

See "*The Issuer*", "*Transaction Summary - The Portfolio*", and "*The Provisional Portfolio*", below.

Originators

Banca Popolare di Novara S.p.A., a bank established and operating as a joint stock company (*società per azioni*) under the laws of the Republic of Italy, with registered office at Via Negrone, n. 12, 28100, Novara, Italy, registered with the

companies' register of Novara No. 01848410039 and with the register of banks (*albo delle banche*) held by the Bank of Italy pursuant to article 13 of the Italian Banking Act under No. 5520, subsidiary of the "Gruppo Bancario Banco Popolare di Verona e Novara S.c.ar.l." registered with the register of banking groups held by the Bank of Italy pursuant to article 64 of the Italian Banking Act ("**BPN**").

Banca Popolare di Novara S.p.A. sold the BPN Claims to the Issuer pursuant to the terms of a transfer agreement dated 22 June 2007 (the "**Signing Date**") between the Issuer and BPN (the "**BPN Transfer Agreement**").

Credito Bergamasco S.p.A., a bank established and operating as a joint stock company (*società per azioni*) under the laws of the Republic of Italy, with registered office at Largo Porta Nuova, n. 2, 24122, Bergamo, Italy, registered with the companies' register of Bergamo No. 00218400166 and with the register of banks (*albo delle banche*) held by the Bank of Italy pursuant to article 13 of the Italian Banking Act under No. 3336.5, subsidiary of the "Gruppo Bancario Banco Popolare di Verona e Novara S.c.ar.l." registered with the register of banking groups held by the Bank of Italy pursuant to article 64 of the Italian Banking Act ("**CREBERG**" and together with BPN, the "**Originators**").

Credito Bergamasco S.p.A. sold the CREBERG Claims to the Issuer pursuant to the terms of a transfer agreement dated 22 June 2007 (the "**Signing Date**") between the Issuer and CREBERG (the "**CREBERG Transfer Agreement**").

See "*The Originators and the Servicers*", "*Transaction Summary - The Portfolio*", "*The Transfer Agreements*", below.

Representative of the Noteholders

BNY Corporate Trustee Services Limited, acting through its offices at One Canada Square, London, E14 5AL, United Kingdom, is the representative of the holders of the Notes (the "**Representative of the Noteholders**") pursuant to the Intercreditor Agreement (as defined below) dated on or about the Issue Date.

Corporate Services Provider

Structured Finance Management - Italy S.r.l., ("**Structured Finance Management**") a limited liability company (*società a responsabilità limitata*) incorporated and organised under the laws of the Republic of Italy, with its registered office at Via Romanino, 1, 25122, Brescia, Italy, registered fiscal code and enrolment with the companies' register of Brescia under number 020508180987, is the corporate services provider to the Issuer (in such capacity, the "**Corporate Services Provider**"). Pursuant to the terms of a corporate services agreement entered into on 5 April 2007 in the context of the BPVN Securitisation, as amended and supplemented on the Signing Date by means of an extension and amendment agreement (the "**Corporate Services Agreement**"),

the Corporate Services Provider has agreed to provide certain administrative and secretarial services to the Issuer.

See *“The Other Transaction Documents - The Corporate Services Agreement”*, below.

Servicers

BPN will administer the BPN Claims on behalf of the Issuer pursuant to the terms of a servicing agreement dated the Signing Date between the Issuer and BPN (the **“BPN Servicing Agreement”**).

CREBERG will administer the CREBERG Claims on behalf of the Issuer pursuant to the terms of a servicing agreement dated the Signing Date between the Issuer and CREBERG (the **“CREBERG Servicing Agreement”**).

See *“Transaction Summary - The Portfolio”*, *“The Credit and Collection Policies”*, *“The Originators and the Servicers”* and *“The Servicing Agreements and the Back-up Servicing Agreement”*, below.

Back-up Servicer

Banco Popolare di Verona e Novara S.c.ar.l., a bank established and operating as a cooperative with limited liability (*società cooperativa a responsabilità limitata*) under the laws of the Republic of Italy, with registered office at piazza Nogara, 2, 37121, Verona, Italy, registered with the companies' register of Verona under No. 03231270236 and with the register of banks (*albo delle banche*) held by the Bank of Italy pursuant to article 13 of the Italian Banking Act under No. 5519, parent company of the *“Gruppo Bancario Banco Popolare di Verona e Novara S.c.ar.l.”* registered with the register of banking groups held by the Bank of Italy pursuant to article 64 of the Italian Banking Act (**“BPVN”**) is the back-up servicer (the **“Back-up Servicer”**) pursuant to the terms of a back-up servicing agreement dated the Signing Date and entered into between the Issuer, the Servicers and the Back-up Servicer (the **“Back-up Servicing Agreement”**).

Pursuant to the Back-up Servicing Agreement, the Back-up Servicer has agreed to replace each of the Servicers, as the case may be, and to perform the duties and obligations set forth in the relevant Servicing Agreement, in the event of any of the Servicers ceasing to act as Servicer under the related Servicing Agreement.

See *“The Servicing Agreements and the Back-up Servicing Agreement”*, below.

Calculation Agent

The Bank of New York, London Branch, (**“BNY, London Branch”**) a banking institution registered with the Companies' Register of England and Wales, having its registered office at One Canada Square, E14 5AL London, United Kingdom, or any other person for the time being acting as such, is the calculation agent to the Issuer (in such capacity, the **“Calculation Agent”**) pursuant to the terms of the cash management, calculation and agency agreement dated on or about the Issue Date between the Issuer,

the Representative of the Noteholders, the Calculation Agent, the Principal Paying Agent, the Italian Account Bank, the Irish Listing Agent and the Cash Manager (the “**Cash Management, Calculation and Agency Agreement**”).

See “*Transaction Summary - The Portfolio*”, below.

Cash Manager

BNY, London Branch, or any other person for the time being acting as such, is the cash manager to the Issuer in respect of the amounts standing to the credit of the Collection Accounts and the Cash Reserve Account, as the case may be, pursuant to the terms of the Cash Management, Calculation and Agency Agreement.

See “*Transaction Summary - The Issuer’s Accounts*”, below.

Principal Paying Agent

The Bank of New York, (Luxembourg) S.A., Milan Branch, (“**BNY, Milan Branch**”) a bank incorporated under the laws of the Grand Duchy of Luxembourg, with registered office at Senningerberg, Aerogolf Center, 1A Hoehenhof - Luxembourg, Grand Duchy of Luxembourg registered with the Companies' Register of Milan under No. 05694250969, acting through its Milan branch at Via Carducci, 31 - 20123 Milano and registered with the register pursuant to article 13 of the Italian Banking Act as a *filiale di banca estera* under No. 5662 and with ABI code 3351.4 or any other person for the time being acting as such, will be the principal paying agent (in such capacity, the “**Principal Paying Agent**”) pursuant to the terms of the Cash Management, Calculation and Agency Agreement.

Italian Account Bank

BNY, Milan Branch, or any other person for the time being acting as such, is the Italian account bank to the Issuer in respect of the bank accounts of the Issuer in Italy pursuant to the terms of the Cash Management, Calculation and Agency Agreement (the “**Italian Account Bank**”). The Italian Account Bank has opened, and will maintain, those bank accounts in the name of the Issuer and will operate such accounts in the name and on behalf of the Issuer. In addition, the Italian Account Bank will perform certain management functions on behalf of the Issuer.

See “*Transaction Summary - The Issuer’s Accounts*”, below.

Irish Paying Agent

BNY Financial Services Plc, a company incorporated under the laws of Ireland, whose registered office is at 30 Herbert St, Dublin 2, Republic of Ireland or any other person for the time being acting as such, will be the Irish paying agent (in such capacity, the “**Irish Paying Agent**”) pursuant to the terms of the Cash Management, Calculation and Agency Agreement.

Irish Listing Agent

BNY, London Branch, or any other person for the time being acting as such,, will be the Irish listing agent (in such capacity, the “**Irish Listing Agent**” and, together with the Irish Paying Agent and the Principal Paying Agent, the “**Paying Agents**”) pursuant to the terms of the Cash Management, Calculation and Agency

Agreement.

Swap Counterparty

UBS Limited, a company incorporated under the laws of England and Wales, whose registered office is at Finsbury Avenue, London EC2M 2PP, United Kingdom, or any other person for the time being acting as such ("**UBS Limited**"), is the swap counterparty (in such capacity, the "**Swap Counterparty**") pursuant to the terms of a 1992 ISDA Master Agreement (Multicurrency-Cross Border), as published by the International Swaps and Derivatives Association, Inc., ("**ISDA**"), and the Schedule and the credit support annex thereto, and the confirmations documenting the Interest Rate Swap Transactions supplemental thereto, all governed by English law, each executed on or about the Issue Date (collectively, the "**Swap Agreement**").

See "*Credit Structure - The Swap Agreement*" and "*The Swap Counterparty and the Swap Guarantor*", below.

2. Summary of the Notes

The Notes

On 29 June, 2007 (the "**Issue Date**"), the Issuer will issue:

- (a) € 147,300,000 Series 2007-2-A1 Residential Mortgage-Backed Floating Rate Notes due January 2018 (the "**Series A1 Notes**");
- (b) € 1,382,000,000 Series 2007-2-A2 Residential Mortgage-Backed Floating Rate Notes due July 2044 (the "**Series A2 Notes**" and, together with the Series A1 Notes, the "**Series A Notes**");
- (c) € 28,200,000 Series 2007-2-B Residential Mortgage-Backed Floating Rate Notes due July 2044 (the "**Series B Notes**");
- (d) € 36,200,000 Series 2007-2-C Residential Mortgage-Backed Floating Rate Notes due July 2044 (the "**Series C Notes**" and, together with the Series A Notes and the Series B Notes, the "**Senior Notes**");
- (e) € 8,639,000 Series 2007-2-M1 Residential Mortgage-Backed Variable Rate Notes due July 2044 (the "**Series M1 Notes**");
- (f) € 7,479,000 Series 2007-2-M2 Residential Mortgage-Backed Variable Rate Notes due July 2044 (the "**Series M2 Notes**" and together with the Series M1 Notes, the "**Series M Notes**" or the "**Junior Notes**" and, together with the Senior Notes, the "**Notes**").

The Notes will constitute direct, secured, limited recourse obligations of the Issuer. It is not anticipated that the Issuer will

make any profits from this transaction. The Notes will be governed by Italian law.

Form and Denomination of the Notes

The authorised denomination of the Senior Notes will be € 50,000.

The authorised denomination of the Junior Notes will be € 50,000 or greater multiples of € 1,000.

The Notes will be issued in dematerialised form (*emesse in forma dematerializzata*) and will be wholly and exclusively deposited with Monte Titoli in accordance with article 28 of Italian legislative decree No. 213 of 24 June, 1998, through the authorised institutions listed in article 30 of such legislative decree.

The Notes will be held by Monte Titoli on behalf of the Noteholders until redemption and cancellation for the account of each relevant Monte Titoli Account Holder. Monte Titoli shall act as depository for Clearstream and Euroclear. The Notes will at all times be in book entry form and title to the Notes will be evidenced by book entries in accordance with the provisions of: (i) article 28 of Italian legislative decree No. 213 of 24 June 1998; and (ii) resolution No. 11768 of 23 December 1998 of the CONSOB as amended. No physical document of title will be issued in respect of the Notes. Shall the Notes be issued in paper form they would circulate as registered notes (*titoli nominativi*).

Ranking

In respect of the obligations of the Issuer to pay interest and to repay principal on the Notes, the terms and conditions of the Notes (the “**Terms and Conditions**”) and the Intercreditor Agreement provide that:

in respect of the obligations of the Issuer to pay interest on the Notes prior to the service of a Trigger Notice (see below):

- (i) the Series A1 Notes and the Series A2 Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves and in priority to the Series B Notes, the Series C Notes, the Series M1 Notes and the Series M2 Notes;
- (ii) the Series B Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves and in priority to the Series C Notes, the Series M1 Notes and the Series M2 Notes, but subordinated to the Series A1 Notes and the Series A2 Notes;
- (iii) the Series C Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves and in priority to the Series M1 Notes and the Series M2 Notes, but subordinated to the Series A1 Notes, the Series A2 Notes and the Series B Notes;
- (iv) the Series M1 Notes and the Series M2 Notes will

rank *pari passu* and *pro rata* without any preference or priority among themselves, but subordinated to the Series A1 Notes, the Series A2 Notes, the Series B Notes and the Series C Notes;

in respect of the obligations of the Issuer to repay principal on the Notes prior to the service of a Trigger Notice and provided that no Proportional Payment Trigger (see below) has occurred and is continuing:

- (i) the Series A1 Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves and in priority to the Series A2 Notes, the Series B Notes, the Series C Notes, the Series M1 Notes and the Series M2 Notes;
- (ii) the Series A2 Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves and in priority to the Series B Notes, the Series C Notes, the Series M1 Notes and the Series M2 Notes, but subordinated to the Series A1 Notes;
- (iii) the Series B Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves and in priority to the Series C Notes, the Series M1 Notes, the Series M2 Notes, but subordinated to the Series A1 Notes and the Series A2 Notes;
- (iv) the Series C Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves and in priority to the Series M1 Notes and the Series M2 Notes, but subordinated to the Series A1 Notes, the Series A2 Notes and the Series B Notes;
- (v) the Series M1 Notes and the Series M2 Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves, but subordinated to the Series A1 Notes, the Series A2 Notes, the Series B Notes and the Series C Notes;

in respect of the obligations of the Issuer to repay principal on the Notes prior to the service of a Trigger Notice and provided that a Proportional Payment Trigger has occurred and is continuing:

- (i) the Series A1 Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves and in priority to the Series A2 Notes, the Series B Notes, the Series C Notes, the Series M1 Notes and the Series M2 Notes;
- (ii) the Series A2 Notes, the Series B Notes and the Series C Notes will rank *pari passu* and *pro rata* in accordance with the Principal Amount Outstanding of each such

series and subordinated to the Series A1 Notes;

- (iii) the Series M1 Notes and the Series M2 Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves in accordance with the Principal Amount Outstanding of each such Series, but subordinated to the Senior Notes;

in respect of the obligations of the Issuer to pay interest and repay principal following the service of a Trigger Notice:

- (i) the Series A1 Notes and the Series A2 Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves and in priority to the Series B Notes, the Series C Notes, the Series M1 Notes and the Series M2 Notes;
- (ii) the Series B Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves and in priority to the Series C Notes, the Series M1 Notes and the Series M2 Notes, but subordinated to the Series A1 Notes and the Series A2 Notes;
- (iii) the Series C Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves and in priority to the Series M1 Notes and the Series M2 Notes, but subordinated to the Series A1 Notes, the Series A2 Notes and the Series B Notes;
- (iv) the Series M1 Notes and the Series M2 Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves, but subordinated to the Series A1 Notes, the Series A2 Notes, the Series B Notes and the Series C Notes.

Trigger Notice

A Trigger Notice is a notice to be served by the Representative of the Noteholders, pursuant to Condition 10 ("*Trigger Events*") once a Trigger Event has occurred, which includes each of the followings:

- (i) Non-payment;
- (ii) Breach of other obligations;
- (iii) Misrepresentation;
- (iv) Winding-up;
- (v) Insolvency Proceedings;
- (vi) Unlawfulness; and
- (vii) Ineffective Security.

Proportional Payment Trigger

A Proportional Payment Trigger on any given date occurs if (i) the Series A Notes Credit Enhancement on the relevant date or any date occurring prior to that date is at least equal to 2.5 times the initial Series A Notes Credit Enhancement; (ii) there is no Principal Deficiency Ledger Outstanding Balance; (iii) the Cumulative Net Default Ratio is below 1.3 per cent.; (iv) the Cumulative Gross Default Ratio is below 2.6 per cent.; (v) the Outstanding Principal of the Portfolio is more than 10 per cent. of the Outstanding Principal of the Portfolio as at the Issue Date; (vi) the Cash Reserve is at the Cash Reserve Required Level; and (vii) the Delinquency Level is below 3.5 per cent.

See *“Transaction Summary – Summary of the Notes”*, *“Risk Factors”* and *“Terms and Conditions of the Notes”*, below.

Limited recourse nature of the Issuer’s obligations under the Notes

The obligations of the Issuer to each of the holders of the Notes will be limited recourse obligations of the Issuer. The Noteholders will have a claim against the Issuer only to the extent of the actual amount received or recovered from time to time by or on behalf of the Issuer or the Representative of the Noteholders in respect of the Claims, the Security Documents and the Transaction Documents, in each case subject to and as provided in the Intercreditor Agreement and the other Transaction Documents.

Costs

The costs of the transaction (with the exception of certain initial costs of setting up the transaction which will be paid by BPN and CREBERG pursuant to the terms of the relevant Junior Notes Subscription Agreement) including the amounts payable to the various agents of the Issuer appointed in connection with the issue of the Notes, will be funded from the Issuer Available Funds and will therefore be included in the Priority of Payments.

Interest on the Notes

The Notes will bear interest on their Principal Amount Outstanding from and including the Issue Date at a rate equal to EURIBOR for three month deposits in Euro (as determined by the Principal Paying Agent in accordance with the Conditions) plus the following margins:

- (a) in respect of the Series A1 Notes, a margin of 0.07 per cent. per annum (the **“Series A1 Rate of Interest”**);
- (b) in respect of the Series A2 Notes, a margin of 0.13 per cent. per annum (the **“Series A2 Rate of Interest”**);
- (c) in respect of the Series B Notes, a margin of 0.25 per cent. per annum (the **“Series B Rate of Interest”**);
- (d) in respect of the Series C Notes, a margin of 0.66 per cent. per annum (the **“Series C Rate of Interest”**); and
- (e) in respect of the Series M Notes, a margin of 2.00 per cent.

per annum (the “**Series M Rate of Interest**”).

Series M Rate of Interest makes reference both to the Series M1 Rate of Interest and to the Series M2 Rate of Interest.

In addition to the Series M Rate of Interest, any other residual amount available after all the other payments in accordance with the applicable Priority of Payments have been made in full, will be paid on the Series M Notes.

Prior to the service of a Trigger Notice, subject to the Pre-Enforcement Priority of Payments, interest on each Series of Notes will be payable in arrear in Euro on the 20th October 2007 (the “**Initial Interest Payment Date**”) and thereafter quarterly in arrear on the 20th of January, April, July and October in each year (or, if any such date is not a Business Day, that date will be the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day, subject to the Conditions).

Following the service of a Trigger Notice, to the extent permitted under Italian law, each Note will accrue interest as set out in Condition 5 (*Interest*) provided that such interest will be payable in accordance with Condition 4.2(b) (*Post-Enforcement Priority of Payments*) and subject to Condition 7 (*Payments*) and provided further that, to the extent that the methodology for determining EURIBOR and for calculating the interest from time to time accrued on the Notes set out in Condition 5 (*Interest*) is inconsistent or otherwise conflicting with the Post-Enforcement Priority of Payments, the Principal Paying Agent and the Representative of the Noteholders may agree (but shall not be bound to do so) an alternative methodology (which will be binding for the Issuer and the Noteholders) which comes as close as reasonably possibly to the one set out in Condition 5 (*Interest*).

“**Business Day**” means any day on which commercial banks are open for business in Milan, London and Dublin and on which TARGET is open for business, provided that, if any relevant date falls in a day which is not a Business Day, it shall be postponed to the immediately following Business Day.

“**Principal Amount Outstanding**” means, on any day, in respect of a Note, the nominal principal amount of such Note upon issue less the aggregate amount of all Principal Payments in respect of such Note that have been made prior to such date.

“**Principal Payment**” means the euro principal amount redeemable on each Note in respect of each Interest Period.

Legal Maturity Date of the Notes

Save as described below and unless previously redeemed in full, the Issuer will redeem at their Principal Amounts Outstanding: (i) the Series A2 Notes, the Series B Notes, the Series C Notes and the Series M Notes, on the Payment Date falling in July 2044, and (ii)

the Series A1 Notes on the Payment Date falling in January 2018 (the “**Legal Maturity Date**”).

See “*Transaction Summary - Redemption of the Notes*”, below.

If the Series A1 Notes, the Series A2 Notes, the Series B Notes, the Series C Notes, the Series M1 Notes and/or the Series M2 Notes cannot be redeemed in full on the Legal Maturity Date, as a result of the Issuer having insufficient funds available to it in accordance with the Conditions for application in or towards such redemption, including the proceeds of any sale of Claims or any enforcement of the Security Documents, any amount unpaid shall remain outstanding and the Conditions shall continue to apply in full in respect of the Notes until the earlier of (i) the date on which the Notes are redeemed in full and (ii) the last Business Day in July 2046 (the “**Cancellation Date**”), at which date any amounts remaining outstanding in respect of principal or interest on any Notes shall be reduced to zero and deemed to be released by the holder of the relevant Notes and the Notes shall be cancelled. The Issuer has no assets other than those described in this Prospectus.

Withholding tax on the Notes

A Noteholder who is resident for tax purposes in a country which does not allow for a satisfactory exchange of information will receive amounts of interest payable on the Notes net of Italian withholding tax referred to as a substitute tax (any such withholding or deduction for or on account of Italian tax under Decree 239, a “**Decree 239 Withholding**”).

Upon the occurrence of any withholding for or on account of tax, whether or not through a substitute tax, from any payments of amounts due under the Notes, neither the Issuer, the Originator, the Representative of the Noteholders, the Paying Agents nor any other person shall have any obligation to pay any additional amount to any Noteholders.

See “*Taxation in the Republic of Italy*”, below.

Security for the Notes

By operation of Italian law, the Issuer’s right, title and interest in and to the Claims will be segregated from all other assets of the Issuer and amounts deriving therefrom will only be available, both prior to and following the commencement of a winding-up of the Issuer, to satisfy the obligations of the Issuer to the holders of the Series A Notes (the “**Series A Noteholders**”), the holders of the Series B Notes (the “**Series B Noteholders**”), the holders of the Series C Notes (the “**Series C Noteholders**”) and the holders of the Series M Notes (the “**Series M Noteholders**” and, together with the Series A Noteholders, the Series B Noteholders and the Series C Noteholders, the “**Noteholders**”), each of the other Issuer Secured Creditors and any third-party creditor to whom the Issuer has incurred costs, fees, expenses or liabilities in relation to the securitisation of the Claims.

The Issuer will grant the following security:

- (a) an Italian law deed of pledge to be executed on or about the Issue Date (the “**Deed of Pledge**”) pursuant to which the Issuer will create in favour of the Issuer Secured Creditors, concurrently with the issue of the Notes, a pledge over (i) all existing and future monetary claims and rights and any sum to be received from time to time in connection with the monetary rights (including, but not limited to, any claim, indemnity, damage, penalty, sanction, credits, security interest and guarantee) to which the Issuer is or will be entitled to claim (other than the subscription price of the Notes) under or in connection with the Transaction Documents to which the Issuer is a party (other than the Swap Agreement and the English Deed of Charge); (ii) any existing and future monetary claims and rights to any sums credited from time to time to any of the Collection Accounts, the Payments Account, the Expenses Account and the Cash Reserve Account; and (iii) all the Eligible Investments deriving from the funds standing to the credit of the Collection Accounts and the Cash Reserve Account, as the case may be;
- (b) an English law deed of charge and assignment to be executed on or about the Issue Date (the “**English Deed of Charge**” and the security created thereunder, together with the security created under the Deed of Pledge, the “**Security Documents**”) pursuant to which the Issuer will grant in favour of the Security Trustee for itself and on trust for the Issuer Secured Creditors, *inter alia*, (i) an English law assignment all of the Issuer’s right, title and interest (present and future) in, to and under the Swap Agreement, and (ii) a floating charge over all of the Issuer’s assets which are subject to the assignments or charges described under (i) above and not effectively assigned or charged thereunder.

Intercreditor Agreement

On or about the Issue Date, the Issuer, the Representative of the Noteholders on its own behalf and on behalf of the Noteholders, the Paying Agents, the Calculation Agent, the Cash Manager, the Italian Account Bank, the Swap Counterparty, BPN (in any capacity), CREBERG (in any capacity), the Back-up Servicer, the Corporate Services Provider and the Quotaholder have entered into an intercreditor agreement (the “**Intercreditor Agreement**”) pursuant to which the Issuer Secured Creditors (other than the Noteholders and the Quotaholder), *inter alia*, (i) have agreed to the limited recourse nature of the obligations of the Issuer and to the Priority of Payments described below and (ii) have empowered the Representative of the Noteholders to take such action in the name of the Issuer, following the delivery of a Trigger Notice, as the Representative of the Noteholders may

deem necessary to protect the interests of the Noteholders and the other Issuer Secured Creditors. The Intercreditor Agreement is governed by Italian law.

Purchase of the Notes

The Issuer may not purchase any Notes at any time.

Approval, Listing and Admission to trading of the Notes

Application has been made to the Irish Financial Services Regulatory Authority (the “**IFSRA**”) as competent authority under Directive 2003/71/EC of 4 November 2003 (“**Prospectus Directive**”) for approval of the Prospectus. Application has been made to the Irish Stock Exchange for the Notes to be listed on the Irish Stock Exchange (the “**Irish Stock Exchange**”) and to be admitted to trading on the regulated market of the Irish Stock Exchange (the “**Regulated Market**”).

Rating

Upon issue it is expected that:

- (a) the Series A1 Notes will be rated “Aaa” by Moody’s Investors Service Inc. (“**Moody’s**”), “AAA” by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies Inc. (“**S&P**”) and “AAA” by Fitch Ratings Ltd. (“**Fitch**” and together with Moody’s and S&P, the “**Rating Agencies**”, which expression shall include any successor);
- (b) the Series A2 Notes will be rated “Aaa” by Moody’s, “AAA” by S&P and “AAA” by Fitch;
- (c) the Series B Notes will be rated “Aa3” by Moody’s, “AA” by S&P and “AA+” by Fitch;
- (d) the Series C Notes will be rated “Baa1” by Moody’s, “BBB” by S&P and “BBB+” by Fitch; and
- (e) the Series M Notes will be unrated.

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 if, in its judgment, circumstances (including, without limitation, the underlying characteristics of the Originators’ business from time to time and/or a reduction in the credit rating of the Swap Counterparty) in the future so warrant.

Selling Restrictions

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

See “*Subscription and sale*”, below.

Governing law

The Notes are governed by, and shall be construed in accordance with, Italian law.

3. The Portfolio

Transfer of the Claims

On 22 June 2007 (the “**Transfer Date**”), the Issuer purchased from BPN without recourse (*pro soluto*) the monetary claims (the “**BPN Claims**”) and other connected rights arising out of a portfolio (the “**BPN Portfolio**”) consisting of (i) residential mortgage loans which qualify as *mutui fondiari* (the “**BPN Fondiari Mortgage Loans**”) and (ii) other residential mortgage loans which do not qualify as *mutui fondiari* (the “**BPN Ipotecari Mortgage Loans**”) (together with the BPN *Fondiari* Mortgage Loans, the “**BPN Mortgage Loans**”) owed to BPN. Under the provisions of the BPN Transfer Agreement, BPN has given certain representations and warranties in favour of the Issuer in relation, *inter alia*, to the BPN Portfolio, the BPN Mortgage Loans and the BPN Mortgages 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 BPN Claims. The BPN Transfer Agreement is governed by Italian law

The payment of the principal component of the purchase price of the BPN Claims to BPN will be financed by the net proceeds of the issue of the Notes on the Issue Date.

On 22 June 2007 (the “**Transfer Date**”), the Issuer purchased from CREBERG without recourse (*pro soluto*) the monetary claims (the “**CREBERG Claims**” and, together with the BPN Claims, the “**Claims**”) and other connected rights arising out of a portfolio (the “**CREBERG Portfolio**” and, together with the BPN Portfolio, the “**Portfolio**”) consisting of (i) residential mortgage loans which qualify as *mutui fondiari* (the “**CREBERG Fondiari Mortgage Loans**”) and (ii) other residential mortgage loans which do not qualify as *mutui fondiari* (the “**CREBERG Ipotecari Mortgage Loans**”) (together with the CREBERG *Fondiari* Mortgage Loans, the “**CREBERG Mortgage Loans**”) owed to CREBERG. Under the provisions of the CREBERG Transfer Agreement, CREBERG has given certain representations and warranties in favour of the Issuer in relation, *inter alia*, to the CREBERG Portfolio, the CREBERG Mortgage Loans and the CREBERG Mortgages 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 CREBERG Claims. The CREBERG Transfer Agreement is governed by Italian law.

The payment of the principal component of the purchase price of the CREBERG Claims to CREBERG will be financed by the net proceeds of the issue of the Notes on the Issue Date.

See “*The Provisional Portfolio*”, “*Use of Proceeds*” and “*The Transfer Agreements*”, below.

Servicing and collection procedures

Pursuant to the terms of each Servicing Agreement, BPN and CREBERG have agreed to administer and service, respectively, the BPN Portfolio and the CREBERG Portfolio on behalf of the

Issuer and, in particular, to:

- (a) collect amounts in respect of each Claim under the BPN Portfolio or the CREBERG Portfolio, as the case may be;
- (b) recover amounts in respect of each Defaulted Claims and in respect of the enforcement of the Collateral Securities under the BPN Portfolio or the CREBERG Portfolio, as the case may be;
- (c) administer relationships with any person who is a borrower under a BPN Mortgage Loan or CREBERG Mortgage Loan, as the case may be (a “**Borrower**”); and
- (d) carry out the administration and management of each Claim under the BPN Portfolio or the CREBERG Portfolio, as the case may be, and to commence any Proceedings with respect thereto in accordance with the terms of each Servicing Agreement.

“**BPN Mortgage Loans**” means, from time to time, the aggregate of the mortgage loans comprised in the BPN Portfolio, the Claims of which have been transferred to the Issuer in accordance with the BPN Transfer Agreement and “**BPN Mortgage Loan**” means any one of these.

“**CREBERG Mortgage Loans**” means, from time to time, the aggregate of the mortgage loans comprised in the CREBERG Portfolio, the Claims of which have been transferred to the Issuer in accordance with the CREBERG Transfer Agreement and “**CREBERG Mortgage Loan**” means any one of these.

“**Mortgage Loans**” means, from time to time, the aggregate of the BPN Mortgage Loans and the CREBERG Mortgage Loans comprised in the Portfolio, the Claims of which have been transferred to the Issuer in accordance with the Transfer Agreements and “**Mortgage Loan**” means any one of these.

Monies received or recovered in respect of the Mortgage Loans and the related Claims (the “**Collections**” and the “**Recoveries**”, respectively) are, respectively, paid to BPN and CREBERG in their capacity as Servicer.

On each date as indicated in the relevant Mortgage Loan, the relevant Servicer shall collect from the Borrower the amounts owed by the Borrower in respect of the relevant Claim: respectively, BPN will credit the relevant amounts on an interim collection account opened in its name and exclusively dedicated to the Securitisation (the “**BPN Interim Collection Account**”) and CREBERG will credit the relevant amounts on an interim collection account opened in its name and exclusively dedicated to the Securitisation (the “**CREBERG Interim Collection Account**”).

The amounts standing to the credit of the BPN Interim Collection Account and the CREBERG Interim Collection Account are required to be transferred by the relevant Servicer into the BPN Collection Account and the CREBERG Collection Account, respectively, on the first Business Day following the day on which such amounts have been collected or recovered in accordance with the Collection Policies described in each Servicing Agreement.

“**Relevant Event**” means, in relation to any of the Servicers:

- (i) a failure to pay any amount standing to the credit of the relevant Interim Collection Account to the BPN Collection Account or the CREBERG Collection Account, as the case may be, other than due to strikes, technical interruptions or other force majeure events duly documented by the relevant Servicer;
- (ii) an order made by any competent judicial authority providing for the winding-up or dissolution of any of the Servicers, or for the appointment of a liquidator or receiver, or the admission of any of the Servicers to insolvency proceedings, or a resolution passed by any of the Servicers with the intention of applying for such proceedings to be initiated;
- (iii) any action for the purpose of rescheduling its own debts in full or in respect of a material portion thereof, or postponing the maturity dates thereof, enters into any extrajudicial arrangement with all or a material portion of its creditors, files any petition for the suspension of its payments or any court grants a moratorium for the fulfilment of its debts or the enforcement of the securities securing its debts; and
- (iv) the loss of the Bank of Italy authorisation to carry out the banking activity.

Under the provisions of each of the Servicing Agreements and until the Legal Maturity Date, BPVN has undertaken as of the Signing Date to guarantee, by way of a first demand, irrevocable and unconditional guarantee, the obligations of each of the Servicers and to duly and punctually repay to the Issuer at the Issuer’s instructions, any exceptions, objections or protests concerning the relationship between the relevant Servicer and the Issuer under the relevant Servicing Agreement waived, all amounts standing to the credit of the relevant Interim Collection Account as of the date of the occurrence of such Relevant Events (and which are not transferred in accordance with the provisions of the relevant Servicing Agreement due to the occurrence of the Relevant Events) to the BPN Collection Account or the CREBERG Collection Account, as the case may be (the “**Indemnified**

Amount”), up to an aggregate amount for the Portfolio equal to Euro 28,925,140 (the “**Guaranteed Amount**”). It is understood that the Guaranteed Amount, starting from the Issue Date until the Payment Date on which the sum standing to the credit of the Cash Reserve Account will reach the amount of Euro 11,268,726, will be equal to an aggregate amount of Euro 40,193,866, to be proportionally reduced with the increase of the sum standing to the credit of the Cash Reserve Account, up to an amount equal to Euro 28,925,140. The Guaranteed Amount will be recalculate on each Payment Date falling in July of each year starting from the Payment Date falling on July 2008, by means of the arithmetic sum of the following items:

- (i) the total amount of the Collections (the principal and interest collections) relating to the month of June immediately preceding; plus
- (ii) the total amount of the unpaid Instalments of the Delinquent Claims as at the 30th of June immediately preceding; plus
- (iii) the total amount of the Principal Instalment of the Defaulted Claims as at the 30th of June immediately preceding; plus
- (iv) the fifteen per cent. of the Outstanding Amount of the Portfolio as at the 30th of June immediately preceding less the total amount of the Defaulted Claims net of the Recoveries, divide for twelve;

and in any event for an amount not less than 0.9% of the total amount of the rated Notes as at the Issue Date.

BPVN has also undertaken to immediately give instructions to the relevant Debtors to pay any amounts due under the Claims to the BPN Collection Account or the CREBERG Collection Account, as the case may be. The obligations of BPVN to pay an amount up to the Guaranteed Amount will be in full force and effect until the Debtors have paid the amounts due under the BPN Claims and/or the CREBERG Claims to the BPN Collection Account and/or the CREBERG Collection Account , as the case may be.

In the case the rating assigned to the unguaranteed, unsubordinated and unsecured short-term debt obligations of BPVN falls below the Minimum Rating, BPVN shall (A) immediately give instructions to the relevant Debtors to pay any amounts due under the Claims to the BPN Collection Account or the CREBERG Collection Account, as the case may be; and, (B) within thirty calendar days and in any case until the Debtors have started to pay the amounts due under the Claims to the relevant Collection Account:

- (i) procure to the Issuer, also for the benefit of the Noteholders,

a first demand, irrevocable and unconditional guarantee, any exceptions, objections or protests concerning the relationship between the relevant Servicer and the Issuer under the Servicing Agreement waived, from a bank having at least the Minimum Rating (the “**Commingling Guarantee**”); or

- (ii) credit on the relevant Collection Account an amount equal to the Guaranteed Amount which will not form part of the Issuer Available Funds until any of the Relevant Events has occurred.

“**Minimum Rating**” means a rating assigned to the unguaranteed, unsubordinated and unsecured short-term debt obligations at least equal to “A-2”, “P1” or “F2” by S&P, Moody’s or Fitch, respectively.

The BPN Collections and the CREBERG Collections in respect of, respectively, the BPN Mortgage Loans and the CREBERG Mortgage Loans will be calculated by reference to successive three-month periods (each, a “**Collection Period**”). Each Collection Period will commence on (and includes) a Collection Date and end on (but excludes) the next succeeding Collection Date, and, in the case of the first Collection Period, will commence on the Valuation Date (excluded) and end on 2 October 2007 (excluded).

“**Collection Date**” means the 2nd of January, April, July and October, or if any such day is not a Business day the immediately following Business Day, of each year, until the Notes have been repaid or otherwise redeemed in full.

Each Servicer has undertaken to prepare and submit to the Originators, the Calculation Agent, the Swap Counterparty, the Representative of the Noteholders, the Rating Agencies and the Issuer, by the monthly report date (each such date, a “**Monthly Report Date**”), monthly reports (each, a “**Monthly Report**”) in the form set out in each Servicing Agreement and containing information related to the Collections occurred in the previous month as to the BPN Portfolio or the CREBERG Portfolio, as the case may be, the Claims and any Collections and Recoveries in respect of the preceding Collection Period. The first Monthly Report Date will be the 7 September 2007.

Each Servicer has, also, undertaken to prepare and submit to the Calculation Agent, the Swap Counterparty, the Rating Agencies, the Representative of the Noteholders and the Issuer, by the quarterly report date (each such date, a “**Quarterly Report Date**”), quarterly reports (each, a “**Quarterly Report**”) in the form set out in each Servicing Agreement and containing information as to the BPN Portfolio or CREBERG Portfolio, as the case may be, the Claims and any Collections and Recoveries in respect of the

preceding Collection Period. The first Quarterly Report Date will be the 11 October 2007.

Pursuant to the terms of a back-up servicing agreement entered into on the Signing Date between the Issuer, BPVN and the Servicers (the "**Back-up Servicing Agreement**"), BPVN has agreed to act as back-up servicer (the "**Back-up Servicer**") and to perform the duties and obligations set forth in the relevant Servicing Agreement, in the event any of the Servicers ceasing to act as Servicer under the relevant Servicing Agreement.

Servicing fees

In return for the services provided by each Servicer in relation to the ongoing management of the BPN Claims and CREBERG Claims, respectively, on each Payment Date and in accordance with the applicable Priority of Payments, the Issuer will pay to each of BPN and CREBERG, as Servicers, the Collection Fee, the Recovery Fee and the Servicing Fee.

"See "The Servicing Agreements and the Back-up Servicing Agreement", below."

4. The Accounts of the Issuer

The Accounts

Pursuant to the terms of the Cash Management, Calculation and Agency Agreement, the Issuer has opened the following accounts:

- (a) a Euro denominated deposit account, No. 5320189780, titled the "BP Mortgages 2 - BPN Collection Account" (the "**BPN Collection Account**") which will be held in Italy with the Italian Account Bank in the name of the Issuer for so long as the Italian Account Bank qualifies as an Eligible Institution for the deposit of all amounts collected and/or recovered by BPN, as Servicer, in respect of the Claims pursuant to the BPN Servicing Agreement;
- (b) a Euro denominated deposit account, No. 5320249780, titled the "BP Mortgages 2 - CREBERG Collection Account" (the "**CREBERG Collection Account**") which will be held in Italy with the Italian Account Bank in the name of the Issuer for so long as the Italian Account Bank qualifies as an Eligible Institution for the deposit of all amounts collected and/or recovered by CREBERG, as Servicer, in respect of the Claims pursuant to the CREBERG Servicing Agreement;
- (c) a Euro denominated deposit account, No. 5320179780, titled the "BP Mortgages 2 - Payment Account" (the "**Payments Account**") which will be held in Italy with the Italian Account Bank in the name of the Issuer for so long as the Italian Account Bank qualifies as an Eligible Institution, into which amounts due and payable on the relevant Payment Date (i) will be transferred from each of

the Collection Accounts and, if any, from the Cash Reserve Account and (ii) will be paid by the Swap Counterparty under the Swap Agreement (excluding any collateral delivered to the Issuer pursuant to the credit support annex relating to the Swap Agreement, except in circumstances in which the Issuer is entitled to use such monies into the Payments Account in accordance with the terms of the Cash Management, Calculation and Agency Agreement) and out of which, on any Payment Date, payments will be made in accordance with the applicable Priority of Payments;

- (d) a Euro denominated deposit account, No. 5320199780, titled the "BP Mortgages 2 - Cash Reserve Account" (the "**Cash Reserve Account**") which will be held in Italy with the Italian Account Bank in the name of the Issuer for so long as the Italian Account Bank qualifies as an Eligible Institution into which the Issuer will deposit and maintain, according with the applicable Priority of Payments, the Cash Reserve Amount;
- (e) a Euro denominated deposit account, No. 5320169780, titled the "BP Mortgages 2 - Expenses Account" (the "**Expenses Account**") which will be held in Italy Milan with the Italian Account Bank in the name of the Issuer for so long as the Italian Account Bank qualifies as an Eligible Institution into which (i) the Issuer will deposit Euro 30,000 (the "**Retention Amount**") on the Issue Date and (ii) on each Payment Date an amount as to replenish the Expenses Account up to the Retention Amount shall be paid, in accordance with the applicable order of priority, from the Payments Account and out of which any taxes due and payable by the Issuer and any fees, costs and expenses required to be paid to any third party other than the Noteholders and the other Issuer Secured Creditors in order to preserve the corporate existence of the Issuer or to maintain it in good standing or to comply with applicable legislation and regulations will be applied, either on a Payment Date or between a Payment Date and the subsequent Payment Date, as the case may be.

The accounts indicated from (a) to (e) are collectively referred as to the "**Issuer Accounts**".

In addition, the Issuer has opened a euro denominated account, No. 38403, titled the "**BP Mortgages S.r.l. Corporate Capital Account**" which will be held in Italy with Credito Bergamasco, Milan branch, into which all amounts contributed by the Quotaholder as quota capital of the Issuer have been credited.

Pursuant to the Cash Management, Calculation and Agency Agreement, in the event that any collateral is posted pursuant to

the credit support annex to the Swap Agreement, the Issuer shall be obliged to open an account with an Eligible Institution for the deposit of such collateral (the “**Collateral Account**”).

Provisions relating to the Cash Manager

Pursuant to the Cash Management, Calculation and Agency Agreement, the Cash Manager has agreed to invest on behalf of the Issuer funds standing to the credit of the Collection Accounts and the Cash Reserve Account, in Eligible Investments.

See “*Credit Structure – Eligible Investments*”, below.

Provisions relating to the Italian Account Bank

Pursuant to the Cash Management, Calculation and Agency Agreement, the Italian Account Bank has, *inter alia*, agreed (i) to provide the Issuer with certain services in connection with account handling and reporting requirements in relation to the monies and securities, as applicable, from time to time standing to the credit of the Issuer Accounts, including the preparation of statements of account within the Business Day before each Calculation Date (the “**Statement of the Issuer Accounts**”) and (ii) promptly credit to the relevant Collection Account any residual amounts standing to the credit of the Payments Account after all the amounts due and payable at the relevant Payment Date have been made in full in accordance with the applicable Priority of Payments, including the preparation of statements of account within the Business Day before each Calculation Date.

If the Italian Account Bank ceases to be an Eligible Institution, the Issuer will transfer the Issuer Accounts from the Italian Account Bank to another Eligible Institution within 30 (thirty) calendar days starting from the date on which the downgrading has been operated by the Rating Agencies.

Provisions relating to the Principal Paying Agent

Pursuant to the Cash Management, Calculation and Agency Agreement, the Principal Paying Agent has, *inter alia*, agreed to make all payments of interest and/or principal due to the Noteholders.

Calculation Agent

Pursuant to the Cash Management, Calculation and Agency Agreement, the Calculation Agent has agreed to provide the Issuer with certain calculation, notification and reporting services in relation to the Claims and the Notes. By no later than the third Business Day prior to each Payment Date (each such date, a “**Calculation Date**”), the Calculation Agent will calculate based, *inter alia*, on the Quarterly Report and the Statement of the Italian Account Bank, the Issuer Available Funds and the payments to be made under the Priority of Payments set out below and will prepare a report (the “**Payments Report**”) setting forth, *inter alia*, each of the above amounts and will deliver the Payments Report to, *inter alia*, the Issuer, the Principal Paying Agent, the Cash Manager, the Swap Counterparty, the Rating Agencies and the Servicers. The Calculation Agent, has, also, agreed to maintain or procure the maintenance of records in respect of each of the BPN

Portfolio and CREBERG Portfolio, respectively, and such records will, on each Calculation Date, show separately all the relevant data, information and calculation related to each such portfolios.

In addition, the Calculation Agent has agreed to prepare and deliver (no later than 5 (five) Business Days following the relevant Payment Date) shall deliver via e-mail or fax transmission to the Issuer, the Cash Manager, the Paying Agents, the Italian Account Bank, the Representative of the Noteholders, the Servicers, the Swap Counterparty and the Rating Agencies the investor report (the "**Investor Report**"), with respect to the immediately preceding Collection Period, containing details of, *inter alia*, the Claims, amounts received by the Issuer from any source during the preceding Collection Period, amounts paid by the Issuer during such Collection Period and amounts paid by the Issuer on the immediately preceding Payment Date. The Investor Report will also be available on the website of the Calculation Agent, currently at <http://www.bnyinvestorreporting.com>.

Payments under the Notes

Based on the Payments Report, the Principal Paying Agent will make the payments under the Notes set forth in the relevant Priority of Payments described below.

5. Priority of Payments

Issuer Available Funds

On each Calculation Date, the Calculation Agent will calculate the Issuer Available Funds, which will be used by the Issuer to make the payments set out in the Pre-Enforcement Priority of Payments.

"**Issuer Available Funds**" means collectively the Interest Available Funds (see below) and the Principal Available Funds (see below).

Interest Available Funds

On each Calculation Date and in respect of the immediately following Payment Date, the Calculation Agent will calculate the Interest Available Funds in an amount equal to the sum of:

- (a) all interest component of the Claims (including any interest component of the Claims deriving from the exercise of the Option and/or the Clean-up Option), all prepayment fees and all Recoveries in respect of the Claims and/or the Defaulted Claims and the Delinquent Claims collected by each of the Servicers during the immediately preceding Collection Period and credited into the Collection Accounts;
- (b) all amounts of interest accrued in respect of any of the Issuer Accounts (other than the Corporate Capital Account) or any Eligible Investments and paid during the Collection Period immediately preceding such Calculation Date;

- (c) any amounts available to be drawn from the Cash Reserve Account;
- (d) any amounts available to be drawn from the Expenses Account;
- (e) any net amounts (if positive) paid to the Issuer by the Swap Counterparty in accordance with the terms of the Swap Agreement on the Payment Date immediately following the relevant Calculation Date (excluding any collateral delivered to the Issuer pursuant to the credit support annex relating to the Swap Agreement, except in circumstances in which the Issuer is entitled to use such monies into the Payments Account in accordance with the terms of the Cash Management, Calculation and Agency Agreement);
- (f) any amounts allocated under item (i) of the Principal Priority of Payments (see below) to cover any residual shortfall in the payments of senior expenses and interest on the Senior Notes;
- (g) any other amounts received by the Issuer and not qualified as Principal Available Funds.

Principal Available Funds

On each Calculation Date and in respect of the immediately following Payment Date, the Calculation Agent will calculate the Principal Available Funds in an amount equal to the sum of:

- (a) all principal components of the Claims (including prepaid Claims and prepayments and any principal components of the Claims deriving from the exercise of the Option and/or the Clean-up Option) collected during the immediately preceding Collection Period pursuant to the Servicing Agreements and credited to the Collection Accounts;
- (b) all principal components of the Claims received by the Issuer from the Originators pursuant to the Transfer Agreements during the immediately preceding Collection Period;
- (c) amounts under item (viii) of the Interest Priority of Payments;
- (d) amounts under item (ix) of the Interest Priority of Payments;
- (e) amounts under item (xii) of the Interest Priority of Payments;
- (f) after the service of a Trigger Notice or upon exercise of

the optional redemption for tax reasons pursuant to Condition 6.4 (“Redemption for tax reasons”) or early redemption pursuant to Condition 6.5 (“Early redemption at the option of the Originator”) or Condition 6.6 (“Early redemption at the option of the Issuer”), the proceeds from the sale (if any) of all or part of the Portfolio; and

- (g) any other amounts received by the Issuer and not qualified as Interest Available Funds.

Pre-Enforcement Priority of Payments

The Interest Available Funds and the Principal Available Funds in respect of each Payment Date, shall be applied in accordance with the priority of payments set forth below for the application, before the delivery of a Trigger Notice, of the Interest Available Funds and the Principal Available Funds, (each, a “**Pre-Enforcement Priority of Payments**”).

Interest Priority of Payments

On each Payment Date prior to the delivery of a Trigger Notice, the Interest Available Funds shall be applied in accordance with the following order of priority (the “**Interest Priority of Payments**”) (in each case, only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of any and all costs, expenses, fees, taxes or other amounts incurred by the Issuer in connection with the Securitisation and required to preserve the Issuer’s corporate existence and maintain it in good standing;
- (ii) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of any and all outstanding fees, costs and expenses of, and all other amounts due and payable to:
 - (A). the Representative of the Noteholders and the Security Trustee; and
 - (B). the Cash Manager, the Calculation Agent, the Servicers, the Corporate Services Provider, the Paying Agents and the Italian Account Bank;
- (iii) *third*, in or towards satisfaction of any and all amounts necessary to replenish the Expenses Account up to the Retention Amount;
- (iv) *fourth*, in or towards satisfaction of any and all amounts due and payable to the Swap Counterparty under the terms of the Swap Agreement other than any termination payment due to the Swap Counterparty when the Swap Counterparty is the Defaulting Party or the Sole Affected Party;

- (v) *fifth*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series A1 Rate of Interest and Series A2 Rate of Interest;
- (vi) *sixth*, (a) prior to the occurrence of a Series B Trigger Event, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series B Rate of Interest, or (b) following the occurrence of a Series B Trigger Event an amount equal to zero until the Series A Notes have been repaid in full;
- (vii) *seventh*, (a) prior to the occurrence of a Series C Trigger Event, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series C Rate of Interest, or, (b) following the occurrence of a Series C Trigger Event an amount equal to zero until the Series A Notes and the Series B Notes have been repaid in full;
- (viii) *eighth*, in or towards satisfaction of any positive balance of the Principal to Pay Interest Ledger;
- (ix) *ninth*, in or towards satisfaction of any and all amounts to be credited on the Principal Deficiency Ledger;
- (x) *tenth*, in or towards satisfaction of any and all amounts necessary to fund or replenish, as the case may be, the Cash Reserve Account up to the Cash Reserve Required Level;
- (xi) *eleventh*, in or towards satisfaction, *pro rata* and *pari passu*, of:
 - (A). the component of the BPN Portfolio Purchase Price related to the accrued interest on the BPN Claims due to BPN from the date on which such interests have been paid under the relevant BPN Mortgage Loan until the Valuation Date, pursuant to the BPN Transfer Agreement; and
 - (B). the component of the CREBERG Portfolio Purchase Price related to the accrued interest on the CREBERG Claims due to CREBERG from the date on which such interests have been paid under the relevant CREBERG Mortgage Loan until the Valuation Date, pursuant to the CREBERG Transfer Agreement;
- (xii) *twelfth*, following the occurrence of a Series M Trigger Event, to apply all remaining Interest Available Funds to pay any amount payable under the Principal Priority of Payments on such Payment Date;

- (xiii) *thirteenth*, in or towards satisfaction of any termination payment due and payable to the Swap Counterparty under the terms of the Swap Agreement and in the event of any Insolvency Proceedings of any of the Originators, other than the payments referred to under item (iv) above;
- (xiv) *fourteenth*, in or towards satisfaction of any and all amounts to be paid as Series M Rate of Interest; and
- (xv) *fifteenth*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts remaining once payments under item (i) to (xiv) have been made in full, to be paid with respect to the Series M1 Notes multiplied for the BPN Portfolio Liability Ratio and to the Series M2 Notes multiplied for the CREBERG Portfolio Liability Ratio.

Principal Priority of Payments

On each Payment Date prior to the delivery of a Trigger Notice, the Principal Available Funds shall be applied in accordance with the following order of priority (the “**Principal Priority of Payments**”) (in each case, only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to the extent that the Interest Available Funds of such Payment Date would otherwise be insufficient to enable the Issuer to pay the Interest Amount due on such Payment Date on the Series C Notes and the other items ranking prior thereto under the Interest Priority of Payments, to set aside, to form part of the Interest Available Funds, such amount to enable the Issuer to satisfy the aforementioned payment obligations;
- (ii) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of any and all amounts of principal due and payable to the Series A1 Notes;
- (iii) *third*, prior to the occurrence of a Proportional Payment Trigger, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series A2 Notes;
- (iv) *fourth*, unless already paid under item (vi) of the Interest Priority of Payments, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series B Rate of Interest;
- (v) *fifth*, prior to the occurrence of a Proportional Payment Trigger, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series B Notes;
- (vi) *sixth*, unless already paid under item (vii) of the Interest

Priority of Payments, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series C Rate of Interest;

- (vii) *seventh*, prior to the occurrence of a Proportional Payment Trigger, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series C Notes;
- (viii) *eighth*, following the occurrence of a Proportional Payment Trigger, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series A2, to the Series B Notes and to the Series C Notes;
- (ix) *ninth*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of any and all amounts due and payable to the Originators, in respect of any Originators' claims under the terms of the relevant Transfer Agreement; and
- (x) *tenth*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts of principal due and payable to the Series M1 Notes and to the Series M2 Notes;

provided that prior to the expiry of the Initial Period any and all amounts due as principal payment on the Notes will be credited on the Collection Accounts.

Post-Enforcement Priority of Payments

At any time following delivery of a Trigger Notice, or, in the event that the Issuer opts for the early redemption of the Notes under Condition 6.4 ("*Redemption for tax reasons*"), Condition 6.5 ("*Early redemption at the option of the Originator*"), or Condition 6.6 ("*Early redemption at the option of the Issuer*") or, all amounts received or recovered by or on behalf of the Issuer or the Representative of the Noteholders in respect of the Claims, the Security Documents and any of the other Transaction Documents will be applied by or on behalf of the Representative of the Noteholders in the following order (the "**Post-Enforcement Priority of Payments**") but in each case, only if and to the extent that payments of a higher priority have been made in full:

- (i) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of any and all costs, expenses, fees, taxes or other amounts incurred by the Issuer in connection with the Securitisation and required to preserve the Issuer's corporate existence and maintain it in good standing;
- (ii) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of any and all outstanding fees, costs and expenses of, and all other amounts due and payable to:

- (A). the Representative of the Noteholders and the Security Trustee; and
- (B). the Cash Manager, the Calculation Agent, the Servicers, the Corporate Services Provider, the Paying Agents and the Italian Account Bank;
- (iii) *third*, in or towards satisfaction of any and all amounts necessary to replenish the Expenses Account up to the Retention Amount;
- (iv) *fourth*, in or towards satisfaction of any and all amounts due and payable to the Swap Counterparty under the terms of the Swap Agreement other than any termination payment due to the Swap Counterparty when the Swap Counterparty is the Defaulting Party or the Sole Affected Party;
- (v) *fifth*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series A1 Rate of Interest and Series A2 Rate of Interest;
- (vi) *sixth*, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable on the Series A1 Notes and the Series A2 Notes;
- (vii) *seventh*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series B Rate of Interest;
- (viii) *eighth*, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series B Notes;
- (ix) *ninth*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series C Rate of Interest;
- (x) *tenth*, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series C Notes;
- (xi) *eleventh*, in or towards satisfaction of any termination payment due and payable to the Swap Counterparty under the terms of the Swap Agreement and in the event of any Insolvency Proceedings of any of the Originators, other than the payments referred to under item (iv) above;
- (xii) *twelfth*, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series M1 Notes and the Series M2 Notes;

- (xiii) *thirteenth*, in or towards satisfaction of any and all amounts to be paid as Series M Rate of Interest; and
- (xiv) *fourteenth*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts remaining once payments under item (i) to (xiii) have been made in full, to be paid with respect to the Series M1 Notes multiplied for the BPN Portfolio Liability Ratio and to the Series M2 Notes multiplied for the CREBERG Portfolio Liability Ratio.

In the event that the Issuer redeems any Notes in whole or in part prior to the Initial Period, the Issuer will be required to pay a tax in Italy equal to 20 per cent. of all interest accrued on such principal amount repaid early up to the relevant repayment date. This requirement will apply whether or not the redemption takes place following a Trigger Event under the Notes or pursuant to any requirement of the Issuer to redeem the Notes following the service of a Trigger Notice in connection with any such Trigger Event. Consequently, following a Trigger Event, the Issuer may, with the consent of the Representative of the Noteholders, and shall, if so instructed by the Representative of the Noteholders, delay the redemption of the Notes until the end of the Initial Period.

See "*Taxation in the Republic of Italy*".

6. Redemption of the Notes

Mandatory redemption of the Notes

Prior to the service of a Trigger Notice, if, at close of business on the Calculation Date falling immediately prior to the Initial Period, and on each Calculation Date thereafter, there are sufficient Issuer Available Funds, the Issuer will apply such Issuer Available Funds on the immediately following Payment Date in or towards the mandatory redemption of the Notes of each Series (in whole or in part) in accordance with the Pre-Enforcement Priority of Payments.

Optional redemption of the Notes

Prior to the service of a Trigger Notice, the Issuer may redeem the Notes of all Series (in whole but not in part) at their Principal Amount Outstanding (plus any accrued but unpaid interest) in accordance with the Pre-Enforcement Priority of Payments and subject to the Issuer having sufficient funds to redeem all the Notes and to make all payments ranking in priority, or *pari passu*, thereto, on any Payment Date on which the Outstanding Principal of the Portfolio is equal to, or less than, 10 per cent. of the Initial Outstanding Amount of the Portfolio, subject to the Issuer:

- (a) giving not more than 60 nor less than 30 days' notice to the Swap Counterparty, the Representative of the Noteholders and the Noteholders, in accordance with Condition 14 (*Notice to Noteholders*), of its intention to

redeem all Series of Notes (in whole but not in part); and

- (b) having provided, prior to giving any such notice, to the Representative of the Noteholders a certificate signed by the chairman of the board or the sole director of the Issuer (as applicable) to the effect that it will have the funds on such Payment Date to discharge its obligations under the Notes and any obligations ranking in priority, or *pari passu*, thereto; and
- (c) giving not more than 60 nor less than 30 days' written notice to the Bank of Italy of its intention to redeem all Series of Notes (in whole but not in part),

provided, however, that pursuant to each of the Transfer Agreements, the consideration for the purchase of the Claims (other than the Delinquent Claims and the Defaulted Claims) to be paid by the Originators (should the Originators purchase the Claims from the Issuer) may not exceed the aggregate of (I) the Outstanding Principal of the Claims at the Clean-up Option Date and (II) the Interest Instalment accrued but unpaid at the Clean-up Option Date. Moreover, in relation to the Defaulted Claims and the Delinquent Claims, the consideration to be paid by the Originators (should the Originators purchase the Claims from the Issuer) shall not exceed the Current Value (see below) of such Defaulted Claims and the Delinquent Claims at the Clean-up Option Date (the "**Clean-up Option**").

The purchase price relating to the Clean-up Option shall be credited on the Payments Account at least one Business Day prior to the Payment Date immediately succeeding the Clean-up Option Date.

"**Current Value**" means (i) the value represented in the balance sheet of the Issuer calculated on the basis of the accounting principles issued by the International Accounting Standard Board or (ii) if requested by a Bank of Italy order the value determined on the basis of the criteria indicated therein.

The Issuer is entitled, pursuant to the Intercreditor Agreement, to dispose of the Claims in order to finance the redemption of the Notes in the circumstances described above.

Optional redemption in whole for taxation, legal or regulatory reasons

Prior to the service of an Trigger Notice, the Issuer may redeem the Notes of all Series (in whole but not in part) at their Principal Amount Outstanding (plus any accrued but unpaid interest) in accordance with the Post-Enforcement Priority of Payments and subject to the Issuer having sufficient funds to redeem all the Notes and to make all payments ranking in priority, or *pari passu*, thereto, on any Payment Date if, by reason of a change in law or the interpretation or administration thereof since the Issue Date:

- (a) the assets of the Issuer in respect of this Securitisation

(including the Claims, the Collections, the Recoveries and the other Issuer's Rights) become subject to taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or by any political sub-division thereof or by any authority thereof or therein or by any applicable taxing authority having jurisdiction; or

- (b) either the Issuer or any paying agent appointed in respect of the Notes or any custodian of the Notes is required to deduct or withhold any amount (other than in respect of a Decree 239 Withholding) in respect of the Notes of any Series, from any payment of principal or interest on such Payment Date 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 the Republic of Italy or by any political sub-division thereof or by any authority thereof or therein or by any other applicable taxing authority having jurisdiction and provided that such deduction or withholding may not be avoided by appointing a replacement paying agent or custodian in respect of the Notes before the Payment Date following the change in law or the interpretation or administration thereof; or
- (c) any amounts of interest payable on the Mortgage Loans to the Issuer are required to be deducted or withheld from the Issuer 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 the Republic of Italy or by any political sub-division thereof or by any authority thereof or therein or by any other applicable taxing authority having jurisdiction; or
- (d) it is or will become unlawful 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;

subject to the Issuer:

- (i) giving not more than 60 nor less than 30 days' written notice (which notice shall be irrevocable) to the Swap Counterparty, the Representative of the Noteholders and the Noteholders, pursuant to Condition 14 (*Notice to Noteholders*), of its intention to redeem all (but not some only) the Notes; and
- (ii) providing to the Representative of the Noteholders:
 - (A) a legal opinion (in form and substance satisfactory to the Representative of the Noteholders) from a

firm of lawyers of international repute (approved in writing by the Representative of the Noteholders) opining on the relevant change in law or interpretation or administration thereof;

- (B) a certificate from the chairman of the board of directors or the sole director of the Issuer (as applicable) stating that the obligation to make such deduction or withholding or the suffering by the Issuer of such deduction or withholding cannot be avoided or, as the case may be, the events under paragraphs (a) to (d) above will apply on the next Payment Date and cannot be avoided by the Issuer taking reasonable endeavours; and
- (C) a certificate from the chairman of the board of directors or the sole director of the Issuer (as applicable) to the effect that it will have the funds on such Payment Date to discharge its obligations under: (i) the Notes and any obligations ranking in priority, or *pari passu*, thereto together with any additional taxes payable by the Issuer by reason of such early redemption of the Notes; or (ii) the Senior Notes and any obligations ranking in priority thereto, or *pari passu* therewith, but not the Series M Notes, and the Series M Noteholders have consented to such redemption.

The Issuer is entitled, pursuant to the Intercreditor Agreement, to dispose of the Claims in order to finance the redemption of the Notes in the circumstances described above.

Estimated weighted average life of the Notes and assumptions

The estimated weighted average life of the Notes cannot be predicted as the actual rate at which the Mortgage Loans will be repaid and a number of other relevant factors are unknown. Calculations of the possible estimated weighted average life of the Notes have been based on certain assumptions including, *inter alia*, that the Mortgage Loans are subject to a constant payment rate as shown in “*Estimated Weighted Average Life of the Notes and Assumptions*”, below.

7. Credit Structure

Cash Reserve

The Issuer will establish a reserve fund in the Cash Reserve Account.

“**Cash Reserve Amount**” means the amount up to, but not exceeding, the Cash Reserve Required Level, standing from time to time to the credit of the Cash Reserve Account. The Issuer will fund the Cash Reserve Amount by crediting, on each Payment Date, into the Cash Reserve Account the relevant amount out of the Interest Available Funds and in accordance with the Pre-

Enforcement Interest Priority of Payments.

On the Issue Date the balance of the Cash Reserve Account will be equal to zero.

“Cash Reserve Required Level” means 0,7% of the Principal Amount Outstanding of the Notes as at the Issue Date, provided that:

- (A) if the Cumulative Net Default Ratio is higher than 2.00%, the Cash Reserve Amount shall be increased up to 1.2% of the Principal Amount Outstanding of the Notes as at the Issue Date, on the immediately following Payment Date and shall be maintained so increased as long as such ratio is above 2.00%;
- (B) the Cash Reserve Amount will be reduced to the higher of 0.4% of the Principal Amount Outstanding of the Notes as at the Issue Date, and 0.7% of the Principal Amount Outstanding of the Notes as at such Calculation Date, to the extent:
 - (i) the Series A Notes Credit Enhancement on the relevant date or any date occurring prior to that date is at least equal to 2.5 times the initial Series A Notes Credit Enhancement; ;
 - (ii) there is no Principal Deficiency Ledger Outstanding Balance;
 - (iii) the Delinquency Level is below 3.5%;
 - (iv) the Cash Reserve Amount is at the Cash Reserve Required Level;
 - (v) the Initial Period has expired; and
 - (vi) the Cumulative Gross Default Ratio is below 2.6%;
 - (vii) the Cumulative Net Default Ratio is below 1.3%;
 - (viii) BPVN has a rating at least equal to BBB, Baa2 and BBB assigned by S&P, Moody’s and Fitch, respectively;
- (C) on the Payment Date on which the Notes will be redeemed in full, the Cash Reserve Amount will be reduced to zero.

On each Payment Date, the Cash Reserve Amount will be increased or replenished, as the case may be, up to the Cash Reserve Required Level in accordance with the Pre-Enforcement Priority of Payments.

On each Calculation Date, the Cash Reserve will be used to augment the Interest Available Funds.

Principal Deficiency Ledger

The principal deficiency ledger is the ledger maintained by the Calculation Agent pursuant to the Cash Management, Calculation and Agency Agreement, showing on each Calculation Date, the positive difference between:

- (A) the Outstanding Principal of all Claims arising under those Mortgage Loan Agreements that are classified, on the relevant Calculation Date, as Defaulted Claims or, that have been classified as Defaulted Claims on any preceding Calculation Dates; and
- (B) any Interest Available Funds transferred on the preceding Payment Dates to the Principal Available Funds according to item (ix) of the Interest Priority of Payments.

Principal to Pay Interest Ledger

The Principal to Pay Interest Ledger is the ledger maintained by the Calculation Agent pursuant to the Cash Management, Calculation and Agency Agreement, showing on each Calculation Date, the difference between:

- (A) all Principal Available Funds applied on the preceding Payment Dates in or towards satisfaction of any and all amounts due and payable in accordance with item (i) of the Principal Priority of Payments, and
- (B) all Interest Available Funds applied on the preceding Payment Dates in or towards satisfaction of any and all amounts due and payable in accordance with item (viii) of the Interest Priority of Payments.

Eligible Investments

Pursuant to the Cash Management, Calculation and Agency Agreement, the Cash Manager shall, on behalf of the Issuer, invest amounts standing to the credit of the Collection Accounts and the Cash Reserve Account, as the case may be, in Eligible Investments.

Swap Agreement

The Issuer has entered into the Swap Agreement with the Swap Counterparty in order to hedge against the potential interest rate exposure of the Issuer in relation to its floating rate interest obligations under the Notes.

See "*Credit structure – The Swap Agreement*", below.

Governing Law

The Transaction Documents, other than the English Deed of Charge and the Swap Agreement which shall be governed by the English law, are governed by Italian law

RISK FACTORS

The following is a summary of certain aspects of the issue of the Notes of which prospective Noteholders should be aware. This summary is not intended to be exhaustive, and prospective Noteholders should also read the detailed information set out elsewhere in this Prospectus and the Transaction Documents and reach their own views prior to making any investment decision. Additional risks and uncertainties not presently known to the Issuer or that it currently believes to be immaterial could also have a material impact on its business operations. Words and expressions defined in the Conditions or elsewhere in this Prospectus have the same meanings in this section. Investing in the Notes involves certain risks. Prospective investors should consider, among other things, the following:

1. Suitability

Prospective investors should determine whether an investment in the Notes is appropriate in their particular circumstances and should consult with their legal, business and tax advisers to determine the consequences of an investment in the Notes and to arrive at their own evaluation of the investment.

Investment in the Notes is only suitable for investors who:

1. have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Notes;
2. have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of their financial situation;
3. are capable of bearing the economic risk of an investment in the Notes; and
4. recognise that it may not be possible to dispose of the Notes for a substantial period of time, if at all.

Prospective investors in the Notes should make their own independent decision whether to invest in the Notes and whether an investment in the Notes is appropriate or proper for them, based upon their own judgment 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 Originators, the Joint Arrangers or the Joint-Lead Managers as investment advice or as a recommendation to invest in the Notes, it being understood that information and explanations related to the 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 Joint Arrangers or the Joint-Lead Managers or the Originators or from any other person shall be deemed to be an assurance or guarantee as to the expected results of an investment in the Notes.

2. 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 be guaranteed by, any of the Originators in any capacity, the Representative of the Noteholders, the Corporate Services Provider, the Calculation Agent, the Paying Agents, the Italian Account Bank, the Swap Counterparty, the Swap Guarantor, the Joint Arrangers, the Joint-Lead Managers, the shareholder of the Issuer or any other person. None of such persons accepts

any liability whatsoever in respect of any failure by the Issuer to make any payment of any amount due on the Notes.

The Issuer's principal assets will be the Claims. As at the date hereof, the Issuer's principal assets are the Claims. For a description of the Claims and the Eligibility Criteria, see "*The Provisional Portfolio*" and "*The Transfer Agreements*", below.

The Issuer will not have any significant assets, for the purpose of meeting its obligations under this Securitisation, other than the Claims, any amounts and/or securities standing to the credit of the Issuer Accounts and its rights under the Transaction Documents to which it is a party.

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

The ability of the Issuer to meet its obligations in respect of the Notes will be dependent on, *inter alia*, the timely payment of amounts due under the Mortgage Loans by the Borrowers, the receipt by the Issuer of Collections received on its behalf by each of the Servicers in respect of the Mortgage Loans from time to time in the Portfolio, as well as on the receipt of any payments required to be made by the Swap Counterparty under the Swap Agreement and of 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. See "*Risk Factors - Administration and reliance on third parties*", below.

The Notes will be limited recourse obligations solely of the Issuer. If there are not sufficient funds available to the Issuer 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 Secured Creditors is the exercise by the Representative of the Noteholders of the Issuer's Rights.

Upon enforcement of the Security Documents, the Representative of the Noteholders will have recourse only to the Claims and to the assets pledged, charged and assigned pursuant to the Deed of Pledge and the English Deed of Charge. Other than as provided in the Transfer Agreements and in the Servicing Agreements, the Issuer and the Representative of the Noteholders will have no recourse to any of the Originators or to any other entity including, but not limited to, in circumstances where the proceeds received by the Issuer from the enforcement of any particular Mortgage Loan are insufficient to repay in full the Claim in respect of such Mortgage Loan.

If, upon default by one or more Borrowers under the Mortgage Loans and after the exercise by any of the Servicers of all usual remedies in respect of such Mortgage Loans, the Issuer does not receive the full amount due from those Borrowers, then Noteholders may receive by way of principal repayment an amount less than the face value of their Notes and the Issuer may be unable to pay in full interest due on the Notes.

3. Performance of the Portfolio

The Portfolio is comprised of (i) residential *Fondiari* Mortgage Loans (ii) residential *Ipotecari* Mortgage Loans. There can be no guarantee that the Borrowers will not default under such

Mortgage Loans or that they will continue to perform thereunder. It should be noted that adverse changes in economic conditions may affect the ability of the Borrowers to repay the Mortgage Loans.

The recovery of overdue amounts in respect of the Mortgage Loans will be affected by the length of enforcement proceedings in respect of the Portfolio, which in the Republic of Italy can take a considerable amount of time depending on the type of action required and where such action is taken. Factors which can have a significant effect on the length of the proceedings include the following: (i) certain courts may take longer than the national average to enforce the Mortgage Loans and the Mortgages; (ii) obtaining title deeds from land registries which are in the process of computerising their records can take up to two or three years; and (iii) further time is required for the proceedings if it is necessary first to obtain a payment injunction (*decreto ingiuntivo*) and if the Borrower raises a defence or counterclaim to the proceedings. In the Republic of Italy it takes an average of six to seven years from the time lawyers commence enforcement proceedings to the time an auction date is set for the forced sale of any assets. See "*Selected aspects of Italian law*" below.

Recovery proceeds may also be affected by, among other things, a decline in property values. No assurance can be given that the values of the mortgaged properties have remained or will remain at the same level as on the dates of origination of the related Mortgage Loans. If the property market in the Republic of Italy experiences an overall decline in property values, such a decline could, in certain circumstances, result in the value of the security created by the Mortgages being significantly reduced and, ultimately, may result in losses to the Noteholders.

4. No independent investigation in relation to the Portfolio

None of the Issuer, the Joint Arrangers, the Joint-Lead Managers nor any other party to the Transaction Documents (other than the Originators) has undertaken or will undertake any loan file review, searches or other actions to verify the details of the Claims and the Portfolio, nor has any of such persons undertaken, nor will any of them undertake, any investigations, searches or other actions to establish the creditworthiness of any Borrowers or any other debtor thereunder. There can be no assurance that the assumptions used in modelling the cash flows of the Claims and the Portfolio accurately reflects the status of the underlying loans.

The Issuer will rely instead on the representations and warranties given by each of the Originators in the relevant 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 Claim will be the requirement that the relevant Originator indemnifies the Issuer for the damage deriving therefrom or repurchases the relevant Claim. See "*the Transfer Agreement*", below. There can be no assurance that the Originators will have the financial resources to honour such obligations.

Although the parties to each of the Transfer Agreements have expressly agreed that claims for breach of representations and warranties given by any of the Originators within the context of the Securitisation may be pursued within the 10 (ten) year ordinary prescription until six months period starting from the date on which the misrepresentations have been discovered, has expired, it cannot be excluded that a one year prescription period from the entry into of each of the Transfer Agreements could be held to apply to some or all the representations and warranties given by each of the Originators on the ground that Article 1495 of the Italian Civil Code may not be derogated by the parties where the representations and warranties are given in relation to a sale contract (*contratto di compravendita*) such as any transfer of Claims under the Transfer Agreements.

5. Liquidity and credit risk

The Issuer is subject to the risk of delay arising between the receipt of payments due from Borrowers and the scheduled Payment Dates. The Issuer is also subject to the risk of, *inter alia*, default in payment by the Borrowers and failure by the Servicers to collect or recover sufficient funds in respect of the Claims in order to enable the Issuer to discharge all amounts payable under the Notes. These risks are mitigated (A) by the credit support provided (i) to the Series A1 Notes by the subordination of the Series A2 Notes, Series B Notes, Series C Notes and Series M Notes (ii) to the Series A2 Notes by the subordination of the Series B Notes, Series C Notes and the Series M Notes (iii) to the Series B Notes by the subordination of the Series C Notes and the Series M Notes (iv) and to the Series C Notes by the subordination of the Series M Notes and by (B) the liquidity and, to a lesser extent, credit support provided in respect of each Series of Notes by the Cash Reserve Amount.

However, in each case, there can be no assurance that the levels of credit support and liquidity support provided will be adequate to ensure punctual and full receipt of amounts due under the Notes.

6. Interest rate risk

The Issuer expects to meet its obligations under the Notes primarily from Collections in respect of the Claims. Whilst the obligations of the Issuer to pay interest under the Notes are correlated to EURIBOR, only part of the Mortgage Loans vary with EURIBOR. The fixing date of EURIBOR, as well as the basis for calculating interest, under the Mortgage Loans and under the Notes, are also different. To mitigate the Issuer from a situation where EURIBOR increases to such an extent that the Collections, for the reasons described above in this paragraph, are no longer sufficient to cover the Issuer's obligations under the Notes, the Issuer has executed the Interest Rate Swap Transactions with the Swap Counterparty.

Should the Swap Counterparty and the Swap Guarantor fail to provide the Issuer with all amounts owing to the Issuer (if any) on any payment date under the Swap Agreement, or should the Interest Rate Swap Transactions otherwise be terminated, then the Issuer may have insufficient funds to make payments of interest on the Notes. See "*Credit Structure*", below.

Prospective investors' attention is drawn to the fact that, in such circumstances, if the Issuer is not able to make payments due on the Notes, such non-payment could constitute a Trigger Event and cause the Representative of the Noteholders to serve to the Issuer a Trigger Notice in respect of the Notes.

The Swap Agreement will contain certain limited termination events and events of default which will entitle either party to terminate the Swap Agreement (see "*Credit Structure*" below). For instance, the Issuer may terminate the Swap Agreement, *inter alia*, if, after the occurrence of a Rating Event (as defined in the Swap Agreement), the Swap Counterparty fails to take such action as is required in the Swap Agreement to remedy such Rating Event (as defined in the Swap Agreement). See "*Credit Structure - The Swap Agreement*", below.

If the Swap Agreement is terminated for any reason, the Issuer may be required to pay an amount to the Swap Counterparty as a result of the termination. Following such a termination any payments by the Issuer to the Swap Counterparty will be made in accordance with the applicable Priority of Payments.

Accordingly:

- (i) any termination payment payable by the Issuer to the Swap Counterparty, other than an amount payable following the occurrence of a Swap Subordination Event (and save as otherwise provided in the applicable Priority of Payments), will be made in accordance with the fourth item of the Pre-Enforcement Priority of Payments, or, as applicable, the fourth item of the Post-Enforcement Priority of Payments; and
- (ii) any termination payment (if any) payable by the Issuer to the Swap Counterparty following the occurrence of a Swap Subordination Event (save as otherwise provided in the applicable Priority of Payments), will be made in accordance with the thirteenth item of the Pre-Enforcement Priority of Payments, or, as applicable, the eleventh item of the Post-Enforcement Priority of Payments.

According to the mark-to-market collateral agreement (an ISDA credit support annex) which forms part of the Swap Agreement in place between the Issuer and the Swap Counterparty, the Issuer's obligation to return, from time to time, any Collateral to the Swap Counterparty will be met, from time to time, by utilising monies and/or securities standing to the credit of the of the relevant account in which Collateral has been deposited. The Issuer will make these payments and/or will return collateral to the Swap Counterparty as they fall due which may include days other than the Payment Dates. These payments and/or return of collateral will be made directly to the Swap Counterparty and outside of the applicable Priority of Payments.

Any amount paid by the Swap Counterparty, as the case may be, to the Issuer upon termination of the Swap Agreement in respect of any termination payment and exceeding the net amounts which would have been due and payable by the Swap Counterparty with respect to the next Payment Date had the Swap Agreement not been terminated will not form part of the Issuer Available Funds in respect of the immediately following Payment Date. Such amount may be utilised by the Issuer, on any day, to pay the premium due to the replacement swap counterparty for entering into a swap transaction reflecting, as closely as reasonably possible, the economic, legal and credit terms of the terminated Swap Agreement, save in certain limited circumstances.

7. Noteholders' directions and resolutions in respect of early redemption of the Notes

In a number of circumstances, the Notes may become subject to early redemption. Early redemption of the Notes as a result of some circumstances may be dependent upon receipt by the Representative of the Noteholders of a direction from, or a resolution passed by, a certain majority of Noteholders. If the economic interest of a Noteholder represents a relatively small proportion of the majority and its individual vote is contrary to the majority vote, its direction or vote may be disenfranchised and, if a determination is made by certain of the Noteholders to redeem the Notes, such minority Noteholders may face early redemption of the Notes held by them.

8. Limited enforcement rights

The protection and exercise of the Noteholders' rights and the enforcement of the Security Documents is one of the duties of the Representative of the Noteholders. The Conditions limit the ability of individual Noteholders to commence proceedings (including proceedings for a declaration of insolvency) against the Issuer by conferring on the Meeting of the Noteholders the power to determine in accordance with the Rules of the Organisation of Noteholders the ability of any Noteholder to commence any such individual actions. Accordingly, individual Noteholders may not, without breaching the Conditions, be able to commence proceedings or take other individual remedies against the Issuer unless the Meeting of the Noteholders has approved such action in accordance with the provisions of the Rules of the Organisation of Noteholders.

Remedies available for the purpose of recovering amounts owed in respect of the Notes shall be limited to actions in respect of the Claims, and the proceeds deriving therefrom, and the Security Documents. In the event that the amounts recovered pursuant to such actions are insufficient, after payment of all other claims ranking in priority to or *pari passu* with amounts due under the Notes of each series, to pay in full all principal and interest and other amounts whatsoever due in respect of the Notes, the Noteholders will have no further actions in respect of any such unpaid amounts.

9. Relationship among Noteholders and between Noteholders and other Issuer Secured Creditors

The Intercreditor Agreement contains provisions applicable where, in the opinion of the Representative of the Noteholders, there is a conflict between all or any of the interests of one or more series of Noteholders or between one or more series of Noteholders and any other Issuer Secured Creditors, requiring the Representative of the Noteholders to have regard only to the holders of the Notes of the Most Senior Series then outstanding and the Representative of the Noteholders is not required to have regard to the holders of any other Series of Notes then outstanding, nor to the interests of the other Issuer Secured Creditors, except to ensure that the application of the Issuer's funds is in accordance with the applicable Priority of Payments. In addition, the Intercreditor Agreement contains provisions requiring the Representative of the Noteholders to have regard to the interests of each Series of Noteholders as a Series and relieves the Representative of the Noteholders from responsibility for any consequence for individual Noteholders as a result of such Noteholders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction.

Under Condition 10 (*Trigger Events*), the Representative of the Noteholders is not obliged to serve to the Issuer a Trigger Notice declaring the Notes to be due and payable, unless it is directed to do so by an Extraordinary Resolution of the holders of the Most Senior Series of Notes, and in addition provided that it is indemnified and/or secured to its satisfaction against all liabilities and all costs and expenses (provided that supporting documents are delivered) which it may incur in so doing.

The Intercreditor Agreement contains provisions requiring the Representative of the Noteholders to have regard to the interests of the other Issuer Secured Creditors as regards all powers, trusts, authorities, duties and discretions of the Representative of the Noteholders (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 any Series of outstanding Notes and any other Issuer Secured Creditors, to have regard only (except where specifically provided otherwise) to the interests of the holders of such Series of outstanding Notes, except to ensure that the application of the Issuer's funds is in accordance with the applicable Priority of Payments.

10. Claims of unsecured creditors of the Issuer

Without prejudice to the right of the Representative of the Noteholders to enforce the Security Documents, the Conditions contain provisions stating, and each of the other Issuer Secured Creditors has undertaken pursuant to the Intercreditor Agreement, that no Noteholder or other Issuer Secured Creditors will petition or begin proceedings for a declaration of insolvency against the Issuer until the first day succeeding the first anniversary starting from the Legal Maturity Date of the Notes or, in case the Notes have been prepaid in full, the second anniversary from the date on which the Notes issued by the Issuer to finance the purchase of the Claims have been repaid and cancelled, and, in any event, until the date on which all the notes issued by the Issuer within the context of any other securitisation transaction issued by the Issuer have been repaid or cancelled. There can be no assurance that each and every Noteholder/s and the other Issuer Secured Creditor/s will honour its/their contractual obligation not to petition or begin

proceedings for a declaration of insolvency against the Issuer also before the first anniversary starting from the Legal Maturity Date of the Notes or, in case the Notes have been prepaid in full, the second anniversary from the date on which the Notes issued by the Issuer to finance the purchase of the Claims have been repaid and cancelled, and, in any event, until the date on which all the notes issued by the Issuer within the context of any other securitisation transaction have been repaid or cancelled. In addition, under Italian law, any other creditor of the Issuer who is not a party to the Intercreditor Agreement, a director of the Issuer (who could not validly undertake not to do so) or an Italian public prosecutor (*pubblico ministero*), would be able to begin insolvency or winding-up proceedings against the Issuer in respect of any unpaid debt. Such creditors could arise, for example, by virtue of unexpected expenses owed to third parties including those additional creditors that the Issuer will have as a result of any Further Securitisation (as defined below).

Moreover, the Issuer is unlikely to have a large number of creditors unrelated to this Securitisation or any other securitisation transaction because the corporate object of the Issuer, as contained in its *statuto*, is limited and the Issuer has provided certain covenants in the Intercreditor Agreement which contain restrictions on the activities which the Issuer may carry out with the result that the Issuer may only carry out limited transactions.

No creditors other than the Representative of the Noteholders on behalf of the Noteholders, the other Issuer Secured Creditors and any third-party creditors having the right to claim for amounts due in connection with this Securitisation would have the right to claim in respect of the Claims, even in a bankruptcy of the Issuer.

Notwithstanding the above, 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.

11. Rights of set-off

Under general principles of Italian law, the debtors under the Mortgage Loans are entitled to exercise rights of set-off in respect of amounts due under any Mortgage Loan to the Issuer against any amounts payable by each of the Originators to the relevant Borrower and which came into existence prior to the later of: (i) the publication of the notice of assignment of the Claims in the Italian Official Gazette (*Gazzetta Ufficiale della Repubblica Italiana*) and (ii) the registration of such notice in the competent companies' register. Under the representations and warranties contained in each of the Transfer Agreements, each of the Originators 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 Borrower of a right of set-off.

12. Limited liquidity

There is not at present an active and liquid secondary market for the Notes. While the Joint-Lead Managers may make a market in the Notes, they are under no obligation to do so. The Notes will not be registered under the Securities Act and will be subject to significant restrictions on resale in the United States. Although the application has been made to list the Notes on the Irish Stock Exchange, there can be no assurance that a secondary market for any of the Notes will develop, or, if a secondary market does develop in respect of any of the Notes, that it will provide the holders of such Notes with liquidity of investments or that it will continue until the final redemption or cancellation of such Notes. Consequently, any purchaser of the Notes must be prepared to hold such Notes until the final redemption or cancellation.

13. Further Securitisations

The Issuer may, by way of a separate transaction, purchase (or finance pursuant to article 7 of the Securitisation Law) and securitise further portfolios of monetary claims in addition to the Claims (each, a “**Further Securitisation**”). Before entering into any Further Securitisation, the Issuer is required, *inter alia*, to provide the Representative of the Noteholders with the information requested under the Terms and Conditions and to obtain confirmation from the Rating Agencies that the then current ratings of the Notes issued under this Securitisation and the BPVN Securitisation will not be adversely affected by such Further Securitisation.

Under the terms of article 3 of the Securitisation Law, the assets relating to each securitisation transaction carried out by a company are stated to be segregated from all other assets of the company and from those related to each other securitisation transaction, and, therefore, on a winding-up of such a 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. Accordingly, the right, title and interest of the Issuer in and to the Claims should be segregated from all other assets of the Issuer (including, for the avoidance of doubt, the portfolio purchased by the Issuer in the context of the BPVN Securitisation any other portfolio purchased by the Issuer pursuant to any Further Securitisation) and amounts deriving therefrom should be available on a winding-up of the Issuer only to satisfy the obligations of the Issuer to the Noteholders and the payment of any amounts due and payable to the other Issuer Secured Creditors.

14. Changes to the Risk-Weighted Asset Framework after the implementation of Basel II framework

On 11 May 2004, the Basel Committee on Banking Supervision announced that it had achieved consensus on the remaining issues regarding the proposals for a new international capital adequacy framework, which places enhanced emphasis on market discipline and risk sensitivity.

The text of the new Basel II framework was published at the end of June 2004. The Basel Committee on Banking Supervision has indicated that the standardised and foundation approaches would have been implemented from the end of 2006, but advised that one further year of impact analysis will be needed for the advanced approaches under the framework and these are, therefore, expected to be implemented from the end of 2007.

The Basel II framework has been implemented through the adoption of European Directives 2006/48/EC and 2006/49/EC. The Italian Government has implemented the abovementioned Directives by law No. 15 of 23 February 2007 and by a decree issued by the Minister of Economics and Finance on 27 December 2006. On the same day, the Bank of Italy issued the new regulations on capital adequacy and risk weighting for banks (*Nuove disposizioni di vigilanza prudenziale per le banche*).

The new regulatory framework could affect the risk weighting of the Notes in respect of certain investors, if such investors are regulated in a manner affected by the new rules. Consequently, Noteholders should consult their own advisers as to the potential effect of the application of the new Basel II principles to the Notes.

15. Securitisation Law

As at the date of this Prospectus, no interpretation of the application of the Securitisation Law has been issued by any Italian 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 the companies which carry out collection and recovery activities in the context of a securitisation transaction, (ii) the decree of the Italian Ministry of Treasury dated 4 April 2001 and the Bank of Italy regulation dated 16 December 2002 on the terms for the registration of the financial intermediaries in the register held by the Bank of Italy pursuant to article 107 of the Italian Banking Act. Consequently, it is possible that such authorities may issue further regulations relating to the Securitisation Law or to the interpretation thereof, the impact of which cannot be predicted by the Issuer as at the date of this Prospectus.

16. Servicing of the Portfolio

The Portfolio has been serviced by BPN and CREBERG, respectively, up to the transfer of the Claims as the owners of the relevant Claims and, following the transfer of the Claims to the Issuer, by BPN and CREBERG as Servicers pursuant to the BPN Servicing Agreement and the CREBERG Servicing Agreement, respectively. Consequently, the net cash flows from the Portfolio may be affected by decisions made, actions taken and collection procedures adopted by any of the Servicers pursuant to the relevant Servicing Agreement.

Each of the Servicers is the “*soggetto incaricato della riscossione dei crediti e dei servizi di cassa e pagamento*” pursuant to article 2(6) of the Securitisation Law and is therefore responsible for verifying that the transactions to be carried out in connection with the Securitisation comply with applicable laws and are consistent with the contents of the Prospectus.

17. Yield and repayment considerations

The yield to maturity of the Notes of each Series of Notes will depend, *inter alia*, on the amount and timing of repayment of principal (including prepayments and sale proceeds arising on enforcement of a Mortgage Loan) on the Mortgage Loans. Such yield may therefore be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans.

Prepayments may result from the refinancing or sale of properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgage Loans, as well as the receipt of proceeds from building insurance and life insurance policies.

The rate of prepayment of Mortgage Loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage loan market interest rates and margins offered by the banking system, the availability of alternative financing and local and regional economic conditions. Therefore, no assurance can be given as to the level of prepayments that the Mortgage Loans will experience.

The stream of principal payments received by a Noteholder may not be uniform or consistent. No assurance can be given as to the yield to maturity which will be experienced by a holder of any Notes. See “*Risk Factors – Law Decree no. 7 of 31 January 2007 (Bersani Decree)*”, below.

18. Law Decree no. 7 of 31 January 2007 (Bersani Decree)

The Italian Parliament has recently enacted Law no. 40 of 2 April 2007, converting into law (with certain amendments) the Law Decree no. 7 of 31 January 2007 (the “*Bersani Decree*”).

The Bersani Decree aims at, *inter alia*, increasing competitiveness in a number of sectors, including the banking focusing in particular on the residential mortgage.

The costs relating with the prepayment of mortgage loans in Italy have caused prepayment rates in the Italian market of the mortgage loans to be lowered compared to other jurisdictions, in this context the aim of the Bersani Decree is to reduce such costs with a view to allow borrowers to refinance their mortgage loans more easily.

With reference to mortgage loans executed with individuals (i) for the purchase of a first home (*prima casa*), after 2 February 2007, and (ii) for the purchase of other residential or business premises or the restructuring of all residential or business premises (including *prima casa*), after 3 April 2007, under article 7 of the Bersani Decree prepayment fees are no longer permitted. Any provision to the contrary is null and void. In relation to the abovementioned mortgage loans executed with individuals before 2 February 2007 or 3 April 2007, as applicable, (such as the Mortgage Loans contained in the relevant Portfolio), the Bersani Decree lays down basic rules which may lead to a renegotiation of the relevant mortgage loans, and, in particular, to a reduction of the applicable prepayment fees. Under article 7 of the Bersani Decree, the Italian banking association (*ABI - Associazione Bancaria Italiana*) and the national consumers' associations as identified in accordance with article 137 of legislative decree No. 206 of 6 September 2006 (i.e. the Italian consumer's protection code) agreed the general guidelines for renegotiation of the existing mortgage loans (the "**Prepayment Agreement**").

Reproduced here below are the terms of the Prepayment Agreement issued by the Italian banking association, as extracted by the Italian banking association's press release on may 2007.

The maximum thresholds for prepayment fees to be applied to the abovementioned categories of mortgage loans are as follows:

- (a) in respect of floating rate mortgage loans:
 - (i) 0.50 per cent.;
 - (ii) 0.20 per cent. If the prepayment occurs in the third year before the maturity of the mortgage loan; and
 - (iii) nil if the prepayment occurs in the last two years before the maturity of the mortgage loans;
- (b) in respect of fixed rate mortgage loans granted before 1 January 2001:
 - (i) 0.50 per cent.;
 - (ii) 0.20 per cent. If the prepayment occurs in the third year before the maturity of the mortgage loan; and
 - (iii) nil if the prepayment occurs in the last two years before the maturity of the mortgage loan;
- (c) in respect of fixed mortgage loans granted after 31 December 2000:
 - (i) 1.90 per cent. If the prepayment occurs during the first half of the tenor of the mortgage loan;
 - (ii) 1.50 per cent. If the prepayment occurs during the second half of the tenor of the mortgage loan;

- (iii) 0.20 per cent. If the prepayment occurs in the third year before the maturity of the mortgage loan; and
- (iv) nil if the prepayment occurs in the last two years before the maturity of the mortgage loan.

In case of those mortgage loans whose interest may vary from a floating rate to a fixed rate and *viceversa*, the Prepayment Agreement provides for the applicability of one of the reductions set out above, having regard to, *inter alia*, the date on which the relevant mortgage loan has been granted, the frequency of the variation of the interest rate and the rate of interest (i.e. fixed or floating) applied to the mortgage loan as of the date on which the prepayment occurs.

Additional reductions may be applied in case the relevant contractually agreed prepayment fee is equal to or lower than the thresholds described above:

- (A) in respect of floating rate mortgage loans and fixed rate mortgage loans granted before 1 January 2001, 0.20 per cent.; and
- (B) in respect of fixed mortgage loans granted after 31 december 2000, if (i) the contractually agreed prepayment fee is equal to or higher than 1.25 per cent., 0.25 per cent.; and (ii) the contractually agreed prepayment fee is lower than 1.25 per cent., 0.15 per cent.

If the relevant debtor proposes to reduce the prepayment fee within the limits set out in the Prepayment Agreement banks (and therefore their assignees, including the Issuer) may not refuse the renegotiation of an existing mortgage loan.

Moreover under article 8 of the Bersani Decree, a debtor under a mortgage loan may unilaterally subrogate (i.e. replace) the existing lending bank (or its relevant assignees, including the Issuer) with a new lender in accordance with article 1202 of the Italian civil code even if the original mortgage loan agreement provides that the relevant debtor may not repay the loan before a pre-determined term. In case of subrogation, the mortgage and collateral securities that guarantee the mortgage loan will pass to the new lender without any formality.

Noteholder's attention is drawn to the fact that as a result of the entry into force of the Bersani Decree, the Issuer may not be able to recover the prepayment fees being the amount originally agreed with the Borrowers.

19. Administration and reliance on third parties

The ability of the Issuer to make payments in respect of the Notes will depend upon the due performance by the parties to the Transaction Documents of their respective various obligations under the Transaction Documents to which they are each a party. In particular, without limitation, the punctual payment of amounts due on the Notes will depend on: (a) the ability of each of the Servicers to service the Portfolio and to recover the amounts relating to Defaulted Claims (if any), (b) the Swap Counterparty complying with its obligations under the Swap Agreement and (c) the continued availability of hedging under the Interest Rate Swap Transactions. Prospective Noteholders should note that the Interest Rate Swap Transactions may be terminated in certain circumstances set out in the Swap Agreement. In addition, the ability of the Issuer to make payments under the Notes may depend to an extent upon the due performance by each of the Originators of its obligations arising from the Representations and Warranties contained in the relevant Transfer Agreement. The performance by such parties of their respective obligations under the relevant Transaction Documents is dependent on the solvency of each relevant party. In

each case, the performance by the Issuer of its obligations under the Transaction Documents is also dependent on the solvency of, *inter alios*, BPN, CREBERG and the Swap Counterparty.

In the event that any of Servicers ceasing to act as Servicer under the relevant Servicing Agreement, the Back-up Servicer will replace the relevant Servicer pursuant to the Back-up Servicing Agreement. The Back-up Servicer will assume responsibility for the services required to be performed under the relevant Servicing Agreement for the Mortgage Loans. Without prejudice to the Back-up Servicer's undertakings under the Back-up Servicing Agreement, in the event of the termination of the appointment of the Servicer (other than BPVN) under the Servicing Agreement, it would be necessary for the Issuer to appoint a substitute servicer (acceptable to the Representative of the Noteholders). Such substitute servicer would be required to assume responsibility for the services required to be performed under the Servicing Agreement for the Mortgage Loans. The ability of a substitute servicer to perform fully the required services would depend, *inter alia*, on the information, software and records available at the time of the relevant appointment. There can be no assurance that a substitute servicer will be found or that any substitute servicer will be willing to accept such appointment or that a substitute servicer will be able to assume and/or perform the duties of the Servicer pursuant to the Servicing Agreement. In such circumstances, the Issuer could attempt to sell all, or part of, the Claims, but there is no assurance that the amount received on such a sale would be sufficient to repay in full all amounts due to the Noteholders. The Representative of the Noteholders has no obligation to assume the role or responsibilities of the Servicer or to appoint a substitute servicer.

20. Italian Usury law

The interest payments and other remuneration paid by the Borrowers under the Mortgage Loans are subject to Italian law No. 108 of 7 March 1996 (the "**Usury Law**"), which 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 in December 2006). In addition, even where the applicable Usury Rates are not exceeded, interest and other advantages and/or remuneration may be held to be usurious if: (i) they are disproportionate to the amount lent (taking into account the specific situations of the transaction and the average rate usually applied for similar transactions); and (ii) the person who paid or agreed to pay them 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.

The Italian Government, with law decree No. 394 of 29 December 2000 (the "**Usury Law Decree**" and, together with the Usury Law, the "**Usury Regulations**"), converted into law by law No. 24 of 28 February 2001, has established, *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 also provides 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 (such date being 31 December 2000) are to be substituted with a lower interest rate fixed in accordance with parameters determined by the Usury Law Decree.

As the Usury Law Decree became law at the end of February 2001, no official or judicial interpretation of it is yet available. However, the Italian Constitutional Court has rejected, with decision No. 29/2002 (deposited on 25 February 2002), a constitutional exception raised by the Court of Benevento (2 January 2001) concerning article 1, paragraph 1, of the Usury Law Decree (now reflected in article 1, paragraph 1 of the above mentioned conversion law No. 24 of 28 February, 2001). In so doing, it has confirmed the constitutional validity of the provisions of the

Usury Law Decree which hold that interest rates may be deemed to be void due to usury only if they infringe Usury Regulations at the time they are agreed between the borrower and the lender and not at the time such rates are actually paid by the borrower.

Pursuant to the Transfer Agreements, each of the Originators has undertaken to indemnify the Issuer in respect of any losses, costs and expenses that may be incurred by the Issuer in connection with any loss or reduction on any interest accrued prior to the Transfer Date. If a Mortgage Loan is found to contravene the Usury Regulations, the relevant Borrower might be able to claim relief on any interest previously paid and to oblige the Issuer to accept a reduced rate of interest, or potentially no interest on such Mortgage Loan. In such cases, the ability of the Issuer to maintain scheduled payments of interest and principal on the Notes may be adversely affected. Pursuant to the Transfer Agreements, each of the Originators has undertaken to indemnify the Issuer in respect of the non-usury portion of interest.

21. Compounding of interest (*anatocismo*)

Pursuant to article 1283 of the Italian civil code, accrued interest in respect of a monetary claim or receivable may be capitalised after a period of not less than six months only (i) under an agreement subsequent to such accrual or (ii) from the date when any legal proceedings are commenced in respect of that monetary claim or receivable. Article 1283 of the Italian civil code allows derogation from this provision in the event that there are recognised customary practices (*usi*) to the contrary. Banks and financial companies in the Republic of Italy have traditionally capitalised accrued interest on a three-monthly basis on the grounds that such practice could be characterised as a customary practice (*uso normativo*). However, a number of recent judgments from Italian courts (including the judgment from the Italian Supreme Court (*Corte di Cassazione*) No. 2374/99, No. 2593/2003 and No. 21095/2004) have held that such practices are not *uso normativo*. Consequently, if customers of the Originators were to challenge this practice and such interpretation of the Italian civil code were to be upheld before other courts in the Republic of Italy, there could be a negative effect on the returns generated from the Mortgage Loans.

Each of the Originators has consequently undertaken in the relevant Transfer Agreement to indemnify the Issuer in respect of any losses, costs and expenses that may be incurred by the Issuer in connection with any challenge in respect of interest on interest. 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, has considered the capitalisation of accrued interest (*anatocismo*) made by banks prior to the date on which it came into force (19 October 1999) to be valid. After such date, the capitalisation of accrued interest is no longer possible upon the terms established by a resolution of the CICR issued on 22 February 2000. Law No. 342 has been challenged and decision No. 425 of 17 October 2000 of the Italian Constitutional Court has declared as unconstitutional the provisions of Law No. 342 regarding the validity of the capitalisation of accrued interest made by banks prior to the date on which Law No. 342 came into force.

22. Legal proceedings

Each of the Originators and the BPVN Banking Group are subject to a variety of claims and are party to a large number of legal proceedings arising in the ordinary course of business. Although the outcome of such claims is inherently uncertain and several litigants claim relatively large sums in damages, each of the Originators has represented and warranted that, as of the date of the relevant Transfer Agreement, it is not involved in any litigation the outcome of which might jeopardise its ability to perform the obligations taken under the Transaction Documents to which it is a party.

23. Prepayments by Borrowers

In the decision No. 4842 of 5 April 2002 (“**Decision 4842/2002**”), the Italian Supreme Court held that, in a bankruptcy (which applies to both companies and individuals, but only if they are acting as entrepreneurs), prepayments in respect of certain unsecured debt obligations made by the bankrupt entity are subject to the claw-back provisions of article 65 of Insolvency Law, rather than article 67 of the Insolvency Law, on the grounds that any such prepayment constitutes a payment of a debt not yet due.

If Decision 4842/2002 were held to apply also to secured debt obligations, which is not certain, this decision would be significant because article 65 provides that a payment of a debt not yet due and payable, which falls due on or after the bankruptcy of the payor, is ineffective as against the creditors of the bankruptcy estate if such payment is made in the two years preceding the bankruptcy.

Decision 4842/2002 is also significant because article 4 of the Securitisation Law provides that the special purpose vehicle (which would include the Issuer) is specifically exempt from claw-back under article 67 in respect of payments made to it by the underlying debtors, whereas the Securitisation Law does not exempt the Issuer from article 65.

Decision 4842/2002 appears to depart from Supreme Court decision No. 1153 of 10 April 1969 (“**Decision 1153/1969**”) which held that a prepayment of a loan following the debtor’s election to prepay in accordance with terms of a loan agreement constitutes a payment of a debt that is due and payable and therefore could only be clawed back under article 67 (and not article 65) of the Insolvency Law. Moreover, it is not certain that Decision 4842/2002 will apply to prepayments of mortgage loans because it deals with the prepayment of a bond issue and only briefly refers to ordinary loans. In addition, if Decision 4842/2002 was held to apply also to secured debt obligations, the consequences would be inequitable, in that a secured creditor might, as a result, become an unsecured creditor. In addition, it should be noted that Italian court decisions are not binding on other courts, including courts of first instance: in this respect, it is worth noting that a recent decision of the court of first instance of Milan (*Tribunale di Milano, sez. II*) of 17 May 2004 confirmed the principle stated in Decision 1153/1969.

24. Claw-back of the transfer of the Claims

The transfer of the Claims under the relevant Transfer Agreement is subject to claw-back upon bankruptcy of the related Originator under article 67 of the Insolvency Law, but only in the event that the securitisation transaction is perfected within three months of the adjudication of bankruptcy of the relevant Originator or, in cases where paragraph 1 of article 67 applies, within six months of the adjudication of bankruptcy.

25. *Fondiari* Mortgage Loans

Each of the Originators has represented that the *Fondiari* Mortgage Loans qualify as *mutui fondiari*, as defined in article 38 of the Italian Banking Act. Pursuant to article 39, paragraph 5, of the Italian Banking Act, upon repayment of each fifth of the original debt, the borrowers under *mutui fondiari* loans are entitled to a proportional reduction of any mortgage related to the loan. Accordingly, the underlying value of the Mortgages comprised in the Portfolio may decrease from time to time in connection with the partial repayment of the *Fondiari* Mortgage Loans. In addition, the borrowers have the right to obtain that part of the real estate assets originally constituting security for the *Fondiari* Mortgage Loans are freed from the mortgage, it being understood that, as *mutui fondiari*, the principal amount of each *Fondario* Mortgage Loan shall not be permitted to exceed 80 per cent. of the value of the real estate assets constituting security for such *Fondario* Mortgage Loan.

In relation to *mutui fondiari*, the right to prepay the loan is provided for by article 40 of the Italian Banking Act and the prepayment fee is pre-set under the relevant loan agreement, though it is not clear if this provision is repealed by the coming into force of Law Decree no. 7 of 31 January 2007.

Moreover, in relation to *mutui fondiari*, special enforcement and foreclosure provisions apply. Pursuant to article 40, paragraph 2 of the Italian Banking Act, a mortgage lender is entitled to terminate a loan agreement 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. For this purpose, a payment is considered delayed if it is made between 30 and 180 days after the payment due date. Accordingly, the commencement of enforcement proceedings in relation to *mutui fondiari* may take longer than usual. Article 40 of the Italian Banking Act, therefore, prevents the any of the Servicers from commencing proceedings to recover amounts in relation to *mutui fondiari* until the relevant Borrowers have defaulted on at least seven payments.

26. Tax treatment of the Issuer

Taxable income of the Issuer is determined, without any special rights, in accordance with Italian presidential decree No. 917 of 22 December 1986 as subsequently amended (the Italian Income Taxes Consolidated Code). Pursuant to the regulations issued by the Bank of Italy on 22 March 2000 (*schemi di bilancio delle società per la cartolarizzazione dei crediti*), the assets, liabilities, costs and revenues of the Issuer in relation to the Securitisation will be treated as off-balance sheet assets, liabilities, costs and revenues. Based on the general rules applicable to the calculation of the net taxable income of a company, pursuant to which such taxable income should be calculated on the basis of accounting earnings (i.e. on-balance sheet earnings), subject to such adjustments as are specifically provided for by applicable income tax rules and regulations and according to the guidelines of the Italian tax authorities (circular No. 8/E of 6 February 2003), no taxable income should accrue to the Issuer until the satisfaction of the obligations of the Issuer to the holders of the Notes, to the other Issuer Secured Creditors and to any third-party creditor to whom the Issuer has incurred costs, liabilities, fees and expenses in relation to the Securitisation of the Claims. Future rulings, guidelines, regulations or letters relating to the Securitisation Law issued by the Italian Ministry of Economy and Finance, or other competent authorities, might alter or affect the tax position of the Issuer, as described above.

Pursuant to the Bank of Italy regulations, the accounting information relating to the Securitisation of the Claims will be contained in the Issuer's Nota Integrativa which, together with the balance sheet and the profit and loss statements, forms part of the financial statements of Italian limited liability companies (*società a responsabilità limitata*).

27. Withholding tax under the Notes

Where the Notes fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), as defined in section "Taxation in the Republic of Italy", below, any beneficial owner of an interest payment relating to the Notes of any Series (a) who is resident, for tax purposes, in a country which does not allow for a satisfactory exchange of information, or (b) who has failed to comply with the requirements and procedures set forth in Decree 239 in order to benefit from an exemption, will receive amounts of interest payable on the Notes net of Italian withholding tax, referred to as a substitute tax (*imposta sostitutiva*). As at the date of this Prospectus, such withholding tax is levied at the rate of 12.5 per cent. or such lower rate as may be applicable under the relevant double taxation treaty.

In the event that any Notes are redeemed in whole or in part (including following the service of a Trigger Notice) prior to the date which is 18 months after the Issue Date, the Issuer will be obliged

to pay a tax in Italy at a rate of 20 per cent. on interest accrued on such principal amount repaid early up to the relevant repayment date. See “*Taxation in the Republic of Italy*”, below.

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

28. EU Savings Directive

Legislative Decree No. 84 of 18 April 2005 implemented in Italy, as of 1 July 2005, the European Directive No. 2003/48/EC on the taxation of savings income. Under the Directive, Member States (if equivalent measures have been introduced by certain non-EU countries) are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). The same information concerning payment of interest (or similar income) will be provided to the tax authorities of Switzerland, Andorra, Monaco, Liechtenstein and San Marino, which have adopted, for the transitional period, the same withholding system of Belgium, Austria and Luxembourg.

29. Projections, forecasts and estimates

Forward-looking statements, including estimates, any other projections, forecasts 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 herein to reflect events or circumstances occurring after the date of this Prospectus.

30. Fixed and floating security

Security given under the English-law governed transaction documents, howsoever expressed, may take effect as a floating charge and thus on enforcement certain preferential creditors may rank ahead of the Issuer Secured Creditors.

31. Change of law

The structure of the transaction and, *inter alia*, the issue of the Notes and the rating assigned to the Notes are based on Italian and English law, on 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 as to any possible change to Italian or English law, tax or administrative practice after the Issue Date.

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 such Series of Notes 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 such Series of interest or principal on such Notes on a timely basis or at all.

32. Emerging Requirements of the European Community

As part of the harmonisation of securities markets in Europe, the European Commission has adopted a directive known as the Prospectus Directive (which should have been implemented by Member States on 1 July, 2005) that will regulate offers of securities to the public and admissions to trading to E.U. regulated markets. The European Commission has adopted Directive 2004/109/EC (the "**Transparency Directive**"), (which must be implemented by Member States by the end of 2006) that, among other things, imposes continuing financial reporting obligations on issuers that have certain types of securities admitted to trading on an E.U. regulated market. In addition, Directive 2003/6/EC (the "**Market Abuse Directive**") harmonises the rules on insider trading and market manipulation in respect of securities admitted to trading on an E.U. regulated market and requires issuers of such securities to disclose any non-public, price-sensitive information as soon as possible, subject to certain limited exemptions. The listing of Notes on the Official List of the Irish Stock Exchange and the admission of the Notes to trading on the regulated market of the Irish Stock Exchange would subject the Issuer to regulation under these directives, although the requirements applicable to the Issuer are not yet fully clarified.

The Issuer believes that the risks described above are the principal risks for the Noteholders inherent in the transaction, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons. The Issuer does not represent that the above stated risk factors are exhaustive. The Issuer believes that the structural elements described elsewhere in this Prospectus go to mitigate a number of these risks for the Noteholders, nevertheless the Issuer can not give any assurance that those will be sufficient to ensure timely payment of interest, principal or any other amounts on or in connection with the Notes to the Noteholders.

CREDIT STRUCTURE

1. Ratings of the Senior Notes

Upon issue it is expected that:

- (i) the Series A1 Notes will be rated “Aaa” by Moody’s, “AAA” by S&P and “AAA” by Fitch;
- (ii) the Series A2 Notes will be rated “Aaa” by Moody’s, “AAA” by S&P and “AAA” by Fitch;
- (iii) the Series B Notes will be rated “Aa3” by Moody’s, “AA” by S&P and “AA+” by Fitch; and
- (iv) the Series C Notes will be rated “Baa1” by Moody’s, “BBB” by S&P and “BBB+” by Fitch.

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

2. Cash flow through the Accounts

Pursuant to the terms of the Cash Management, Calculation and Agency Agreement, the Issuer has opened the BPN Collection Account, the CREBERG Collection Account, the Payments Account, the Cash Reserve Account and the Expenses Account in Italy with the Italian Account Bank. All the above mentioned accounts are together referred as to the “**Issuer Accounts**”. In addition, the Issuer has opened a euro denominated account, No. 38403, the “**Corporate Capital Account**” which will be held in Italy with Credito Bergamasco, Milan branch, into which have been credited all amounts contributed by the Quotaholder as quota capital of the Issuer.

On the Securities Accounts it may be deposited, if any, the Eligible Investments. “**Eligible Investments**” means any Euro denominated senior, unsubordinated debt security, bank account, deposit or other debt instruments providing a fixed principal amount at maturity issued by, or fully and unconditionally guaranteed on an unsubordinated basis, having a purchase price not above par, by, or held at an institution having at least the following ratings: “P-1”, “A-1+” and “F1+” by Moody’s, S&P and Fitch, respectively. For money market funds the minimum ratings shall be: “Aaa/MR1+” for Moody’s; “AAAm” and “AAAm-G” for S&P; and “AAA/V1+” for Fitch. The Eligible Investments shall have a maturity date falling not later than two Business Days immediately preceding the next succeeding Payment Date. The Eligible Investments are principally consisting in units of investments funds, debt securities or other financial instruments, deriving from the investment of funds standing to the credit of the Collection Accounts and the Cash Reserve Account.

Monies received or recovered in respect of the Mortgage Loans and the related Claims (the “**Collections**” and the “**Recoveries**”, respectively) are paid to BPN and CREBERG, respectively, in their capacity as Servicers of the Portfolio. Pursuant to the terms of each of the Servicing Agreements, on each date as indicated in the relevant Mortgage Loan, each Servicer shall collect from the Borrower the amounts owed by the Borrower in respect of the relevant Claim; each of the Servicers will then credit the relevant amounts on an interim collection account opened in the name of BPN and CREBERG, respectively, and exclusively dedicated to the Securitisation (the “**BPN Interim Collection Account**” and the “**CREBERG Interim Collection Account**”, respectively).

The amounts standing to the credit of the abovementioned Interim Collection Accounts are required to be transferred by the relevant Servicer into the BPN Collection Account and the CREBERG Collection Account, respectively, on the first Business Day following the day on which

such amounts have been collected or recovered in accordance with the Collection Policies described in each of the Servicing Agreements.

3. The Cash Reserve

The Issuer will establish a reserve fund in the Cash Reserve Account. The “**Cash Reserve Amount**” means the amount up to, but not exceeding, the Cash Reserve Required Level, standing from time to time to the credit of the Cash Reserve Account. The Issuer will fund the Cash Reserve Amount crediting, on each Payment Date, into the Cash Reserve Account the relevant amount out of the Interest Available Funds and in accordance with the Pre-Enforcement Priority of Payments.

Thus, on the Issue Date, the balance of the Cash Reserve Account will be equal to zero.

The “**Cash Reserve Required Level**” means 0.7% of the Principal Amount Outstanding of the Notes as at the Issue Date, provided that:

- (A) if the Cumulative Net Default Ratio is higher than 2.00%, the Cash Reserve Amount shall be increased up to 1.2% of the Principal Amount Outstanding of the Notes as at the Issue Date and shall be maintained so increased as long as such ratio is above 2.00%;
- (B) the Cash Reserve Amount will be reduced to the higher of 0.4% of the Principal Amount Outstanding of the Notes as at the Issue Date, and 0.7% of the Principal Amount Outstanding of the Notes as at such Calculation Date, to the extent:
 - (i) the Series A Notes Credit Enhancement on the relevant date or any date occurring prior to that date is at least equal to 2.5 times the initial Series A Notes Credit Enhancement;
 - (ii) there is no Principal Deficiency Ledger Outstanding Balance;
 - (iii) the Delinquency Level is below 3.5%;
 - (iv) the Cash Reserve Amount is at the Cash Reserve Required Level;
 - (v) the Initial Period has expired;
 - (vi) the Cumulative Gross Default Ratio is below 2.6%; and
 - (vii) the Cumulative Net Default Ratio is below 1.3%;
 - (viii) BPVN has a rating at least equal to BBB, Baa2 and BBB assigned by S&P, Moody’s and Fitch, respectively;
- (C) on the Payment Date on which the Notes will be redeemed in full, the Cash Reserve Amount will be reduced to zero.

On each Payment Date, the Cash Reserve Amount will be increased or replenished, as the case may be, up to the Cash Reserve Required Level in accordance with the Pre-Enforcement Priority of Payments.

On each Calculation Date, the Cash Reserve will be used to augment the Interest Available Funds.

4. The Swap Agreement

The Issuer will enter into the Interest Rate Swap Transactions with the Swap Counterparty shortly before the Issue Date. The Interest Rate Swap Transactions will be evidenced by two confirmations which supplement and form part of the ISDA Master Agreement. The Interest Rate Swap Transactions will be a long-term swap transactions, which will terminate on the earlier to occur of the Legal Maturity Date and the repayment of the Notes in full.

The portfolio cashflows are determined, *inter alia*, by interest amounts depending on fixed and floating interest rates. Only part of the portfolio cashflows vary due to the movements in EURIBOR, whereas the Notes will bear interest at a floating rate usually based on three-month EURIBOR, exposing the Issuer to potential interest rate risk in respect of payment obligations under the Notes. In order to mitigate against such exposure the Issuer and the Swap Counterparty will enter into the Interest Rate Swap Transactions pursuant to which, on each Issuer payment date, an amount equal to the aggregate of the interest amounts (fixed and floating) due and paid during the immediately preceding Collection Period in respect of the Portfolio will be due from the Issuer and on each Swap Counterparty payment date a floating interest amount at a floating rate based on the three-month EURIBOR rate applicable to the Notes will be due from the Swap Counterparty.

With respect to the Swap Counterparty, on any Swap Counterparty payment date, the notional amount on which the floating rate based on three-month EURIBOR will be applied, shall be the outstanding principal of the Performing Collateral Portfolio (as defined in the Swap Agreement) at the start of the relevant Collection Period.

Unless otherwise terminated early as set out in the sub-paragraph, *Termination of the Swap Agreement* below or due to the repayment of the Notes in full, the Swap Agreement shall terminate on July 2044 (the later date of the two dates constituting the Legal Maturity Date).

A failure by the Issuer to make timely payment of amounts due from it under the Interest Rate Swap Transactions will constitute a default in respect of the relevant payment due under the Interest Rate Swap Transactions thereunder and entitle the Swap Counterparty to terminate the Swap Agreement.

Ratings downgrades

The Issuer may terminate the Swap Agreement, *inter alia*, if, after the occurrence of a credit downgrade to the Swap Counterparty (a Rating Event, as defined in the Swap Agreement), the Swap Counterparty fails to take any of the actions required to be put in place by each of the Rating Agencies to remedy such Rating Event, as provided in the Swap Agreement.

Termination of the Swap Agreement

The Swap Agreement may terminate due to the occurrence of an Event of Default or a Termination Event (as defined in the Swap Agreement); these include (a) failure to pay; (b) failure by the Swap Counterparty to comply with or perform any agreement or obligation; (c) illegality; (d) the occurrence of a Rating Event resulting from the downgrade of the rating of the Swap Counterparty; (e) a repayment of the Notes in full; and (f) if the Swap Counterparty is, or there is a substantial likelihood that it will be, (i) required to pay additional amounts in respect of tax or (ii) receive payments from which the Issuer is required to deduct or withhold.

Any and all amounts due and payable to the Swap Counterparty under the Swap Agreement, other than any termination payment due to the Swap Counterparty when the Swap Counterparty

is the Defaulting Party or the Sole Affected Party (each such term as defined in the Swap Agreement), will rank senior to amounts due on the Series A Notes in the Issuer Pre-Enforcement Priority of Payments and Issuer Post-Enforcement Priority of Payments.

Any termination payment due and payable to the Swap Counterparty under the terms of the Swap Agreement when the Swap Counterparty is the Defaulting Party or the Sole Affected Party is subordinated as set out under paragraph 5 (*Priority of Payments*) of the Transaction Summary.

In the event that any collateral is posted pursuant to the credit support annex to the Swap Agreement, the Issuer shall be obliged to open an account (the "**Collateral Account**") for the deposit of such collateral (such account to be in the name of the Issuer, *provided that* the collateral contained in the Collateral Account will not form part of the Issuer Available Funds and will not be available to discharge the Issuer's obligations to the Noteholders and the Issuer Secured Creditors under or pursuant to the Transaction Documents. The Issuer shall be entitled to use such collateral following a termination of the Swap Agreement to make any payment to a replacement swap counterparty and to the extent that the Issuer is unable to find a replacement swap counterparty, the Issuer shall be entitled to transfer amounts standing to the credit of the Collateral Account to the Payments Account where it shall form part of the Issuer Available Funds. To the extent that the amount of collateral posted is greater than the amount of any payment to a replacement swap counterparty or the amount that is due from the swap counterparty upon the termination of the Swap Agreement, such excess shall be returned to the Swap Counterparty

See "*The Swap Counterparty and the Swap Guarantor*" below.

THE PROVISIONAL PORTFOLIO

The Portfolio of claims to be purchased by the Issuer pursuant to the Transfer Agreement comprises debt obligations arising out of residential mortgage loans (*mutui fondiari* and *ipotecari*), classified as performing by Banco Popolare di Novara S.p.A. and by Credito Bergamasco S.p.A.

1. Characteristics of the Mortgage Loans

The Claims were transferred to the Issuer pursuant to the terms of the Transfer Agreement, together with any other rights of BPN and CREBERG to guarantees or security interest (as further set out in the Transfer Agreement) and any related rights which have been granted to the Originator to secure the payment and/or the repayment of any of the Claims.

Each Mortgage Loan from which the Mortgage Loan Receivables comprising the Portfolio originate has the following characteristics:

(a) Mortgage Loan status

Each Mortgage Loan is performing, i.e.:

- (i) no Mortgage Loan has ever been classified as defaulted (*"in sofferenza"*);
- (ii) with reference to the Mortgage Loans there are no instalments in arrears;
- (iii) at least one instalment has been paid on each mortgage loan;

(b) Security

- (i) each Mortgage Loans is secured by a mortgage over real estate properties which are first ranking in an economic sense (*ipoteche di primo grado sostanziale*) and granted in favour of BPN or CREBERG, i.e.:
 - (A) a first ranking priority mortgage (*ipoteca legale di primo grado*); or
 - (B) a second ranking priority mortgage (*ipoteca legale di secondo grado*) where the mortgages ranking in priority have been cancelled, or where the debts secured thereby have been fully repaid,
- (ii) each of the real estate assets on which each Mortgage Loan is secured is completed and is not under construction;
- (iii) each Mortgage Loan is secured by a mortgage whose claw-back hardening period has already elapsed (*ipoteca consolidata*) according to Italian law;

(c) Currency

Each Mortgage Loan is denominated in Euro;

(d) Amount

- (i) each Mortgage Loan has an outstanding principal balance greater than euro 10,000 but no greater than euro 600,000;

- (ii) each Mortgage Loan has been fully advanced and has a current outstanding balance that is less than its original balance (no *pre-ammortamento*);
- (iii) each Mortgage Loan secured by a property located in the South of Italy has an outstanding principal balance no greater than euro 250,000;

(e) Mortgage Loan type

- (i) each Mortgage Loan is a residential mortgage loan to buy primary residence ("*abitazione principale*") and qualifies as a *Fondario* Mortgage Loan ("*mutuo fondiario*") or *Ipotecario* Mortgage Loan ("*mutuo ipotecario*");
- (ii) the interest rate on each Mortgage Loan which is a variable rate loan carries a positive margin over the reference interest rate index in excess of 0.50% p.a.;
- (iii) no Mortgage Loan is granted to a borrower who may be subject to bankruptcy;
- (iv) no Mortgage Loan has ever been restructured;
- (v) no Mortgage Loan is a mortgage loan which qualifies as a "*mutuo agrario*" (loans issued by a bank in accordance with the provisions of Section 43 and following of the Italian Banking Act);
- (vi) each Mortgage Loan is governed by Italian law;
- (vii) each Mortgage Loan is transferable and the Seller has full title to it;
- (viii) each Mortgage Loan is duly and validly existing and constitutes legal, valid and binding obligations of the borrower;
- (ix) no Mortgage Loan included in the Portfolio is subsidised ("*agevolato*");
- (x) no Mortgage Loan breaches the Usury Law;
- (xi) each Mortgage Loan is and any rights thereunder are clear of any pledge or encumbrance;
- (xii) each Mortgage Loan has been originated and granted by BPN and CREBERG in full compliance with their internal Credit Policies; and
- (xiii) no Mortgage Loan has been originated by a broker who was not a BPN or a CREBERG employee;

(f) Repayment type

- (i) all borrowers pay by (i) direct debit, (ii) cash, (iii) payment upon prior notice, so called "*mediante avviso*" (MAV) or (iv) inter-banking direct debit (RID);
- (ii) each Mortgage Loan is payable in monthly, or quarterly instalments
- (iii) the amortisation profile of each Mortgage Loan is an annuity-style constant instalments amortisation ("*ammortamento alla francese*") with a nominal rate and Act/360 or Act/365 (with principal reset) or Act/365 (without principal reset) day count (identified by BPN and CREBERG's internal code type "F", "8" or "M"), or it

is a linear instalments amortisation (“*ammortamento all’italiana*”) (identified by BPN and CREBERG’s internal code type “4”);

(g) Year of origination

Each Mortgage Loan was originated after 1 January 1999 and on or before 30 November 2006;

(h) Loan to Value Ratio (“LTV”)

Each Mortgage Loan has a Loan to Value ratio that is calculated by dividing the original balance of the Mortgage Loan by the value of the mortgaged property as appraised during the course of the origination of the Mortgage Loan. The current LTV of the Mortgage Loans does not exceed 80.00 per cent;

(i) Term of the Mortgage Loan

Each Mortgage Loan is due to be repaid on or before 30 November 2036;

(j) Borrowers

- (i) each Mortgage Loan is entered into with a borrower who at such time was a resident in Italy and each Mortgage Loan is secured by a Property located in Italy;
- (ii) each borrower is a private individual (*persona fisica or cointestazione*) and not a corporate entity;
- (iii) the Mortgage Loans are granted to private individuals who are not employees of any entity of the BPVN Group.

2. The Provisional Portfolio

All information and statistical data contained below in this section are representative of the characteristics of the Portfolio as of 19 April 2007 (the “**Provisional Portfolio**”) which, for the avoidance of doubt, is not the Valuation Date.

The Provisional Portfolio of Mortgage Loans described below has been selected in accordance with the Eligibility Criteria as at 19 April 2007; accordingly, the information in relation to the Provisional Portfolio set out below does not necessarily reflect the composition of the Portfolio either on the Valuation Date or on the Issue Date and may differ from the characteristics thereof as a result of, *inter alia*, repayment or prepayment of the Loans or inclusion of further Loans that have become eligible prior to the Issue Date.

Originator	BPN/CREBERG
Outstanding principal balance (€)	1.640.073.303
Total number of Mortgage Loans	20.125
Single Mortgage Loan average Outstanding Amount (€)	81.494
Single Mortgage Loan minimum Outstanding Amount (€)	10.137
Single Mortgage Loan maximum Outstanding Amount (€)	592.182
WA seasoning (years)	2,50
MIN seasoning (years)	0,38
MAX seasoning (years)	8,28
WA remaining maturity (years)	17,45
MIN remaining maturity (years)	1,79
MAX remaining maturity (years)	29,64
WA interest rate (fixed rates)	5,23%
MIN interest rate (fixed rates)	2,96%
MAX interest rate (fixed rates)	7,80%
WA spread (floating rates)	1,425%
MIN spread (floating rates)	0,60%
MAX spread (floating rates)	2,75%
WA Original LTV	58,45%
MIN Original LTV	3,57%
MAX Original LTV	85,00%
WA Current LTV	52,72%
MIN Current LTV	2,32%
MAX Current LTV	79,99%
WA current interest rate	5,34%
MIN current interest rate	2,96%
MAX current interest rate	7,80%
Economically first ranking priority voluntary mortgage	100%
Direct debit on the Borrower bank account	98,99%
Primary Residence	100%

As at 19 April 2007, the Provisional Portfolio consisted of No. 20,125 mortgage loans extended to 20,081 customers of the Originators. As at 19 April 2007, the aggregate outstanding principal balance of the Claims was Euro 1,640,073,303.

Each of the 20,125 mortgage loans in the Provisional Portfolio was originated by the Originators.

The following tables set out information on the characteristics of the Provisional Portfolio derived from information provided by the Originators in connection with the purchase of the Claims by the Issuer on the Transfer Date. The amounts, where relevant, are in euro. The information in the following tables reflects the position as at 19 April 2007.

Certain monetary amounts and percentages included in this section 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.

Breakdown by Borrower Region	No. of Loans	% of Total	Outstanding Value	% of Total
ABRUZZO	4	0,02%	337.787	0,02%
BASILICATA	2	0,01%	152.455	0,01%
CALABRIA	18	0,09%	1.293.849	0,08%
CAMPANIA	1.276	6,34%	86.186.569	5,26%
EMILIA-ROMAGNA	149	0,74%	11.375.412	0,69%
FRIULI-VENEZIA-GIULIA	7	0,03%	913.740	0,06%
LAZIO	1.342	6,67%	136.600.658	8,33%
LIGURIA	1.103	5,48%	78.810.023	4,81%
LOMBARDIA	10.049	49,93%	877.560.848	53,51%
MARCHE	9	0,04%	883.621	0,05%
MOLISE	4	0,02%	217.499	0,01%
PIEMONTE	4.940	24,55%	351.479.156	21,43%
PUGLIA	199	0,99%	15.035.426	0,92%
SARDEGNA	7	0,03%	519.075	0,03%
SICILIA	533	2,65%	35.464.150	2,16%
TOSCANA	232	1,15%	18.473.450	1,13%
TRENTINO ALTO ADIGE	1	0,00%	116.873	0,01%
UMBRIA	5	0,02%	405.679	0,02%
VALLE D'AOSTA	70	0,35%	6.909.500	0,42%
VENETO	175	0,87%	17.337.534	1,06%
Total	20.125	100,00%	1.640.073.303	100,00%

Breakdown by Property Region	No. of Loans	% of Total	Outstanding Value	% of Total
ABRUZZO	13	0,06%	800.782	0,05%
BASILICATA	2	0,01%	112.874	0,01%
CALABRIA	13	0,06%	939.145	0,06%
CAMPANIA	1.241	6,17%	82.794.157	5,05%
EMILIA ROMAGNA	159	0,79%	12.535.012	0,76%
FRIULI VENEZIA GIULIA	5	0,02%	516.739	0,03%
LAZIO	1.350	6,71%	138.140.793	8,42%
LIGURIA	1.160	5,76%	83.848.435	5,11%
LOMBARDIA	10.017	49,77%	873.856.440	53,28%
MARCHE	5	0,02%	355.502	0,02%
MOLISE	5	0,02%	262.439	0,02%
PIEMONTE	4.879	24,24%	347.360.260	21,18%
PUGLIA	196	0,97%	14.346.441	0,87%
SARDEGNA	47	0,23%	3.595.329	0,22%
SICILIA	518	2,57%	33.884.406	2,07%
TOSCANA	251	1,25%	20.812.481	1,27%
TRENTINO ALTO ADIGE	5	0,02%	343.369	0,02%
UMBRIA	3	0,01%	279.636	0,02%
VAL D'AOSTA	75	0,37%	7.344.443	0,45%
VENETO	181	0,90%	17.944.619	1,09%
Total	20.125	100,00%	1.640.073.303	100,00%

Breakdown by Geographic Area	No. of Loans	% of Total	Outstanding Value	% of Total
NORTH	16.481	81,89%	1.343.749.318	81,93%
CENTER	1.622	8,06%	160.389.193	9,78%
SOUTH	2.022	10,05%	135.934.792	8,29%
Total	20.125	100,00%	1.640.073.303	100,00%

Breakdown by Origination Date	No. of Loans	% of Total	Outstanding Value	% of Total
1999	628	3,12%	19.257.554	1,17%
2000	1.152	5,72%	40.708.866	2,48%
2001	2.077	10,32%	98.457.839	6,00%
2002	2.182	10,84%	118.637.711	7,23%
2003	2.335	11,60%	163.970.024	10,00%
2004	3.173	15,77%	268.395.572	16,36%
2005	4.357	21,65%	446.380.291	27,22%
2006	4.221	20,97%	484.265.446	29,53%
Total	20.125	100,00%	1.640.073.303	100,00%

Borrowers Concentration	No. of Loans	% of Total	Outstanding Value	% of Total
TOP_1	1	0,005%	592.182	0,04%
TOP_10	10	0,05%	5.337.685	0,33%
TOP_20	20	0,10%	10.080.817	0,61%
TOP_50	50	0,25%	22.572.141	1,38%
TOP_100	100	0,50%	39.590.940	2,41%

Breakdown by Original Balance	No. of Loans	% of Total	Outstanding Value	% of Total
<50.000	3.184	15,82%	81.680.311	4,98%
>=50.000 <100.000	8.739	43,42%	487.966.068	29,75%
>=100.000 <150.000	5.247	26,07%	548.723.973	33,46%
>=150.000 <200.000	1.922	9,55%	286.474.188	17,47%
>=200.000 <250.000	642	3,19%	123.281.134	7,52%
>=250.000 <300.000	194	0,96%	45.725.372	2,79%
>=300.000 <350.000	97	0,48%	27.409.671	1,67%
>=350.000 <400.000	32	0,16%	10.530.598	0,64%
>=400.000 <450.000	23	0,11%	8.387.645	0,51%
>=450.000 <500.000	13	0,06%	5.330.283	0,33%
>=500.000	32	0,16%	14.564.062	0,89%
Total	20.125	100,00%	1.640.073.303	100,00%

Breakdown by Current Balance	No. of Loans	% of Total	Outstanding Value	% of Total
<50.000	6.804	33,81%	220.703.853	13,46%
>=50.000 <100.000	7.428	36,91%	545.418.309	33,26%
>=100.000 <150.000	3.972	19,74%	488.544.653	29,79%
>=150.000 <200.000	1.301	6,46%	222.469.091	13,56%
>=200.000 <250.000	376	1,87%	83.197.777	5,07%
>=250.000 <300.000	126	0,63%	34.622.563	2,11%
>=300.000 <350.000	55	0,27%	17.763.151	1,08%
>=350.000 <400.000	24	0,12%	9.074.112	0,55%
>=400.000 <450.000	14	0,07%	5.931.274	0,36%
>=450.000 <500.000	18	0,09%	8.497.263	0,52%
>=500.000	7	0,03%	3.851.256	0,23%
Total	20.125	100,00%	1.640.073.303	100,00%

Breakdown by Seasoning (years)	No. of Loans	% of Total	Outstanding Value	% of Total
<1	2.657	13,20%	304.199.409	18,55%
>=1 <2	4.835	24,02%	519.256.679	31,66%
>=2 <3	3.535	17,57%	319.406.125	19,48%
>=3 <4	2.444	12,14%	181.499.087	11,07%
>=4 <5	2.160	10,73%	124.115.004	7,57%
>=5 <6	2.257	11,21%	113.396.171	6,91%
>=6 <7	1.296	6,44%	48.707.987	2,97%
>=7 <8	816	4,05%	25.948.132	1,58%
>=8	125	0,62%	3.544.709	0,22%
Total	20.125	100,00%	1.640.073.303	100,00%

Breakdown by Remaining term (years)	No. of Loans	% of Total	Outstanding Value	% of Total
<3	512	2,54%	11.144.661	0,68%
>=3 <6	2.139	10,63%	70.092.089	4,27%
>=6 <9	3.234	16,07%	161.936.093	9,87%
>=9 <12	3.436	17,07%	216.452.128	13,20%
>=12 <15	2.804	13,93%	233.356.666	14,23%
>=15 <18	1.920	9,54%	189.094.933	11,53%
>=18 <21	1.925	9,57%	210.478.660	12,83%
>=21 <24	1.345	6,68%	168.584.725	10,28%
>=24 <27	592	2,94%	76.406.313	4,66%
>=27	2.218	11,02%	302.527.035	18,45%
Total	20.125	100,00%	1.640.073.303	100,00%

Breakdown by Installment Frequency	No. of Loans	% of Total	Outstanding Value	% of Total
Monthly	19.674	97,76%	1.603.155.365	97,75%
Quarterly	451	2,24%	36.917.938	2,25%
Total	20.125	100,00%	1.640.073.303	100,00%

Breakdown by Interest Rate Type	No. of Loans	% of Total	Outstanding Value	% of Total
Fixed	5061	25,15%	328.835.673	20,05%
Floating	15064	74,85%	1.311.237.630	79,95%
Total	20.125	100,00%	1.640.073.303	100,00%

Breakdown by Current LTV	No. of Loans	% of Total	Outstanding Value	% of Total
<10%	418	2,08%	10.449.312	0,64%
>=10% <20%	1.911	9,50%	68.287.058	4,16%
>=20% <30%	2.750	13,66%	140.987.203	8,60%
>=30% <40%	3.220	16,00%	234.281.323	14,28%
>=40% <50%	3.310	16,45%	282.942.379	17,25%
>=50% <60%	2.700	13,42%	229.789.563	14,01%
>=60% <70%	2.526	12,55%	258.952.838	15,79%
>=70% <80%	3.290	16,35%	414.383.625	25,27%
Total	20.125	100,00%	1.640.073.303	100,00%

Breakdown by Mortgage Amount on Current Balance	No. of Loans	% of Total	Outstanding Value	% of Total
>=150% <200%	25	0,12%	3.089.401	0,19%
>=200% <250%	12.671	62,96%	1.300.890.167	79,32%
>=250% <300%	3.723	18,50%	207.985.007	12,68%
>=300% <350%	1.579	7,85%	64.636.734	3,94%
>=350% <400%	678	3,37%	24.386.448	1,49%
>=400% <450%	444	2,21%	13.773.710	0,84%
>=450% <500%	293	1,46%	8.601.137	0,52%
>=500%	712	3,54%	16.710.699	1,02%
Total	20.125	100,00%	1.640.073.303	100,00%

Breakdown by Mortgage Amount on Original Balance	No. of Loans	% of Total	Outstanding Value	% of Total
<150%	3	0,01%	112.243	0,01%
>=150% <200%	760	3,78%	42.510.055	2,59%
>=200% <250%	19.302	95,91%	1.594.208.404	97,20%
>=250% <300%	27	0,13%	1.091.902	0,07%
>=300% <350%	10	0,05%	685.422	0,04%
>=350% <400%	11	0,05%	409.714	0,02%
>=400% <450%	9	0,04%	834.831	0,05%
>=500%	3	0,01%	220.731	0,01%
Total	20.125	100%	1.640.073.303	100%

Breakdown by Original LTV	No. of Loans	% of Total	Outstanding Value	% of Total
<10%	63	0,31%	2.454.748	0,15%
>=10% <20%	733	3,64%	28.936.141	1,76%
>=20% <30%	1.602	7,96%	79.599.538	4,85%
>=30% <40%	2.675	13,29%	176.700.893	10,77%
>=40% <50%	3.288	16,34%	265.156.894	16,17%
>=50% <60%	2.620	13,02%	202.406.971	12,34%
>=60% <70%	2.945	14,63%	252.082.119	15,37%
>=70% <80%	5.151	25,60%	523.985.918	31,95%
>=80% <85%	1.048	5,21%	108.750.081	6,63%
Total	20.125	100,00%	1.640.073.303	100,00%

Breakdown by Current Interest Rate for fixed rate mortgages	No. of Loans	% of Total	Outstanding Value	% of Total
<4,5%	907	17,92%	93.292.783	28,37%
>=4,5% <5%	279	5,51%	19.698.988	5,99%
>=5% <5,5%	869	17,17%	63.714.600	19,38%
>=5,5% <6%	1047	20,69%	69.457.119	21,12%
>=6% <6,5%	718	14,19%	34.753.504	10,57%
>=6,5% <7%	894	17,66%	33.342.089	10,14%
>=7% <7,5%	339	6,70%	14.119.605	4,29%
>=7,5% <8%	8	0,16%	456.985	0,14%
Total	5.061	100,00%	328.835.673	100,00%

Breakdown by Spread for floating rate mortgages	No. of Loans	% of Total	Outstanding Value	% of Total
<0,75%	26	0,17%	3.059.249	0,23%
>=0,75% <1%	451	2,99%	42.577.805	3,25%
>=1% <1,25%	3.257	21,62%	259.713.312	19,81%
>=1,25% <1,5%	4.257	28,26%	351.604.975	26,81%
>=1,5% <1,75%	5.078	33,71%	467.416.753	35,65%
>=1,75% <2%	1.445	9,59%	138.419.315	10,56%
>=2%	550	3,65%	48.446.221	3,69%
Total	15.064	100,00%	1.311.237.630	100,00%

Breakdown by Current Interest Rate	No. of Loans	% of Total	Outstanding Value	% of Total
<3%	1	0,005%	231.923	0,01%
>=3% <4%	852	4,23%	89.084.840	5,43%
>=4% <5%	1.886	9,37%	164.291.334	10,02%
>=5% <6%	15.260	75,83%	1.291.186.982	78,73%
>=6% <7%	1.779	8,84%	80.701.633	4,92%
>=7%	347	1,72%	14.576.590	0,89%
Total	20.125	100,00%	1.640.073.303	100,00%

THE ORIGINATORS AND THE SERVICERS

BANCA POPOLARE DI NOVARA S.P.A.

1. Introduction

1.1 Banca Popolare di Novara S.p.A.

BPN is a company incorporated under Italian law, as *società per azioni* (joint-stock company), enrolled with the Companies' Register of Novara under No and VAT No. IVA 01848410039, enrolled with the Register of Banks under No 5520, as well as a company belonging to the Banco Popolare di Verona e Novara Banking Group, enrolled with the register of Banking Group under No 5188. BPN is also a member of *Fondo Interbancario di Tutela dei Depositi* and of the *Fondo Nazionale di Garanzia* (the Interbanking Fund for the Protection of Deposits and the National Guarantee Fund). BPN's registered office and headquarters is in Novara, via Negrone 12.

1.2 Banco Popolare di Verona e Novara Group

BPN belongs to the Banco Popolare di Verona e Novara Group (the "**Group**"), a polifunctional banking group making its business in all sectors of credit and financial intermediation, organised into companies specialised by activity and subject to the management and the coordination of the Banco Popolare di Verona e Novara S.c.a.r.l. (the parent company of the Group), a company that wholly owns the Originator.

In 2006, as part of a project developed at Group level, BPN performed the transfer of three business units, one for the management of filing and logistics activities, with effect from 1 July, and two consisting of bank branches, with effect from 1 October, the latter to two companies of the Banca Popolare Italiana Group.

Furthermore, on 10 March 2007, the extraordinary shareholders' meetings of Banco Popolare di Verona e Novara S.c.a.r.l. ("**BPVN**") and of Banca Popolare Italiana ("**BPI**") approved the project for the merger (the "**Merger**") of the two Banking Groups, creating a new entity that will take the name of Banco Popolare società cooperativa (the "**Banco Popolare**"). The Merger will have effect as of 1 July 2007, subject to the following remaining steps having been completed:

- (i) approval by CONSOB of the Prospectus for the listing of the shares of Banco Popolare;
- (ii) execution, on or about the Issue Date, of a notarial deed of merger and its subsequent registration with the companies' registers of Verona and Lodi;
- (iii) payment by Banco Popolare of the extraordinary part of the BPI share premium reserve to the shareholders of BPI, with value date on 5 July 2007.

On the basis of the final aggregate data as at 30 September 2006, the Banco Popolare under incorporation will rank third amongst Italy's distribution networks, with approximately 2,200 branches and a market share of 10% in Northern Italy; it will have a total customer portfolio of over 3 million customers, for the most part families and small/medium-sized enterprises in Northern Italy; it will benefit from 79 billion in direct customer deposits, 107 billion in indirect deposits and 74 billion in loans.

The table below illustrates the ratings assigned to BPVN as at 31 December 2005 and 31 December 2006.

		BPVN	
		31 Dec. 2006	31 Dec. 2005
MOODY'S	Long term	A2*	A2 (stable)
	Short term	P-1*	P-1
	<i>Financial Strength</i>	C+*	C+
S&P	Long term	A*	A (stable)
	Short term	A-1*	A-1
FITCH	Long term	A+*	A+ (stable)
	Short term	F1	F1
	<i>Individual Support</i>	B* 3	B 3

* these ratings were placed creditwatch for a possible downgrade/rating watch negative in October 2006 - further detail is set out below.

Following the announcement of the Merger between BPVN and BPI in October 2006, the ratings marked by an asterisk in the table above were placed on creditwatch for a possible downgrade/rating watch negative, reflecting the lower ratings assigned to BPI (long-term rating: BBB for Fitch, Baa2 for Moody's and BBB for S&P) as compared to BPVN.

On 12 March 2007, following the extraordinary shareholders' meetings of BPVN and BPI which on 10 March 2007 approved the Merger, S&P removed these ratings from creditwatch, confirming the ratings previously assigned to BPVN, with an indication of a stable outlook. On 13 April 2007, Moody's, within the application of its new rating methodology on a global scale, confirmed BPVN's short and long-term ratings at the levels prior to the creditwatch action (P-1/A2), while downgrading BPVN's financial strength rating from C+ to C. The latter has remained on creditwatch for a possible downgrade.

1.3 BPN's financial figures

The financial figures relating to BPN as at 31 December 2006 feature profit for the year equal to Euro 146,212,883, posting an increase on the previous year of over Euro 55 million.

2. BPN core business

BPN carries out commercial banking activity, that is, the collection of savings and the granting of credit, mainly constituted by customer loans, customer deposits, payment and electronic money services, treasury and financial intermediation. The activity is mainly directed towards private customers - Retail segment - and towards businesses, for the most part small-to-medium sized companies and is performed through a network of branches (as at 31 December 2006 BPN had a network of 413 branches in Italy, of which 80% located in the North-West and 20% in the Centre-South), and through virtual banking, remote banking, ATM terminals, private bankers of Group companies and specialised external networks.

Specifically:

- with regard to funding activity, specifically targeted at the Retail segment, BPN offers a range of products and services capable of satisfying the needs of the various segments. In particular, as far as the mass market is concerned, the offer includes products, services and standardised investment instruments (such as bonds, mutual funds and SICAV), as well as investment instruments suited to meeting a more diversified and sophisticated demand (such as asset management services, bancassurance products and hedge funds);
- the customer fund raising activity, more than 75% of which is focused on the Retail segment, is mainly performed through the opening of current accounts, savings deposits, repurchase agreements, issue of bonds and deposit certificates, in addition to package deals which combine the offer of services aimed at meeting the liquidity management and payment services requirements with other managed savings and insurance savings services;
- customer loans are granted to individuals, families, businesses, public entities, etc. Alongside the lending transactions (in current accounts, advances with recourse (*pro-solvendo*) and against invoices) chiefly targeted at businesses, the direct offer towards the Retail segment is also made up by loans for the purchase of houses, personal loans and consumer credit. Over 50% of loans are directed towards corporate companies;
- with regard to the collection and payment and electronic money services provided by BPN, they include the transfer of funds in Italy and abroad, the negotiation of bills, cheques and other payment instruments, the activities of issuing and negotiation of credit and debit cards, the installation and activation of POS terminals and the supply of payment services for persons carrying out business.

Furthermore, availing of the collaboration of other Group companies, BPN is able to offer products and services pertaining to parabanking activities, private banking, investment banking, bancassurance, asset management, merchant banking, leasing, factoring, etc. on the basis of a management structure that, alongside the Group's other commercial banks (BPVN and Credito Bergamasco), provides for a series of product companies functionally dedicated to the promotion and development of the various banking business lines.

Specifically:

- with regard to the asset management activity, it is pointed out that as from 1 January 2005 the business line made up of the asset management services (GPM and GPF) was subject to demerger in favour of Banca Aletti, for the purpose of rationalising the activities performed in the division, maximising the operating efficiency and streamlining the organisational processes. Accordingly, BPN took on the role of "placer" of the asset management services provided by Banca Aletti. The product range is well-structured and the asset management services collect a significant savings within the reference market. Furthermore, BPN offers a wide and varied range of mutual investment funds and pension funds - through Aletti Gestielle SGR S.p.A. and Aletti Gestielle Alternative SGR S.p.A., two Group companies - as well as bancassurance products in the life business, chiefly through the company Novara Vita S.p.A., and in the non-life business.
- within the scope of merchant banking, export finance, forfeiting transactions, project finance and in the creation of joint ventures, BPN offers its customers - through the *ad hoc* Group company, Aletti Merchant - advice products and services which allow to choose among a series of opportunities in the extraordinary finance field with solutions tailor-made to the customer's specific requirements and to the project specifications.

BPN has also delegated to the Group's Investment Bank (Banca Aletti & C S.p.A.) the activity of managing the treasury and the own portfolio constituted by securities held for trading and securities at fair value, as well as the trading activity on the stocks and currencies markets.

CREDITO BERGAMASCO S.P.A.

1. Introduction

1.1 Credito Bergamasco S.p.A.

CREBERG is a company incorporated under Italian law, as *società per azioni* (joint-stock company), enrolled with the Companies' Register of Bergamo under No and VAT No. 00218400166, enrolled with the register of banks under No 3336.5, as well as a company belonging to the Banco Popolare di Verona e Novara Banking Group, enrolled with the register of banking group under No. 5188. CREBERG is a member of the *Fondo Interbancario di Tutela dei Depositi* and of the *Fondo Nazionale di Garanzia*. CREBERG's registered office is in Bergamo, Largo Porta Nuova 2.

1.2 Banco Popolare di Verona e Novara Banking Group

CREBERG belongs to the Banco Popolare di Verona e Novara Group (the "**Group**"), a polifunctional banking group carrying out its activities in all sectors of credit and financial intermediation, organised into companies specialised by activity and subject to the management and coordination of the Banco Popolare di Verona e Novara S.c.a.r.l. (the parent company of the Group)

On 10 March 2007, the extraordinary shareholders' meetings of Banco Popolare di Verona e Novara S.c.a.r.l. ("**BPVN**") and of Banca Popolare Italiana ("**BPI**") approved the project for the merger (the "**Merger**") of the two Banking Groups, creating a new entity that will take the name of Banco Popolare società cooperativa. The Merger will have effect as of 1 July 2007, subject to the following remaining steps having been completed:

- (i) approval by CONSOB of the Prospectus for the listing of the shares of Banco Popolare;
- (ii) execution, on or about the Issue Date, of a notarial deed of merger and its subsequent registration with the companies' registers of Verona and Lodi;
- (iii) payment by Banco Popolare of the extraordinary part of the BPI share premium reserve to the shareholders of BPI, with value date on 5 July 2007.

On the basis of the final aggregate data as at 30 September 2006, the Banco Popolare under incorporation will rank third amongst Italy's distribution networks, with approximately 2,200 branches and a market share of 10% in Northern Italy; it will have a total customer portfolio of over 3 million customers, for the most part families and small/medium-sized enterprises in Northern Italy; it will benefit from 79 billion in direct customer deposits, 107 billion in indirect deposits and 74 billion in loans.

The table below illustrates the ratings assigned to BPVN and CREBERG as at 31 December 2005 and 31 December 2006.

BPVN

CREDITO
BERGAMASCO

		31 Dec. 2006	31 Dec. 2005	31 Dec. 2006	31 Dec. 2005
MOODY'S	Long term	A2*	A2 (stable)		
	Short term	P-1*	P-1		
	<i>Financial Strength</i>	C+*	C+		
S&P	Long term	A*	A (stable)	A*	A (stable)
	Short term	A-1*	A-1	A-1*	A-1
FITCH	Long term	A+*	A+ (stable)		
	Short term	F1	F1		
	<i>Individual Support</i>	B* 3	B 3		

* these ratings were placed creditwatch for a possible downgrade/rating watch negative in October 2006 - further detail is set out below.

Following the announcement of the Merger between BPVN and BPI in October 2006, the ratings marked by an asterisk in the table above were placed on creditwatch for a possible downgrade/rating watch negative, reflecting the lower ratings assigned to BPI (long-term rating: BBB for Fitch, Baa2 for Moody's and BBB for S&P) as compared to BPVN.

On 12 March 2007, following the extraordinary shareholders' meetings of BPVN and BPI which on 10 March 2007 approved the Merger, S&P removed these ratings from creditwatch, confirming the ratings previously assigned to BPVN and CREBERG, with an indication of a stable outlook. On 13 April 2007, Moody's, within the application of its new rating methodology on a global scale, confirmed BPVN's short and long-term ratings at the levels prior to the creditwatch action (P-1/A2), while downgrading BPVN's financial strength rating from C+ to C. The latter has remained on creditwatch for a possible downgrade.

1.3 CREBERG's financial figures

The financial figures relating to CREBERG as at 31 December 2006 feature profit for the year equal to Euro 241,638,933, posting an increase on the previous year of over Euro 115,556,047.

2. CREBERG's core business

CREBERG, whose customer base is made up of individuals and small-to-medium sized enterprises, operates as credit intermediary offering:

- granting of credit , such as current account credit lines, advances with recourse (*pro-solvendo*) advances against invoices, securities and goods, commercial and financial discount, loans, promissory loans, import and export loans, personal loans;
- raising and management of savings, such as the opening of current accounts and savings deposit accounts, execution of repurchase agreement transactions, issue of bonds and deposit certificates, the opening and administration of securities dossiers, collection of orders on securities and currencies;
- collection and payment and electronic money services, such as transfer of funds in Italy and abroad, negotiation of bills, cheques and other payment instruments, issue and negotiation of credit and debit cards, installation and activation of POS terminals and supply of payment services for those active in commerce.

CREBERG also places with customers the products and services chiefly provided by the Group companies, within the scope of the following activities:

- parabanking, such as leasing and consumer credit (Leasimpresa S.p.A., Banca Italease S.p.A., Gruppo Linea);
- asset management, such as mutual investment funds (Aletti Gestielle SGR S.p.A., Aletti Private Equity, ARCA SGR S.p.A.), SICAV (BPVN Luxembourg S.A., BPV International Equities Fund, Novara Aquilone Sicav, Parvest, Merrill Lynch International Investment Funds, Pictet Fixed Income Fund Sicav), hedge funds (Aletti Gestielle Alternative) and managed portfolios. In this regard it is pointed out that, as from 1 January 2005, CREBERG – as part of a rationalisation of the Group activities – transferred the asset management business line to Banca Aletti & C. S.p.A., taking on the role of “placer” of the management of investment portfolios;
- merchant banking, export finance, forfeiting transactions, project finance and the creation of joint ventures, above all through advice services with solutions tailor-made to the customer’s specific requirements or to the project specifications (Aletti Merchant S.p.A.);
- bancassurance, such as pension funds, life (Bpv Vita S.p.A.) and non life insurance products (ABC Assicura S.p.A.). For this purpose the Bank is enrolled in section D “Banks, Financial Intermediaries, Stock Brokerage Companies, Poste Italiane-Divisione Bancoposta” of the *Registro Unico Elettronico degli Intermediari Assicurativi e Riassicurativi (RUI)*(Electronic Register of Insurance and Reinsurance Intermediaries) with identification code no. D000107964.

CREBERG has also delegated to the Group’s Investment Bank (Banca Aletti & C S.p.A.) the activity of managing the treasury and the own securities portfolio, as well as the trading activity on the stocks and currencies markets.

CREBERG performs its activity and offers its products and services through a network of branches which, as at 31 December 2006, consists of 241 branches, placed in Lombardia (210), in Veneto (7), in Piemonte (4), in Emilia Romagna (4), in Liguria (2) and in the city of Roma (14).

This traditional distribution system is also integrated by the Group’s electronic services, such as internet banking and phone banking, and by external sales channels (specialised networks).

THE CREDIT AND COLLECTION POLICIES

Credit Policies

Mortgage Loans are entered into by BPN/CREBERG in the form of *mutui fondiari* and *mutui ordinari ipotecari*.

The Borrowers, usually, pay on the last day of the month the monthly or the calendar quarterly loan instalments.

The decision to enter into and advance a Mortgage Loan is taken at the appropriate decision-making level in BPN/CREBERG.

BPN/CREBERG internal rules call for a maximum loan amount of 80% of the property value (unless the Borrower provides them with further guarantees) and a mortgage over real estate properties (which is first ranking in an economic sense) double than the loan amount.

After the approval, the preparation of the documentation and the conclusion of the Mortgage Loans are delegated to the Special Credits Department (*Funzione Crediti Speciali del Gruppo*), who:

- insert the transaction in the internal mortgage procedure;
- if needed, appoint a surveyor to value the property;
- verify that the property insurance is in favour of BPN/CREBERG;
- prepare the minutes of the mortgage loan;
- check property documentation received by the notary;
- allow mortgage loans improvement through the mortgage procedure system;

Once the notary stipulates the mortgage agreement, relevant documents are sent to the Special Credits Department that stores them.

The Special Credits Department, based on the necessary feasibility analyses and in compliance with the applicable credit/authorization decision, is also responsible for:

- waiver of economic conditions;
- issuance of specific certifications requested by the Borrowers, in particular the certifications concerning the amount of interest to be paid/expenses sustained;
- pre-payment of the Mortgage Loans, which involves the reduction to nil of the outstanding balance of the loan and is often accompanied by a request for the release of the Mortgage;
- preparation of amendments and other acts ancillary to the Mortgage Loans Agreements, such as:
 - the extension of the Mortgage Loan, following a restructuring of the transaction or an extension of payments;
 - the taking over (*accollo*) of the loan, customarily requested by the purchaser of the Real Estate Asset, as a method to pay part of the purchase price;

- the reduction/cancellation of the Mortgage, or the partial or total release of the Mortgage;
- any request made to the insurance companies for the release of the *vincolo* on the Insurance Policies.

The payment of each instalment is notified, in advance, to the director of the branch where the Borrower's account is held, who will then verify the presence of the funds in the client's current account.

In relation to the Mortgage Loans whose payment falls on the last day of every month, a report detailing the missing payments is available to the director of the branch on the first business day of the month following the payment date. It is therefore the responsibility of the director of the branch to contact the client in order to verify the reasons for the missed or partial payment.

Collection Policies - the consequences of a missing payment:

The Borrowers have 3 days to make the payment: if the payment is effected during these 3 days, default interest is not applied.

Nevertheless, the payment of the instalment is effected for value the date on which the payment was due.

From the fourth day following the missing payment, default interest starts to accrue from the instalment due date. Default interest rates are monitored in order to be compliant with usury Italian law.

Thereafter, the centralized system of the Special Credits Department periodically sends notifications to the Borrowers at each instalment payment date.

These automatic notifications are sent the last business day of the same month the instalment is overdue as long as the instalment date is at least 3 business days prior to month-end; otherwise notifications are sent the last business day of the following month.

At the same time the director of the branch contacts the client in question either by telephone or in person to investigate the reasons for the missing payments.

A system detailing the degree of indebtedness of the client is supporting both Central Office and branches, giving a score to each relationship.

With respect to BPN, till July 2006 each position was classified as Delinquent based on determined scoring (high scoring in case of, *inter alia*, 180 days of missing or partial payments from the first due date, or negativity events).

Regarding CREBERG, till July 2006 each position was classified as Delinquent based on determined scoring (high scoring in case of, *inter alia*, 60 days of missing or partial payments from the first due date, or negativity events).

After July 2006, despite the Bank of Italy's regulations setting less stringent conditions in respect of residential mortgage loans, BPN/CREBERG ordinarily classify loans (with a duration exceeding 36 months) with monthly and quarterly payments as past-due (*sconfinamento*) as soon as 7 instalments have passed (for loans with monthly instalments) and as soon as 5 instalments have passed (for loans with quarterly instalments) from the missing payment, and the system gives an automatic

proposal of switch to Delinquent. This proposal needs to be assessed by appropriate decision-making level.

The term “Delinquent” (*Incaglio*) identifies a temporarily difficult situation for the Borrower that requires particular attention from the bank to manage the matter and to evaluate the risks associated with the exposure.

Concerning BPN, the collection of unpaid amounts of loans the balance of which exceeds € 50.000 is managed by the Central Office of Novara, and the collection of unpaid amounts equal to or less than € 50.000 is managed by the Area (*Aree*).

On CREBERG side, collection of unpaid amounts of loans the balance of which exceeds € 75.000 is managed by the “*Ufficio Andamentale Incagli della Funzione Crediti*”, and the collection of unpaid amounts equal to or less than € 75.000 is managed by the “*Gestore Qualità del Credito delle Aree Affari*”.

It will be the responsibility of the relevant departments to evaluate the various alternatives so as enable the client in arrears to return *in bonis*. In particular, the Borrower is made proposals of one of the following alternatives:

- (i) immediate payment of the expired instalments;
- (ii) a re-entry plan for the expired instalments approved by one of the decision-making committees;
- (iii) finally BPN/CREBERG can propose the restructuring of the Mortgage Loan.

The relevant departments analytically forecast, for each Mortgage Loan, the potential loss each time a Borrower is unable to fulfil its own financial obligations. The head of the above departments takes the decision regarding the loss forecasts.

In the event that the client accepts one of the proposals made by BPN/CREBERG, the bank will verify that the client fulfils its financial obligations before the relevant decision making board authorizes the transfer/return to *in bonis*.

In the event that:

- the client refuses to accept the proposals of BPN/CREBERG; or
- BPN/CREBERG doubt the Borrower’s ability to fulfil its obligations,

the relevant departments will transfer the file to the Litigation Department (BPN) and to the Legal Department (CREBERG).

The average length of time a loan stay as “Delinquent” depends on BPN/CREBERG’s resolving strategy, and customarily within 12 months.

As soon as the matter is transferred to the Litigation/Legal Department, at the same time as the cancellation of the agreement, BPN/CREBERG initiate the recovery procedure through initiating foreclosure proceedings. This procedure is managed by Litigation/Legal Department’s regional offices.

At this time the Borrower is notified to the *centrale dei rischi* of Bank of Italy. The first act of the recovery procedure consists on sending a letter to the Borrower suggesting an out of court

settlement of the transaction. Then a writ of execution (*precetto*) will be notified. In this notification the Borrower is asked to settle the debt within 10 days.

Thereafter, the Borrower is notified of the seizure (such notification is to be received within 90 days from the writ of execution).

BPN/CREBERG will explore the possibility of obtaining an out of court settlement. With the cooperation of professional and experienced external legal advisers (who are mandated to carry out the enforcement activities at minimum charges), BPN/CREBERG will contact the client, the client's legal advisers, and any possible guarantors so as to be able to obtain an out of court settlement of the litigation.

The out of court settlements are evaluated by BPN/CREBERG on the basis of (i) the likely realization value of the property (sometimes updates of the appraisal are effected in accordance with the age of the original appraisal) or where the leftover debt is considerable, and (ii) the time frame estimated for the recovery of the claims following the ordinary court procedure.

Similarly to delinquents, potential losses are analytically forecasted for each mortgage loan. Both departments arrange a periodical and systematic reporting.

Together with BPVN, BPN/CREBERG are implementing a project whereby all loans in arrears will be managed according to a precise work-flow after the first missed instalment, so well before the loan becomes delinquent. Release is expected in Y2008.

THE ISSUER ACCOUNTS

Pursuant to the terms of the Cash Management, Calculation and Agency Agreement, the Issuer has opened the following accounts (collectively, the “**Issuer Accounts**”):

- 1.1 a Euro denominated deposit account, No. 5320189780, titled the “BP Mortgages 2-BPN Collection Account” (the “**BPN Collection Account**”), which will be held in Italy with the Italian Account Bank in the name of the Issuer for so long as the Italian Account Bank qualifies as an Eligible Institution, for the deposit of all amounts collected and/or recovered by the Servicer in respect of the Claims pursuant to the BPN Servicing Agreement;
- 1.2 a Euro denominated deposit account, No. 5320249780, titled the “BP Mortgages 2 - CREBERG Collection Account” (the “**CREBERG Collection Account**”), which will be held in Italy with the Italian Account Bank in the name of the Issuer for so long as the Italian Account Bank qualifies as an Eligible Institution, for the deposit of all amounts collected and/or recovered by the Servicer in respect of the Claims pursuant to the CREBERG Servicing Agreement;
- 1.3 a Euro denominated deposit account, No. 5320179780, titled the “BP Mortgages 2- Payment Account” (the “**Payments Account**”), which will be held in Italy with the Italian Account Bank in the name of the Issuer for so long as the Italian Account Bank qualifies as an Eligible Institution. Amounts due and payable on the relevant Payment Date will be transferred from the Collection Accounts and, if any, from the Cash Reserve Account and the Expenses Account to the Payments Account and, on any Payment Date, payments will be made out in accordance with the applicable Priority of Payments;
- 1.4 a Euro denominated deposit account, No. 5320199780, titled the “BP Mortgages 2 - Cash Reserve Account” (the “**Cash Reserve Account**”), which will be held in Italy with the Italian Account Bank in the name of the Issuer for so long as the Italian Account Bank qualifies as an Eligible Institution, into which the Issuer will deposit and maintain, according with the applicable Priority of Payments, the Cash Reserve Amount;
- 1.5 a Euro denominated deposit account, No. 5320169780, titled the “BP Mortgages 2 - Expenses Account” (the “**Expenses Account**”) which will be held in Italy with the Italian Account Bank in the name of the Issuer for so long as the Italian Account Bank qualifies as an Eligible Institution, into which the Issuer will deposit € 30,000 on the Issue Date. This account will then be replenished on each Payment Date up to the Retention Amount and such amount will be applied by the Issuer to pay all fees, costs, expenses and taxes required to be paid to any third party other than the Noteholders and the Other Issuer Creditors in order to preserve the corporate existence of the Issuer or to maintain it in good standing or to comply with applicable legislation.

In addition, the Issuer has opened a euro denominated account, No. 38403, titled the “BP Mortgages S.r.l. - Corporate Capital Account” (the “**Corporate Capital Account**”) which will be held in Italy with Credito Bergamasco, Milan branch, into which have been credited all amounts contributed by the Quotaholder as quota capital of the Issuer.

Pursuant to the Cash Management, Calculation and Agency Agreement, in the event that any collateral is posted pursuant to the credit support annex to the Swap Agreement, the Issuer shall be obliged to open an account with an Eligible Institution for the deposit of such collateral (the “**Collateral Account**”).

Pursuant to the Cash Management, Calculation and Agency Agreement, BNY, Milan Branch, in its capacity as Italian Account Bank has, *inter alia*, agreed to provide the Issuer with certain services in connection with account handling and reporting requirements in relation to the monies and securities, as applicable, from time to time standing to the credit of the Issuer Accounts.

Pursuant to the Cash Management, Calculation and Agency Agreement, BNY, London Branch, in its capacity as Cash Manager, has agreed to invest on behalf of the Issuer funds standing to the credit of the Collection Accounts and the Cash Reserve Account.

Pursuant to the Cash Management, Calculation and Agency Agreement, BNY, Milan Branch, in its capacity as Principal Paying Agent has agreed to provide certain payment services to the Issuer in relation to, *inter alia*, the payment of interest and the repayment of principal on the Notes.

If the Italian Account Bank ceases to be an Eligible Institution, any of the Issuer or the Representative of the Noteholders will (i) terminate the appointment of the Italian Account Bank, with the effect from the date specified in the relevant notice and (ii) arrange for the transfer of the Issuers' Accounts to another Eligible Institution within 30 (thirty) calendar days from the date when the Italian Account Bank ceases to be an Eligible Institution by way of the downgrading operated by the Rating Agencies.

"Eligible Institution" means any bank with a short-term rating for its unsecured, unsubordinated and un-guaranteed debt obligations equal to F1 by Fitch, P-1 by Moody's and A-1+ from S&P.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes (as defined below)(the “Conditions”). In these Conditions any reference to the “holders” of a Note or to the “Noteholders” is to the ultimate beneficial owners of the Notes issued in dematerialised form and evidenced as book entries with Monte Titoli S.p.A. (“Monte Titoli”) in accordance with the provisions of (i) Article 28 of Legislative Decree No. 213 of 24 June, 1998 and (ii) Resolution No. 11768 of 23 December, 1998 of Commissione Nazionale per le Società e la Borsa as amended from time to time (“Resolution No. 11768”).

The Noteholders are deemed to have notice of and are bound by, and shall have the benefit of, inter alia, the terms of the Rules of the Organisation of Noteholders (as defined below). Unless otherwise defined herein, all capitalised words and expressions used herein shall have the same meaning as set forth below. Each initial and subsequent purchaser of the Notes will be deemed, by its subscription or purchase of such Notes, to have agreed and accepted the terms and conditions of the Notes and, in particular, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof in accordance with any applicable laws.

The € 147,300,000 Series 2007-2-A1 Residential Mortgage-Backed Floating Rate Notes due January 2018, the € 1,382,000,000 Series 2007-2-A2 Residential Mortgage-Backed Floating Rate Notes due July 2044, the € 28,200,000 Series 2007-2-B Residential Mortgage-Backed Floating Rate Notes due July 2044, the € 36,200,000 Series 2007-2-C Residential Mortgage-Backed Floating Rate Notes due July 2044, the € 8,639,000 Series 2007-2-M1 Residential Mortgage-Backed Variable Rate Notes due July 2044 and the € 7,479,000 Series 2007-2-M2 Residential Mortgage-Backed Variable Rate Notes due July 2044 shall be issued on the Issue Date by the Issuer. The Issuer is a company incorporated with limited liability under the laws of the Republic of Italy under article 3 of Italian law No. 130 of 30 April 1999 (*Disposizioni sulla cartolarizzazione dei crediti*), as amended from time to time (the “**Securitisation Law**”), whose registered office is at Via Romanino, 1, 25122 Brescia (Italy). The Issuer has been established as a multi-purpose vehicle for the purpose of issuing asset backed securities and accordingly it has carried out the BPVN Securitisation and it may carry out other securitisation transaction in accordance with the Securitisation Law, in addition to the one contemplated in this Prospectus, subject to certain conditions as specified in the Terms and Conditions of the Notes. The Issuer is registered in the register held by the *Ufficio Italiano dei Cambi* pursuant to the Italian Banking Act under number 37454, in the special register of financial intermediaries held by the Bank of Italy pursuant to Article 107 of the Italian Banking Act and in the register of enterprises held in Brescia under number 08705611005. The Issuer shall issue the Notes pursuant to its by-laws for the purpose of financing the purchase of the Claims arising under Italian residential mortgage loan agreements and owing to Banca Popolare di Novara S.p.A. and Credito Bergamasco S.p.A., respectively.

Any reference below to a “**Series**” of Notes or a “**Series**” of Noteholders shall be a reference to the Series A Notes, the Series B Notes, the Series C Notes, the Series M1 Notes or the Series M2 Notes, as the case may be, or to the respective ultimate owners thereof.

This section headed “**General**” shall constitute an essential part of, and shall have the same force and effect as if it were set out in, the terms and conditions of the Notes set out below. The Notes contain summaries, and are subject to the detailed provisions, of the Transaction Documents, a copy of which is available for inspection during normal business hours at the registered office of the Issuer and the Irish Listing Agent.

The principal source of payment of amounts due and payable in respect of the Notes will be collections and recoveries made in respect of the Portfolio purchased by the Issuer from each of the Originators pursuant to the relevant Transfer Agreement entered into on the Signing Date. In accordance with the provisions of the Securitisation Law and Article 58 of the Italian Banking Act

as referred to in the Securitisation Law, the Issuer has published in the Italian Official Gazette and filed with the Companies Register at the relevant Companies House in Italy a notice of the transfer of the Claims comprised in the Portfolio to the Issuer.

The consideration for the purchase of the Portfolio by the Issuer from each of the Originators is equal to the aggregate principal amount outstanding of the relevant Claims as at the Valuation Date, plus the aggregate interest accruals (*ratei*) on the Claims accrued from the last date of payment of interest on such Claims under the relevant Mortgage Loan Agreements until the Valuation Date (included).

Pursuant to the provisions of Article 3, paragraph 2 of the Securitisation Law, the Portfolio is segregated by operation of Italian law from all other assets of the Issuer and the Collections, once received by the Issuer, will only be available both prior to and following the commencement of the winding-up of the Issuer to satisfy the obligations of the Issuer to the Noteholders, to pay taxes, costs, fees, liabilities or expenses due to the Issuer's creditors under the Transaction Documents and to pay any other creditor of the Issuer in respect of costs, fees or expenses of the Issuer to such other creditor in relation to the securitisation of the Portfolio effected by the Issuer via the issuance of the Notes.

Pursuant to the Senior Notes Subscription Agreement to be entered into on or about the Issue Date, between the Issuer, each of the Originators, the Representative of the Noteholders and the Joint-Lead Managers, the Joint-Lead Managers shall agree to subscribe for the Senior Notes. Pursuant to the Series M1 Notes Subscription Agreement entered into on or about the Issue Date between the Issuer, the Representative of the Noteholders and BPN in its capacity as Junior Noteholder, BPN shall agree to subscribe for the Series M1 Notes. Pursuant to the Series M2 Notes Subscription Agreement entered into on or about the Issue Date between the Issuer, the Representative of the Noteholders and CREBERG, in its capacity as Junior Noteholder, CREBERG shall agree to subscribe for the Series M2 Notes. Under the Subscription Agreements, the Joint-Lead Managers and each of the Junior Noteholders, as the case may be, as initial subscribers of the Notes of the relevant Series, will appoint BNY Corporate Trustee Services Limited acting through its London branch, which will accept such appointment, as Representative of the Noteholders to perform, in their name and behalf and in the name and on behalf of all subsequent Noteholders of the relevant Series, the activities described in these Conditions and the other Transaction Documents.

Pursuant to the BPN Transfer Agreement and the CREBERG Transfer Agreement BPN and CREBERG, has warranted and represented to the Issuer certain matters in relation to, *inter alia*, itself, the BPN Claims and the CREBERG Claims respectively and the Securitisation. Each Transfer Agreement provides for, *inter alia*, certain remedies available to the Issuer in respect of breaches of representations and warranties by the relevant Originator.

Pursuant to the BPN Servicing Agreement and the CREBERG Servicing Agreement entered into on the Signing Date, between the Issuer and BPN and CREBERG respectively in their capacity as Servicers, each of BPN and CREBERG has agreed to administer, service and collect all cash payments in respect of the BPN Claims and the CREBERG Claims respectively on behalf of the Issuer and in accordance with the Securitisation Law. The Servicer shall ensure the proper segregation of the Issuer's accounting and property from its own activities and shall be responsible for verifying that the transactions to be carried out in connection with the Securitisation comply with all applicable laws and are consistent with the contents of the Prospectus.

Pursuant to the Back-up Servicing Agreement dated the Signing Date and entered into between the Issuer, the Servicers and the Back-up Servicer, the Back-up Servicer has agreed to replace each

of the Servicers, as the case may be, and to perform the duties and obligations set forth in the relevant Servicing Agreement in the event that either of the Servicers ceases to act as Servicer pursuant to the relevant Servicing Agreement.

Pursuant to the Cash Management, Calculation and Agency Agreement to be entered into on or about the Issue Date between the Issuer, the Representative of the Noteholders, the Calculation Agent, the Cash Manager, the Irish Paying Agent, the Irish Listing Agent, the Italian Account Bank and the Principal Paying Agent: (i) the Cash Manager shall agree to provide to the Issuer certain services in relation to the Collection Accounts and the Cash Reserve Account; (ii) the Italian Account Bank shall agree to provide to the Issuer certain account management services, cash management services and other services in relation to monies from time to time standing to the Issuer Accounts, and (iii) the Principal Paying Agent shall agree to provide certain payment services to the Issuer in relation to, *inter alia*, the payment of interest and the repayment of principal on the Notes to the Noteholders on each Payment Date; (iv) the Calculation Agent shall agree to provide certain calculations, notification and reporting services to the Issuer; (v) the Irish Listing Agent shall agree to provide certain services in relation to the listing of the Notes on the Irish Stock Exchange and to assist the Issuer in respect to the related compliance activities; and (vi) the Irish Paying Agent shall agree, *inter alia*, to collect and allow copies of the documents received by the Irish Stock Exchange. Subject to and in accordance with the provisions of the Cash Management, Calculation and Agency Agreement; with the Italian Account Bank, the Issuer (i) has established and shall maintain opened the Collection Accounts, the Payments Account, the Cash Reserve Account and the Expenses Account; and (ii) may decide to open, until any of the Notes are outstanding, the Securities Accounts. The Issuer Accounts shall be operated subject to and in accordance with the provisions of the Cash Management, Calculation and Agency Agreement to be entered into.

Pursuant to the Swap Agreement to be entered into on or about the Issue Date between the Issuer, the Swap Counterparty and the Representative of the Noteholders, the Issuer shall enter into the Interest Rate Swap Transactions to hedge the interest rate risk exposure of the Issuer in relation to its floating rate interest obligations under the Senior Notes..

Pursuant to the Corporate Services Agreement entered into on 5 April 2007 in the context of the BPVN Securitisation, as amended and supplemented on the Signing Date by means of an extension and amendment agreement between the Issuer and the Corporate Services Provider, the Corporate Services Provider has agreed to provide certain corporate administration and management services to the Issuer.

Pursuant to the Intercreditor Agreement to be entered into on or about the Issue Date, between, *inter alia*, the Issuer, each of the Originators, the Representative of the Noteholders for itself and as representative of the Noteholders and the other Issuer Secured Creditors, (i) the parties thereto shall agree, *inter alia*, the cash flow allocation of the proceeds in respect of the Portfolio and the rights of the Representative of the Noteholders to exercise the Issuer's Rights, and (ii) the Representative of the Noteholders shall be granted by the Issuer a mandate pursuant to which, *inter alia*, following service of a Trigger Notice, the Representative of the Noteholders shall be authorised under Article 1723, second paragraph, of the Italian Civil Code, to exercise, in the name of the Issuer and in the interest and for the benefit of the Noteholders and the other Issuer Secured Creditors, all the Issuer's Rights arising out of the Transaction Documents to which the Issuer is a party, including the right to sell the Portfolio if so requested by an Extraordinary Resolution of the Meeting of the Senior Noteholders under the Rules of the Organisation of the Noteholders.

Pursuant to the Italian-law governed Deed of Pledge to be entered into by the Issuer on or about the Issue Date, the Issuer shall, *inter alia*, grant a ranking priority pledge in favour of the

Noteholders and the other Issuer Secured Creditors over (i) all monetary claims and rights and all the amounts (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled pursuant to the Transaction Documents (other than the English Deed of Charge and the Swap Agreement) to which the Issuer is a party (except for the Claims and the amounts deriving from the collection and recovery of the Claims); and (ii) any existing or future monetary claims and rights of any sum credited, from time to time, to the BPN Collection Account, the CREBERG Collection Account, the Payments Account, the Cash Reserve Account and the Expenses Account.

Pursuant to an English law governed Deed of Charge and assignment to be executed on or about the Issue Date the Issuer will grant in favor of the Security Trustee for itself and on trust for the Issuer Secured Creditors, *inter alia*, (i) an English law assignment all of the Issuer's rights, title and interest (present and future) in, to and under the Swap Agreement and (ii) a floating charge over all of the Issuer's assets which are subject to the assignments or charges described under (i) above and not effectively assigned or charged thereunder.

The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Transaction Documents applicable to them. In particular, each Noteholder, by reason of holding one or more Notes, (a) recognises the Representative of the Noteholders as its representative, acting in its name and on its behalf, and agrees to be bound by the terms of the Transaction Documents to which the Representative of the Noteholders is a party as if such Noteholder was itself a signatory thereto, and (b) acknowledges and accepts that none of the Joint-Lead Managers or each of the Junior Noteholders (acting in such capacity) shall be liable in respect of any loss, liability, claim, expense or damage suffered or incurred by any of the Noteholders as a result of the performance by BNY Trustee (or any permitted assignee or successor) of its duties as Representative of the Noteholders provided in the Transaction Documents and these Conditions.

Unless the context otherwise requires, any reference in these Conditions to (a) any agreement and/or other document shall be construed as a reference to such agreement and/or document, and any relevant ancillary documents and/or supplements thereto, as from time to time replaced, supplemented, extended, amended, varied, novated, supplemented or superseded, (b) any law, statutory provision or legislative enactment shall be deemed also to refer to any re-enactment, modification or replacement thereof and any statutory instrument, order or regulation made thereunder or under any such re-enactment and (c) a person acting in a specified capacity shall include references to that person's permitted successors and/or assignees and/or transferees and/or any further or other person and all persons deriving title under or through it and/or for the time being acting in such capacity.

Headings used in these Conditions are for ease of reference only and shall not affect their interpretation.

For the purposes of these Conditions, capitalised terms not otherwise defined herein shall, unless the context otherwise requires, have the following meanings:

Additional Return: means each of the Series M1 Notes Additional Return and the Series M2 Notes Additional Return.

Amortisation Date (*Data di Rimborso dei Titoli*): means 20 January 2009, being the date starting from the eighteenth month from the Issue Date.

Amortisation Period (*Periodo di Rimborso*): means the period starting from the Amortisation Date.

Annual Default Level: means, at any Calculation Date, the ratio equivalent to the fraction: (a) the numerator of which is the aggregate Outstanding Principal of all the Claims which have become Defaulted Claims during the Collection Period immediately preceding such Calculation Date and the three immediately preceding Collection Periods; and (b) the denominator of which is the arithmetic mean of the Outstanding Principal of the Claims comprised in the Performing Collateral Portfolio at the beginning of such four Collection Periods.

Back-up Servicing Agreement: means the back-up servicing agreement entered into on the Signing Date between the Issuer, the Servicers and the Back-up Servicer pursuant to which the Back-up Servicer has agreed to replace each of the Servicers, as the case may be, and to perform the duties and obligations set forth in the relevant Servicing Agreement, in the event of any of the Servicers ceasing to act as Servicer under the related Servicing Agreement.

Back-up Servicer (*Sostituto del Servicer*): means BPVN.

Banca Aletti: means Banca Aletti & C. S.p.A. a bank established and operating as a joint stock company (*società per azioni*) whose registered office is at via Santo Spirito, 14, Milan, Italy.

Bank of Italy Instructions: means the *Istruzioni di Vigilanza per le Banche*, the “*manuale per la Matrice dei Conti*” and, more generally, any other regulation from time to time issued by the Bank of Italy and applicable to banks, as subsequently amended and supplemented.

Bankruptcy Proceedings (*Procedure Concorsuali*): means the Insolvency Proceedings and any other bankruptcy procedure applicable to any Debtor, starting from the Transfer Date.

BNY Financial Services: means BNY Financial Services Plc, a company incorporated under the laws of Ireland, having its registered office is at 30 Herbert St, Dublin 2, Republic of Ireland.

BNY, London Branch: means The Bank of New York, London Branch, a banking institution registered with the Companies' Register of England and Wales, having its registered office at One Canada Square, E14 5AL London, United Kingdom.

BNY, Milan Branch: means The Bank of New York, (Luxembourg) S.A., Milan Branch, a bank incorporated under the laws of the Grand Duchy of Luxembourg, with registered office at Senningerberg, Aerogolf Center, 1A Hoehenhof - Luxembourg, Grand Duchy of Luxembourg registered with the Companies' Register of Milan under No. 05694250969, acting through its Milan branch at Via Carducci, 31 – 20123 Milano and registered with the register pursuant to article 13 of the Italian Banking Act as a *filiale di banca estera* under No. 5662 and with ABI code 3351.4.

BNY Trustee: means BNY Corporate Trustee Services Limited, a company incorporated under the laws of England and Wales whose specified office is at One Canada Square, London E14 5AL, United Kingdom.

Borrowers (*Beneficiari*): means the borrowers of one or more Mortgage Loan and its permitted successors or assignees.

BPN Claims (*Crediti BPN*): means any claim deriving from or arising from the BPN Mortgage Loans, including, without limitation:

- (a) claims relating to:
 - (i) principal due in connection with the BPN Mortgage Loans;

- (ii) interest arising from or in connection with the BPN Mortgage Loans accrued (but not yet paid);
 - (iii) contractual interest, legal interest, default interest to accrue on the BPN Mortgage Loans;
 - (iv) refund of expenses to accrue and already accrued (including, without limitation, legal and judicial expenses), costs, penalties and indemnities arising in connection with the BPN Mortgage Loans;
 - (v) any other amount accrued or to accrue in favour of BPN in connection with the BPN Mortgage Loans, the BPN Mortgage Loan Agreements and the related Collateral Security;
 - (vi) monetary claims arising from the enforcement of Collateral Security;
 - (vii) the monetary claims and all amounts deriving from any Bankruptcy Proceedings and Enforcement Procedures;
- (b) any other claim arising from or connected with the BPN Mortgage Loans or the BPN Mortgage Loan Agreements, including, without limitation, claims *vis-à-vis* Debtors for damages compensation;
 - (c) any other legal or contractual right or action of BPN in connection with the BPN Claims, the BPN Mortgage Loans, the related Collateral Security and/or any other act, contract or document relating to or connected with such claims to the extent that they may be transferred pursuant to Securitisation Law;
 - (d) the claims of BPN *vis-à-vis* third parties for damages compensation deriving from third parties' activities in relation to the BPN Claims, the BPN Mortgage Loans, the related Collateral Security or the underlying subject.

BPN Collection Account (*Conto Incassi BPN*): means the Euro denominated account No. 5320189780, established in the name of the Issuer, held in Italy with the Italian Account Bank, for so long as the Italian Account Bank qualifies as an Eligible Institution, pursuant to the Cash Management, Calculation and Agency Agreement for the deposit of all amounts collected and/or recovered by BPN in respect of the BPN Claims pursuant to the BPN Servicing Agreement.

BPN Collections (*Incassi BPN*): means any and all amounts collected by BPN in respect of the BPN Claims.

BPN Defaulted Claims (*Crediti BPN in sofferenza*): means the BPN Claims (i) having unpaid Instalments for more than 180 days; or (ii) classified as BPN Defaulted Claims by BPN, in the name and on behalf of the Issuer, in compliance with the Bank of Italy Instructions, as modified from time to time, and with the BPN Collection Policies.

BPN Delinquent Claims (*Crediti BPN in Ritardo*): means the BPN Claims having unpaid Instalments for more than 120 days and not classified as BPN Defaulted Claims.

BPN Eligibility Criteria (*Criteri BPN*): means the objective criteria to be met by the BPN Claims, as set out in Schedule 1 of the BPN Transfer Agreement on the basis of which the BPN Claims are selected.

BPN Fondiario Mortgage Loan (*Mutuo Fondiario* BPN): means each mortgage loan which qualify as a *mutuo fondiario* (medium-long term loans secured by mortgages on real estate, issued by a bank in accordance with the provisions of Section 38 and following of the Italian Banking Act), identified by BPN as “*Fondiario*” in the list of loans contained in Schedule 2 of the BPN Transfer Agreement, whose BPN Claims are transferred to the Issuer pursuant to the BPN Transfer Agreement.

BPN Fondiario Mortgage Loan Agreement (*Contratto di Mutuo Fondiario* BPN): means each contractual document setting out the terms and conditions governing each BPN *Fondiario* Mortgage Loan and any related Mortgage, Insurance Policy and Collateral Security.

BPN Ipotecario Mortgage Loan (*Mutuo Ipotecario* BPN): means each mortgage loan (*mutuo ipotecario*) which do not qualify as a BPN *Fondiario* Mortgage Loan, identified by BPN as “*Ipotecario*” in the list of loans contained in Schedule 2 of the BPN Transfer Agreement, whose BPN Claims are transferred to the Issuer pursuant to the BPN Transfer Agreement.

BPN Ipotecario Mortgage Loan Agreement (*Contratto di Mutuo Ipotecario* BPN): means each contractual document setting out the terms and conditions governing each BPN *Ipotecario* Mortgage Loan and any related Mortgage, Insurance Policy and Collateral Security.

BPN Junior Notes Subscription Agreement (*Contratto di Sottoscrizione dei Titoli M1*): means the subscription agreement for the subscription of the Series M1 Notes entered into on or about the Issue Date between the Issuer, BPN and the Representative of the Noteholders, 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.

BPN Mortgage Loan (*Mutuo* BPN): means each BPN *Fondiario* Mortgage Loan or BPN *Ipotecario* Mortgage Loan listed in Schedule 2 to the BPN Transfer Agreement whose BPN Claims have been transferred to the Issuer pursuant to the BPN Transfer Agreement and **BPN Mortgage Loans** (*Mutui* BPN) means all of them.

BPN Mortgage Loan Agreement (*Contratto di Mutuo* BPN): means either a BPN *Fondiario* Mortgage Loan Agreement or a BPN *Ipotecario* Mortgage Loan Agreement as applicable and **BPN Mortgage Loan Agreements** (*Contratti di Mutuo*) means all of them.

BPN Portfolio (*Portafoglio* BPN): means, at any given date, all the BPN Claims purchased by the Issuer.

BPN Portfolio Liability Ratio: means the fraction, expressed as a percentage:

- (i) the numerator of which is represented by the sum of the Outstanding Principal of BPN Portfolio Claims at the first day of each Collection Period; and
- (ii) the denominator of which is represented by the sum of the Outstanding Principal of all of the Claims at the first day of each Collection Period.

BPN Portfolio Purchase Price (*Prezzo di Acquisto del Portafoglio* BPN): means the amount due by the Issuer to BPN in respect of the purchase of the BPN Claims included in the BPN Portfolio, as provided by Clause 3.1. of the BPN Transfer Agreement.

BPN Servicing Agreement (*Contratto di Servicing* BPN): means the servicing agreement entered into, on the Signing Date simultaneously with the BPN Transfer Agreement, between BPN, as Servicer, and the Issuer, with which the Issuer has assigned to BPN, *inter alia*, the task to provide

certain specific services with regards to the management of the BPN Claims and to the collection of the payments related to them.

BPN Transfer Agreement (*Contratto di Cessione BPN*): means the transfer agreement entered into, on the Signing Date, between BPN and the Issuer, pursuant to which, according to Section 1 and Section 4 of the Securitisation Law, BPN has transferred without recourse (*pro soluto*) and as a pool ("*in blocco*") to the Issuer, which has purchased without recourse (*pro soluto*) and as a pool ("*in blocco*") from BPN, the full legal title and ownership of the BPN Claims that meet the BPN Eligible Criteria under the BPN Portfolio.

BPVN: means Banco Popolare di Verona e Novara S.c.ar.l., a bank established and operating as a cooperative with limited liability (*società cooperativa a responsabilità limitata*) whose registered office is at Piazza Nogara, 2, 37121 Verona, Italy, VAT No. 03231270236.

BPVN Securitisation: means the securitisation transaction of claims deriving from performing mortgage loans originated by BPVN and carried out by the Issuer on 11 April 2007.

Business Day (*Giorno Lavorativo*): means any day on which commercial banks are open for business in Milan and London and on which TARGET is open for business, provided that, if any relevant date falls in a day which is not a Business Day, it shall be postponed to the immediately following Business Day.

Calculation Agent (*Agente per i Calcoli*): means BNY, London Branch, in its capacity as calculation agent, in accordance with the Cash Management, Calculation and Agency Agreement entered into on or about the Issue Date.

Calculation Date: means the date which falls three Business Days prior to each Payment Date.

Cancellation Date: means July 2046, being the date on which any amounts remaining outstanding in respect of principal and/or interests on the Notes shall be reduced to zero and deemed to be released by the holder of the relevant Notes and the Notes shall be cancelled.

Cash Accounts: means the BPN Collection Account, the CREBERG Collection Account, the Payments Account, the Cash Reserve Account and the Expenses Account.

Cash Management, Calculation and Agency Agreement (*Contratto di Gestione e Allocazione della Liquidità*): means the cash, allocation, management and agency agreement entered into on or about the Issue Date between the Issuer, the Representative of the Noteholders, the Calculation Agent, the Principal Paying Agent, the Italian Account Bank, the Irish Paying Agent, the Irish Listing Agent and the Cash Manager, as from time to time modified in accordance with the provision therein contained and including any agreement or other document to be supplemental thereto.

Cash Manager (*Amministratore della Liquidità*): means BNY, London Branch, in its capacity as cash manager in accordance with the Cash Management, Calculation and Agency Agreement entered into on or about the Issue Date.

Cash Reserve Account: means the Euro denominated deposit account No. 5320199780 which will be held in Italy with the Italian Account Bank, in name of the Issuer, for so long as the Italian Account Bank qualifies as an Eligible Institution, into which the Issuer will deposit and maintain, according to the applicable Priority of Payments, the Cash Reserve Amount.

Cash Reserve Amount: means the amount up to, but not exceeding, the Cash Reserve Required Level, standing from time to time to the credit of the Cash Reserve Account.

Cash Reserve Required Level: means 0,7% of the Principal Amount Outstanding of the Notes as at the Issue Date, provided that:

- (a) if the Cumulative Net Default Ratio is higher than 2.00%, the Cash Reserve Amount shall be increased up to 1.2% of the Principal Amount Outstanding of the Notes as at the Issue Date, on the immediately following Payment Date and shall be maintained so increased as long as such ratio is above 2.00%;
- (b) the Cash Reserve Amount will be reduced to the higher of 0.4% of the Principal Amount Outstanding of the Notes as at the Issue Date, and 0.7% of the Principal Amount Outstanding of the Notes as at such Calculation Date, to the extent:
 - (i) the Series A Notes Credit Enhancement on the relevant date or any date occurring prior to that date is at least equal to 2.5 times the initial Series A Notes Credit Enhancement;
 - (ii) there is no Principal Deficiency Ledger Outstanding Balance;
 - (iii) the Delinquency Level is below 3.5%;
 - (iv) the Cash Reserve Amount is at the Cash Reserve Required Level;
 - (v) the Initial Period has expired;
 - (vi) the Cumulative Gross Default Ratio is below 2.6%; and
 - (vii) the Cumulative Net Default Ratio is below 1.3%;
 - (viii) BPVN has a rating at least equal to BBB, Baa2 and BBB assigned by S&P, Moody's and Fitch, respectively;
- (c) on the Payment Date on which the Notes will be redeemed in full, the Cash Reserve Amount will be reduced to zero.

Claim (*Credito*) means each of the BPN Claims or each of the CREBERG Claims, as the case may be and **Claims** (*Crediti*) means, collectively, all of them.

Clearstream: means Clearstream Banking S.A.

Collateral Account: means the account that the Issuer shall be obliged to open for any collateral posted pursuant to the credit support annex to the Swap Agreement.

Collateral Security (*Garanzia*): means the Mortgages and any other guarantee, security interests or *accollo* arrangements (other than the Omnibus Guarantees ("*fideiussioni omnibus*") which have been granted to the Originators, or existing in any other way, in connection with a Mortgage Loan, a Mortgage Loan Agreement or to secure or ensure the payment and/or the repayment of the Claims.

Collection Accounts (*Conti Incassi*): means the BPN Collection Account and the CREBERG Collection Account.

Collection Date (*Data di Incasso*): means 2 January, 2 April, 2 July and 2 October, or if any such day is not a Business Day the immediately following Business Day, of each year until the Notes have been repaid or otherwise redeemed in full.

Collection Period (*Periodo di Incasso*): means each three months period commencing on (and including) each relevant Collection Date and ending on (but excluding) the next following Collection Date of each year until the Notes have been repaid or otherwise redeemed in full, provided that the first Collection Period shall commence on (but excluding) the Valuation Date and shall end on (but excluding) 2 October 2007.

Collection Policies (*Procedure di Riscossione*): means, collectively, the BPN Collection Policies and the CREBERG Collection Policies.

Collections (*Incassi*): means, collectively, the BPN Collections and the CREBERG Collections.

Conditions (*Condizioni*): means the set of conditions provided by the Terms and Conditions of the Notes and any reference to a numbered relevant; and **Condition** means the corresponding numbered provision thereof.

Corporate Capital Account: means a Euro denominated account, which will be held in Italy with Credito Bergamasco, Milan branch, with No. 38403 EUR, ABI 03336, CAB 01600, into which have been credited all amounts contributed to the Quotaholder as share capital of the Issuer.

Corporate Services Agreement (*Contratto di Servizi Amministrativi*): means the corporate services agreement entered into on 5 April 2007 in the context of the BPVN Securitisation between the Corporate Services Provider and the Issuer, according to which the Corporate Services Provider is bound to provide the Issuer certain administrative, corporate, accounting, regulatory and other services, on the terms and the conditions stated therein, as amended and supplemented on the Signing Date by means of an extension and amendment agreement.

Corporate Services Provider (*Prestatore dei Servizi Amministrativi*): means Structured Finance Management, in its capacity as corporate services provider pursuant to the Corporate Services Agreement entered into on or about the Issue Date.

Cumulative Gross Default Ratio: means, in respect of the last day of any Collection Period, the percentage equivalent of a fraction (A) the numerator of which is the sum of the Outstanding Principal as at the relevant Default Date of all the Claims which have become a Defaulted Claims from the Valuation Date up to the last day of the relevant Collection Period; and (B) the denominator of which is the Outstanding Principal of the Portfolio as at the Valuation Date.

CREBERG Claims (*Crediti CREBERG*): means any claim deriving from or arising from the CREBERG Mortgage Loans, including, without limitation:

- (a) claims relating to:
 - (i) principal due in connection with the CREBERG Mortgage Loans;
 - (ii) interest arising from or in connection with the CREBERG Mortgage Loans accrued (but not yet paid);
 - (iii) contractual interest, legal interest, default interest to accrue on the CREBERG Mortgage Loans;
 - (iv) refund of expenses to accrue and already accrued (including, without limitation, legal and judicial expenses), costs, penalties and indemnities arising in connection with the CREBERG Mortgage Loans;

- (v) any other amount accrued or to accrue in favour of CREBERG in connection with the CREBERG Mortgage Loans, the CREBERG Mortgage Loan Agreements and the related Collateral Security;
 - (vi) monetary claims arising from the enforcement of Collateral Security;
 - (vii) the monetary claims and all amounts deriving from any Bankruptcy Proceedings and Enforcement Procedures;
- (b) any other claim arising from or connected with the CREBERG Mortgage Loans or the CREBERG Mortgage Loan Agreements, including, without limitation, claims *vis-à-vis* Debtors for damages compensation;
 - (c) any other legal or contractual right or action of CREBERG in connection with the CREBERG Claims, the CREBERG Mortgage Loans, the related Collateral Security and/or any other act, contract or document relating to or connected with such claims to the extent that they may be transferred pursuant to Securitisation Law;
 - (d) the claims of CREBERG *vis-à-vis* third parties for damages compensation deriving from third parties' activities in relation to the CREBERG Claims, the CREBERG Mortgage Loans, the related Collateral Security or the underlying subject.

CREBERG Collection Account (*Conto Incassi CREBERG*): means the Euro denominated account No. 5320249780, established in the name of the Issuer, held in Italy with the Italian Account Bank, for so long as the Italian Account Bank qualifies as an Eligible Institution, pursuant to the Cash Management, Calculation and Agency Agreement for the deposit of all amounts collected and/or recovered by CREBERG in respect of the CREBERG Claims pursuant to the CREBERG Servicing Agreement.

CREBERG Collections (*Incassi CREBERG*): means any and all amounts collected by CREBERG in respect of the CREBERG Claims.

CREBERG Defaulted Claims (*Crediti CREBERG in sofferenza*): means the CREBERG Claims (i) having unpaid Instalments for more than 180 days; or (ii) classified as CREBERG Defaulted Claims by CREBERG, in the name and on behalf of the Issuer, in compliance with the Bank of Italy Instructions, as modified from time to time, and with the CREBERG Collection Policies.

CREBERG Delinquent Claims (*Crediti CREBERG in Ritardo*): means the CREBERG Claims having unpaid Instalments for more than 120 days and not classified as CREBERG Defaulted Claims.

CREBERG Eligibility Criteria (*Criteri CREBERG*): means the objective criteria to be met by the CREBERG Claims, as set out in Schedule 1 of the CREBERG Transfer Agreement on the basis of which the CREBERG Claims are selected.

CREBERG Fondiario Mortgage Loan (*Mutuo Fondiario CREBERG*): means each mortgage loan which qualify as a *mutuo fondiario* (medium-long term loans secured by mortgages on real estate, issued by a bank in accordance with the provisions of Section 38 and following of the Italian Banking Act), identified by CREBERG as "*Fondiario*" in the list of loans contained in Schedule 2 of the CREBERG Transfer Agreement, whose CREBERG Claims are transferred to the Issuer pursuant to the CREBERG Transfer Agreement.

CREBERG Fondiario Mortgage Loan Agreement (*Contratto di Mutuo Fondiario CREBERG*): means each contractual document setting out the terms and conditions governing each CREBERG *Fondiario* Mortgage Loan and any related Mortgage, Insurance Policy and Collateral Security.

CREBERG Ipotecario Mortgage Loan (*Mutuo Ipotecario CREBERG*): means each mortgage loan (*mutuo ipotecario*) which do not qualify as a CREBERG *Fondiario* Mortgage Loan, identified by CREBERG as “*Ipotecario*” in the list of loans contained in Schedule 2 of the CREBERG Transfer Agreement, whose CREBERG Claims are transferred to the Issuer pursuant to the CREBERG Transfer Agreement.

CREBERG Ipotecario Mortgage Loan Agreement (*Contratto di Mutuo Ipotecario CREBERG*): means each contractual document setting out the terms and conditions governing each CREBERG *Ipotecario* Mortgage Loan and any related Mortgage, Insurance Policy and Collateral Security.

CREBERG Junior Notes Subscription Agreement (*Contratto di Sottoscrizione dei Titoli M1*): means the subscription agreement for the subscription of the Series M2 Notes entered into on or about the Issue Date between the Issuer, CREBERG and the Representative of the Noteholders, 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.

CREBERG Mortgage Loan (*Mutuo CREBERG*): means each CREBERG *Fondiario* Mortgage Loan or CREBERG *Ipotecario* Mortgage Loan listed in Schedule 2 to the CREBERG Transfer Agreement whose CREBERG Claims have been transferred to the Issuer pursuant to the CREBERG Transfer Agreement and **CREBERG Mortgage Loans** (*Mutui CREBERG*) means all of them.

CREBERG Mortgage Loan Agreement (*Contratto di Mutuo CREBERG*): means either a CREBERG *Fondiario* Mortgage Loan Agreement or a CREBERG *Ipotecario* Mortgage Loan Agreement as applicable and **CREBERG Mortgage Loan Agreements** (*Contratti di Mutuo CREBERG*) means, collectively, all of them.

CREBERG Portfolio (*Portafoglio CREBERG*): means, at any given date, all the CREBERG Claims purchased by the Issuer.

CREBERG Portfolio Liability Ratio: means the fraction, expressed as a percentage:

- (i) the numerator of which is represented by the sum of the Outstanding Principal of CREBERG Portfolio Claims at the first day of each Collection Period; and
- (ii) the denominator of which is represented by the sum of the Outstanding Principal of all of the Claims at the first day of each Collection Period.

CREBERG Portfolio Purchase Price (*Prezzo di Acquisto del Portafoglio CREBERG*): means the amount due by the Issuer to CREBERG in respect of the purchase of the CREBERG Claims included in the CREBERG Portfolio, as provided by Clause 3.1. of the CREBERG Transfer Agreement.

CREBERG Servicing Agreement (*Contratto di Servicing CREBERG*): means the servicing agreement entered into, on the Signing Date simultaneously with the CREBERG Transfer Agreement, between CREBERG, as Servicer, and the Issuer, with which the Issuer has assigned to CREBERG, *inter alia*, the task to provide certain specific services with regards to the management of the CREBERG Claims and to the collection of the payments related to them.

CREBERG Transfer Agreement (*Contratto di Cessione CREBERG*): means the transfer agreement entered into, on the Signing Date, between CREBERG and the Issuer, pursuant to which, according to Section 1 and Section 4 of the Securitisation Law, CREBERG has transferred without recourse (*pro soluto*) and as a pool ("*in blocco*") to the Issuer, which has purchased without recourse (*pro soluto*) and as a pool ("*in blocco*") from CREBERG, the full legal title and ownership of the CREBERG Claims that meet the CREBERG Eligible Criteria under the CREBERG Portfolio.

Cumulative Net Default Ratio: means, in respect of the last day of any Collection Period, the percentage equivalent of a fraction (A) the numerator of which is: (a1) the sum of the Outstanding Principal as at the relevant Default Date of all the Claims which have become a Defaulted Claims from the Valuation Date up to the last day of the relevant Collection Period minus (a2) the aggregate amount of Recoveries received in respect of such Defaulted Claims; and (B) the denominator of which is the Outstanding Principal of the Portfolio as at the Valuation Date.

Debtor (*Debitore Ceduto*): means any Borrower and/or Guarantor or any other person or entity liable for payment on respect of a Claim or of a Collateral Security and **Debtors** (*Debitori Ceduti*) means, collectively, the totality of the Borrowers, the Guarantors and/or any other person or entity liable for payment on respect of a Claim or of a Collateral Security.

Decree 239: means the Italian legislative decree No. 239 of 1 April 1996, as subsequently amended and supplemented.

Decree 239 Withholding: means any withholding or deduction for or on account of "*imposta sostitutiva*" under Decree 239.

Deed of Pledge (*Atto di Pegno*): means the deed of pledge to be executed on or about the Issue Date among the Issuer, the Italian Account Bank and the Representative of the Noteholders, in its capacity as agent in the name and on behalf of the Issuer Secured Creditors.

Defaulted Claim (*Credito in sofferenza*) means each of the BPN Defaulted Claims or each of the CREBERG Defaulted Claims, as the case may be and **Defaulted Claims** (*Crediti in sofferenza*) means, collectively, all of them.

Default Date: means the date on which a Claim has become a Defaulted Claim.

Delinquency Level: means, at any Calculation Date, the ratio equivalent to the fraction: (a) the numerator of which is the aggregate of the Outstanding Principal of all the Claims which are Delinquent Claims as at such Calculation Date; and (b) the denominator of which is the Performing Collateral Portfolio.

Delinquent Claim (*Credito in Ritardo*) means each of the BPN Delinquent Claims or each of the CREBERG Delinquent Claims, as the case may be and **Delinquent Claims** (*Crediti in Ritardo*) means, collectively, all of them.

Eligibility Criteria (*Criteri*) means the BPN Eligibility Criteria or the CREBERG Eligibility Criteria, as the case may be.

Eligible Institution: (*Istituzione Eleggibile*): means any bank with a short-term rating for its unsecured, unsubordinated and un-guaranteed debt obligations equal to F1 from Fitch, P-1 from Moody's and A-1+ from S&P.

Eligible Investments: means any Euro denominated senior short term, unsubordinated debt security, bank account, deposit or other debt instruments providing a fixed principal amount at

maturity issued by, or fully and unconditionally guaranteed on an unsubordinated basis, having a purchase price not above par, by, or held at an institution having at least the following ratings: for Moody's (i) "P-1"/"A1" with reference to securities having a maturity falling between one and three months; and (ii) "P1"/"A2" with reference to securities having a maturity falling not later than one month; for S&P "A-1+" and for Fitch "F1+". For money market funds the minimum ratings shall be: "Aaa/MR1+" for Moody's; "AAAm" and "AAAm-G" for S&P; and "AAA/V1+" for Fitch. The Eligible Investments shall have a maturity date falling not later than two Business Days immediately preceding the next succeeding Payment Date.

Enforcement Procedures (*Procedura Esecutiva*): means any proceedings or procedures for the compulsory collection of the Claims, even not of judicial nature, including, without limitation, foreclosure procedures with respect to the Collateral Security or related to the Claims, the Mortgage Loan Agreements, the Insurance Policies, the Collateral Security, which may be commenced after the Transfer Date.

English Deed of Charge: means the deed of charge governed by English law to be executed by the Issuer and the Representative of the Noteholders, in name and on behalf of the other Issuer Secured Creditors, on or about the Issue Date 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.

EURIBOR: means the Euro Interbank Offered Rate, for three months Euro denominated deposits, valid from the first day of each Interest Period as gathered generally at 11.00 of the gathering day by the Euribor Panel Steering Committee, and published in Reuters circuit, currently at page EURIBOR01, and on the principal economic daily presses.

Euroclear: means Euroclear Bank S.A./N.V. as operator of the Euroclear System.

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 Secured 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 the applicable legislation.

Expenses Account: means the Euro denominated deposit account No. 5320169780 which will be held in Italy with the Italian Account Bank, in name of the Issuer, for so long as the Italian Account Bank qualifies as an Eligible Institution, into which the Issuer will deposit the Retention Amount.

Extraordinary Resolution (*Assemblea Straordinaria*): means a resolution of a Meeting of the Relevant Series of the Noteholders, duly convened and held in accordance with the provisions of the Rules of the Organisation of the Noteholders, on any subjects covered by article 18 of the Rules of the Organisation of the Noteholders.

Fitch: means Fitch Ratings Ltd., as well as any of its permitted successor(s) and/or assignee(s).

Fondiaro Mortgage Loan (*Mutuo Fondiario*) means each BPN *Fondiaro* Mortgage Loan or each CREBERG *Fondiaro* Mortgage Loan, as the case may be and **Fondiaro Mortgage Loans** (*Mutui Fondiari*) means, collectively, all of them.

Fondiaro Mortgage Loan Agreement (*Contratto di Mutuo Fondiario*): means each BPN *Fondiaro* Mortgage Loan Agreement or each CREBERG *Fondiaro* Mortgage Loan Agreement, as the case may be and **Fondiaro Mortgage Loan Agreements** (*Contratti di Mutuo Fondiario*) means, collectively, all of them.

Guarantor (*Garante*): means any person or entity, except the Borrower, who has granted a Collateral Security bound, as principal debtor, or collaterally, to pay or to reimburse a Claim, included, but not limited to, the ones who have taken over a debt ("*accollanti*"), or their permitted successors or assignees.

Independent Director: means a duly appointed member of the board of directors of the Issuer who should not have been, at the time of such appointment, or at any time in the preceding five years, (i) a direct or indirect legal or beneficial owner in the Issuer or any of its affiliates (excluding *de minimus* ownership interests), (ii) a creditor, supplier, employee, officer, director, family member, manager, or contractor of the Issuer or its affiliates, (iii) a person who controls (whether directly, indirectly, or otherwise) the Issuer or its affiliates or any creditor, supplier, employee, officer, director, manager, or contractor of such entity or its affiliates, or (iv) resident in countries other than the Republic of Italy.

Initial Interest Payment Date: means 20 October 2007.

Initial Interest Period: means the period from (and including) the Issue Date to (but excluding) the Initial Interest Payment Date.

Initial Outstanding Amount (*Debito Residuo Iniziale*): means the initial outstanding principal amount of each of the Mortgage Loans at the Valuation Date.

Initial Period: means the period of eighteen months and one day after the Issue Date.

Insolvency Law (*Legge Fallimentare*): means Royal Decree No.267, 16 March 1942, as from time to time modified.

Insolvency Proceedings (*Procedure Fallimentari*): means the bankruptcy or any other applicable insolvency proceedings or similar procedures provided for under Italian law (and, in particular, by the Insolvency Law and the Italian Banking Act), including, without limitation, "*liquidazione coatta amministrativa*", "*concordato preventivo*", "*concordato fallimentare*" and "*amministrazione straordinaria delle grandi imprese in stato di insolvenza*".

Instalment (*Rata*): means, with respect to each Mortgage Loan Agreement, each payment due by the relevant Debtor pursuant to the Mortgage Loan Agreements, including both the Principal Instalment and the Interest Instalment.

Insurance Policy (*Polizza Assicurativa*): means any insurance policy stipulated by a Debtor in relation to the Real Estate Assets, including, without limitation, insurance policies against the risks of explosion and fire, in favour of each of the Originators or endorsed in favour of each of them.

Intercreditor Agreement (*Accordo tra Creditori*): means the intercreditor agreement entered into on, or about, the Issue Date between the Issuer, the Originators, the Representative of Noteholders (including in its capacity as Security Trustee and on behalf of the Noteholders), the Cash Manager, the Principal Paying Agent, the Italian Account Bank, the Calculation Agent, the Irish Paying Agent, the Irish Listing Agent, the Servicers, the Corporate Services Provider, the Quotaholder, the Back-up Servicer and the Swap Counterparty, as from time to time modified in accordance with the provisions therein contained, including any agreement or other document expressed to be supplemental thereto.

Interest Amount: means the amount of interest payable on each Note in respect of each Interest Period, as specified in Condition 5.3 (*Calculations of Interest Amounts*).

Interest Available Funds: on each Calculation Date and in respect of the immediately following Payment Date, consists in the aggregate of the following:

- (i) all interest components of the Claims (including any interest component of the Claims deriving from the exercise of the Option and/or the Clean-up Option), all prepayment fees and all Recoveries in respect of the Claims and/or the Defaulted Claims and the Delinquent Claims collected by each of the Servicers during each Collection Period and credited into the BPN Collection Account or the CREBERG Collection Account, as the case may be;
- (ii) all amounts of interest accrued in respect of any of the Issuer Accounts (other than the Corporate Capital Account) or any Eligible Investments and paid during the Collection Period immediately preceding such Calculation Date;
- (iii) any amounts available to be drawn from the Cash Reserve Account;
- (iv) any amount available to be drawn from the Expenses Account;
- (v) any net amounts (if positive) paid to the Issuer by the Swap Counterparty in accordance with the terms of the Swap Agreement on the Payment Date immediately following the relevant Calculation Date (excluding any collateral delivered to the Issuer pursuant to the credit support annex relating to the Swap Agreement, except in circumstances in which the Issuer is entitled to use such monies following a termination of the Swap Agreement and to pay such monies into the Payments Account in accordance with the terms of the Cash Management, Calculation and Agency Agreement);
- (vi) any amounts allocated under item (i) of the Principal Priority of Payments to cover any residual shortfall in the payments of senior expenses and interest on the Senior Notes; and
- (vii) any other amount received by the Issuer and not qualified as Principal Available Funds.

Interest Determination Date: means, pursuant to Condition 5 (*Interest*), the date falling two Business Days prior to each Payment Date in respect of the Interest Period commencing on that date (save in respect of the Initial Interest Period, where the Rate of Interest will be determined by the Principal Paying Agent two Business Days prior to the Issue Date).

Interest Instalment (*Rata in Conto Interessi*): means the interest component of each Instalment.

Interest Rate Swap Transactions: means the two interest swap transactions which are supplemental to and form part of the ISDA Master Agreement, (i) entered into on or about the Issue Date between the Issuer and the Swap Counterparty with reference to the BPN Portfolio and (ii) entered into on or about the Issue Date between the Issuer and the Swap Counterparty with reference to the CREBERG Portfolio, pursuant to which (i) and (ii) the Issuer shall hedge its payment obligations under the Notes.

Interest Period: means, pursuant to Condition 5 (*Interest*), each period from (and including) a Payment Date to (but excluding) the next following Payment Date, provided that the first Interest Period (the “**Initial Interest Period**”) shall begin on (and include) the Issue Date and end on (but exclude) the Initial Interest Payment Date.

Interest Priority of Payments: means the priority of payments applicable in respect of the Interest Available Funds, as set out in Condition 4 (*Issuer Available Funds – Priority Of Payments*).

Ipotecario Mortgage Loan (*Mutuo Ipotecario*): means each BPN *Ipotecario* Mortgage Loan or each CREBERG *Ipotecario* Mortgage Loan, as the case may be and ***Ipotecari Mortgage Loans*** (*Mutui Ipotecari*) means all of them.

Ipotecario Mortgage Loan Agreement (*Contratto di Mutuo Ipotecario*): means each BPN *Ipotecario* Mortgage Loan Agreement or each CREBERG *Ipotecario* Mortgage Loan Agreement, as the case may be and ***Ipotecario Mortgage Loan Agreements*** (*Contratti di Mutuo Ipotecario*) means, collectively, all of them.

Irish Listing Agent: means BNY, London Branch, in its capacity as Irish listing agent in accordance with the Cash Management, Calculation and Agency Agreement entered into on or about the Issue Date.

Irish Paying Agent: means BNY Financial Services, in its capacity as Irish paying agent in accordance with the Cash Management, Calculation and Agency Agreement entered into on or about the Issue Date.

Irish Stock Exchange: means the Irish stock exchange on which application has been made to list the Notes.

ISDA Master Agreement: means the International Swaps and Derivatives Association, Inc. (“ISDA”) 1992 Master Agreement (Multicurrency-Cross Border) entered into on or about the Issue Date, between the Issuer and the Swap Counterparty, together with the Schedule and credit support annex thereto.

Issue Date (*Data di Emissione*): means 29 June 2007, being the date on which the Notes will be issued.

Issuer (*Emittente*): means BP Mortgages S.r.l. a limited liability company incorporated in the Republic of Italy having its registered office at Via Romanino, 1, 25122 Brescia, Italy, fiscal code, VAT number and registration number with the Companies’ Register of Brescia No. 08705611005.

Issuer Accounts (*Conti Correnti dell’Emittente*): means, collectively, the Payments Account, the Cash Reserve Account, the BPN Collection Account, the CREBERG Collection Account, the Expenses Account and **Issuer Account** means each of them.

Issuer Available Funds (*Fondi Disponibili*): means, collectively, the Interest Available Funds and the Principal Available Funds.

Issuer’s Rights: means the Issuer’s rights under the Transaction Documents.

Issuer Secured Creditors (*Creditori Garantiti dell’Emittente*): means the Noteholders, the Representative of the Noteholders in its own capacity and as Security Trustee under the English Deed of Charge, any receiver and any administrator appointed under the English Deed of Charge, the Originators, the Cash Manager, the Principal Paying Agent, the Italian Account Bank, the Calculation Agent, the Irish Paying Agent, the Irish Listing Agent, the Swap Counterparty, the Servicers, the Corporate Services Provider and any other persons entitled to payment by the Issuer pursuant to the Priority of Payments.

Issuer Security: means, collectively, any and all Security Interest created under the Security Documents.

Italian Account Bank (*Banca dei Conti dell'Operazione*): means BNY, Milan Branch, in its capacity as Italian account bank in accordance with the Cash Management, Calculation and Agency Agreement entered into on or about the Issue Date.

Italian Banking Act (*Testo Unico Bancario*): means the Italian legislative decree No. 385 of 1 September 1993 as subsequently amended and supplemented.

Joint-Lead Managers: means Banca Aletti and UBS Limited.

Junior Notes (*Titoli Junior*): means the Series M Notes.

Junior Notes Subscription Agreements (*Contratti di Sottoscrizione dei Titoli Junior*): means the BPN Junior Notes Subscription Agreement and the CREBERG Junior Notes Subscription Agreement.

Legal Maturity Date (*Data di Scadenza Legale*): means the Payment Date falling in (i) July 2044 for the Series A2 Notes, the Series B Notes, the Series C Notes and the Series M Notes, and (ii) January 2018 for the Series A1 Notes.

Master Definitions Agreement (*Accordo Quadro sulle Definizioni*): means this master definitions agreement entered into on or about the Issue Date between, *inter alios*, the Issuer, the Originators and the Representative of the Noteholders, which will contain all the definitions of the terms used in the Transaction Documents.

Monte Titoli: means Monte Titoli S.p.A.

Monte Titoli Account Holders: means any authorised financial intermediary institutions entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depository banks appointed by Euroclear and Clearstream.

Monte Titoli Mandate Agreement (*Convenzione con Monte Titoli*): means a mandate agreement entered into between the Issuer and Monte Titoli, whereby Monte Titoli agrees to provide the Issuer with certain depository and administration services in relation to the Notes, 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.

Moody's: means Moody's Investors Services Inc.

Mortgages (*Ipoteche*): means the voluntary Mortgages granted on the Real Estate Assets as security of the Claims.

Mortgage Loan (*Mutuo*): means each BPN Mortgage Loan or each CREBERG Mortgage Loan, as the case may be and **Mortgage Loans** (*Mutui*) means, collectively, all of them.

Mortgage Loan Agreement (*Contratto di Mutuo*): means each BPN Mortgage Loan Agreement or each CREBERG Mortgage Loan Agreement, as the case may be and **Mortgage Loan Agreements** (*Contratti di Mutuo*) means, collectively, all of them.

Most Senior Series: means, at any given time:

- (i) the Series A Notes; or
- (ii) if no Series A Notes are then outstanding, the Series B Notes; or
- (iii) if no Series B Notes are then outstanding, the Series C Notes; or

(iv) if no Series C Notes are then outstanding, the Series M Notes.

Most Senior Noteholders: means, at any given time:

- (i) the Series A Noteholders;
- (ii) if no Series A Notes are then outstanding, the Series B Noteholders;
- (iii) if no Series B Notes are then outstanding, the Series C Noteholders; or
- (iv) if no Series C Notes are then outstanding, the Series M Noteholders.

Noteholders (*Portatori dei Titoli*): means, jointly, the persons who are, for the time being, the holders of the Series A Notes, the Series B Notes, the Series C Notes and Series M Notes and **Noteholder** means any of them.

Notes (*Titoli*): means, collectively, the Series A1 Notes, the Series A2 Notes, the Series B Notes, the Series C Notes, the Series M1 Notes and the Series M2 Notes.

Originator (*Cedente*): means BPN or CREBERG, as the case may be and **Originators** (*Cedenti*) means, collectively, BPN and CREBERG.

Outstanding Principal (*Importo Dovuto*): means, on any date and with respect to each Claim, the sum of: (i) the Principal Instalments expiring on each following Scheduled Instalment Date and (ii) all the Principal Instalments due, but which have remained unpaid on such date, after the relevant Scheduled Instalment Date.

Paying Agents: means, collectively, the Irish Paying Agent, the Principal Paying Agent and the Irish Listing Agent.

Payments Account (*Conto Pagamenti*): means the Euro denominated account No. 5320179780 which will be held in Italy in the name of the Issuer with the Italian Account Bank, for so long as the Italian Account Bank qualifies as an Eligible Institution, into which amounts payable on the relevant Payment Date will be transferred from the BPN Collection Account and CREBERG Collection Account and, if any, from the Cash Reserve Account and the Expenses Account, and out of which, on any Payment Date, payments will be made in accordance with the applicable Priority of Payments.

Payment Date (*Data di Pagamento*): means 20 January, April, July, and October in each year (or if such day is not a Business Day, the immediately following Business Day). The first Payment Date will fall 20 October 2007.

Person(s): means any natural person, partnership, corporation, company, limited liability company, trust, estate, joint-stock partnership or company, joint venture, governmental entity, unincorporated organisation or other entity or association.

Performing Collateral Portfolio: means, on any Calculation Date, the aggregate of the Outstanding Principal of all Claims arising under the Mortgage Loan Agreements purchased by the Issuer under the Transfer Agreements, less (i) the aggregate of the Outstanding Principal of all Claims arising under those Mortgage Loan Agreements that are classified, on such Calculation Date, as Defaulted Claims, and less (ii) the aggregate of the unpaid Principal Instalments of the Claims arising under those Mortgage Loan Agreements that are classified as Delinquent Claims.

Portfolio (*Portafoglio*): means, collectively, the BPN Portfolio and the CREBERG Portfolio.

Portfolio Purchase Price (*Prezzo di Acquisto del Portafoglio*): means the sum of the BPN Portfolio Purchase Price and the CREBERG Portfolio Purchase Price.

Post-Enforcement Priority of Payments: means the order in which the Issuer Available Funds, in respect of each Payment Date, shall be applied in accordance with Condition 4 (*Issuer Available Funds – Priority Of Payments*).

Pre-Enforcement Priority of Payments: means the order in which the Issuer Available Funds, in respect of each Payment Date, shall be applied in accordance with Condition 4 (*Issuer Available Funds – Priority Of Payments*).

Principal Amount Outstanding: means, on any date, in respect of a Note, the nominal principal amount of such Note upon issue, less the aggregate amount of all principal payments in respect of such Note that have been made prior to such date.

Principal Available Funds: on each Calculation Date and in respect of the immediately following Payment Date, consists in the aggregate of the following:

- (i) all principal components of the Claims (including prepaid Claims and prepayments and any principal component of the Claims deriving from the exercise of the Option and/or the Clean-up Option) collected during the immediately preceding Collection Period pursuant to the BPN Servicing Agreement and CREBERG Servicing Agreement and credited to the BPN Collection Account and the CREBERG Collection Account, respectively;
- (ii) all principal components of the Claims received by the Issuer from each of the Originators pursuant to the Transfer Agreements during the immediately preceding Collection Period;
- (iii) amounts under item (viii) of the Interest Priority of Payments;
- (iv) amounts under item (ix) of the Interest Priority of Payments;
- (v) amounts under item (xii) of the Interest Priority of Payments;
- (vi) after the service of a Trigger Notice or upon exercise of the optional redemption for tax reasons pursuant to Condition 6.4 (*Redemption for tax reasons*) or early redemption pursuant to Condition 6.5 (*Early redemption at the option of the Originator*) or Condition 6.6 (*Early redemption at the option of the Issuer*), the proceeds from the sale (if any) of all or part of the Portfolio; and
- (vii) any other amounts received by the Issuer and not qualified as Interest Available Funds received by the Issuer from any Issuer Secured Creditors (other than the Noteholders).

Principal Deficiency Ledger: means the ledger showing, on each Calculation Date, the positive difference between:

- (A) the aggregate of (i) the Outstanding Principal of all Claims arising under those Mortgage Loan Agreements that are classified, on the relevant Calculation Date, as Defaulted Claims or, that have been classified as Defaulted Claims on any preceding Calculation Dates; and
- (B) any Interest Available Funds transferred in the preceding Payment Dates to the Principal Available Funds according to item (ix) of the Interest Priority of Payments.

Principal Deficiency Ledger Outstanding Balance: means the ratio equivalent to the fraction: (a) the numerator of which is the uncured amount of the Principal Deficiency Ledger; and (b) the denominator of which is the Outstanding Principal of the Portfolio as of the Issue Date.

Principal Instalment (*Rata in Conto Capitale*): means the principal component of each Instalment.

Principal Paying Agent (*Agente per i Pagamenti*): means BNY, Milan Branch, in its capacity as principal paying agent in accordance with the Cash Management, Calculation and Agency Agreement entered into on or about the Issue Date.

Principal Payment: means the Euro principal amount redeemable on each Note in respect of each Interest Period.

Principal Priority of Payments: means the priority of payments applicable in respect of the Principal Available Funds, as set out in Condition 4 (*Issuer Available Funds – Priority Of Payments*).

Principal to Pay Interest Ledger: means the ledger showing, on each Calculation Date, the difference between:

- (A) all Principal Available Funds applied on the preceding Payment Dates in or towards satisfaction of any and all amounts due and payable in accordance with item (i) of the Principal Priority of Payments, and
- (B) all Interest Available Funds applied on the preceding Payment Dates in or towards satisfaction of any and all amounts due and payable in accordance with item (viii) of the Interest Priority of Payments.

Priority of Payments (*Ordine di Priorità dei Pagamenti*): means the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments, as the case may be.

Proceedings (*Procedimenti*): means, collectively, the Bankruptcy Proceedings and the Enforcement Procedures.

Proportional Payment Trigger: means, on any given date, the following events:

- (i) the Series A Notes Credit Enhancement on the relevant date or any date occurring prior to that date is at least equal to 2.5 times the initial Series A Notes Credit Enhancement;
- (ii) there is no Principal Deficiency Ledger Outstanding Balance;
- (iii) the Cumulative Net Default Ratio is below 1.3%;
- (iv) the Cumulative Gross Default Ratio is below 2.6%;
- (v) the Outstanding Principal of the Portfolio is more than 10% of the Outstanding Principal of the Portfolio as at the Issue Date;
- (vi) the Cash Reserve is at the Cash Reserve Required Level; and
- (vii) the Delinquency Level is below 3.5%.

Prospectus (*Prospetto*): means the prospectus of the Notes.

Rates of Interest: means the rates of interest payable from time to time in respect of the Notes, determined pursuant to the Condition 5.2 (*Interest*) and **Rate of Interest** means each of such rate.

Rating Agencies (*Agenzie di Rating*): means, collectively, S&P, Moody's and Fitch.

Real Estate Asset (*Immobile*): means any real estate asset mortgaged as security of a Claim, under a Mortgage Loan Agreement.

Recoveries (*Recuperi*): means all the recoveries made by each of the Servicers in respect of the Claims which have become Defaulted Claims, included the amounts deriving from the enforcement of the Collateral Securities.

Relevant Date: means, in respect of any Note, the date on which a payment in respect thereof first becomes due and payable or (if the full amounts payable in respect of all Notes due and payable on or before that date has not been duly received by the Paying Agents or the Representative of the Noteholders on or prior to such date) the date on which notice that such amounts has been received is duly given to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*).

Representative of the Noteholders (*Rappresentante dei Portatori dei Titoli*): means BNY Trustee, in its capacity as representative of the Noteholders pursuant to the Subscription Agreements and the Rules of the Organisation of the Noteholders.

Retention Amount: means an amount up to Euro 30,000 standing to the credit of the Expenses Account.

Rules of the Organisation of the Noteholders: means the rules of the organisation of the Noteholders attached to the Terms and Conditions as Schedule 1.

Scheduled Instalment Date (*Data di Scadenza della Rata*): means any date on which the payment of any Instalments is due pursuant to each Mortgage Loan Agreement.

Securities Accounts: means the securities accounts, which the Issuer may decide, in the future and in any event before all the Notes have been repaid in full, to open in its own name, with the Italian Account Bank, for so long as the Italian Account Bank qualifies as an Eligible Institution, for the deposit of the Eligible Investments. **Securities Act:** means the U.S. Securities Act of 1933, as amended and supplemented.

Securitisation (*Cartolarizzazione*): means the securitisation transaction implemented by the Issuer within the scope of which the Notes are issued.

Securitisation Law (*Legge sulla Cartolarizzazione*): means Law No.130 of 30 April 1999, as from time to time modified.

Security Documents: means the Deed of Pledge and the English Deed of Charge.

Security Interest: means any mortgages, charges, pledges, liens, rights of set-off, special privileges (*privilegio speciale*), assignments by way of security, retentions of title or any other security interests whatsoever or any other agreements or arrangements having the effect of conferring security.

Security Trustee: means the security trustee appointed under the English Deed of Charge and any receivers and administrators appointed thereunder.

Senior Noteholders (*Portatori dei Titoli Senior*): means the persons who are, for the time being, the holders of the Series A1 Notes, the Series A2 Notes, the Series B Notes and the Series C Notes.

Senior Notes (*Titoli Senior*): means, collectively, the Series A1 Notes, the Series A2 Notes, the Series B Notes and the Series C Notes.

Senior Notes Subscription Agreement (*Contratto di Sottoscrizione dei Titoli Senior*): means the subscription agreement for the subscription of the Senior Notes entered into on or about the Issue Date between the Issuer, BPN, CREBERG, the Joint-Lead Managers and the Representative of the Noteholders, 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.

Series A Notes (*Titoli di Serie A*): means the Series A1 Notes and the Series A2 Notes.

Series A Notes Credit Enhancement: means, on any date, the aggregate of the Principal Amount Outstanding of the Series B Notes, the Series C Notes, the Series M Notes and the Cash Reserve Amount divided by the aggregate of the Principal Amount Outstanding of the Series A Notes, Series B Notes, Series C Notes and the Series M Notes and the Cash Reserve Amount.

Series A1 Noteholders (*Portatori dei Titoli di Serie A1*): means the persons who are, for the time being, the holders of the Series A1 Notes.

Series A1 Notes (*Titoli di Serie A1*): means Euro 147,300,000 Series 2007-2-A1 Residential Mortgage-Backed Floating Rate Notes due January 2018.

Series A1 Rate of Interest: means the interest which will accrue on the Principal Amount Outstanding of the Series A1 Notes from and including the Issue Date until final redemption, as specified in Condition 5.2 (*Rate of Interest on the Notes*).

Series A2 Noteholders (*Portatori dei Titoli di Serie A2*): means the persons who are, for the time being, the holders of the Series A2 Notes.

Series A2 Notes (*Titoli di Serie A2*): means Euro 1,382,000,000 Series 2007-2-A2 Residential Mortgage-Backed Floating Rate Notes due July 2044.

Series A2 Rate of Interest: means the interest which will accrue on the Principal Amount Outstanding of the Series A2 Notes from and including the Issue Date until final redemption, as specified in Condition 5.2 (*Rate of Interest on the Notes*).

Series B Noteholders (*Portatori dei Titoli di Serie B*): means the persons who are, for the time being, the holders of the Series B Notes.

Series B Notes (*Titoli di Serie B*): means Euro 28,200,000 Series 2007-2-B Residential Mortgage-Backed Floating Rate Notes due July 2044.

Series B Rate of Interest: means the interest which will accrue on the Principal Amount Outstanding of the Series B Notes from and including the Issue Date until final redemption, as specified in Condition 5.2 (*Rate of Interest on the Notes*).

Series B Trigger Event: means an irreversible event occurring when the Principal Deficiency Ledger Outstanding Balance is higher than 9.95%.

Series C Noteholders (*Portatori dei Titoli di Serie C*): means the persons who are, for the time being, the holders of the Series C Notes.

Series C Notes (*Titoli di Serie C*): means Euro 36,200,000 Series 2007-2-C Residential Mortgage-Backed Floating Rate Notes due July 2044.

Series C Rate of Interest: means the interest which will accrue on the Principal Amount Outstanding of the Series C Notes from and including the Issue Date until final redemption, as specified in Condition 5.2 (*Rate of Interest on the Notes*).

Series C Trigger Event: means an irreversible event occurring when the Principal Deficiency Ledger Outstanding Balance is higher than 6%.

Series M Noteholders (*Portatori dei Titoli di Serie M*): means, collectively, the persons who are, for the time being, the holders of the Series M1 Notes and the Series M2 Notes.

Series M Notes (*Titoli di Serie M*): means, collectively, the Series M1 Notes and the Series M2 Notes.

Series M1 Notes (*Titoli di Serie M1*): means Euro 8,639,000 Series 2007-2-M1 Residential Mortgage-Backed Variable Rate Notes due July 2044.

Series M2 Notes (*Titoli di Serie M2*): means Euro 7,479,000 Series 2007-2-M2 Residential Mortgage-Backed Variable Rate Notes due July 2044.

Series M Rate of Interest: means the interest which will accrue on the Principal Amount Outstanding of the Series M Notes from and including the Issue Date until final redemption, as specified in Condition 5.2 (*Rate of Interest on the Notes*).

Series M1 Notes Additional Return: means the additional return (if any), payable in respect of the Series M1 Notes, equal to (A) any residual amounts available after that all payments due under items (i) to (xiv) of the Interest Priority of Payments or under items (i) to (xiii) of the Post-Enforcement Priority of Payments, as the case may be, have been made in full, multiplied by (B) the BPN Portfolio Liability Ratio.

Series M2 Notes Additional Return: means the additional return (if any), payable in respect of the Series M2 Notes, equal to (A) any residual amounts available after that all payments due under items (i) to (xiv) of the Interest Priority of Payments or under items (i) to (xiii) of the Post-Enforcement Priority of Payments, as the case may be, have been made in full, multiplied by (B) the CREBERG Portfolio Liability Ratio.

Series M Trigger Event: means an irreversible event occurring when at least one of the following events occurs: (i) the Principal Deficiency Ledger Outstanding Balance is higher than 2.00%; (ii) the Annual Default Level is higher than 4.00%; or (iii) the Delinquency Level is higher than 3.5%.

Servicer: means BPN or CREBERG, as the case may be, in their capacity as servicers pursuant to the BPN Servicing Agreement and the CREBERG Servicing Agreement, respectively and **Servicers** means, collectively, BPN and CREBERG.

Servicing Agreements (*Contratti di Servicing*): means, collectively, the BPN Servicing Agreement and the CREBERG Servicing Agreement.

Signing Date (*Data di Conclusione*): means the date on which the Transfer Agreements, the Servicing Agreements, the Back-up Servicing Agreement and the Corporate Services Agreement have been signed, being 22 June 2007.

S&P: means Standard & Poor's Rating Services a division of McGraw-Hill Companies Inc.

Specified Office: means the office in which the Cash Manager, the Principal Paying Agent, the Italian Account Bank, the Irish Paying Agent and the Calculation Agent, respectively, carry out their own activities pursuant to the Cash Management, Calculation and Agency Agreement.

Structured Finance Management: means Structured Finance Management – Italy S.r.l., a company incorporated under the laws of Italy, whose registered office is at Via Romanino n. 1, 25122 Brescia, Italy.

Subscription Agreements (*Contratti di Sottoscrizione dei Titoli*): means, collectively, the Senior Notes Subscription Agreement and the Junior Notes Subscription Agreements.

Swap Agreement (*Contratto di Swap*): means the ISDA Master Agreement together with the confirmations documenting the Interest Rate Swap Transactions executed thereunder on or around the Issue Date between the Issuer and the Swap Counterparty.

Swap Counterparty (*Controparte Swap*): means UBS Limited.

TARGET: means the Trans-European Automated Real Time Gross Settlement-Express Transfer System (or any successor or assignees thereto).

Tax Event: means any of the events contemplated under Condition 6.4 (*Redemption for tax reasons*).

Terms and Conditions (*Regolamento dei Titoli*): means the terms and conditions provided for the issue of the Notes, attached to the Prospectus, to the Intercreditor Agreement and to the Subscription Agreements.

Transaction Documents (*Documenti dell'Operazione*): means the Transfer Agreements, the Servicing Agreements, the Corporate Services Agreement, the Back-up Servicing Agreement, the *Prospectus*, the Cash Management, Calculation and Agency Agreement, the Senior Notes Subscription Agreement, the Junior Notes Subscription Agreements, the Intercreditor Agreement, the Monte Titoli Mandate Agreement, the Swap Agreement, the Deed of Pledge, the English Deed of Charge and the Master Definitions Agreement.

Transfer Agreements (*Contratti di Cessione*): means, collectively, the BPN Transfer Agreement and the CREBERG Transfer Agreement.

Transfer Date (*Data di Cessione*): means the date on which the transfer of the Portfolio takes effect pursuant to each of the Transfer Agreements.

Trigger Event (*Causa di Decadenza del Beneficio del Termine*): means any of the events referred to in Condition 10 (*Trigger Events*).

Trigger Notice (*Comunicazione di Decadenza del Beneficio del Termine*): means a notice to be served by the Representative of the Noteholders pursuant to Condition 10.2 (*Trigger Events*), once a Trigger Event has occurred.

UBS Limited: means a company incorporated under the laws of England and Wales, whose registered office is at 1 Finsbury Avenue, London, EC2M 2PP, United Kingdom.

Usury Law (*Legge sull'Usura*): means the Italian Law No. 108 of 7 March 1996 as well as the Usury Law Decree.

Usury Law Decree (*Decreto Legge sull'Usura*): means the Law Decree No. 394 of 29 December 2000 (amending, deeming, and supplementing the Usury Law) converted in Law No. 24 of 28 February 2001.

Valuation Date (*Data di Valutazione*): means, with reference to the Portfolio, 15 June 2007.

1. FORM, DENOMINATION, TITLE

- 1.1** The Notes are issued in dematerialised form (*emesse in forma dematerializzata*) on the terms of and subject to these Conditions and will be held in such form on behalf of the Noteholders, until redemption or cancellation thereof, by Monte Titoli for the account of the relevant Monte Titoli Account Holders in accordance with Decree 213/98 and Resolution No. 11768. Monte Titoli shall act as depository for Clearstream and Euroclear.
- 1.2** Title to the Notes will at all times be evidenced by book-entries in accordance with the provisions of Decree 213/98 and Resolution 11768. No certificate or physical document of title will be issued in respect of the Notes
- 1.3** Notwithstanding Condition 1.1, Condition 1.2 and Condition 3(n), shall the Notes be issued in paper form they would circulate as registered notes (*titoli nominativi*).
- 1.4** The Notes are issued in denominations of Euro 50,000 (other than the Series M1 Notes and the Series M2 Notes, which are issued in denominations of Euro 50,000 or greater multiples of Euro 1,000).

2. STATUS, SEGREGATION AND SECURITY

- 2.1** The Notes constitute direct, secured and limited recourse obligations of the Issuer and, accordingly, the extent of the obligation of the Issuer to make payments under the Notes is limited to the amounts received or recovered by the Issuer from or in respect of the Claims, the amounts standing to the credit of the Issuer Accounts and its rights under the Transaction Documents. The Noteholders acknowledge that the limited recourse nature of the Notes produces the effects of a *contratto aleatorio* under Italian law and they accept the consequences thereof. The Series A Notes rank *pari passu* without preference or priority amongst themselves. The Series B Notes rank *pari passu* without preference or priority amongst themselves but the Series A Notes will rank in priority to the Series B Notes. The Series C Notes rank *pari passu* without preference or priority amongst themselves but the Series A Notes and the Series B Notes will rank in priority to the Series C Notes. The Series M Notes rank *pari passu* without preference or priority amongst themselves but the Senior Notes will rank in priority to the Series M Notes. Following the delivery of a Trigger Notice, payments of principal and interest on the Series B Notes are subordinated to, *inter alia*, payments of principal and interest on the Series A Notes as provided herein and payments of principal and interest on the Series C Notes are subordinated to, *inter alia*, payments of principal and interest on the Series A Notes and the Series B Notes as provided herein and payments of principal and interest on the Series M Notes are subordinated to, *inter alia*, payments of principal and interest on the Senior Notes as provided herein. In the event that, in relation to the provisions of the Security Documents, the Representative of the Noteholders is of the opinion that any matter is materially prejudicial to the interests of the Noteholders of any Series, only the consent of the Noteholders of the relevant Series shall be required thereto. The Intercreditor Agreement contains provisions requiring the Representative of the Noteholders to have regard to the interests of the Noteholders and the other Issuer Secured Creditors as regards the exercise of all powers, authorities, duties and discretions of the Representative of the Noteholders

(except where expressly provided otherwise), but requiring the Representative of the Noteholders if, in the Representative of the Noteholders' opinion, acting in good faith, there is a conflict between the interests of the holders of any series of Notes, to have regard in the first instance to the interest of the holders of the Most Senior Series of Notes.

2.2 The Notes are secured over the following assets of the Issuer:

- (i) By operation of the Securitisation Law, the Issuer's right, title and interest in and to the Claims is segregated from all other assets of the Issuer and the amounts deriving therefrom will only be available, both prior to and following the commencement of winding-up proceedings in relation to the Issuer, to satisfy the obligations of the Issuer to the Noteholders, the other Issuer Secured Creditors and any third party creditors in relation to the securitisation of the Claims.
- (ii) In addition, the Notes are secured over certain assets of the Issuer pursuant to the Security Documents. The rights arising from the Security Documents in favour of the Noteholders are incorporated in each of the Notes and are transferred together with the transfer of any Note at the time of transfer of such Note. Each holder of any of the Notes from time to time will have the benefit of such rights.

2.3 None of the Noteholders or any other Issuer Secured Creditor will have any right or entitlement to the Issuer's assets other than such of the proceeds of the Issuer Security and the Claims and the other assets pertaining to the Securitisation as are available to the Issuer for this purpose in accordance with these Conditions and the Transaction Documents.

3. COVENANTS

3.1 Subject to Condition 3.2, for so long as any amount remains outstanding in respect of the Notes of any Series, the Issuer, save with the prior written consent of the Representative of the Noteholders, or as expressly provided in these Conditions or in any of the Transaction Documents, shall not (to the extent permitted by Italian law), nor shall cause or permit quotaholders' meetings to be convened in order to:

(a) *Negative pledge and non-disposal*

create or permit to subsist any Security Interest of any kind (unless arising by operation of law) over any of its property, assets or undertakings, present or future, including without limitation, the Portfolio, or sell, lend, or otherwise dispose of all or any part of its property, assets or undertakings, present or future, save as otherwise provided in these Conditions;

(b) *Use of property*

use, invest, sell, transfer, exchange, factor, assign, lease, hire out, lend or dispose of, or otherwise deal with, any of its property, assets or undertakings, present or future or any interest, right or benefit in respect of any thereof or grant any option or right to acquire the same or agree or attempt or purport to do any of the same, save as otherwise provided in this Conditions;

(c) *Restrictions on activities*

without prejudice to the activities engaged within the context of the BPVN Securitisation,

- (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities which the Transaction Documents and/or the terms and conditions relating thereto provide for, or envisage that the Issuer may engage in, or any other activity necessary in connection therewith or incidental thereto;
 - (ii) have any subsidiary (società controllata within the meaning of Article 2359 of the Italian Civil Code) or subsidiary undertakings of any other nature or have any employees or premises; or
 - (iii) at any time approve or agree or consent to any act or thing whatsoever which in the opinion of the Representative of the Noteholders is materially prejudicial to the interests of the Noteholders or any Series thereof under the Notes or Transaction Documents or do, or permit to be done, any act or thing in relation thereto which in the opinion of the Representative of the Noteholders is materially prejudicial to the interests of the Noteholders or any Series thereof under the Transaction Documents;
- (d) *Dividends and distributions*

pay any dividend or make any other distribution or repayment to its quotaholders, issue any further shares or otherwise increase its share capital other than when so required by applicable law;
- (e) *Borrowings*

without prejudice to the provisions contained in the transaction documents relating to the BPVN Securitisation, create, incur or permit to subsist any indebtedness whatsoever in respect of borrowed money whatsoever or give any guarantee or indemnity or become obliged in respect of Indebtedness or of any obligation of any person;
- (f) *Merger*

amalgamate, consolidate or merge with any other person or convey or transfer its properties or assets substantially or in their entirety to any other person;
- (g) *No variation or waiver*

permit (i) any of the Transaction Documents to which it is a party to become invalid or ineffective; (ii) the priority of the Issuer Security to be amended, released, postponed or discharged or consent to any variation of, or exercise any powers of consent or waiver pursuant to the terms of, any such Transaction Documents; or (iii) permit any party to any of such Transaction Documents or any other person whose obligations form part of the Issuer Security to be released from its obligations;
- (h) *Bank accounts*

without prejudice to the provisions contained in the transaction documents relating to the BPVN Securitisation, have an interest in any bank account other than the Issuer Accounts, the BP Mortgages S.r.l. Corporate Capital Account, the Securities Accounts and the Collateral Account to be opened for any collateral posted under the credit support annex to the Swap Agreement, unless that account or interest is

charged by way of security on terms acceptable to the Representative of the Noteholders (or the Representative of the Noteholders has waived such requirement);

(i) *Statutory documents*

amend, supplement or otherwise modify its by-laws (statuto) other than when so required by applicable law or by any regulatory authority having jurisdiction over it;

(j) *Separateness*

permit or consent to any of the following occurring:

- (i) its books and records being maintained with or co-mingled with those of any other person or entity;
- (ii) its bank accounts and the debts represented thereby being co-mingled with those of any other person or entity;
- (iii) its assets or revenues being co-mingled with those of any other person or entity; or
- (iv) its business being conducted other than in its own name;

and, in addition and without limitation to the above, the Issuer shall or shall procure that, with respect to itself:

- (A) separate financial statements in relation to its financial affairs under this Securitisation are and will be maintained from those relating to the BPVN Securitisation any Further Securitisation (as defined below);
- (B) all corporate formalities with respect to its affairs are observed;
- (C) separate stationery, invoices and cheques are used;
- (D) it always holds itself out as a separate entity; and
- (E) any known misunderstandings regarding its separate identity are corrected as soon as possible;

(k) *Assets*

without prejudice to the assets owned within the context of the BPVN Securitisation, own assets other than those representing its share capital, the Claims, the funds arising from the issue of the Notes, the property, rights and assets secured by the Issuer Security and associated and ancillary rights and interests thereto, the benefit of the Transaction Documents and any investments and other rights or interests created or acquired thereunder, as all of the same may vary from time to time;

(l) *Compliance with applicable law*

cease to comply with any applicable law or any necessary corporate formality;

(m) *Residency and centre of main interests*

become resident, including without limitation for tax purposes, in any country outside Italy or cease to be managed and administered in Italy or cease to have its centre of main interests in Italy;

(n) *Form of Notes*

re-Issue the Notes in paper form or deposit the Notes with a Clearing System other than Monte Titoli.

In addition, for so long as any Note remains outstanding, the Issuer shall:

(o) *Centre of Main Interest*

conduct its business and affairs such that, at all times, its centre of main interests for the purposes of the E.U. Insolvency Regulation (EC) No. 1346/2000 of 29 May 2000 shall be and remain in Italy;

(p) *Cash Manager*

procure that there will at all times be a cash manager in respect of the monies from time to time standing to the credit of the Collection Accounts and the Cash Reserve Account. Under the terms of the Cash Management, Calculation and Agency Agreement (a) the Cash Manager is not permitted to terminate its appointment unless a replacement cash manager acceptable to the Issuer and the Representative of the Noteholders has been appointed; (b) the appointment of the Cash Manager may be terminated by the Representative of the Noteholders if, *inter alia*, the Cash Manager defaults in any respect in the observance and performance of any obligation imposed on it under the Cash Management, Calculation and Agency Agreement which default is not remedied within the terms set forth in the Cash Management, Calculation and Agency Agreement except that, in the case of a failure by the Cash Manager to make when due any payment required to be made by the Cash Manager on behalf of the Issuer, the appointment of the Cash Manager may be terminated if such default is not remedied within five Business Days; and

(q) *Independent Directors*

procure that all the then appointed directors are and remain for the entire mandate Independent Directors.

In giving any consent to the foregoing, the Representative of the Noteholders may (acting in accordance with the Rules of Organisation of the Noteholders and subject to certain conditions specified therein and in the English Deed of Charge) require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Representative of the Noteholders may deem expedient (in its absolute discretion) in the interests of the Noteholders, provided that the Rating Agencies have been previously notified in writing of such modification, additions, conditions or requirements.

3.2 Nothing in Condition 3.1 shall prevent or restrict the Issuer from:

- (i) carrying out any activity which is incidental to maintaining its corporate existence and complying with laws and regulations applicable to it;
- (ii) entering into Further Securitisations (as defined below) comprising, specifically, issuing further debt securities ("**Further Notes**"), acquiring further receivables or portfolios of receivables of any kind pursuant to the Securitisation Law (including by granting loans pursuant to Article 7 thereof) ("**Further Portfolios**" the securitisation of which being a "**Further Securitisations**") and entering into agreements and transactions relating thereto, including the opening or operating of bank accounts in connection therewith ("**Further Transactions**") financed or to be financed by the issue of Further Notes and in respect of which security may be granted over such Further Portfolios and/or any right, benefit, agreement, instrument, document or other asset of the Issuer relating thereto or to such Further Transactions to secure such Further Notes and/or the rights of any person in connection with such Further Transactions ("**Further Security**"), provided that:
 - (A) the Issuer confirms in writing to the Representative of the Noteholders that such Further Security (if any) is constituted separately from the security constituted by the Issuer Security and does not include or comprise any asset over or in respect of which security is constituted by the Security Documents or otherwise relating to the Securitisation;
 - (B) the Issuer confirms in writing to the Representative of the Noteholders that the terms and conditions of such Further Notes contain provisions to the effect that the obligations of the Issuer whether in respect of interest, principal, premium or other amounts in respect of such Further Notes, are limited recourse obligations of the Issuer, limited to some or all of the assets of the Issuer comprised within the relevant Further Portfolio and/or secured by the relevant Further Security (if any) and/or relating to the Further Transaction and that the terms and conditions of such Further Notes contain limitations on the right of the holders of such Further Notes to take action against the Issuer, including in respect of Insolvency Proceedings relating to the Issuer, comparable (although not necessarily identical) to those contained in the Intercreditor Agreement and these Conditions;
 - (C) the Issuer confirms in writing to the Representative of the Noteholders that each person which is a party to any transaction document in connection with such Further Transaction has agreed that the obligations of the Issuer to such party are limited recourse obligations, limited to some or all of the assets of the Issuer comprised within the relevant Further Portfolio and/or secured by the relevant Further Security (if any) and/or relating to the Further Transaction and has agreed to limitations on its right to take action against the Issuer, including in respect of insolvency proceedings relating to the Issuer comparable (although not necessarily identical) to those contained in the Intercreditor Agreement; and
 - (D) the Rating Agencies have been informed of such Further Securitisation and have confirmed to the Representative of the Noteholders that any such Further Securitisation would not adversely affect the then current rating of the Senior Notes of any Series; or

- (iii) performing its obligations and enforcing its rights under, and otherwise carrying on its business in accordance with, the transaction documents entered into by the Issuer in relation to any prior securitisation transactions (if any), or any Further Securitisations.

4. ISSUER AVAILABLE FUNDS - PRIORITY OF PAYMENTS

4.1 In respect of each Calculation Date, the Issuer Available Funds shall comprise the aggregate of the Interest Available Funds and the Principal Available Funds.

(a) *Interest Available Funds*

On each Calculation Date and in respect of the immediately following Payment Date, the Calculation Agent will calculate the Interest Available Funds in an amount equal to the sum of:

- (i) all interest component of the Claims (including any interest component of the Claims deriving from the exercise of the Option and/or the Clean-up Option), all prepayment fees and all Recoveries in respect of the Claims and/or the Defaulted Claims and the Delinquent Claims collected by each of the Servicers during the immediately preceding Collection Period and credited into the Collection Accounts;
- (ii) all amounts of interest accrued in respect of any of the Issuer Accounts (other than the Corporate Capital Account) or any Eligible Investments and paid during the Collection Period immediately preceding such Calculation Date;
- (iii) any amounts available to be drawn from the Cash Reserve Account;
- (iv) any amounts available to be drawn from the Expenses Account;
- (v) any net amounts (if positive) paid to the Issuer by the Swap Counterparty in accordance with the terms of the Swap Agreement on the Payment Date immediately following the relevant Calculation Date;
- (vi) any amounts allocated under item (i) of the Principal Priority of Payments (see below) to cover any residual shortfall in the payments of senior expenses and interest on the Senior Notes;
- (vii) any other amounts received by the Issuer and not qualified as Principal Available Funds.

(b) *Principal Available Funds*

On each Calculation Date and in respect of the immediately following Payment Date, the Principal Available Funds shall comprise:

- (i) all principal components of the Claims (including prepaid Claims and prepayments and any principal component of the Claims deriving from the exercise of the Option and/or the Clean-up Option) collected by each of the Servicers during the immediately preceding Collection Period and credited into the Collection Accounts;

- (ii) all principal components of the Claims received by the Issuer from the Originators pursuant to the Transfer Agreements during the immediately preceding Collection Period;
- (iii) amounts under item (viii) of the Interest Priority of Payments;
- (iv) amounts under item (ix) of the Interest Priority of Payments
- (v) amounts under item (xii) of the Interest Priority of Payments;
- (vi) after the service of a Trigger Notice or upon exercise of the optional redemption for tax reasons pursuant to Condition 6.4 (“*Redemption for tax reasons*”) or early redemption pursuant to Condition 6.5 (“*Early redemption at the option of the Originator*”) or Condition 6.6 (“*Early redemption at the option of the Issuer*”), the proceeds from the sale (if any) of all or part of the Portfolio; and
- (vii) any other amounts received by the Issuer and not qualified as Interest Available Funds.

4.2 Priority of Payments

(a) *Pre-Enforcement Priority of Payments*

The Interest Available Funds and the Principal Available Funds in respect of each Payment Date, shall be applied in accordance with the priority of payments set forth below for the application, before the delivery of a Trigger Notice, of the Interest Available Funds and the Principal Available Funds, (each, a “**Pre-Enforcement Priority of Payments**”).

Interest Priority of Payments

On each Payment Date prior to the delivery of a Trigger Notice, the Interest Available Funds shall be applied in accordance with the following order of priority (the “**Interest Priority of Payments**”) (in each case, only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of any and all costs, expenses, fees, taxes or other amounts incurred by the Issuer in connection with the Securitisation and required to preserve the Issuer’s corporate existence and maintain it in good standing;
- (ii) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of any and all outstanding fees, costs and expenses of, and all other amounts due and payable to:
 - A. the Representative of the Noteholders and the Security Trustee; and
 - B. the Cash Manager, the Calculation Agent, the Servicers, the Corporate Services Provider, the Paying Agents and the Italian Account Bank;

- (iii) *third*, in or towards satisfaction of any and all amounts necessary to replenish the Expenses Account up to the Retention Amount;
- (iv) *fourth*, in or towards satisfaction of any and all amounts due and payable to the Swap Counterparty under the terms of the Swap Agreement other than any termination payment due to the Swap Counterparty when the Swap Counterparty is the Defaulting Party or the Sole Affected Party;
- (v) *fifth*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series A1 Rate of Interest and Series A2 Rate of Interest;
- (vi) *sixth*, (a) prior to the occurrence of a Series B Trigger Event, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series B Rate of Interest, or (b) following the occurrence of a Series B Trigger Event an amount equal to zero until the Series A Notes have been repaid in full;
- (vii) *seventh*, (a) prior to the occurrence of a Series C Trigger Event, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series C Rate of Interest, or, (b) following the occurrence of a Series C Trigger Event an amount equal to zero until the Series A Notes and the Series B Notes have been repaid in full;
- (viii) *eighth*, in or towards satisfaction of any positive balance of the Principal to Pay Interest Ledger;
- (ix) *ninth*, in or towards satisfaction of any and all amounts to be credited on the Principal Deficiency Ledger;
- (x) *tenth*, in or towards satisfaction of any and all amounts necessary to fund or replenish, as the case may be, the Cash Reserve Account up to the Cash Reserve Required Level;
- (xi) *eleventh*, in or towards satisfaction, *pro rata* and *pari passu*, of:
 - A. the component of the BPN Portfolio Purchase Price related to the accrued interest on the BPN Claims due to BPN from the date on which such interests have been paid under the relevant BPN Mortgage Loan until the Valuation Date, pursuant to the BPN Transfer Agreement; and
 - B. the component of the CREBERG Portfolio Purchase Price related to the accrued interest on the CREBERG Claims due to CREBERG from the date on which such interests have been paid under the relevant CREBERG Mortgage Loan until the Valuation Date, pursuant to the CREBERG Transfer Agreement;
- (xii) *twelfth*, following the occurrence of a Series M Trigger Event, to apply all remaining Interest Available Funds to pay any amount payable under the Principal Priority of Payments on such Payment Date ;
- (xiii) *thirteenth*, in or towards satisfaction of any termination payment due and payable to the Swap Counterparty under the terms of the Swap Agreement

and in the event of any Insolvency Proceedings of any of the Originators, other than the payments referred to under item (iv) above;

- (xiv) *fourteenth*, in or towards satisfaction of any and all amounts to be paid as Series M Rate of Interest; and
- (xv) *fifteenth*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts remaining once payments under item (i) to (xiv) have been made in full, to be paid with respect to the Series M1 Notes multiplied for the BPN Portfolio Liability Ratio and to the Series M2 Notes multiplied for the CREBERG Portfolio Liability Ratio.

Principal Priority of Payments

On each Payment Date prior to the delivery of a Trigger Notice, the Principal Available Funds shall be applied in accordance with the following order of priority (the “**Principal Priority of Payments**”) (in each case, only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, to the extent that the Interest Available Funds of such Payment Date would otherwise be insufficient to enable the Issuer to pay the Interest Amount due on such Payment Date on the Series C Notes and the other items ranking prior thereto under the Interest Priority of Payments, to set aside, to form part of the Interest Available Funds, such amount to enable the Issuer to satisfy the aforementioned payment obligations;
- (ii) *second*, in or towards satisfaction, *pari passu* and *pro rata* according to the respective amounts thereof, of any and all amounts of principal due and payable to the Series A1 Notes;
- (iii) *third*, prior to the occurrence of a Proportional Payment Trigger, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series A2 Notes;
- (iv) *fourth*, unless already paid under item (vi) of the Interest Priority of Payments, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series B Rate of Interest;
- (v) *fifth*, prior to the occurrence of a Proportional Payment Trigger, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series B Notes;
- (vi) *sixth*, unless already paid under item (vii) of the Interest Priority of Payments, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series C Rate of Interest;
- (vii) *seventh*, prior to the occurrence of a Proportional Payment Trigger, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series C Notes;
- (viii) *eighth*, following the occurrence of a Proportional Payment Trigger, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of

principal due and payable with respect to the Series A2, to the Series B Notes and to the Series C Notes;

- (ix) *ninth*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of any and all amounts due and payable to the Originators, in respect of any Originators' claims under the terms of the relevant Transfer Agreement; and
- (x) *tenth*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts of principal due and payable to the Series M1 Notes and to the Series M2 Notes.

provided that prior to the expiry of the Initial Period any and all amounts due as principal payment on the Notes will be credited on the Collection Accounts.

(b) *Post-Enforcement Priority of Payments*

At any time following delivery of a Trigger Notice, or, in the event that the Issuer opts for the early redemption of the Notes under Condition 6.4, Condition 6.5 or Condition 6.6, all amounts received or recovered by or on behalf of the Issuer or the Representative of the Noteholders in respect of the Claims, the Security Documents and any of the other Transaction Documents will be applied by or on behalf of the Representative of the Noteholders in the following order (the "**Post-Enforcement Priority of Payments**") but in each case, only if and to the extent that payments of a higher priority have been made in full:

- (i) *first*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of any and all costs, expenses, fees, taxes or other amounts incurred by the Issuer in connection with the Securitisation and required to preserve the Issuer's corporate existence and maintain it in good standing;
- (ii) *second*, in or towards satisfaction, *pro rata* and *pari passu*, according to the respective amounts thereof, of any and all outstanding fees, costs and expenses of, and all other amounts due and payable to:
 - A. the Representative of the Noteholders and the Security Trustee; and
 - B. the Cash Manager, the Calculation Agent, the Servicers, the Corporate Services Provider, the Paying Agents and the Italian Account Bank;
- (iii) *third*, in or towards satisfaction of any and all amounts necessary to replenish the Expenses Account up to the Retention Amount;
- (iv) *fourth*, in or towards satisfaction of any and all amounts due and payable to the Swap Counterparty under the terms of the Swap Agreement other than any termination payment due to the Swap Counterparty when the Swap Counterparty is the Defaulting Party or the Sole Affected Party;
- (v) *fifth*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series A1 Rate of Interest and Series A2 Rate of Interest;

- (vi) *sixth*, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable on the Series A1 Notes and the Series A2 Notes;
- (vii) *seventh*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series B Rate of Interest;
- (viii) *eighth*, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series B Notes;
- (ix) *ninth*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts to be paid as Series C Rate of Interest;
- (x) *tenth*, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series C Notes;
- (xi) *eleventh*, in or towards satisfaction of any termination payment due and payable to the Swap Counterparty under the terms of the Swap Agreement and in the event of any Insolvency Proceedings of any of the Originators, other than the payments referred to under item (iv) above;
- (xii) *twelfth*, in or towards repayment, *pro rata* and *pari passu*, of any and all amounts of principal due and payable with respect to the Series M1 Notes and the Series M2 Notes;
- (xiii) *thirteenth*, in or towards satisfaction of any and all amounts to be paid as Series M Rate of Interest; and
- (xiv) *fourteenth*, in or towards satisfaction, *pro rata* and *pari passu*, of any and all amounts remaining once payments under item (i) to (xiii) have been made in full, to be paid with respect to the Series M1 Notes multiplied for the BPN Portfolio Liability Ratio and to the Series M2 Notes multiplied for the CREBERG Portfolio Liability Ratio.

In the event that the Issuer redeems any Notes in whole or in part prior to the Initial Period, the Issuer will be required to pay a tax in Italy equal to 20 per cent. of all interest accrued on such principal amount repaid early up to the relevant repayment date. This requirement will apply whether or not the redemption takes place following a Trigger Event under the Notes or pursuant to any requirement of the Issuer to redeem the Notes following the service of a Trigger Notice in connection with any such Trigger Event. Consequently, following a Trigger Event, the Issuer may, with the consent of the Representative of the Noteholders, and shall, if so instructed by the Representative of the Noteholders, delay the redemption of the Notes until the end of the Initial Period.

4.3 Deferral under the applicable Priority of Payments

Without prejudice to the provisions contained in these Conditions relating to payments in respect of the Notes, in the event and to the extent that the aggregate funds available to the Issuer in accordance with the provisions of the applicable Priority of Payments are insufficient to pay any and all amount due and payable on any Payment Date in accordance with such Priority of Payments, such shortfall will not be payable on that Payment Date but will be deferred and become payable on the next succeeding Payment

Date if and to the extent that the aggregate funds then available to the Issuer in accordance with the applicable Priority of Payments are sufficient to pay such amount. No interest will be payable on any amount so deferred.

5. INTEREST

5.1 Payment Dates and Interest Periods

Each Note bears interest on its Principal Amount Outstanding from (and including) the Issue Date at the applicable rate determined in accordance with this Condition 5, payable, prior to the service of a Trigger Notice and subject to the Pre-Enforcement Priority of Payments, in euro in arrear on 20 October 2007 and thereafter quarterly in arrear on 20 January, 20 April, 20 July and 20 October in each year (or, if any such date is not a Business Day, that date will be the first following day that is a Business Day), subject as provided in Condition 7 (each such date, a "**Payment Date**"). Each period beginning on (and including) a Payment Date (or, in the case of the first Interest Period, the Issue Date) and ending on (but excluding) the next (or, in the case of the first Interest Period, the first) Payment Date is herein called an "**Interest Period**". The Payment Date falling in October 2007 will be the "**Initial Interest Payment Date**".

Following the service of a Trigger Notice, to the extent permitted under Italian law, each Note will accrue interest as set out in this Condition 5 provided that such interest will be payable in accordance with Condition 4.2(b) and subject to Condition 7 and provided further that, to the extent that the methodology for determining EURIBOR and for calculating the interest from time to time accrued on the Notes set out in this Condition 5 is inconsistent or otherwise conflicting with the Post-Enforcement Priority of Payments, the Principal Paying Agent and the Representative of the Noteholders may (without incurring, in the absence of fraud (*dolo*) or gross negligence (*colpa grave*), any liability to any person as a result) agree (but shall not be bound to do so) an alternative methodology (which will be binding for the Issuer and the Noteholders) which comes as close as reasonably possibly to the one set out in this Condition 5.

Termination of interest

Each Note shall cease to bear interest from and including its due date for final redemption, unless payment of principal due is improperly withheld or refused or default is otherwise made in respect of payment thereof, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note up to that date are received by or on behalf of the relevant Noteholder; and
- (ii) the Cancellation Date.

5.2 Rate of Interest on the Notes

The rate of interest payable from time to time in respect of the Series A1 Notes (the "**Series A1 Rate of Interest**"), the Series A2 Notes (the "**Series A2 Rate of Interest**"), the Series B Notes (the "*Series B Rate of Interest*"), the Series C Notes (the "**Series C Rate of Interest**") and the Series M Notes (the "**Series M Rate of Interest**" and together with the Series A1 Rate of Interest, the Series A2 Rate of Interest, the Series B Rate of Interest and the Series C Rate of Interest, the "**Rate of Interests**" and each of them a "**Rate of Interest**") for each

Interest Period shall be determined by the Principal Paying Agent on the day that is two Business Days preceding such Interest Period (each, an “**Interest Determination Date**”) on the basis of the following provisions:

- (i) the Series A1 Rate of Interest for such Interest Period shall be the sum of:
 - (A) 0.07 per cent. per annum; and
 - (B) EURIBOR;
- (ii) the Series A2 Rate of Interest for such Interest Period shall be the sum of:
 - (A) 0.13 per cent. per annum; and
 - (B) EURIBOR;
- (iii) the Series B Rate of Interest for such Interest Period shall be the sum of:
 - (A) 0.25 per cent. per annum; and
 - (B) EURIBOR;
- (iv) the Series C Rate of Interest for such Interest Period shall be the sum of:
 - (A) 0.66 per cent. per annum; and
 - (B) EURIBOR;
- (v) the Series M Rate of Interest for such Interest Period shall be the sum of:
 - (A) 2.00 per cent. per annum; and
 - (B) EURIBOR.

Series M Rate of Interest makes reference both to the Series M1 Rate of Interest and to the Series M2 Rate of Interest.

The Rate of Interest applicable to the Notes for each Interest Period shall be the aggregate of the relevant margin (as indicated above) and:

- a. the Euro-zone inter-bank offered rate for three month Euro deposits which appears on Reuters circuit, currently at page EURIBOR01, and on the principal economic daily presses or (aa) such other page as may replace Reuters page EURIBOR01 on that service for the purpose of displaying such information or (bb) 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 Reuters page EURIBOR01 (the “**Screen Rate**”) at or about 11.00 a.m. (Brussels time) on the Interest Determination Date; or
- b. if the Screen Rate is unavailable at such time for three month Euro deposits, 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 Principal Paying Agent at its request by each of the Reference Banks (as defined in Condition

5.2 as the rate at which three month Euro deposits 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 such Interest Determination Date, the Screen Rate is unavailable and only two of the Reference Banks provide such offered quotations to the Principal 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 is unavailable and only one of the Reference Banks provides the Principal 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 to which one of subparagraph (a) or (b) above shall have been applied.

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.

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall at all times be three reference banks (the “**Reference Banks**”) and a Principal 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.

5.3 Calculation of Interest Amounts

The Principal Paying Agent will, as soon as practicable after 11.00 a.m. on each Interest Determination Date in relation to each Interest Period, but in no event later than the third Business Day thereafter, determine the amount of interest payable in respect of each Series of Notes for the relevant Interest Period (each such amount, the “**Interest Amount**”). The Interest Amount shall be determined by:

- (i) in the case of the Series A1 Notes, applying the Series A1 Rate of Interest for such Interest Period (or, in the case of the Initial Interest Period, the rate per annum obtained by linear interpolation of the EURIBOR for 3 month and 4 month deposits in Euro) to the Principal Amount Outstanding of the Series A1 Notes during such Interest Period, multiplying the product of such calculation by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards);
- (ii) in the case of the Series A2 Notes, applying the Series A2 Rate of Interest for such Interest Period (or, in the case of the Initial Interest Period, the rate per annum obtained by linear interpolation of the EURIBOR for 3 month and 4 month deposits in Euro) to the Principal Amount Outstanding of the Series A2 Notes during such Interest Period, multiplying the product of such calculation by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards);
- (iii) in the case of the Series B Notes, applying the Series B Rate of Interest for such Interest Period (or, in the case of the Initial Interest Period, the rate per annum obtained by linear interpolation of the EURIBOR for 3 month and 4 month deposits in Euro) to the Principal Amount Outstanding of the Series B Notes during such

Interest Period, multiplying the product of such calculation by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards); and

- (iv) in the case of the Series C Notes, applying the Series C Rate of Interest for such Interest Period (or, in the case of the Initial Interest Period, the rate per annum obtained by linear interpolation of the EURIBOR for 3 month and 4 month deposits in Euro) to the Principal Amount Outstanding of the Series C Notes during such Interest Period, multiplying the product of such calculation by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards); and
- (v) in the case of each of the Series M1 Notes (A) applying the Series M Rate of Interest for such Interest Period (or, in the case of the Initial Interest Period, the rate per annum obtained by linear interpolation of the EURIBOR for 3 month and 4 month deposits in Euro) to the Principal Amount Outstanding of the Series M1 Notes during such Interest Period, (B) multiplying the product of such calculation by the actual number of days in the Interest Period concerned divided by 360 and (C) multiplying the product of calculation under preceding (A) and (B) by the BPN Portfolio Liability Ratio and rounding the resultant figure to the nearest cent (half a cent being rounded upwards);
- (vi) in the case of each of the Series M2 Notes (A) applying the Series M Rate of Interest for such Interest Period (or, in the case of the Initial Interest Period, the rate per annum obtained by linear interpolation of the EURIBOR for 3 month and 4 month deposits in Euro) to the Principal Amount Outstanding of the Series M2 Notes during such Interest Period, (B) multiplying the product of such calculation by the actual number of days in the Interest Period concerned divided by 360 and (C) multiplying the product of calculation under preceding (A) and (B) by the CREBERG Portfolio Liability Ratio and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

5.4 Publication of Rate of Interest and Interest Amount

The Principal Paying Agent will cause each Rate of Interest and each Interest Amount for each Interest Period and the relevant Payment Date, to be notified to the Issuer, the Irish Listing Agent, the Cash Manager, the Irish Paying Agent, the Representative of the Noteholders, Monte Titoli and any stock exchange or other relevant authority on which any Series of Notes is at the relevant time listed and (if so required by the rules of the relevant stock exchange) to be published in accordance with Condition 14 as soon as practicable after their determination and in any event not later than the first Business Day of the relevant Interest Period.

5.5 Amendments to publications

The Principal Paying Agent will be entitled to recalculate any Rate of Interest or Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension of the relevant Interest Period.

Determination or calculation by the Representative of the Noteholders

If the Principal Paying Agent does not at any time for any reason determine the Rate of Interest or the Interest Amount for any Series of Notes in accordance with this Condition 5,

the Representative of the Noteholders shall (but without incurring, in the absence of fraud (*dolo*) or gross negligence (*colpa grave*), any liability to any person as a result):

- (i) determine the Rate of Interest for each Series of Notes at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedures described in this Condition 5), it shall deem fair and reasonable in all the circumstances; and/or (as the case may be);
- (ii) calculate the relevant Interest Amount in the manner specified in this Condition 5, and any determination and/or calculation shall be deemed to have been made by the Calculation Agent.

5.6 Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, by the Principal Paying Agent or the Representative of the Noteholders shall (in the absence of wilful default, bad faith or negligence) be binding on the Issuer, the Principal Paying Agent, the Representative of the Noteholders and all Noteholders and (in such absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Principal Paying Agent 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 discretions hereunder.

5.7 Interest Amount Arrears

In the event that on any Payment Date, there are any Interest Amounts which are unpaid on their due date and remain unpaid as a result of the insufficiency of the Issuer Available Funds ("**Interest Amount Arrears**") in respect of the Series A1 Notes (the "**Series A1 Interest Amount Arrears**"), the Series A2 Notes (the "**Series A2 Interest Amount Arrears**"), the Series B Notes (the "**Series B Interest Amount Arrears**"), the Series C Notes (the "**Series C Interest Amount Arrears**"), the Series M1 Notes (the "**Series M1 Interest Amount Arrears**") and/or the Series M2 Notes (the "**Series M2 Interest Amount Arrears**"), the Series A1 Interest Amount Arrears, the Series A2 Interest Amount Arrears, the Series B Interest Amount Arrears, the Series C Interest Amount Arrears, the Series M1 Interest Amount Arrears and/or the Series M2 Interest Amount Arrears, as the case may be, shall be: (a) deferred to the following Payment Date or, if earlier, the date on which a Trigger Notice, which is due to a Trigger Event, is served on the Issuer; (b) aggregated with the amount of, and treated for the purpose of this Condition 5 as if it were, interest due (subject to this Condition 5.7 on the relevant Series of Notes on the next succeeding Payment Date. No interest shall accrue on the Interest Amount Arrears.

5.8 Additional Return

- 5.8.1 Subject to the provisions of these Conditions, each holder of a Series M1 Note shall be entitled on each Payment Date to an amount to be paid as Series M1 Notes Additional Return being the additional return (if any) payable in respect of the Series M1 Notes, equal to any residual amounts available after that all payments due under items (i) to (xiv) of the Interest Priority of Payments or under items (i) to (xiii) of the Post Enforcement Priority of Payments, as the case may be, has been made in full, such calculation being multiplied by the BPN Portfolio Liability Ratio. The Additional Return is calculated by the Calculation Agent on each Calculation Date.

5.8.2 Subject to the provisions of these Conditions, each holder of a Series M2 Note shall be entitled on each Payment Date to an amount to be paid as Series M2 Notes Additional Return being the additional return (if any) payable in respect of the Series M2 Notes, equal to any residual amounts available after that all payments due under items (i) to (xiv) of the Interest Priority of Payments or under items (i) to (xiii) of the Post Enforcement Priority of Payments, as the case may be, has been made in full, such calculation being multiplied by the CREBERG Portfolio Liability Ratio. The Additional Return is calculated by the Calculation Agent on each Calculation Date.

6. REDEMPTION, PURCHASE AND CANCELLATION

6.1 Final redemption

Unless previously redeemed in full as provided in this Condition 6, the Issuer shall (subject to and in accordance with the relevant Priority of Payments and Condition 6.9) redeem at their Principal Amount Outstanding (i) the Series A2 Notes, the Series B Notes, the Series C Notes and the Series M Notes on the Payment Date falling in July 2044, and (ii) the Series A1 Notes on the Payment Date falling in January 2018 (the “**Legal Maturity Date**”). All Notes will, immediately following the Legal Maturity Date, be deemed to be discharged in full and any amount in respect of principal, interest or other amounts due and payable in respect of the Notes will (unless payment of any such amounts is improperly withheld or refused) be finally and definitively cancelled.

The Issuer may not redeem the Notes of any Series in whole or in part prior to the Legal Maturity Date except as provided below in Condition 6.2, 6.3, 6.4 or 6.5 but this shall be without prejudice to Condition 11.

6.2 Cancellation Date

If the Notes cannot be redeemed in full on the Legal Maturity Date, as a result of the Issuer having insufficient funds for application in or towards such redemption, any amount unpaid shall remain outstanding and these Conditions shall continue to apply in full in respect of the Notes until the Cancellation Date, at which date, in the absence of gross negligence (*colpa grave*) or wilful misconduct (*dolo*) on the part of the Issuer, any amount outstanding, whether in respect of interest, principal or other amounts in respect of the Notes, shall be finally and definitively cancelled.

6.3 Mandatory pro-rata redemption in whole or in part

- (i) If, on any Payment Date prior to the service of a Trigger Notice there are Principal Available Funds in respect of the relevant Series of Notes then:
 - (A) prior to the expiry of the Initial Period, no amounts will be applied by the Issuer in redeeming the Notes under this Condition 6.3 and on each Payment Date during the Initial Period the Issuer shall retain, subject to the provisions of the Cash Management, Calculation and Agency Agreement, an amount equal to the amount of the Principal Available Funds in respect of the relevant Series of Notes in the Transaction Account, to be re-applied as Principal Available Funds in accordance with Condition 4.2 with effect from the first Payment Date after the Initial Period; and

- (B) following the expiry of the Initial Period, the Issuer shall apply the relevant Principal Available Funds in redeeming the Notes in whole or in part on such Payment Date in accordance with Condition 4.2; and
- (ii) The Issuer shall give or cause to be given, not less than 2 (two) Business Days prior to the relevant Payment Date, notice of any redemption under Condition 6.3(i)(B) above and the *pro rata* amount thereof to the Representative of the Noteholders and the Noteholders in accordance with Condition 14; and
- (iii) The principal amount redeemable on any Payment Date under Condition 6.3(i)(B) in respect of each Series of Notes (the “**Principal Payment**”) shall be a *pro rata* share of the Principal Available Funds of the relevant Series on such date, calculated by multiplying the Principal Available Funds of the relevant Series on such date by a fraction, the numerator of which is the then Principal Amount Outstanding of such Note and the denominator of which is the then aggregate Principal Amount Outstanding of all the Notes of the same Series (and rounding the result down to the nearest cent), provided always that no such Principal Payment may exceed the Principal Amount Outstanding of the relevant Note. The “**Principal Amount Outstanding**” of a Note on any date shall be the principal amount of such Note upon issue less the aggregate amount of all repayments of principal that have been made prior to such date in respect of that Note.

6.4 Redemption for tax reasons

- (i) Subject as provided in this Condition 6.4 prior to the service of a Trigger Notice, the Issuer may redeem at its option all, but not some only of, the Notes at their Principal Amount Outstanding (plus any accrued but unpaid interest) in accordance with the Post-Enforcement Priority of Payments and subject to the Issuer having sufficient funds to redeem all the Notes and to make all payments ranking in priority thereto, or *pari passu* therewith, on any Payment Date if, by reason of a change in the laws of the Republic of Italy or the interpretation or administrative practice in respect thereof since the Issue Date:
 - (A) the *patrimonio separato* of the Issuer in respect of the Securitisation becomes subject to taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Republic of Italy or any political sub-division thereof or any authority thereof or therein or any applicable taxing authority having jurisdiction;
 - (B) either the Issuer or any Paying Agent appointed in respect of the Senior Notes or any custodian of the Senior Notes is required to deduct or withhold any amount (other than in respect of a Law 239 Withholding) in respect of any Series of Senior Notes, from any payment of principal or interest on such Payment Date 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 the Republic of Italy or any political sub-division thereof or any authority thereof or therein or any other applicable taxing authority having jurisdiction and provided that such deduction or withholding may not be avoided by appointing a replacement Principal Paying Agent or custodian in respect of the Senior Notes before the Payment Date following the change in law or the interpretation or administration thereof; or

- (C) any amounts of interest payable on the Mortgage Loans to the Issuer are required to be deducted or withheld from the Issuer 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 the Republic of Italy or any political sub-division thereof or any authority thereof or therein or any other applicable taxing authority having jurisdiction; or
- (D) it is or will become unlawful 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,

each such an event, a “**Tax Event**”.

(ii) The Issuer’s right to redeem in the manner described above shall be subject to:

(A) it giving not more than 60 nor less than 30 days’ written notice (which notice shall be irrevocable) to the Representative of the Noteholders and the Noteholders, pursuant to Condition 14, of its intention to redeem all, but not some only, of the Notes on the next succeeding Payment Date at their Principal Amount Outstanding together with interest accrued to but excluding the date of such redemption; and

(B) it providing to the Representative of the Noteholders:

(1) a legal opinion (in form and substance satisfactory to the Representative of the Noteholders) from a firm of lawyers of international repute (approved in writing by the Representative of the Noteholders) opining on the relevant change in, or amendment to, the laws or regulations or the relevant change in the official interpretation of the laws or regulations thereof;

(2) a certificate from the chairman of the board of directors or the sole director of the Issuer (as applicable) stating that the obligation to make such deduction or withholding or the suffering by the Issuer of such deduction or withholding cannot be avoided or, as the case may be, the events under Condition 6.4 will apply on the next Payment Date and cannot be avoided by the Issuer taking reasonable endeavours; and

(3) a certificate from the chairman of the board of directors or the sole director of the Issuer (as applicable) to the effect that it will have the funds on such Payment Date to discharge its obligations under the Notes and any obligations ranking in priority thereto, or *pari passu* therewith, together with any additional taxes payable by the Issuer by reason of such early redemption of the Notes.

(iii) The Issuer (and the Representative of the Noteholders acting in the name and on behalf of the Issuer) is entitled, pursuant to the Intercreditor Agreement, to dispose of the Portfolio in order to finance the redemption of the Notes (or the Senior Notes, as applicable) in the circumstances described above having obtained a certificate signed by a duly authorised signatory of the relevant purchaser confirming that the purchaser is neither insolvent nor in a temporary liquidity distress (*in stato di crisi*)

for the purposes of the Italian insolvency law and that no resolution has been passed, petition submitted or order issued for the winding-up of the purchaser or commencement of insolvency proceedings against it. The Issuer shall apply the proceeds of the sale of the Portfolio and all other Issuer Available Funds in or towards redeeming the Notes (or the Senior Notes, as applicable) together with all interest accrued thereon subject to and in accordance with Condition 4.

6.5 Early redemption at the option of the Originator

Under each of the Transfer Agreements, at any time after the later of the expiry of the Initial Period and the Payment Date on which the aggregate principal amount outstanding of the Portfolio is equal to or less than 10 (ten) per cent. of the Initial Outstanding Amount of the Portfolio, each of the Originators (and/or such other person(s) as may be nominated by it) may exercise an option to repurchase (which shall be exercised simultaneously by each of BPN and CREBERG under the provisions of the BPN Transfer Agreement and the CREBERG Transfer Agreement respectively) from the Issuer the BPN Portfolio and the CREBERG Portfolio, respectively (including for the avoidance of doubt all Delinquent Claims and Defaulted Claims comprised therein), provided that:

- (A) the net amount to be received by the Issuer from the sale of the Portfolio (i) is not subject to any Security Interest (other than Issuer Security); and (ii) (together with the Issuer Available Funds) is at least sufficient to redeem in full each outstanding Series of Notes, together with all amounts of interest accrued thereon and to pay all amounts ranking in priority thereto or *pari passu* therewith pursuant to the applicable Priority of Payments on the next succeeding Payment Date following the exercise of the repurchase option;
- (B) each of the Originators shall have certified and produced to the Issuer a solvency certificate issued by a legal representative of each of the Originators;
- (C) the purchase price payable by each of the Originators (and/or such other person(s) as may be nominated by it) to the Issuer for the repurchase of the Portfolio does not exceed the aggregate of (i) the market value of all (if any) Delinquent Claims and/or Defaulted Claims then comprised in the BPN Portfolio and/or CREBERG Portfolio, as the case may be, pursuant to the criteria indicated therein (ii) the then principal amount outstanding of any Receivable then comprised in the BPN Portfolio and/or CREBERG Portfolio which is not a Delinquent Receivable or a Defaulted Receivable.
- (D) BPN and CREBERG has simultaneously exercised the relevant option to repurchase.

The Issuer shall apply the proceeds of such sale of the Portfolio in or towards redemption of all the Notes of each outstanding Series of Notes and give not more than 60 nor less than 30 days' prior notice in writing to the Representative of the Noteholders and to the Noteholders in accordance with Condition 14 of the redemption of the Notes of each relevant Series subject to and in accordance with Condition 4.

6.6 Early redemption at the option of the Issuer

- (i) On any Payment Date, to the extent that each of the Originators has not exercised the option to repurchase the Portfolio in accordance with Condition 6.5, the Issuer may redeem at its option all, but not some only of, the Notes at their Principal Amount Outstanding (plus any accrued but unpaid interest) in accordance with the Post-Enforcement Priority of Payments and subject to the Issuer having sufficient

funds to redeem all the Notes and to make all payments ranking in priority thereto, or *pari passu* therewith, on any Payment Date after the Initial Period.

- (ii) The Issuer's right to redeem in the manner described above shall be subject to:
 - (A) it giving not more than 60 nor less than 30 days' written notice (which notice shall be irrevocable) to the Representative of the Noteholders and the Noteholders, pursuant to Condition 14, of its intention to redeem all, but not some only, of the Notes on the next succeeding Payment Date at their Principal Amount Outstanding together with interest accrued to (but excluding) the date of such redemption;
 - (B) it providing to the Representative of the Noteholders a certificate from the chairman of the board of directors or the sole director of the Issuer (as applicable) to the effect that it will have the funds on such Payment Date to discharge its obligations under the Notes and any obligations ranking in priority thereto, or *pari passu* therewith, together with any additional taxes payable by the Issuer by reason of such early redemption of the Notes; and
 - (C) it giving not more than 60 nor less than 30 days' written notice to the Bank of Italy of its intention to redeem the Notes in accordance with Condition 6.6(i).
- (iii) The Issuer (and the Representative of the Noteholders acting in the name and on behalf of the Issuer) shall be entitled to dispose of the Portfolio (other than to the Originators or any company in the Originators' group of companies) in order to finance the redemption of the Notes in the circumstances described above having obtained (i) a certificate signed by a duly authorised signatory of the relevant purchaser confirming that the purchaser is neither insolvent nor in a temporary liquidity distress (*in stato di crisi*) for the purposes of the Italian insolvency law and that no resolution has been passed, petition submitted or order issued for the winding-up of the purchaser or commencement of insolvency proceedings against it; and (ii) a certificate of good standing (*certificato di vigenza*) issued by the competent Chamber of Commerce (*Camera di Commercio*) declaring that no insolvency proceedings are pending against the relevant purchaser and, to the extent such it can be obtained from the competent court (*tribunale civile-sezione fallimentare*) an insolvency certificate (*cartificato fallimentare*) in relation to such purchaser. The Issuer shall apply the proceeds of the sale of the Portfolio and all other Issuer Available Funds in or towards redeeming the Notes together with all interest accrued thereon subject to and in accordance with Condition 4.2.

6.7 Principal Available Funds, Principal Payments, Principal Amount Outstanding

On each Calculation Date, the Issuer shall determine or shall cause to be determined by the Calculation Agent the amounts to be calculated in respect of the Notes under these Conditions, including:

- (i) the amount of Principal Available Funds in respect of each Series of Notes (if any);
- (ii) the Principal Payment (if any) due on the next following Payment Date in respect of each Note of each Series; and

- (iii) the Principal Amount Outstanding of each Note of each Series on the next following Payment Date (after deducting any Principal Payment due to be made on that Payment Date).

Each determination by or on behalf of the Issuer in respect of the amount of Principal Available Funds, any Principal Payment and the Principal Amount Outstanding shall in each case (in the absence of manifest error) be final and binding on all persons.

The Issuer will, on each Calculation Date beginning with the Calculation Date which occurs immediately prior to the Amortisation Date, cause each determination of a Principal Payment (if any) and the Principal Amount Outstanding to be notified forthwith by the Calculation Agent to the Representative of the Noteholders, the Principal Paying Agent and (for so long as the Senior Notes of any Series are listed on the Irish Stock Exchange) the Irish Stock Exchange and will cause notice of each determination of a Principal Payment and the Principal Amount Outstanding to be given in accordance with Condition 14. If no Principal Payment is due to be made on any Series of Notes on any Payment Date, a notice to this effect will be given by the Issuer to the Noteholders of the relevant Series in accordance with Condition 14.

If the Issuer or the Calculation Agent does not at any time for any reason determine the Principal Available Funds, a Principal Payment or a Principal Amount Outstanding in respect of any Series of Notes in accordance with the preceding provisions of this paragraph, such Issuer Available Funds, Principal Payment and/or Principal Amount Outstanding shall be determined by the Representative of the Noteholders (or, without prejudice to the Representative of the Noteholders' obligation to make such determination, such other person as it may instruct for this purpose) in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer and shall in each case (in the absence of manifest error) be final and binding on all persons.

6.8 Notice of redemption

Any such notice as is referred to in Conditions 6.2, 6.3, 6.4 or 6.5 shall (i) be published in accordance with Condition 14 and (ii) be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes of the relevant Series at amounts specified in this Condition 6.

6.9 No purchase by Issuer

The Issuer may not purchase any of the Notes.

6.10 Cancellation

All Notes redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

7. PAYMENTS

- 7.1** Payments of principal and interest in respect of the Notes deposited with Monte Titoli will be credited, according to the instructions of Monte Titoli, by the Principal Paying Agent on behalf of the Issuer to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Notes and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial

owners of those Notes or through Euroclear and Clearstream to the accounts with Euroclear and Clearstream of the beneficial owners of those Notes, in accordance with the rules and procedures of Monte Titoli, Euroclear or Clearstream.

7.2 Payments of principal and interest in respect of the Notes are subject in all cases to any tax or other laws and regulations applicable thereto.

7.3 If the due date for any payment of principal and/or interest is not a Business Day, the Noteholders will not be entitled to payment of the relevant amount until the immediately following Business Day. Noteholders will be entitled to any interest or other payment in consequence of any delay after the due date in receiving the amount due as a result of the due date not being a Business Day.

8. TAXATION

8.1 All payments in respect of the Notes will be made free and clear and without withholding or deduction for or on account of Tax (other than a Decree 239 Withholding, where applicable) unless the Issuer, the Representative of the Noteholders or the Principal Paying Agent (as the case may be) is required by law to make any such withholding or deduction. In such a case the Issuer, the Representative of the Noteholders or the Principal Paying Agent (as the case may be) shall make such payments after such withholding or deduction and shall account to the relevant authorities for the amount so withheld or deducted.

8.2 None of the Issuer, the Representative of the Noteholders, the Principal Paying Agent or any other person shall be obliged to pay any additional amount to any Noteholder on account of a Decree 239 Withholding or any other deduction or withholding for or on account of Tax.

8.3 In the event that the Notes are redeemed, in whole or in part, during the Initial Period, the Issuer will be required to pay an additional tax equal to 20 per cent. of interest accrued on the amount so redeemed up to the time of such early redemption.

8.4 If the Issuer at any time becomes subject to taxation in a jurisdiction other than the Republic of Italy, as a consequence of its residence for tax purposes being established therein (such jurisdiction a “**Taxing Jurisdiction**”), references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other Taxing Jurisdiction.

8.5 For the avoidance of doubt, notwithstanding that the Representative of the Noteholders, the Issuer or the Principal Paying Agent are required to make a withholding or deduction for or on account of Tax this shall not constitute a Trigger Event.

9. PRESCRIPTION

9.1 Claims against the Issuer for payments in respect of the Notes shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

9.2 In this Condition 9, the “**Relevant Date**”, for any payment due in respect of a Note, is the date on which such payment first becomes due and payable or (if the full amount of the moneys payable in respect of all the Notes due and payable on or before that date has not been duly received by the Principal Paying Agent on or prior to such date) the date on

which notice that the full amount of such moneys has been received is duly given to the Noteholders in accordance with Condition 14.

10. TRIGGER EVENTS

10.1 The occurrence of any of the following events shall constitute a Trigger Event:

(i) *Non-payment*

default is made and is continuing for a period of 3 (three) days in respect of any repayment of principal on its due date or any payment of interest on the Most Senior Series of Notes on the relevant Payment Date; or

(ii) *Breach of other obligations*

default is made by the Issuer in the performance or observance of any obligation binding upon it under the Notes or any of them or any other Transaction Document to which it is a party (other than in respect of the obligation to pay principal and interest on the Most Senior Series of Notes pursuant to (i) above) and (except where the Representative of the Noteholders certifies that, in its opinion, such default is incapable of remedy, when no notice will be required) such default shall have continued unremedied for a period of 30 days following the service by the Representative of the Noteholders on the Issuer of notice requiring the same to be remedied; or

(iii) *Misrepresentation*

the Issuer breaches in any material respect any representation or warranty made by it pursuant to the Notes or any other Transaction Document to which it is a party or which is contained in any certificate, document or financial or other statement furnished at any time under or in connection with a Transaction Document to which it is a party and, in any case (except when the Representative of the Noteholders certifies that, in its opinion, the circumstances giving rise to such breach are incapable of remedy when no notice will be required) the circumstances giving rise to such breach shall have continued unremedied for a period of 30 days following the service by the Representative of the Noteholders on the Issuer of notice requiring the same to be remedied; or

(iv) *Winding-up*

an order is made or an effective resolution is passed for the winding up of the Issuer or any of the events under Article 2484 of the Italian Civil Code occurs; or

(v) *Insolvency Proceedings*

the Issuer institutes or has instituted against it Insolvency Proceedings relating to the Issuer under applicable laws and such proceedings are not, in the opinion of the Representative of the Noteholders, being disputed in good faith with a reasonable prospect of success; or

(vi) *Unlawfulness*

it is or will become unlawful for the Issuer (by reason of a change in law or the interpretation or administration thereof since the Issue Date) 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, or any obligation of the Issuer under any of the Transaction Documents ceases to be legal, valid, binding and enforceable or any Transaction Document or any obligation contained or purported to be contained therein is not effective or is alleged by the Issuer to be ineffective for any reason, or any of the Issuer's rights under the Notes or any of the Transaction Documents are or will (by reason of a change in law or the interpretation or administration thereof since the Issue Date) be prejudiced; or

(vii) *Ineffective Security*

any Security Interest purported to be created under the Issuer Security pursuant to the Security Documents becomes invalid, ineffective or unenforceable,

provided that, in the case of:

- (A) the event described in paragraph (vi) (Unlawfulness) of this Condition 10.1, no Trigger Event shall occur unless the Representative of the Noteholders shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Series of Notes; and
- (B) each of the events described in paragraphs (ii) (Breach of other obligations) and (iii) (Misrepresentation), no Trigger Event shall occur unless the Representative of the Noteholders is directed by an Extraordinary Resolution of the holders of the Most Senior Series of Notes in accordance with the Rules of Organisation of the Noteholders to give notice (a Trigger Notice) to the Issuer that the Notes shall forthwith become immediately due and repayable at their Principal Amount Outstanding and all other amounts owed by the Issuer pursuant to the other Transaction Documents shall become immediately due and payable in accordance with their terms, in each case together with accrued interest (if any).

10.2 If a Trigger Event occurs (other than those indicated condition 10.1 (A) above), and the Representative of the Noteholders is notified of such event, the Representative of the Noteholders at its discretion may, and, if so directed by an Extraordinary Resolution of the holders of the Most Senior Series of Notes in accordance with the Rules of Organisation of the Noteholders shall, give notice (a Trigger Notice) to the Issuer that the Notes shall forthwith become immediately due and repayable at their Principal Amount Outstanding and all other amounts owed by the Issuer pursuant to the other Transaction Documents shall become immediately due and payable in accordance with their terms, in each case together with accrued interest (if any).

11. ENFORCEMENT

11.1 At any time after the Notes have become due and repayable following the service of a Trigger Notice and without prejudice to the Representative of the Noteholders' right to enforce the Security Documents and the relevant Issuer Security:

- (i) the Representative of the Noteholders may, at its discretion and without further notice, take such steps and/or institute such proceedings against the Issuer as it thinks fit to direct the Issuer to take any action in relation to the Portfolio and to enforce the Issuer Security and to enforce repayment of the Notes and payment of accrued interest thereon and any other amounts owed but unpaid by the Issuer, but

it shall not be bound to take any such proceedings or steps unless it shall have been directed by an Extraordinary Resolution of the holders of the Most Senior Series of Notes in accordance with the Rules of Organisation and, in all cases, it shall have been indemnified and/or secured to its satisfaction; and

- (ii) the Representative of the Noteholders shall become entitled, pursuant to the mandate given to the Representative of the Noteholders under the Intercreditor Agreement, to dispose of the Portfolio in whole or in part and each of the Originators shall have a right of first refusal (*prelazione*) to buy the BPN Portfolio and the CREBERG Portfolio, respectively, or such part of them which the Representative of the Noteholders intends to sell on the same terms and conditions offered by any third party..

11.2 Each Noteholder, by acquiring title to a Note, and each other Issuer Secured Creditor, by executing the Transaction Documents to which it is expressed to be a party, is deemed to agree and acknowledge that:

- (i) the Representative of the Noteholders has entered into the Security Documents for itself and as agent in the name of and on behalf of each Noteholder from time to time and each of the other Issuer Secured Creditors thereunder;
- (ii) by virtue of the transfer to it of the relevant Note, each Noteholder, and by virtue of the execution of each Transaction Document to which it is respectively a party, each Issuer Secured Creditor, shall be deemed to have granted to the Representative of the Noteholders, as its agent, the right (a) to exercise in such manner as the Representative of the Noteholders in its sole opinion deems appropriate, on behalf of such Noteholder (or Transaction Party, as the case may be), all of that Noteholder's (or such Transaction Party's) rights under the Securitisation Law in respect of the Portfolio and all amounts and/or other assets of the Issuer arising from the Portfolio and the Transaction Documents not subject to the Issuer Security and (b) to enforce its rights as an Issuer Secured Creditor for and on its behalf under the Security Documents and in relation to the Issuer Security.
- (iii) the Representative of the Noteholders, in its capacity as agent in the name of and on behalf of the Noteholders of each Series and of each other Issuer Secured Creditor, shall be the only person entitled under these Conditions and under the Transaction Documents to institute proceedings against the Issuer and/or to enforce or to exercise any rights in connection with the Issuer Security or to take any steps against the Issuer or any of the other parties to the Transaction Documents for the purposes of enforcing the rights of the Noteholders under the Notes of each Series and/or of the other Issuer Secured Creditors with respect to the other Transaction Documents and recovering any amounts owing under the Notes or under the Transaction Documents;
- (iv) the Representative of the Noteholders shall have exclusive rights under the Security Documents to make demands, give notices, exercise or refrain from exercising any rights and to take or refrain from taking any action (including, without limitation, the release or substitution of security) in respect of the Issuer Security;
- (v) no Noteholder or Other Issuer Secured Creditor shall be entitled to proceed directly against the Issuer nor take any steps or pursue any action whatsoever for the purpose of recovering any debts due or owing to it by the Issuer or take, or join in taking, steps for the purpose of obtaining payment of any amount expressed to be

payable by the Issuer or the performance of any of the Issuer's obligations under these Conditions and/or the Transaction Documents or, upon registration of the Issuer in the register held pursuant to Article 107 of the Italian Banking Act, petition for or procure the commencement of Insolvency Proceedings or the winding-up, insolvency, extraordinary administration or compulsory administrative liquidation of the Issuer or the appointment of any kind of insolvency official, administrator, liquidator, trustee, custodian, receiver or other similar official in respect of the Issuer for any, all, or substantially all the assets of the Issuer or in connection with any reorganisation or arrangement or composition in respect of the Issuer, pursuant to the Italian Banking Act or otherwise,

unless (in each case under (ii), (iii) and (iv) above) a Trigger Notice shall have been served and the Representative of the Noteholders, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing, (provided that any such failure shall not be conclusive per se of a default or breach of duty by the Representative of the Noteholders), provided that the Noteholder may then only proceed subject to the provisions of these Conditions, provided however that nothing in this Condition 11 shall prevent the Issuer Secured Creditors from taking any steps against the Issuer which do not amount to the commencement or to the threat of commencement of legal proceedings against the Issuer or to procuring the appointment of an administrative receiver for or to the making of an administration order against or to the winding up or liquidation of the Issuer and provided further that this Condition 11 shall not prejudice the right of any Issuer Secured Creditor to prove a claim in the insolvency of the Issuer where such insolvency follows the institution of Insolvency Proceedings by a third party;

- (vi) (without prejudice to the provisions of the Swap Agreement) no Noteholder or any other Issuer Secured Creditor shall at any time exercise any right of netting, set-off or counterclaim in respect of its rights against the Issuer such rights being expressly waived or exercise any right of claim of the Issuer by way of a subrogation action (*azione surrogatoria*) pursuant to Article 2900 of the Italian Civil Code; and
- (vii) the provisions of this Condition 11 shall survive and shall not be extinguished by the redemption (in whole or in part) and/or cancellation of the Notes and waives to the greatest extent permitted by law any rights directly to enforce its rights against the Issuer.

12. APPOINTMENT AND REMOVAL OF THE REPRESENTATIVES OF THE NOTEHOLDERS

- 12.1** The Organisation of 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.
- 12.2** The Rules of the Organisation of the Noteholders shall constitute an integral and essential part of these Conditions. Prospective Noteholders may inspect a copy of Rules of the Organisation of the Noteholders at the registered office of the Issuer and at the registered office of each of the Representative of the Noteholders and the Principal Paying Agent.
- 12.3** Pursuant to the Rules of the Organisations 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 is made by the Noteholders subject to and in accordance with the Rules of the Organisations of the Noteholders, except for the initial Representative of the Noteholders appointed at the time of issue of the Notes and

whose appointment has been confirmed at the time of the issue of the Notes, who is appointed by the Joint-Lead Managers, pursuant the Senior Notes Subscription Agreement.

12.4 Pursuant to the provisions of the Rules of the Organisation of the Noteholders, the Representative of the Noteholders can be removed by the Noteholders at any time, provided a successor Representative of the Noteholders is appointed with shall be:

- (i) a bank incorporated in any jurisdiction of the European Union or a bank incorporated in any other jurisdiction acting through an Italian branch or through a branch situated in a European Union country; or
- (ii) a company or financial institution registered under Article 107 of the Italian Banking Act; or
- (iii) any other entity which may be permitted by any specific provisions of Italian law applicable to the securitisation of monetary rights and/or by any regulations, instructions, guidelines and/or specific approvals issues by the competent Italian supervising authorities.

12.5 The Senior Notes Subscription Agreement, each of the Junior Notes Subscription Agreements, the Rules of the Organisation of the Noteholders and the Intercreditor Agreement contain provisions governing the terms of appointment, indemnification and exoneration of the Representative of the Noteholders. Each Noteholder, by purchasing the Notes, is deemed to accept the appointment of the initial Representative of the Noteholders upon the terms of its appointment, subject to these Conditions.

13. INDEMNIFICATION AND EXONERATION OF THE REPRESENTATIVE OF THE NOTEHOLDERS

13.1 The Senior Notes Subscription Agreement, each of the Junior Notes Subscription Agreements, the Rules of the Organisation of the Noteholders (which shall be established upon and by virtue of the issuance of the Notes) and the Intercreditor Agreement contain provisions governing the responsibility, relief from responsibility and right to indemnity of the Representative of the Noteholders. The Representative of the Noteholders is entitled to enter into business transactions with the Issuer and any agent of the Issuer without accounting for any profit resulting therefrom.

13.2 Under the terms of the Intercreditor Agreement, the Issuer Secured Creditors have agreed that the Representative of the Noteholders shall not be liable vis-à-vis the Issuer Secured Creditors for damages suffered by the Issuer Secured Creditors deriving from any activity carried out by the Representative of the Noteholders acting in its capacity as representative of the Noteholders and of the Issuer Secured Creditors save in circumstances where the Representative of the Noteholders acts with negligence (*colpa*) and/or fraud (*dolo*).

13.3 The Representative of the Noteholders shall not be liable vis-à-vis the Noteholders for damages suffered by the Noteholders deriving from any activity carried out by the Representative of the Noteholders acting in its capacity as representative of the Noteholders, save in circumstances where the Representative of the Noteholders acted with negligence (*colpa*) and/or fraud (*dolo*).

14. NOTICE TO NOTEHOLDERS

- 14.1** Any notice regarding the Notes, as long as the Notes are held through Monte Titoli, shall be deemed to have been duly given if given through the system of Monte Titoli.
- 14.2** As long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require) any notice to the Senior Noteholders shall also be published in *Il Sole 24 Ore* and in a leading newspaper having general circulation in Dublin (which is expected to be the *Financial Times* or the *Irish Times*) or on the website of the Irish Stock Exchange (www.ise.ie) 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 the manner required in one of the newspaper referred to above.
- 14.3** The Representative of the Noteholders shall be at liberty to sanction some other method of giving notice to the Noteholders of any Series 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 Rated Notes or any Series of them are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Representative of the Noteholders shall require.
- 14.4** A copy of each notice given in accordance with this Condition 14 shall be provided to Monte Titoli, the Rating Agencies and, for so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require, the Irish Stock Exchange. Notice to Monte Titoli shall be delivered by the Issuer in accordance with the provisions of Resolution No. 11768.
- 14.5** Any such notice shall be deemed to have been given on the date of such publication (or on the date of delivery to Monte Titoli in accordance with Resolution No. 11768) or, if published or delivered more than once or on different dates on the first date on which publication (or delivery to Monte Titoli) is made.
- 14.6** The Issuer shall provide the Representative of the Noteholders, the Irish Paying Agent, the Irish Listing Agent with three copies of its audited annual financial reports (including balance sheet, profit and loss and cashflow statements) together with the related auditors' report, as soon as they become publicly available. The audited annual financial statements (together with the related auditors' report) shall be available for inspection by the Noteholders on any Business Day at the specified office for the time being of the Irish Paying Agent and the Irish Listing Agent.

15. AMENDMENTS, WAIVERS AND CONSENTS

- 15.1** The Representative of the Noteholders, without the consent of the Noteholders of any Series, may agree to any modification or amendment of these Conditions, or any of the Transaction Documents which in the Representative of the Noteholders' opinion: (i) is to correct a manifest error, or if such modification or amendment is of a formal, minor or technical nature; or (ii) (except for a Basic Terms Modification) is not materially prejudicial to the interests of the Noteholders of any Series, provided that the Representative of the Noteholders may not agree to any such modification which may be materially prejudicial to the interests of the other Issuer Secured Creditors, without their prior written consent.
- 15.2** The Representative of the Noteholders, without the consent of the Noteholders of any Series, may agree to: (i) the waiver or authorisation of any Trigger Event, any breach or proposed breach; or (ii) as required, the exercise of any discretion or giving of any consent by the Issuer, in each case under (i) and (ii), in relation to such of these Conditions as are governing the interests of the relevant Series of Noteholders, or any of the Transaction

Documents, provided that in the sole opinion of the Representative of the Noteholders, such waiver or authorisation or exercise of discretion or giving of consent is not materially prejudicial to the interests of the Noteholders of the relevant Series.

- 15.3** Any amendment, modification, waiver, authorisation, exercise of discretion or giving of consent made pursuant to Conditions 15.1 or 15.2 shall be binding on the Noteholders of each Series and, unless the Representative of the Noteholders agrees otherwise, shall be notified to the Noteholders of each relevant Series in accordance with Condition 14 and to the Rating Agencies as soon as practicable thereafter. The Representative of the Noteholders shall be entitled to assume that any amendment, modification, waiver, authorisation, exercise of discretion or giving of consent to be made or given pursuant to Conditions 15.1 or 15.2 is not materially prejudicial to the interests of the Noteholders.
- 15.4** In the event that, for the purposes of this Condition 15, the Representative of the Noteholders is of the opinion that any matter is materially prejudicial to the interests of the Noteholders of any Series, only the consent of the Noteholders of the relevant Series shall be required thereto. The Intercreditor Agreement contains provisions requiring the Representative of the Noteholders to have regard to the interests of the holders of the Notes and the other Issuer Secured Creditors as regards the exercise of all powers, authorities, duties and discretions of the Representative of the Noteholders (except where expressly provided otherwise), but requiring the Representative of the Noteholders if, in the Representative of the Noteholders' opinion, acting in good faith, there is a conflict between the interests of the holders of any series of Notes, to have regard in the first instance to the interest of the holders of the Most Senior Series of Notes.
- 15.5** Any consent or approval given by the Representative of the Noteholders under these Conditions and any other Transaction Document may be given on such terms and subject to such conditions (if any) as the Representative of the Noteholders determines necessary and notwithstanding anything to the contrary contained herein, or in such other Transaction Document, such consent or approval may be given with retrospective effect.
- 15.6** Subject as provided above:
- (i) no modification of any Transaction Document shall be valid unless: (i) it is in writing and signed by or on behalf of each of the parties to the relevant Transaction Document; and (ii) prior notification is made to the Rating Agencies of such modification.
 - (ii) unless expressly agreed otherwise, no amendment, modification or variation shall constitute a general waiver of any provisions of these Conditions or any Transaction Document, nor shall it affect any rights or obligations under or pursuant to these Conditions or any Transaction Document which have already accrued up to the date of variation, and the rights and obligations of the Noteholders and/or the Transaction Parties under or pursuant to these Conditions and/or such Transaction Document shall remain in full force and effect, except and only to the extent that they are so varied.

16. LIMITED RECOURSE AND NON PETITION

- 16.1** Notwithstanding any other provision of these Conditions, the obligation of the Issuer to make any payment, at any given time, under the Series A Notes, the Series B Notes, the Series C Notes and the Series M Notes shall be equal to the lesser of (i) the nominal amount of such payment which, but for the operation of this Condition 16 and the applicable

Priority of Payments, would be due and payable at such time; and (ii) the actual amount received or recovered, at such time, by or on behalf of the Issuer or the Representative of the Noteholders in respect of the Claims and the other Transaction Documents, and which the Issuer or the Representative of the Noteholders is entitled, at such time, to apply, in accordance with the applicable Priority of Payments and the terms of the Intercreditor Agreement, in satisfaction of such payment.

- 16.2** No Noteholder shall be entitled to proceed directly against the Issuer or any other party to the Transaction Documents or to enforce the Issuer Security unless the Representative of the Noteholders, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing provided that no Series B Noteholder for so long as any Series A Note is outstanding, and no Series C Noteholder for so long as any Series B Note is outstanding and no Series M Noteholder for so long as any Series C Note is outstanding shall be entitled to take proceedings for the winding up, liquidation or administration of the Issuer. The Representative of the Noteholders cannot, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any other Issuer Secured Creditor under the Security Documents. Enforcement of the Issuer Security shall be the only remedy available to the Representative of the Noteholders and the Noteholders for the repayment of the Notes and any interest on the Notes.
- 16.3** If the net proceeds of realisation of, or enforcement with respect to, the Issuer Security are not sufficient to discharge all of the Issuer Secured Obligations, the Issuer's other assets will not be available for payment of any shortfall arising therefrom, which shortfall will be borne in accordance with the provisions of these Conditions and the Security Documents. All claims in respect of such shortfall, after realisation of or enforcement with respect to all of the Issuer Security, shall be extinguished and the Representative of the Noteholders, the Noteholders and the other Issuer Secured Creditors shall have no further claim against the Issuer in respect of such unpaid amounts. Each Noteholder, by subscribing for or purchasing Notes, as applicable, is deemed to acknowledge and accept that it is fully aware that, in the event of an enforcement of the Issuer Security, (i) its right to obtain repayment in full is limited to the Issuer Security and (ii) the Issuer will have duly and entirely fulfilled its payment obligations by making available to each Noteholder its relevant proportion of the proceeds of realisation or enforcement of the Issuer Security in accordance with these Conditions and the Security Documents, and all claims in respect of any shortfall will be extinguished.
- 16.4** Parties to the Transaction Documents have agreed with the Issuer not to take any action or commence any proceedings against the Issuer to recover any amounts due and payable by the Issuer under the Transaction Documents except as permitted by the provisions in the Transaction Documents. Parties to the Transaction Documents have agreed with the Issuer not to take any action or commence any proceedings or petition a court for the liquidation of the Issuer, nor enter into any arrangement, reorganisation or insolvency proceedings in relation to the Issuer whether under the laws of the Republic of Italy or other applicable bankruptcy laws until the later of: (i) one year and one day after the Legal Maturity Date of the Series A2 Notes, the Series B Notes, the Series C Notes and the Series M Notes or, in case of prepayment in full of the Notes, two years and one day after the date on which the Notes have been repaid in full and cancelled in accordance with the relevant terms and conditions; and (ii) one year and one day after the date on which any notes issued by the Issuer pursuant to the Securitisation Law (other than the Notes) have been redeemed in full and cancelled.

17. GOVERNING LAW

17.1 The Notes are governed by, and shall be constituted in accordance with, Italian law.

17.2 All disputes arising out in connection with the Notes shall be settled by arbitration under the Rules of the Chamber of National and International Arbitration of Milan. The Arbitral Tribunal shall consist of three arbitrators appointed by the Chamber of National and International Arbitration of Milan. The seat of the arbitration shall be Milan. The language of the arbitration shall be the English one.

18. MISCELLANEOUS

The holding of a Note by any person constitutes the full acceptance by such person of all the provisions set out in, referred to and/or incorporated by reference in these Conditions including, without limitation, the mandate given to the Representative of the Noteholders under the Intercreditor Agreement.

RULES OF THE ORGANISATION OF THE NOTEHOLDERS

Title I

General Provisions

Article 1 – General

The Organisation of the Noteholders is created by the issue and subscription of the Notes and shall remain in force and in effect until full repayment or cancellation of the Notes.

The contents of these Rules are deemed to form part of each Note issued by the Issuer.

Article 2 – Definitions

In these Rules, the following expressions have the following meanings:

“Basic Terms Modification” means:

- (a) a modification of the Legal Maturity Date of the Relevant Series of Notes;
- (b) a modification which would have the effect of postponing or cancelling any date for payment of interest on the Relevant Series of Notes;
- (c) a modification which would have the effect of reducing or cancelling the amount of principal payable, or reducing the rate of interest applicable, in respect of the Relevant Series of Notes;
- (d) a modification which would have the effect of altering the majority required to pass a specific resolution or the quorum required at any Meeting;
- (e) a modification which would have the effect of altering the currency of payment of the Relevant Series of Notes or any alteration of the priority of redemption of the Relevant Series of Notes;
- (f) a modification which would have the effect of altering the authorisation or consent by the Noteholders to applications of funds and orders of priority as provided for in the Transaction Documents;
- (g) the exchange, conversion or substitution of the Notes of any Series 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) the appointment and removal of the Representative of the Noteholders;
- (i) a determination in accordance with Condition 10;
- (l) an amendment of this definition.

“Block Voting Instruction” means, in relation to any Meeting, a document:

- (a) certifying that certain specified Notes (the *“Blocked Notes”*) have been blocked in an account with a clearing system or a Monte Titoli Account Holder, as the case may be, and will not be released until the conclusion of the Meeting;

- (b) certifying that the holder of each Blocked Notes or a duly authorised person on its behalf has instructed the relevant Monte Titoli Account Holder that the votes attributable to such Blocked Notes are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;
- (c) listing the total number of the Blocked Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and
- (d) authorising a named individual or individuals to vote in respect of the Blocked Notes in accordance with such instructions;

“Chairman” means, in relation to any Meeting, the individual who takes the chair in accordance with Article 9 of these Rules;

“Conditions” means the set of conditions provided by the Terms and Conditions of the Notes to which these Rules are a schedule, and any reference to a numbered relevant, and *“Condition”* means the corresponding numbered provision thereof;

“Extraordinary Resolution” means a resolution of a Meeting of the Relevant Series of Noteholders, duly convened and held in accordance with the provisions contained in these Rules on any of the subjects covered by Article 18;

“Meeting” means a meeting of the Noteholders or the Relevant Series of Noteholders, as the context may require, both in first and in second call;

“Most Senior Series” means, at any given time:

- (i) the Series A Notes; or
- (ii) if no Series A Notes are then outstanding, the Series B Notes; or
- (iv) if no Series B Notes are then outstanding, the Series C Notes; or
- (v) if no Series C Notes are then outstanding, the Series M Notes.

“Principal Paying Agent” means The Bank of New York, (Luxembourg) S.A., Milan Branch, in its capacity as principal paying agent.

“Proxy” means, in relation to any Meeting, a person appointed to vote under a Block Voting Instruction other than:

- (a) any such person whose appointment has been revoked and in relation to whom the Principal Paying Agent has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such Meeting; and
- (b) any such person appointed to vote only at a first call Meeting which has been held in second call for want of a quorum and who has not been reappointed to vote at the second call Meeting;

“Relevant Series of Noteholders” means the Series A Noteholders and/or the Series B Noteholders and/or the Series C Noteholders and/or the Series M Noteholder(s), as the context may require;

“Relevant Series of Notes” means the Series A Notes and/or the Series B Notes and/or the Series C Notes and/or the Series M Notes, as the context may require;

“Relevant Fraction” means:

- (a) for all business other than voting on an Extraordinary Resolution, in first call 50.01% in aggregate of the Principal Amount Outstanding of the Relevant Series of Notes and, in the case of a Meeting held in second call for want of a quorum, the majority of the fraction of the Principal Amount Outstanding of the Relevant Series of Notes represented or held by the Voters actually present at the second call Meeting; and
- (b) for voting on any Extraordinary Resolution (including, without limitation, an Extraordinary Resolution relating to a Basic Term Modification), in first call 75% in aggregate of the Principal Amount Outstanding of the Relevant Series of Notes and, in the case of a Meeting held in second call for want of a quorum, and in second call, 50.01% in aggregate of the Principal Amount Outstanding of the Relevant Series of Notes;

“Rules” means these Rules of the Organisation of the Noteholders;

“Terms and Conditions” means the terms and Conditions provided for the issue of the Notes.

“Voter” means, in relation to any Meeting, the holder of a Blocked Note in accordance with Article 5 of these Rules;

“Voting Certificate” means, in relation to any Meeting, a certificate issued by the Principal Paying Agent and dated, stating:

- (a) that the Blocked Notes have been blocked in an account with a clearing system or a Monte Titoli Account Holder, as the case may be, and will not be released until the conclusion of the Meeting; and
- (b) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the Blocked Notes.

“Written Resolution” means a resolution in writing signed by or on behalf of all holders of the Notes or of the Relevant Series of Notes, who are entitled to receive notice of 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 such holders of the Notes or of the Relevant Series of Notes;

“24 hours” means a period of 24 hours including all or part of a day upon which banks are open for business in the place where the Meeting is to be held and such period shall be extended by one or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

“48 hours” means two consecutive periods of 24 hours.

Capitalised terms not defined herein shall have the meaning attributed to them in the Conditions.

Any reference to a **“Series”** of Notes or a **“Series”** of Noteholders shall be a reference to the Series A Notes or the Series B Notes or the Series C Notes or the Series M Notes, as the case may be, or the respective holders thereof.

Any reference in this Rules to an Article is, unless otherwise stated, to an article hereof.

Article 3 – Organisation purpose

Each holder of the Notes is a member of the Organisation of the Noteholders.

The purpose of the Organisation of the Noteholders is to co-ordinate the exercise of the rights of the Noteholders and, more in general, the taking of any action for the protection of their interest.

Title II

The Meeting of the Noteholders

Article 4 – General

Subject to Article 18, any resolution passed at a Meeting of the Relevant Series of Noteholders duly convened and held, both in first and second call, in accordance with these Rules shall be binding upon all the Noteholders of such Series, whether or not present at such Meeting and whether or not voting, and any resolution passed at a meeting of the Series A Noteholders duly convened and held as aforesaid shall also be binding upon the Series B Noteholders, the Series C Noteholders and the Series M Noteholders; and any resolution passed at a meeting of the Series B Noteholders duly convened and held as aforesaid shall also be binding upon the Series C Noteholders and the Series M Noteholders; and any resolution passed at a meeting of the Series C Noteholders duly convened and held as aforesaid shall also be binding upon the Series M Noteholders. All relevant Noteholders shall be bound to give effect to any such resolution accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof.

Notice of the result of every vote on a resolution duly considered by the Relevant Series of Noteholders shall be published, at the expense of the Issuer, in accordance with the Conditions and given to the Principal Paying Agent (with a copy to the Representative of the Noteholders) within 14 days from the conclusion of the Meeting.

Subject to the provisions of these Rules and the Conditions, joint meetings of the Series A Noteholders, the Series B Noteholders, Series C Noteholders and the Series M Noteholders may be held to consider the same resolution and the provisions of these Rules shall apply *mutatis mutandis* thereto, provided that the following provisions shall apply where outstanding Notes belong to more than one Series:

- (a) business which in the opinion of the Representative of the Noteholders affects only one Series of Notes shall be transacted at a separate Meeting of the Noteholders of such Series;
- (b) business which in the opinion of the Representative of the Noteholders affects more than one Series of Notes but does not give rise to an actual or potential conflict of interest between the holders of any such Series of Notes and the holders of any other Series of Notes shall be addressed either at separate Meetings of the Noteholders of each such Series of Notes or at a single Meeting of the holders of all such Series of Notes as the Representative of the Noteholders shall determine in its absolute discretion;
- (c) business which in the opinion of the Representative of the Noteholders affects the Noteholders of more than one Series of Notes and gives rise to an actual or potential conflict of interest between the holders of any such Series of Notes and the holders of any other Series of Notes shall be transacted at separate Meetings of the Noteholders of each such Series;

- (d) in the case of separate Meetings of the holders of each Series, the preceding paragraphs of these Rules shall be applied as if references to the Notes and Noteholders were to the Notes of the relevant Series of Notes and to the Noteholders of such Notes.

In this paragraph “**business**” includes (without limitation) the passing or rejection of any resolution.

Article 5 – Issue of Voting Certificates and Block Voting Instructions

The Noteholders may obtain a Voting Certificate from the relevant Monte Titoli Account Holder or require the relevant Monte Titoli Account Holder to issue a Block Voting Instruction by arranging for such Notes to be blocked in an account with a clearing system not later than 48 hours before the time fixed for the Meeting. The Noteholders may obtain evidence by requesting their Monte Titoli Account Holders to release a certificate in accordance with Article 34 of CONSOB Regulation 11768 of 23rd December, 1998 (as subsequently amended and supplemented) from time to time. A Voting Certificate or Block Voting Instruction shall be valid until the release of the Blocked Notes to which it relates. So long as a Voting Certificate or Block Voting Instruction is valid, the bearer thereof (in the case of a Voting Certificate) or any Proxy named therein (in the case of a Block Voting Instruction) shall be deemed to be the holder of the Blocked Notes to which it relates for all purposes in connection with the Meeting. A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Note.

Article 6 – Validity of Block Voting Instructions

A Block Voting Instruction shall be valid only if it is deposited at the office of the Representative of the Noteholders or at some other place approved by the Representative of the Noteholders, at least 24 hours before the time fixed for the Meeting of the Relevant Series of Noteholders and if not deposited before such deadline, the Block Voting Instruction shall not be valid unless the Chairman decides otherwise before the Meeting proceeds to business. If the Representative of the Noteholders requires, a notarised copy of each Block Voting Instruction and satisfactory proof 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 any Block Voting Instruction or the authority of any Proxy.

Article 7 – Convening of Meeting

Subject to the Conditions and the Intercreditor Agreement, which documents are deemed to be accepted by the Noteholders by way of purchase of, or subscription for, the Notes, the Issuer and the Representative of the Noteholders may convene a Meeting at any time, and shall be obliged to do so upon the request in writing of the Relevant Series of Noteholders holding not less than one tenth of the aggregate Principal Amount Outstanding of the Relevant Series of Notes.

Whenever the Issuer is about to convene any such Meeting, it shall immediately give notice in writing to the Representative of the Noteholders of the day, time and place thereof and of the nature of the business to be transacted thereat. Every such Meeting shall be held at such place as the Representative of the Noteholders may designate or approve, being understood that should the Representative of the Noteholders not expressly challenge the choice of place within 2 Business Days after the receipt of the above mentioned notice by the Issuer, the Meeting shall be held at the designated place.

The meeting may be convened both in first and second call.

Article 8 – Notice

At least 7 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting of the Relevant Series of Noteholders is to be held) specifying the date, time and place of the Meeting, in first and, if any, in second call, shall be given to the Relevant Series of Noteholders, the Principal Paying Agent (with a copy to the Issuer and to the Representative of the Noteholders) in accordance with Condition 14. The notice shall set out in reasonable details the subject of any resolutions to be proposed.

Article 9 – Chairman of the Meeting

Any individual (who may, but need not, be a Noteholder) nominated by the Representative of the Noteholders may take the chair at any Meeting but: (i) if no such nomination is made; or (ii) if the individual nominated is not present within 15 minutes after the time fixed for the Meeting, those present shall elect one of themselves to take the chair, failing which, the Issuer shall appoint a Chairman. The Chairman of a second call Meeting need not be the same person as was the Chairman of the first call Meeting.

The Chairman co-ordinates matters to be transacted at the Meeting and monitors the fairness of the Meeting's proceedings.

Article 10 – Quorum

Any Meeting shall be considered validly convened with the presence of Voter(s) representing or holding not less than the Relevant Fraction on the relevant Series of Notes. Any resolution shall be considered validly passed with the clear majority of the votes cast, provided that any resolution related to a Basic Term Modification shall be considered validly passed with the favourable vote, either in first or second call, of at least 50.01% in aggregate of the Principal Amount Outstanding of the Relevant Series of Notes.

Article 11 – Second call for want of quorum

If within up to 30 minutes after the time fixed for any first call Meeting a quorum is not present, then:

- (a) subject to the provisions of Article 12, the first call Meeting shall be dissolved; and
- (b) if so provided in the notice given pursuant to Article 8, the Meeting shall be immediately held in second call.

Article 12 – Meeting's Adjournment

The Chairman may, with the consent of (and shall if directed by) any Meeting, adjourn such Meeting, both in first and in second call, from time to time and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place. No Meeting can be adjourned more than once unless by resolution of the Meeting approved by the Relevant Fraction.

It shall not be necessary to give notice of the adjournment of a Meeting.

Article 13 – Participation

The following may attend and speak at a Meeting:

- (a) Voters;
- (b) the Issuer or its representative and the Principal Paying Agent;
- (c) the financial advisers to the Issuer;
- (d) the legal counsel to the Issuer, the Representative of the Noteholders or the Principal Paying Agent;
- (e) the Representative of the Noteholders; and
- (f) such other person as may be approved by the Chairman;

Article 14 – Show of hands

Every question submitted to a Meeting shall be decided in the first instance by a show of hands. Unless a poll is validly demanded pursuant to Article 15 below or at the time that the result of the show of hands is declared, the Chairman's declaration that on a show of hands a resolution has been passed, passed by a particular majority, rejected or rejected by a particular majority shall be conclusive, without proof of the number of votes cast for, or against, the resolution.

Article 15 – 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 aggregate Principal Amount Outstanding of the Relevant Series of Notes. The poll may be taken immediately or after such adjournment as the Chairman directs, but any poll demanded on the election of the Chairman or on any question of adjournment shall be taken at the Meeting without adjournment. A valid demand for a poll shall not prevent the continuation of the Meeting for any other business as the Chairman directs.

Article 16 – Votes

Every Voter shall have one vote in respect of each Euro 100,000 in aggregate face amount of the outstanding Notes represented or held by such Voter.

Unless the terms of any Block Voting Instruction state otherwise, a Voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which he exercises in the same manner.

Article 17 – Vote by Proxies

Any vote by a Proxy in accordance with the relevant Block Voting Instruction shall be valid even if such Block Voting Instruction or any instruction pursuant to which it was given has been amended or revoked, provided that Principal Paying Agent has not been notified in writing of such amendment or revocation not less than 24 hours before the time fixed for the Meeting. Unless revoked, any appointment of a Proxy under a Block Voting Instruction in relation to a Meeting shall remain in force in relation to any Meeting held in second call or resumed following an adjournment.

Article 18 – Powers exercisable by Extraordinary Resolution

The following powers shall be exercisable by a Meeting of the Noteholders only by Extraordinary Resolution:

- (a) to approve any Basic Terms Modification;
- (b) to approve the substitution of any person for the Issuer (or any previous substitute) as obligor under the Notes;
- (c) to instruct the Representative of the Noteholders to serve a Trigger Notice, as a consequence of a Trigger Event, under Condition 10;
- (d) without prejudice to the provisions of Article 26, par. (c) (i) and (ii) below, to authorise or waive, without the consent of the Noteholders or any Issuer Secured Creditors, any breach or authorise any proposed breach by the Issuer of its obligations under or in respect of the Notes, the Transaction Documents or any act or omission which might otherwise constitute an Trigger Event under the Notes;
- (e) without prejudice to the provisions of Article 26, par. (c) (i) and (ii) below, to assent to any alteration of the provisions contained in these Rules, the Notes, or any other Transaction Document which shall be proposed by the Issuer and/or the Representative of the Noteholders or any other party thereto to the extent the Representative of the Noteholders has elected to convene a meeting to resolve upon such proposed alteration;
- (f) to exercise, enforce or dispose of any right and power on payment and application of funds deriving from any claims on which a pledge or other security interest is created in favour of the Noteholders, otherwise than in accordance with the Transaction Documents;
- (g) to approve any scheme or proposal for the exchange or substitution or sale of any of the Notes for, or the conversion of any of the Notes into, or the cancellation of any of the Notes, in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or of any other body corporate formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash;
- (h) to discharge or exonerate the Representative of the Noteholders from any liability in respect of any act or omission for which the Representative of the Noteholders may have become responsible under or in relation to these Rules, the Notes of any Series or any other Transaction Document;
- (i) to grant any authority, direction or sanction which is required to be given by Extraordinary Resolution under these Rules and/or the Conditions;
- (j) to resolve on the sale of the Portfolio, in whole or in part, following the service of a Trigger Notice, to the extent the Representative of the Noteholders has elected to convene a meeting to resolve upon such proposed sale;

provided however that:

- (a) no Extraordinary Resolution involving a Basic Terms Modification passed by the Series B Noteholders shall be effective unless it is sanctioned by an Extraordinary Resolution of the Series A Noteholders (to the extent that the Series A Notes);
- (b) no Extraordinary Resolution involving a Basic Terms Modification passed by the Series C Noteholders shall be effective unless it is sanctioned by an Extraordinary Resolution of the

Series A Noteholders and the Series B Noteholders (to the extent that the Series A Notes and/or the Series B Notes are then outstanding);

- (c) no Extraordinary Resolution involving a Basic Terms Modification passed by the Series M Noteholders shall be effective unless it is sanctioned by an Extraordinary Resolution of the Series A Noteholders, the Series B Noteholders and the Series C Noteholders (to the extent that the Series A Notes, the Series B Notes and the Series C Notes are then outstanding);
- (d) no Extraordinary Resolution involving a Basic Terms Modification passed by the Series A Noteholders shall be effective unless it is also sanctioned by an Extraordinary Resolution of the Series B Noteholders and the Series C Noteholders;
- (e) no other Extraordinary Resolution of the Series B Noteholders shall be effective unless the Representative of the Noteholders is of the opinion that it will not be materially prejudicial to the interests of the Series A Noteholders (to the extent that the Series A Notes are then outstanding); or (to the extent that the Representative of the Noteholders is not of that opinion) it is sanctioned by an Extraordinary Resolution of the Series A Noteholders (to the extent that the Series A Notes are then outstanding);
- (f) no other Extraordinary Resolution of the Series B Noteholders shall be effective unless the Representative of the Noteholders is of the opinion that it will not be materially prejudicial to the interests of the Series A Noteholders (to the extent that the Series A Notes are then outstanding); or (to the extent that the Representative of the Noteholders is not of that opinion) it is sanctioned by an Extraordinary Resolution of the Series A Noteholders (to the extent that the Series A Notes are then outstanding);
- (g) no other Extraordinary Resolution of the Series C Noteholders shall be effective unless the Representative of the Noteholders is of the opinion that it will not be materially prejudicial to the interests of the Series A Noteholders and/or of the Series B Noteholders (to the extent that the Series A Notes and/or of the Series B Notes are then outstanding); or (to the extent that the Representative of the Noteholders is not of that opinion) it is sanctioned by an Extraordinary Resolution of the Series A Noteholders and of the Series B Noteholders (to the extent that the Series A Notes and/or of the Series B Notes are then outstanding);
- (h) no other Extraordinary Resolution of the Series M Noteholders shall be effective unless the Representative of the Noteholders is of the opinion that it will not be materially prejudicial to the interests of the Series A Noteholders and/or the Series B Noteholders and/or the Series C Noteholders (to the extent that the Series A Notes and/or the Series B Notes and/or the Series C Notes are then outstanding); or (to the extent that the Representative of the Noteholders is not of that opinion) it is sanctioned by an Extraordinary Resolution of the Series A Noteholders and the Series B Noteholders and the Series C Noteholders (to the extent that the Series A Notes and/or the Series B Notes and/or the Series C Notes are then outstanding).

Article 19 – Challenge of Resolution

Each Noteholder, who was absent and/or dissenting can challenge Resolutions which are not passed in conformity with the provisions of these Rules.

Article 20 – Minutes

Minutes shall be made of all resolutions and proceedings at each Meeting. The Chairman shall sign the minutes, which shall be *prima facie* evidence of the proceedings recorded therein. Unless and until the contrary is proved, every such Meeting in respect of the proceedings of which minutes

have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

Article 21 – Written Resolution

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

Article 22 – Individual Actions and Remedies

Subject to the Conditions and the Intercreditor Agreement, which documents are deemed to be accepted by the Noteholders by way of purchase of, or subscription for, the Notes, the right of each Noteholder to bring individual actions or take other individual remedies to enforce his/her rights under the Notes will be subject to the Meeting not passing a resolution objecting to such individual action or other remedy on the grounds that it is not convenient at the time when the Meeting is held, having regard to the interests of the Noteholders. In this respect, the following provisions shall apply:

- (a) the Noteholder intending to enforce his/her rights under the Notes will notify the Representative of the Noteholders of his/her intention;
- (b) the Representative of the Noteholders will, without delay, call for the Meeting, in accordance with these Rules;
- (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 (provided that the same matter can be submitted again to a further Meeting of Noteholders after a reasonable period of time has elapsed and on the basis of new circumstances); and
- (d) if the Meeting of the Noteholders does not object to the enforcement of individual action or remedy, or no resolution is taken by the Meeting for want of quorum, the Noteholder will not be prohibited from taking such individual action or remedy.

No individual action or remedy can be taken by a Noteholder to enforce his/her rights under the Notes unless before a Meeting of the Noteholders has been held to resolve on such action or remedy and in accordance with the provisions of this Article 22.

Title III

The Representative of the Noteholders

Article 23 – Appointment, Removal and Remuneration

The appointment of the Representative of the Noteholders takes place at a Meeting in accordance with the provisions of this Article 23, save as in respect of the appointment of the first Representative of the Noteholders that will be The Bank of New York, London Branch, as appointed pursuant to the terms of the Subscription Agreements.

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 bank; or
- (b) a company or financial institution registered under Section 107 of the Italian Banking Act;

- (c) any other entity which may be permitted to act in such capacity by any specific provisions of Italian law applicable to the securitisation of monetary receivables and/or by any regulations, instructions, guidelines and/or specific approvals issued by the competent Italian supervising authorities.

The Representative of the Noteholders shall be appointed for an unlimited term and can be removed by the Meeting at any time by sending to the Representative of the Noteholders a prior written notice indicating, to the extent reasonably possible, the effective date of its removal.

In the event of a termination of the appointment of the Representative of the Noteholders for any reason whatsoever, such Representative shall remain in office until acceptance of appointment (and acceptance of the power of attorney granted by the Issuer pursuant to the Intercreditor Agreement and accession to any other relevant Transaction Document) by the substitute Representative of the designated among the entities indicated in (a), (b) and (c) above, and the powers and authority of the Representative of the Noteholders whose appointment has been terminated shall be limited to those necessary for the performance of the essential functions which are required to be complied with in connection with the Notes.

Directors, auditors, employees of the Issuer and those who fall within the conditions indicated in Article 2399 of the Italian Civil Code cannot be appointed as Representative of the Noteholders, and, if appointed, shall be automatically removed from the appointment.

The Issuer shall pay to the Representative of the Noteholders an annual aggregate remuneration fee for its services as Representative of the Noteholders as from the date hereof. Such fees and remuneration shall be payable in accordance with the relevant Priority of Payments (as defined in the Conditions) up to (and including) the date when the Notes have been repaid in full or cancelled in accordance with the Conditions.

Article 24 – Duties and Powers

Without prejudice to the provisions of the Conditions and the Intercreditor Agreement, which documents are deemed to be accepted by the Noteholders by way of purchase of, or subscription for, the Notes, the Representative of the Noteholders is the representative of the Organisation of the Noteholders.

The Representative of the Noteholders is responsible for implementing the decisions of the Meetings and for protecting the Noteholders' common interests *vis-à-vis* the Issuer. The Representative of the Noteholders may, in order to avoid, if any, liabilities, convene a Meeting and propose in the agenda of matters to be discussed at the Meeting, the authorisation of the Meeting on actions to be taken by the Representative of the Noteholders.

The Representative of the Noteholders is expressly authorized to avail itself of substitutes or sub-agents and to grant them the power to act in such matters in the Issuer's name and on the Issuer's behalf in accordance with the provisions of the power of attorney granted by the Issuer under the Intercreditor Agreement.

All actions taken by the Representative of the Noteholders in the execution and exercise of its powers and authorities and of discretion vested in it shall be taken by duly authorised officer(s) for the time being of the Representative of the Noteholders.

The Representative of the Noteholders shall be authorised to represent the Organisation of the Noteholders in judicial proceedings, including in proceedings listed in Annex A to the Council Regulation (EC) No. 1346/2000 of 29 May, 2000 (as amended or supplemented from time to time).

Article 25 – Resignation of Representative of the Noteholders

The Representative of the Noteholders may resign at any time upon giving not less than three calendar months' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs incurred as a result of such resignation. Subject to the provisions of Article 23 above, the resignation of the Representative of the Noteholders shall not become effective until a Meeting has appointed a new Representative of the Noteholders in accordance with these Rules and it has accepted the appointment. The appointment of such new Representative of the Noteholders shall not be effective until such time as the Issuer and the other Issuer Secured Creditors have granted to such substitute Representative of the Noteholders the mandates granted to the previous Representative of the Noteholders under the Intercreditor Agreement, the Subscription Agreements and the other Transaction Documents and the powers and authority of the Representative of the Noteholders whose appointment has been or is to be terminated shall be limited to those necessary for the performance of the essential functions which are required to be complied with in connection with the Notes.

If, after the resignation of a Representative of the Noteholders, a new Representative of the Noteholders is not appointed at the meeting of the Noteholders within 60 days of receipt by the Issuer of the notice of resignation, the resigning Representative of the Noteholders will be entitled to appoint its own successor, provided that (x) any successor shall satisfy the condition set out above under Article 23, sub-paragraphs (a) to (c), and (y) the Rating Agencies have been previously notified of such appointment.

Article 26 – Exoneration of the Representative of the Noteholders

- (a) The Representative of the Noteholders shall not assume any other obligations in addition to those expressly provided herein and in the Transaction Documents.
- (b) Without limiting the generality of the foregoing, the Representative of the Noteholders:
 - (i) shall not be under 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 of the other Transaction Documents has happened and, until it shall have actual knowledge or express notice to the contrary, the Representative of the Noteholders 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 of the other parties to these Rules or the Transaction Documents of their obligations contained in the Notes and hereunder or, as the case may be, any Transaction Document to which each such party is a party, and until it shall have actual knowledge or express notice to the contrary, it shall be entitled to assume that the Issuer and each other party to these Rules or any Transaction Document is observing and performing all the obligations on their respective part contained herein and therein;
 - (iii) except as expressly required in these Rules or any 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 of the Transaction Documents or any transaction contemplated hereby or thereby;
 - (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 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 (i) the nature, status, creditworthiness or solvency of the Issuer, (ii) the existence, accuracy or sufficiency of any legal or other opinions, searches, reports, certificates, valuations or investigations delivered or obtained or required to be delivered or obtained at any time in connection herewith; (iii) the suitability, adequacy or sufficiency of any collection procedures operated by the Servicer or compliance therewith; (iv) 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 (v) any accounts, books, records or files maintained by the Issuer, the Servicer and the Principal Paying Agent or any other person in respect of the Portfolio;

- (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 for the maintenance of any rating of the Notes by the Rating Agencies or any other credit or rating agency or any other person;
- (vii) shall not be responsible for or for investigating any matter which is the subject of, any recitals, statements, warranties or representations of any party other than the Representative of the Noteholders contained herein or in any other Transaction Document;
- (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 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 remedy 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 ensure the Portfolio or any part thereof or otherwise guarantee the repayment of the Portfolio or any amount thereof;
- (xi) shall not be obliged to have regard to the consequences of any modification of these Rules or any of the Transaction Documents for individual Noteholders or any relevant persons resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to, the jurisdiction of any particular territory;
- (xii) shall not (unless and to the extent ordered so to do by a court of competent jurisdiction) be under any obligation to disclose to any Noteholder, any other Issuer Secured 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 none of the Noteholders, the other Issuer Secured Creditors nor any other party shall be entitled

to take any action to obtain from the Representative of the Noteholders any such information;

- (xiii) is expected to exercise discretions in relation to the management and administration of the Portfolio and Issuer Available Funds only in circumstances where: (a) it has been directed so to do by an Extraordinary Resolution (as defined in the Rules of the Organisation of Noteholders) of the Noteholders; (b) it has been indemnified and/or secured to its satisfaction; and (c) it considers it has been afforded such information and access to such technical expertise as shall be necessary or desirable for it to perform such functions (but without it having any liability to incur any expense to obtain such information and technical expertise) and, in any event, the Representative of the Noteholders shall not be liable for failing to exercise any discretion in this regard unless, each of the conditions referred to in (a), (b) and (c) above has been met.
- (c) Notwithstanding anything to the contrary contained herein or in any other Transaction Document, the Representative of the Noteholders:
- (i) may agree amendments or modifications to these Rules, the conditions of the Notes or to any of the Transaction Documents which in the opinion of the Representative of the Noteholders it is expedient to make or in order to correct a manifest error or an error of a formal, minor or technical nature. Any such modification shall be binding on the Noteholders and, unless the Representative of the Noteholders otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders as soon as practicable thereafter;
 - (ii) may agree amendments or modifications to these Rules (other than in respect of a Basic Terms Modification), the conditions or to the Transaction Documents, which, in the opinion the Representative of the Noteholders it may be proper to make, provided that the Representative of the Noteholders is of the opinion that such modification will not be materially prejudicial to the interests of the holders of the Most Senior Series. Any such amendment or modification shall be binding on the Noteholders and, unless the Representative of the Noteholders otherwise agrees, the Issuer shall cause such modification to be notified to the Noteholders as soon as practicable thereafter;
 - (iii) may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or as to the expediency of any dealing, transaction, step or thing, unless any of its officers in charge of the administration of these Rules shall have actual knowledge or express notice to the contrary, a certificate duly signed by or on behalf of 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 occasioned as a result of acting on such certificate;
 - (iv) save as expressly otherwise provided herein, shall have absolute and unfettered 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, costs, damages, expenses or inconveniences that may result from the exercise, non-exercise or refraining from exercise thereof except insofar as the same are incurred as a result of its gross negligence (*colpa grave*) or wilful misconduct (*dolo*);

- (v) shall be at liberty to leave in custody these Rules, the Transaction Documents and any other documents relating hereto in any part of the world with any bank officer, financial institution or company whose business includes undertaking the safe custody of documents or lawyer or firm of lawyers considered by the Representative of the Noteholders to be of good repute and the Representative of the Noteholders shall not be responsible for or required to insure against any loss incurred in connection with any such custody and may pay all sums reasonably required to be paid on account of or in respect of any such custody;
- (vi) 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 in order to obtain from the Noteholders instructions as to how the Representative of the Noteholders should act in exercise of such discretion provided that nothing herein shall be construed so as to oblige the Representative of the Noteholders to convene such a Meeting. Prior to undertaking any action, the Representative of the Noteholders shall be entitled to request at the Meeting to be indemnified and/or provided 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;
- (vii) in connection with matters in respect of which the Noteholders are entitled to direct the Representative of the Noteholders, the Representative of the Noteholders shall not be liable for acting upon any resolution purporting to have been passed at any Meeting in respect of which minutes have been drawn up and signed notwithstanding that subsequent to so acting, it transpires that the Meeting was not duly convened or constituted, such resolution was not duly passed or that the resolution was otherwise not valid or binding upon the Noteholders;
- (viii) may call for and shall be at liberty to accept and place full reliance on and as sufficient evidence of the facts stated therein, a certificate or letter of confirmation certified as true and accurate and signed on behalf of any common depository as the Representative of the Noteholders considers appropriate, or any form of record made by any such depository to the effect that at any particular time or throughout any particular period any particular person is, was, or will be, shown in its records as entitled to a particular number of Notes;
- (ix) may certify whether or not a Trigger Event is in its opinion materially prejudicial to the interests of the Noteholders and any such certificate shall be conclusive and binding upon the Issuer, the Noteholders, the other Issuer Secured Creditors and any other relevant person;
- (x) 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 is capable of remedy and, if the Representative of the Noteholders certifies that any such default is, in its opinion, not capable of remedy, such certificate shall be conclusive and binding upon the Issuer, the Noteholders, the other Issuer Secured Creditors and any relevant person;
- (xi) may assume without enquiry that no Notes are for the time being held by or for the benefit of the Issuer;

- (xii) shall be entitled to call for and to rely upon a certificate or any letter of confirmation or explanation reasonably believed by it to be genuine, of any party to the Intercreditor Agreement, or any other Issuer Secured Creditor in respect of any matter and circumstance for which a certificate is expressly provided for hereunder or any other Transaction Documents or in respect of the rating of the Notes and it shall not be bound in any such case to call for further evidence or be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be incurred by its failing so to do;
- (xiii) shall be free to enter into any further business relationships with the Issuer, the Originator, the mandated Lead Mangers or any other party to the Transaction Documents.

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 thinks fit and notwithstanding anything to the contrary contained herein, or in any other Transaction Document, such consent or approval may be given retrospectively.

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 expend or 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 if it has reasonable grounds to believe that it will not be reimbursed for any funds, or that it will not be indemnified against any loss or liability which it may incur as a result of such action.

Article 27 – Indemnity

It is hereby acknowledged that, under the Subscription Agreements, the Issuer has covenanted and undertaken to reimburse, pay or discharge (on a full indemnity basis) on demand, to the extent not already reimbursed, paid or discharged by any other Issuer Secured Creditor, all costs, liabilities, losses, charges, expenses, damages (including, without limitation, reasonable and documented legal fees and any applicable value added tax or similar tax) properly and reasonably incurred by the Representative of the Noteholders, any affiliate of the Representative of the Noteholders, to the extent applicable, and each officer, director, employee and agent of the Representative of the Noteholders, in relation to the preparation and execution of, the exercise or purported exercise by the Representative of Noteholders of its powers and the performance of its duties under, and in any other manner in relation to the Transaction Documents, including but not limited to, reasonable legal and travelling expenses and any stamp, issue, registration, documentary and other taxes or duties reasonably incurred 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 or against the Issuer or any other person for enforcing any obligations hereunder, the Notes or the Transaction Documents, except insofar as the same are incurred as a result of the fraud, gross negligence or wilful misconduct of the Representative of the Noteholders.

Article 28 – Security Document

The Representative of the Noteholders shall be entitled to exercise all the rights granted by the Issuer in favour of, *inter alios*, the Noteholders under the Deed of Pledge and the English Deed of Charge.

Title IV

The Organisation of the Noteholders

Upon a Service of a Trigger Notice

Article 29 – Powers

It is hereby acknowledged that, upon service of a Trigger Notice, the Representative of the Noteholders shall, pursuant to the Intercreditor Agreement and the power of attorney granted by the Issuer thereunder, be entitled, in its capacity as legal representative of the Noteholders, also in the name, on behalf and for the benefit of the other Issuer Secured Creditors, pursuant to Articles 1411 and 1723, paragraph 2, 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 Noteholders, will be authorised, pursuant to the terms of the Intercreditor Agreement and the power of attorney granted by the Issuer thereunder, to exercise, in the name and on behalf of the Issuer and as *mandatario in rem propriam* of the Issuer, all and any of the Issuer's rights over the Portfolio and the Issuer Assets, including the right to give directions and instructions to the relevant parties to the Transaction Documents.

Title V

Governing Law and Jurisdiction

Article 30

These Rules are governed by, and will be construed in accordance with, the laws of Italy and shall be subject to the exclusive jurisdiction of the courts of Milan, Italy.

USE OF PROCEEDS

Monies available to the Issuer on the Issue Date consisting of the net proceeds from the issue of the Notes, being € 1,609,818,000 will be applied by the Issuer to pay to Banca Popolare di Novara S.p.A. and Credito Bergamasco S.p.A. the principal component of the BPN Portfolio Purchase Price and the CREBERG Portfolio Purchase Price, respectively, pursuant to the terms of the relevant Transfer Agreement.

THE ISSUER

Introduction

BP Mortgages S.r.l. (the “**Issuer**”) is a limited liability company (*società a responsabilità limitata*) incorporated in the Republic of Italy under article 3 of Italian law No. 130 of 30 April 1999 (*Disposizioni sulla cartolarizzazione dei crediti*), as amended from time to time (the “**Securitisation Law**”), on 21 October 2005, with the name of “SPV Project 56 S.r.l.”. By way of an extraordinary quotaholder’s resolution held on 3 February 2006, the corporate name of the Issuer was changed from “SPV Project 56 S.r.l.” to “European Merrill Residential & Consumer Funding Italy (E-MERC Italy) S.r.l.” and on 8th March 2007 by way of an extraordinary quotaholder’s resolution the corporate name of the Issuer was changed from “European Merrill Residential & Consumer Funding Italy (E-MERC Italy) S.r.l.” to “BP Mortgages S.r.l.”. “BP Mortgages S.r.l.” is currently the Issuer’s legal name and the Issuer has no commercial name. In accordance with the Issuer’s by-laws, the corporate duration of the Issuer is limited to 31 December 2100 and may be extended by quotaholder’s resolution. The Issuer is registered with the companies’ register of Brescia under number 08705611005, with the register (*elenco generale*) held by *Ufficio Italiano dei Cambi* pursuant to article 106 of the Italian Banking Act under number 37454 and with the special register (*elenco speciale*) held by the Bank of Italy pursuant to article 107 of the Italian Banking Act under number 37454, and its tax identification number (*codice fiscale*) and VAT number is 08705611005. The registered office of the Issuer is via Romanino, 1, 25122 Brescia, Italy. The telephone number of the registered office of the Issuer is +39 02 7788 051.

Since the date of its incorporation on 21 October 2005, the Issuer has not engaged in any business other than the BPVN Securitisation and the purchase of the Claims and the entering into of the Transaction Documents, has not declared or paid any dividends or incurred any indebtedness, other than the Issuer's costs and expenses of incorporation or otherwise pursuant to the Transaction Documents.

The Issuer has no employees.

Quotaholding

The authorised equity capital of the Issuer is € 10,000. The issued and paid-up equity capital of the Issuer is € 10,000. The sole Quotaholder (*socio unico*) of the Issuer is Stichting Project 56, a Dutch Foundation (*stichting*) established under the Laws of the Netherlands, the statutory seat of which is Amsteldijk, 166, 1079 LH Amsterdam, The Netherlands.

Italian company law combined with the holding structure of the Issuer and the role of the Representative of the Noteholders are together intended to prevent any abuse of control of the Issuer. To the best of its knowledge, the Issuer is not aware of direct or indirect ownership or control apart from Stichting Project 56.

Multi-purpose vehicle

The Issuer has been established as a multi-purpose vehicle for the purpose of issuing asset backed securities and, accordingly, it may carry out other securitisation transactions in addition to the one contemplated in this Prospectus, subject to certain conditions.

Accounting treatment of the Portfolio

Pursuant to the Bank of Italy's regulations, the accounting information relating to the securitisation of the Claims will be contained in the explanatory notes to the Issuer's accounts (*nota integrativa*). The explanatory notes, together with the balance sheet and the profit and loss statements, form part of the financial statements of Italian limited liability companies (*società a responsabilità limitata*).

Accounts of the Issuer

The fiscal year of the Issuer begins on 1 January of each calendar year and ends on 31 December of the same calendar year with the exception of the first fiscal year which started on 21 October 2005 and will end on 31 December 2005.

Principal activities

The principal corporate objectives of the Issuer, as set out in article 2 of its by-laws (*statuto*), include the acquisition of monetary receivables for the purposes of securitisation transactions and the issuance of asset-backed securities.

So long as any of the Notes remains outstanding, the Issuer shall not, without the consent of the Representative of the Noteholders and as provided in the Conditions and the Transaction Documents, incur any other indebtedness for borrowed monies, engage in any activities except pursuant to the Transaction Documents, pay any dividends, repay or otherwise return any equity capital, have any subsidiaries, employees or premises, consolidate or merge with any other person, convey or transfer its property or assets to any person, or increase its equity capital.

The Issuer will covenant to observe, *inter alia*, those restrictions which are detailed in Condition 3 (*Covenants*).

Directors of the Issuer

The board of directors of the Issuer is constituted by independent directors, as follows:

Name	Address	Principal Activities
Massimo Bosisio	Corso Monforte, 36, Milan (Italy)	company director
Luigi Passeri	Via della Libertà, 1, Sarnico (BG)	company director
Giuseppe Romano Amato	Via Guidubaldo del Monte, 61, Rome	company director

Statutory auditors of the Issuer

The Issuer has no statutory auditors.

Capitalisation and indebtedness statement

The capitalisation and indebtedness of the Issuer as at the date of this Prospectus, adjusted for the issue of the Notes on the Issue Date, are as follows:

	in euro (€)
<i>Issued equity capital</i>	
€ 10,000 fully paid up	10,000
<i>Borrowings</i>	
€ 202,700,000 Class A1 Residential Mortgage-Backed Floating Rate Notes due January 2017	202,700,000
€ 1,172,650,000 Class A2 Residential Mortgage-Backed Floating Rate Notes due April 2043	1,172,650,000

€ 25,300,000 Class B Residential Mortgage-Backed Floating Rate Notes due April 2043	25,300,000
€ 32,600,000 Class C Residential Mortgage-Backed Floating Rate Notes due April 2043	32,600,000
€ 14,500,000 Class M Residential Mortgage-Backed Variable Rate Notes due April 2043	14,500,000

Save for the foregoing, at the Issue Date, the Issuer will not have borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees, or other contingent liabilities.

Financial statements

The financial statements of the Issuer for the period as of 31 December 2006 are included in this Prospectus under Annex I below. The financial statements have been prepared in English language solely for the convenience of international readers. The Issuer accepts responsibility for the correct translation of the information set out therein.

Independent auditors' report

The report received by the Issuer from Deloitte & Touche S.p.A., with its registered address at via Tortona, 25, Milan, independent auditors of the Issuer, registered in the special register (*albo speciale*) for auditing companies (*società di revisione*) provided for by article 161 of legislative decree No. 58 of 1998 and belonging to ASSIREVI - *Associazione Italiana Revisori Contabili*, is attached hereto, with the consent of Deloitte & Touche S.p.A., as Annex 1.

THE SWAP COUNTERPARTY AND THE SWAP GUARANTOR

UBS Limited acts as Swap Counterparty and UBS AG acts as Swap Guarantor under the Transaction Documents.

UBS Limited (“UBSL”) is a company limited by shares incorporated in Great Britain under the Companies Act 1985 registered in England and Wales with number 2035362 on 9 July 1986 now having its registered office and principal place of business at 1 Finsbury Avenue, London EC2M 2PP.

UBSL is an “authorised institution” under the FSMA regulated by the FSA and is a wholly-owned subsidiary of UBS AG, a company incorporated with limited liability in Switzerland on 28 February 1978, registered at the Commercial Registry Office of the Canton of Zurich and the Commercial Registry Office of the Canton of Basel-City with Identification No. CH-270.3.004.646-4, having its registered offices at Bahnhofstrasse 45, 8001 Zurich and Aeschenvorstadt 1, 4051 Basel, Switzerland. At 31 December 2006, UBSL had total shareholders' funds of £ 394,227,000. Total assets were £ 244,328,522,000.

UBS AG is the guarantor for the obligations of UBSL under the Swap Agreement. UBS AG was incorporated in Basel under the name SBC AG on 28 February 1978. On 8 December 1997, SBC AG changed its name to UBS AG. UBS AG in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). With headquarters in Zurich and Basel, Switzerland, UBS AG operates in over 50 countries and from all major international centres. As of 31 December 2005, UBS AG had an operating income of CHF 39,876 million. Its total assets stood at CHF 2,060 billion up from CHF 1,737 billion on 31 December 2004 and it employed more than 69,000 people.

As at the date of this Prospectus, UBS AG has the following credit ratings:

	Standard & Poor's	Moody's	Fitch
long term ratings	AA+	Aaa	AA+
short term ratings	A-1+	P-1	F1+

UBS AG is publicly owned and its shares are listed on the SWS Swiss Exchange, New York and Tokyo Stock Exchange.

The information contained herein with respect to UBSL and UBS AG relates to and has been obtained from it. The delivery of this Prospectus shall not create any implication that there has been no change in the affairs of UBSL or UBS AG since the date of this Prospectus or that the information contained or referred to herein is correct as of any time subsequent to its date.

The information contained in the preceding four paragraphs has been provided by UBSL and UBS AG for use in this Prospectus. Except for the foregoing four paragraphs, UBS AG and UBSL and their respective affiliates have not been involved in the preparation of, and do not accept responsibility for, this Prospectus as a whole.

SELECTED ASPECTS OF ITALIAN LAW

The Securitisation Law

The Securitisation Law was enacted on 30 April 1999 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 assigned debtors 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.

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. Prior to and on a winding-up of such a company such assets will be available only to holders of 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.

The assignment

The assignment of the receivables under the Securitisation Law is governed by article 58, paragraphs 2, 3 and 4 of the Italian Banking Act. The assignment can be opposed against assigned debtors and third party creditors by way of publication in the Italian Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) and registration (*iscrizione*) with the competent companies' register, so avoiding the need for notification to be served on each assigned debtor; in particular, the prevailing interpretation of this provision, which view has been strengthened by article 4 of the Securitisation Law is that:

- 1) Following the publication of the notice of the assignment in the Italian Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*), the assignment becomes enforceable against:
 - o other permitted assignees of the originator who have not perfected their assignment prior to the date of publication. 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.
 - o any creditors of the originator who have not, prior to the date of publication of the notice, commenced enforcement proceedings in respect of the relevant receivables;
 - o any insolvency receiver of the relevant Originator;
- 2) following the later of: (i) the date of publication of the notice of the assignment in the Italian Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) and (ii) the date of registration (*iscrizione*) of such notice in the competent companies' register, the assignment becomes enforceable against:

- (a) the assigned debtors;
- (b) the liquidator or any other bankruptcy officials of the assigned debtors (so that any payments made by an assigned debtor to the purchasing company may not be subject to any claw-back action according to article 67 of the Insolvency Law).

As from the later of: (i) the date of publication of the notice of the assignment in the Italian Official Gazette of the Republic of Italy (*Gazzetta Ufficiale della Repubblica Italiana*) and (ii) the date of registration (*iscrizione*) of such notice in the competent 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.

Notice of the assignment of the Claims by each of the Originators pursuant to the relevant Transfer Agreement was published in the Italian Official Gazette (*Gazzetta Ufficiale della Repubblica Italiana*) No. 38, *Serie Generale* on 31 March 2007 and registered (*iscritto*) in the companies' register of Brescia on 28 March 2007.

Assignments executed under the Securitisation Law are subject to revocation on bankruptcy under article 67 of the Insolvency Law but only in the event that the assignment transaction is entered into within three months of the adjudication of bankruptcy of the relevant party or, in cases where paragraph 1 of article 67 applies, within six months of the adjudication of bankruptcy.

Recoveries under the Mortgage Loans

Following default by a Borrower under a Mortgage Loan, the relevant Servicer will be required to take steps to recover the sums due under the Mortgage Loan in accordance with its credit and collection policies and the Servicing Agreement. See "*The Originators and the Servicers*" and "*The Credit and Collection Policies*", above.

Each of the Servicers may take steps to recover the deficiency from the Borrower. Such steps could include an out-of-court settlement; however, legal proceedings may be taken against the Borrower if the relevant Servicer is of the view that the potential recovery would exceed the costs of the enforcement measures. In such event, due to the complexity of and the time involved in carrying out legal or insolvency proceedings against the Borrower and the possibility for challenges, defences and appeals by the Borrower, there can be no assurance that any such proceedings would result in the payment in full of outstanding amounts under the relevant Mortgage Loan.

In the Republic of Italy, a lender which has received a judgment against a debtor in default may enforce the judgment through a forced sale of the debtor's (or guarantor's) goods, claims or real estate assets, if the lender has previously been granted a court order or injunction to pay amounts in respect of any outstanding debt or unperformed obligation.

Attachment proceedings may be commenced also on due and payable claims of a borrower (such as bank accounts, salary etc.) or on a borrower's moveable property which is located on a third party's premises.

Forced sale proceedings are directed against the debtor's properties following notification of an *atto di precetto* to the relevant debtor together with a *titolo esecutivo*, i.e. an instrument evidencing the nature of the claim and its enforceability at law.

The average length of time for a forced sale of a debtor's goods, from the court order or injunction of payment to the final sharing-out, is about three years. The average length of time for a forced

sale of a debtor's real estate asset, 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.

However, it is to be noted that forced sale proceedings have been recently widely reviewed by law decree No. 35 of 14 March 2005, converted into law bylaw No. 80 of 14 May 2005. The forced sale proceedings have been consequently simplified in various aspects, the most notable of which are: (i) a slight reduction of third parties' right of participation to the foreclosure procedure; (ii) more efficient and widespread advertising of sales and auctions to the public; (iii) in addition to public notaries, the sale of real estate properties can be delegated to qualified lawyers and professional accountants (*commercialisti*); (iv) a simplification of the procedures of sale/auction; (v) more restrictions to the borrower being appointed as a custodian (vi) the possibility for the judge supervising the execution to dispose the disputes arising during the distribution phase by way of summary proceedings.

Since law No. 80 of 14 May 2005 entered into force starting from 1 January 2006, it is not yet possible to assess its actual impact on enforcement procedures; nevertheless the reform was aimed at speeding up and simplifying such proceedings and it might lead to a reduction of the length of their time frame.

Insolvency proceedings

Insolvency proceedings (*procedure concorsuali*) conducted under Italian law may take the form of, *inter alia*, a forced liquidation (*fallimento*), a creditors' agreement (*concordato preventivo*), or restructuring arrangements with creditors (*accordi di ristrutturazione dei debiti*). Insolvency proceedings are only applicable to businesses (*imprese*) run either by companies or by individuals. An individual who is not a sole entrepreneur is not subject to insolvency. The procedure followed will depend on factors relating to the financial status of the debtor, the court and the creditors involved. In each case, a lender must petition the court for approval of its claim against the debtor.

A debtor can be declared bankrupt (*fallito*) (either by its own initiative or upon the initiative of any of its creditors) if it is not able to timely and duly fulfil its obligations. The debtor loses control over all its assets and of the management of its business which is taken over by a court-appointed receiver (*curatore fallimentare*).

Once a judgment has been made by the court on the basis of the evidence of the creditors and the opinion of the *curatore fallimentare*, and the creditors' claims have been approved, the sale of the borrower's property is conducted in a manner similar to foreclosure proceedings or forced sale of goods, as the case may be. An insolvent debtor may avoid being declared bankrupt by proposing to its creditors a creditors' agreement.

Such proposal must be contained in a plan which may provide for: (i) the restructuring of debts and the satisfaction of creditors in any manner even through extraordinary transactions including the granting to creditors and their controlled company of shares, or bonds (also convertible into shares), or other financial instruments and securities, (ii) the assumption of the activities of the companies involved in the proposal of *concordato preventivo*, (iii) the classification of creditors into classes and (iv) different treatments for creditors belonging to different classes. See "*Concordato preventivo (Composition with creditors)*" and "*Accordi di ristrutturazione dei debiti (Debts' restructuring arrangements with creditors)*", below.

As an alternative to insolvency proceedings, the debtor may propose a restructuring plan, which will lead to an extra judicial agreement with its creditors.

Due to the complexity of the insolvency proceedings, the time involved and the possibility for challenges and appeals by the debtor, there can be no assurance that any such insolvency proceeding would result in the payment in full of outstanding amounts under the Mortgage Loans or that such proceedings would be concluded before the stated maturity of the Notes.

After insolvency proceedings are commenced, no legal action can be taken against the debtor and no foreclosure proceedings or forced sale proceedings may be initiated. Moreover, all action taken and proceedings already initiated by creditors are automatically suspended.

Prospective Noteholders' attention is drawn to the fact all these proceedings have been significantly reformed by law decree No. 35 of 14 March 2005, converted into law by law No. 80 of 14 May 2005, and by law No. 5 of 9 January 2005. Although some practice directions can already be inferred from a limited number of lower courts' rulings, no authoritative case law from the higher courts is yet available.

***Mutui fondiari* foreclosure proceedings**

Foreclosure proceedings in respect of *mutui fondiari* commenced after 1 January 1994 are currently regulated by article 38 (and following) of the Italian 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 Insolvency 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 *fondionario* mortgage lender pays directly to the same 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 same.

Pursuant to article 58 of the Italian Banking Act, as amended by article 12 of legislative decree No. 342 of 4 August 1999, the Issuer will be entitled to benefit from such procedural advantages which apply in favour of a lender of a *mutuo fondiario* loan.

***Concordato preventivo* (Composition with creditors)**

The debtor in a "financial distress" (i.e. such person is facing financial distress which does not yet amount to insolvency) may file for *concordato preventivo* by submitting a plan for the composition with its creditors which may provide for:

- (i) the restructuring of debts and the satisfaction of creditors in any manner even through assignments of debts, novations (*accollo*) or extraordinary transactions, including the issue of shares, quotas, bonds (also convertible into shares) or other financial instruments and securities;
- (ii) the appointment of a third-party manager (including the creditors);
- (iii) the division of creditors into classes; and
- (iv) different treatments for creditors belonging to different classes.

In accordance with article 177 of the Insolvency Law, once the competent court declares the proposal admissible and opens the procedures, the *concordato preventivo* commences if approved by the majority of the creditors entitled to vote (or, in case of different classes of creditors, by the majority of the creditors within each class). The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes denied their consent) if (i) the majority of classes has approved the *concordato preventivo* and (ii) the court deems that the interest of dissenting creditors would be adequately safeguarded through the *concordato preventivo* compared to other practicable solutions.

The procedure of the composition with creditors (*concordato preventivo*) will end with a decree which is to be issued by the competent court. If the court or the creditors reject the offer, the entrepreneur is automatically declared bankrupt by the court.

All transactions entered into, payments made and security granted by the distressed company in accordance with either the *concordato preventivo* are not subject to insolvency claw back pursuant to Article 67 of the Insolvency Law.

Accordi di ristrutturazione dei debiti (Debts' restructuring arrangements with creditors)

Law decree No. 35 of 14 March 2005 converted into law by law No. 80 of 14 May 2005, introduced the new Article 182-*bis* of the Insolvency Law which contemplates the possibility of entering into debts' restructuring arrangements with creditors.

Pursuant to new Article 182-*bis* of the Insolvency Law, the debtor may file with the relevant court an agreement for the restructuring of debts with creditors representing at least 60 per cent. of the company's debts, together with an assessment made by an expert on the feasibility of the agreement and, in particular, on its impact on the timely payment to those creditors which are not parties to it.

The agreement is published in the companies' register and is effective as of the day of its publication. Creditors may oppose the agreement within thirty days from the publication. The court will, after having settled the oppositions (if any), validate the agreement by issuing a decree, which may be appealed within fifteen days.

All actions taken, payments made and security interests granted by the company within the framework of the debts restructuring agreements with creditors (*accordi di ristrutturazione dei debiti*) as described above are not subject to claw-back actions pursuant to Article 67 of the Insolvency Law.

Piano di risanamento dell'impresa (out-of-court restructuring agreement)

Section 67, paragraph 3 of the Insolvency Law envisages the possibility of concluding out-of-court debt restructuring agreements which permit the creditors to enter into transactions with distressed companies without the risk of insolvency claw-back should the debtor be declared insolvent at a later stage. The out of court restructuring agreement, on whose admissibility no judgement is cast, is backed by a restructuring plan proposed by the debtor and that must be validated by the opinion of an independent expert confirming the company's ability to overcome the crisis and recover its financial stability.

These out-of-court agreements cannot be challenged in court pursuant to the special judicial review set forth in Article 182-*bis*, but they don't freeze legal actions since they are not binding on creditors which are not parties to the same; moreover they remain subject to ordinary remedies,

such as applications by other creditors for having the agreement set aside or clawed back on the grounds of it being void or fraudulent

Accounting treatment of the Claims

Pursuant to the Bank of Italy's regulations, the accounting information relating to the securitisation of the Claims will be contained in the Issuer's *Nota Integrativa* which, together with the balance sheet and the profit and loss statements, form part of the financial statements of Italian limited liability companies (*società a responsabilità limitata*).

THE TRANSFER AGREEMENTS

The description of the Transfer Agreements set out below is a summary of certain features of such Transaction Documents and is qualified in its entirety by reference to the detailed provisions of such agreements. Prospective Noteholders may inspect a copy of each of the Transfer Agreements upon request at the Specified Office of the Representative of the Noteholders and at the Specified Office of, respectively, the Irish Paying Agent and the Irish Listing Agent.

Transfer of the Claims

On 22 June 2007 (the “**Signing Date**”), the Issuer and each of BPN and CREBERG entered into two separate transfer agreements (respectively, the “**BPN Transfer Agreement**” and the “**CREBERG Transfer Agreement**” and, collectively, the “**Transfer Agreements**”), pursuant to which BPN and CREBERG assigned and transferred without recourse (*pro soluto*) and as a pool (*in blocco*), in accordance with the Securitisation Law, all of their rights, title and interests in and to the BPN Claims and the CREBERG Claims included in the Portfolio.

Schedule 2 to each Transfer Agreement contains a list of the Mortgage Loans and the Claims arising thereunder, which have been transferred under such Transfer Agreement. The information concerning the Mortgage Loans and the Claims contained in Schedule 2 to each Transfer Agreement reflect the composition of the Portfolio as at the Valuation Date.

Pursuant to each Transfer Agreement, the Portfolio comprises all and only the Claims arising from Mortgage Loans advanced by the Originators which, as at the Valuation Date, met the following objective criteria (the “**Eligibility Criteria**”):

- (1) mortgage loans originated by the Originator after 1 January 1999 and on or before 30 November 2006;
- (2) *ipotecari* mortgage loans or *fondari* mortgage loans executed in accordance with the provisions on *credito fondiario* pursuant to Section 38 and followings of the Italian legislative decree No. 385 of 1 September 1993, as subsequently amended (the “**Italian Banking Act**”);
- (3) mortgage loans entered into for the purchase of primary residence (*abitazione principale*);
- (4) mortgage loans governed by Italian law;
- (5) mortgage loans denominated in Euro;
- (6) mortgage loans whose beneficiaries are, also in case of joint ownership, one or more private individuals (*persone fisiche* or *cointestazioni*);
- (7) mortgage loans in relation to which payments shall be made through (i) the direct debit of the borrower’s bank account, (ii) cash payment, (iii) payment upon prior notice, so called “*mediante avviso*” (MAV) or (iv) inter-banking direct debit (RID);
- (8) mortgage loans entered into with beneficiaries that at the time the relevant mortgage loan was entered into were resident in Italy;
- (9) mortgage loans secured by voluntary mortgages upon Real Estate Assets located in Italy;
- (10) mortgage loans which are not secured by voluntary mortgages upon buildings and constructions which have not been entirely built;

- (11) mortgage loans secured by voluntary mortgages created in favour of the lender over Real Estate Assets which are first ranking in an economic sense (*ipoteche di primo grado economico*), *id est*: (a) a first ranking priority mortgage (*ipoteca legale di primo grado*); or (b) a second, or subsequent, ranking priority mortgage (*ipoteca legale di grado successivo al primo*), where, in relation to the mortgage having a most senior ranking, the consent to the cancellation has been granted, or where the debts secured thereby have been fully repaid;
- (12) mortgage loans which have been fully advanced and in relation to which there are no obligation on the Originator to advance or disburse further amounts;
- (13) mortgage loans which are not in pre-amortisation period (*fase di preammortamento*);
- (14) mortgage loans in respect of which at least one Instalment has been paid;
- (15) mortgage loans payable in monthly or quarterly Instalments;
- (16) mortgage loans whose outstanding principal is more than euro 10,000 and less than or equal to euro 600,000, save for those mortgage loans whose mortgaged properties are located in the South of Italy, for which the outstanding principal is less or equal to euro 250,000;
- (17) mortgage loans to be repaid in full on or before November 2036 inclusive;
- (18) mortgage loans which has never been classified as *in sofferenza*, as notified to the relevant borrower ;
- (19) mortgage loans whose amortisation profile is made by constant Instalments including principal and interests, amortisation with a nominal rate calculated on a Act/360 or Act/365 day count (the so called "French amortisation profile") or by linear principal instalments (the so called "Italian amortisation profile");
- (20) mortgage loans whose current loan-to-value ratio as at the Valuation Date is less than 80% as estimated by the relevant proceeding (*istruttoria*);
- (21) variable rate mortgage loans carry a positive margin over the reference interest rate index in excess of 0.50%;
- (22) mortgage loans which are not qualified as *agrari* pursuant to Section 43 and followings of the Italian Banking Act;
- (23) mortgage loans which are not qualified, pursuant to any applicable Italian law or regulation, as subsidised loans (*mutui agevolati*), and do not provide for support of any kind by any third party in favour of the relevant borrower, in respect of either principal or interest;
- (24) mortgage loans entered into with beneficiary that were not, at the time of the execution of the relevant mortgage loan agreement, administrators or employees of any entities of the *Gruppo Bancario Banco Popolare di Verona e Novara*;
- (25) mortgage loans in respect of which there is no Instalment in arrears;
- (26) mortgage loans entered into with a beneficiary who as at the relevant date of execution was not subject to any Bankruptcy Proceeding;

- (27) mortgage loans whose obligations have never been restructured, negotiated, modified or re-scheduled;
- (28) mortgage loans which have not been advanced to beneficiaries who entered into commercial relationship with BPN or CREBERG, by mean of broker which were not BPN or CREBERG's employee.

Purchase Price

The individual purchase price for each Claim (the "**Individual Purchase Price**") is equal to the Initial Outstanding Amount under the relevant Mortgage Loan, increased of the interest accrued but not yet payable up to the Valuation Date (included).

The purchase price payable by the Issuer, pursuant to the BPN Transfer Agreement, for all the Claims included in the BPN Portfolio (the "**BPN Portfolio Purchase Price**") is equal to € 864,879,863.46 and the purchase price payable by the Issuer, pursuant to the CREBERG Transfer Agreement, for all the Claims included in the CREBERG Portfolio (the "**CREBERG Portfolio Purchase Price**") is equal to € 748,919,561.17, for an aggregate amount to purchase all the Claims included in the Portfolio equal to € 1,613,799.424.63.

On the Issue Date, subject to certain conditions precedent being either satisfied as set forth in each Transfer Agreement, the Issuer shall pay, respectively:

- (i) to BPN an amount equal to the lower of (i) € 862,810,736.69 (the "**Principal Component of the BPN Purchase Price**") and (ii) the aggregate nominal amount of the Notes issued to purchase the Portfolio and intended to finance the purchase of the BPN Portfolio; and
- (ii) to CREBERG an amount equal to the lower of (i) € 747,007,661.48 (the "**Principal Component of the CREBERG Purchase Price**") and (ii) the aggregate nominal amount of the Notes issued to purchase the Portfolio and intended to finance the purchase of the CREBERG Portfolio.

On the first Payment Date or alternatively on any succeeding Payment Date basing on the relevant Issuer Available Funds the Issuer shall pay, respectively:

- (i) to BPN, in accordance with the then applicable Priority of Payments, any interests accrued but not yet payable, up to the Valuation Date (included), on the BPN Claims included into the Portfolio (plus any interest accrued on such amounts in the lapse of time between the relevant collection by the Issuer and the Payment Date on which such interest is paid, to be calculated at a rate equal to EONIA -20 *bps*); and (ii) the positive difference, if any, between (a) the Principal Component of the BPN Purchase Price and (b) the amount equal to the aggregate nominal value of the Notes issued to fund the Portfolio Purchase Price;
- (ii) to CREBERG, in accordance with the then applicable Priority of Payments, any interests accrued but not yet payable, up to the Valuation Date (included), on the CREBERG Claims included into the Portfolio (plus any interest accrued on such amounts in the lapse of time between the relevant collection by the Issuer and the Payment Date on which such interest is paid, to be calculated at a rate equal to EONIA -20 *bps*) and (ii) the positive difference, if any, between (a) the Principal Component of the CREBERG Purchase Price and (b) the amount equal to the aggregate nominal value of the Notes issued to fund the Portfolio Purchase Price.

The payment of the above mentioned principal components of the Portfolio Purchase Price will be financed by the proceeds of the issue of the Notes.

Economic effects

The Originators passed title to the Claims to the Issuer on the Transfer Date. However, the Originators and the Issuer have agreed that the economic effects of the Transfer Agreements will take place as of the Valuation Date.

Adjustment of the Portfolio Purchase Price

If any Mortgage Loan not meeting the Eligibility Criteria has been erroneously included in the Portfolio and transferred to the Issuer, the Claim relating to such Mortgage Loan (the “**Excluded Claim**”) will be deemed not to have been assigned and transferred to the Issuer pursuant to the relevant Transfer Agreement:

- (a) if the notice such event is served before the Issue Date:
 - (i) the Portfolio Purchase Price will be reduced for an amount equal to the Individual Purchase Price of such Excluded Claims; and
 - (ii) within and not later than the Issue Date, the Issuer shall pay back an amount equal to the Collections relating to such Excluded Claims and it shall have the right to receive from the relevant Originator an amount equal to all the costs and expenses incurred in relation to such Excluded Claims (including those reimbursed from the Issuer to the relevant Originator in its capacity as Servicer in relation to such Excluded Claims).
- (b) If the notice of such event is served after the Issue Date, the relevant Originator shall pay to the Issuer an amount equal to the sum of:
 - (i) the Individual Purchase Price of such Excluded Claims, less any and all amounts received or recovered by the Issuer as principal in relation to such Excluded Claims; and
 - (ii) interest (A) equal to the difference between the arithmetic means of the rate applicable to the Senior Notes and the rate guaranteed on the sums deposited on the Issuer’s Accounts (equal to EONIA–20 basis points) to be calculated from the payment date of the purchase price of the Excluded Claims until the Payment Date immediately following multiplied by the Outstanding Principal of the Excluded Claims, or (B) if the date on which the communication in relation to the Excluded Claims is given, falls before the beginning of the Amortisation Period, the interest to be calculated as the actual value of a margin equal to (x) 158 basis points with reference to any BPN Mortgage Loan (deriving from the sum of (i) the spread in relation to the Interest Rate Swap Transaction on the BPN Portfolio (equal to 138 basis points) and (ii) the absolute value of the spread guaranteed on the sums deposited on the Issuer’s Accounts (equal to EONIA –20 basis points)); or (y) 166 basis points with reference to any CREBERG Mortgage Loan (deriving from the sum of (i) the spread in relation to the Interest Rate Swap Transaction on the CREBERG Portfolio (equal to 146 basis points) and (ii) the absolute value of the spread guaranteed on the sums deposited on the Issuer’s Accounts (equal to EONIA –20 basis points)) multiplied by the Outstanding Principal of the Excluded Claims; such value will be calculated having regard to the period between the payment date

of the purchase price of the Excluded Claims and the Amortisation Date of the Notes by means of the discounted rate equal to the EURIBOR of the correspondent period, if the actualisation period is less than one year, or the linear interpolation for the swap rates for one and two years, if the actualisation period is higher than one year; and

- (iii) increased by an amount equal to all the costs and expenses incurred and documented by the Issuer in relation to such Excluded Claims (including those reimbursed from the Issuer to the relevant Originator in its capacity as Servicer in relation to such Excluded Claims).

If, at any time after the Transfer Date, a Mortgage Loan, meeting the Eligibility Criteria, has not been included in the Portfolio, the claims under such Mortgage Loan (the “**Additional Claim**”) shall be deemed to have been assigned and transferred to the Issuer by the relevant Originator as from the Transfer Date. In respect of such Additional Claims, the Issuer shall pay to the relevant Originator, in accordance with the applicable Priority of Payments, an amount equal to the Individual Purchase Price of such Additional Claims, *plus* the recovery expenses reasonably incurred and documented by the Originator in relation to such Additional Claims, *less* an amount equal to the sum of:

- (i) all the amounts received by the relevant Originator as principal in relation to the Additional Claims from the Valuation Date until the date on which the amounts due by the Issuer hereunder to such Originator will be effectively transferred to; and
- (ii) the costs and expenses incurred by the Issuer in relation to the purchase of such Additional Claims.

Additional Provisions

The Transfer Agreements contain certain representations and warranties made by each of the Originators in respect of the Claims and the Mortgage Loans. The principal representations and warranties given by the Originators to the Issuer in connection with the transfer of the Claims in relation to the Portfolio are the followings:

(A) Mortgage Loans, Claims, Mortgages and other Collateral Security

- (1) each party to a Mortgage Loan, a Mortgage or to an other Collateral Security and each legal representative or attorney had, at the date of execution thereof, full power and authority to enter into and execute the relevant agreement, deed or document relating to such Mortgage Loan, Mortgage or other Collateral Security.
- (2) Each Mortgage Loan and each Mortgage was executed by way of notarised deed (*atto pubblico* or *scrittura privata autenticata*).
- (3) Each of the Claims under the Mortgage Loans derives from one or more agreements, deeds or documents which were duly and validly executed and entered into by the parties thereto. Each Mortgage Loan, each Mortgage and each other Collateral Security and each agreement, deed or document relating thereto is valid and enforceable in accordance with its terms, constitutes valid and legal obligations binding on each party thereto and, where applicable, creates the security interest that it purports to create.

- (4) Each Mortgage Loan, each deed creating a Mortgage and each other Collateral Security has been entered into, executed and performed and the advance of each Mortgage Loan has been made in compliance with all applicable laws, rules and regulations, including, without limitation, all laws, rules and regulations relating to consumer credit protection, *credito fondiario* (as is defined under Section 38 and followings of the Italian Banking Act and the implementing regulations) in relation to the *Fondinario* Mortgage Loans, the Usury Law and/or the Usury Law Decree, the Privacy Law, as well as in accordance with the relevant Originator's Credit Policies.
- (5) Each authorisation, approval, consent, license, registration, recording, presentation or notarization or any other action and each relevant agreement, deed or document, which is required or desirable to ensure the validity, legality, enforceability or priority of rights and obligations of the relevant parties to each Mortgage Loan, Mortgage and/or other Collateral Security and any other related agreement, deed or document was duly and unconditionally obtained, made, taken or executed by the time of the execution of each Mortgage Loan Agreement or at the time of execution or perfection of each Mortgage or Collateral Security and of the making of any advances thereunder or when otherwise required by law.
- (6) No Mortgage Loan Agreement was executed or entered into, nor any Mortgage Loan was advanced, under any applicable law (even regional) or regulation in force in the Republic of Italy providing for support (*mutui agevolati*) of any kind, state or public aids of any kind, statutory discounts, interest rate caps or any other provisions granting benefits or discounts to Borrowers or Guarantors in respect of either principal or interest.
- (7) Each Mortgage Loan has been fully advanced and disbursed directly, as evidenced by disbursement receipts, to the relevant Borrower or on his account or according to his instructions, and there is no obligation on the Originator to advance or disburse further amounts in connection therewith.
- (8) Each Mortgage Loan was entered into substantially in the form of the Originator's standard form agreement as adopted from time to time. The standard form agreements attached to the Transfer Agreement as Schedule B are the most recent forms utilised by the Originator and are not substantially different from the standard form agreements adopted for the execution of the Mortgage Loans.
- (9) Each Mortgage Loan, each Mortgage, each other Collateral Security and any other related agreement, deed or document was entered into and executed without any fraud or misrepresentation or duress or undue influence by or on behalf of the Originator.
- (10) Each BPN *Ipotecario* Loan with an original value greater than € 125,000 and each BPN *Fondinario* Mortgage Loan were granted on the basis of a conservative and thorough appraisal of the relevant Real Estate Assets carried out and signed during the approval of the relevant BPN Mortgage Loan in accordance with the BPN Credit Policies, by an appraiser enrolled, as the case may be, in the official list of *geometri, ingegneri, architetti*, or in the role of the appraisers held by the competent chamber of commerce (*Camere di Commercio Industria Artigianato ed Agricoltura*). The appraisers are either employees of BPN or independent professionals (*liberi professionisti*) from time to time appointed by BPN.

- (11) Each CREBERG *Ipotecario* Loan with an original value greater than € 175,000 and each CREBERG *Fondinario* Mortgage Loan were granted on the basis of a conservative and thorough appraisal of the relevant Real Estate Assets carried out and signed during the approval of the relevant CREBERG Mortgage Loan in accordance with the CREBERG Credit Policies, by an appraiser enrolled, as the case may be, in the official list of *geometri, ingegneri, architetti*, or in the role of the appraisers held by the competent chamber of commerce (*Camere di Commercio Industria Artigianato ed Agricoltura*). The appraisers are either employees of CREBERG or independent professionals (*liberi professionisti*) from time to time appointed by CREBERG.
- (12) Each BPN *Ipotecario* Loan with an original value between € 125,000 and € 500,000 was granted according to the same rules as in item (10) above. Alternatively these loans, following a positive resolution taken by the relevant body, may be granted on the basis of an appraisal made by an appraiser (having the same characteristics stated in item 10 above) chosen by the relevant Debtor.
- (13) Each CREBERG *Ipotecario* Loan with an original value between € 175,000 and € 500,000 was granted according to the same rules as in item (10) above. Alternatively these loans, following a positive resolution taken by the relevant body, may be granted on the basis of an appraisal made by an appraiser (having the same characteristics stated in item 10 above) chosen by the relevant Debtor.
- (14) Notwithstanding item (12) above, BPN *Ipotecari* Loans with an original value equal or below € 125,000 may be granted based on a self-certification of the property value made by the relevant Debtor.
- (15) Notwithstanding item (13) above, CREBERG *Ipotecari* Loans with an original value equal or below € 175,000 may be granted based on a self-certification of the property value made by the relevant Debtor.
- (16) Each time an application is submitted in order to obtain the parcelling in quotas (*suddivisione in quote*) of a Mortgage Loan and the apportionment (*frazionamento*) into quotas of the relevant Mortgage, each of the Originators, carries out an appropriate enquiry pursuant to (a) the applicable procedure within those set out in items 10, 11, 12, 13, 14 and 15 above and (b) the relevant Credit Policies.
- (17) Each Mortgage was and is duly granted, created, executed, and preserved (also pursuant to Section 2827 and followings of the Italian civil code), remains valid and enforceable in accordance with its terms and meets all requirements under all applicable laws or regulations. Each Mortgage has been created concurrently with the granting of the relevant Mortgage Loan.
- (18) Each Mortgage is a security for the full amount of principal and interest (within the limits of Section 2855 of the Italian civil code) and of the other accessory amounts of the relevant Mortgage Loan.
- (19) The “hardening” period (*periodo di consolidamento*) applicable to each Mortgage has expired and the relevant security interest created thereby is not capable of being successfully challenged by claw-back (*azione revocatoria*) pursuant to article 67 of the Bankruptcy Law.

- (20) The security created by each Mortgage may not be clawed-back pursuant to Section 2901 of the Italian civil code, lacking each of the Originators the necessary subjective conditions.
- (21) Each Collateral Security was lawfully granted, created, perfected and preserved, is valid and enforceable in accordance with the terms pursuant to which it was granted and meets all requirements under all applicable laws or regulations.
- (22) Each Mortgage is an economically first ranking priority voluntary mortgage (*ipoteca di primo grado economico*), that is:
 - (i) a first-ranking priority voluntary mortgage (*ipoteca volontaria di primo grado legale*); or
 - (ii) a voluntary mortgage with subordinate ranking (*ipoteca volontaria di grado legale successivo al primo*) where (A) the mortgages ranking in priority thereto have been cancelled or (B) the debts secured thereby have been fully repaid.

The Mortgages do not secure any loans other than the Mortgage Loans. No other mortgages having the same ranking or, save as in the circumstances set out in (ii) above, ranking in priority to the Mortgages have been created over the Real Estate Asset in favour of third parties.

- (23) In relation to either any *Fondionario* Mortgage Loans or any *Ipotecario* Mortgage Loans, each of the Originators has not (whether in whole or in part) cancelled, apportioned, reduced, or restricted (even partially), as applicable, any of the Mortgages, except when requested by the relevant Borrower or Guarantor (as applicable) in circumstances where the right to such cancellation, apportionment, release, restriction (*frazionamento*) or reduction (*riduzione*) is granted by any applicable laws. In relation to either any *Fondionario* Mortgage Loans or any *Ipotecario* Mortgage Loans, each of the Originators has not (whether in whole or in part) released the Real Estate Assets from the respective Mortgages, except when requested by the relevant Borrower or Guarantor (as applicable) in circumstances where the right to such release is granted by any applicable laws and/or within the limits of the provisions of the Servicing Agreements with regard to events occurred between the Transfer Date and the Issue Date. No Mortgage Loan contains any clause which gives to the relevant Borrower or the Guarantor (as applicable) the right to the cancellation, apportionment, release, restriction or reduction of the relevant Mortgage unless in those circumstances where any applicable laws provide for such right. All Mortgages are currently valid and enforceable and the corresponding registration has not been renewed because the 20-year term from the relevant registration has not expired yet in accordance with Section 2847 of the Italian civil code.
- (24) With particular regard to the *Fondionario* Mortgage Loans, no Borrower or Guarantor has the right to obtain any cancellation (*cancellazione*), release (*restrizione*), reduction (*riduzione*) or apportionment (*frazionamento*) of any Mortgage and/or the parcelling of the relevant loan in quotas, other than in accordance with, and within the limits set out in, Section 39 of the Italian Banking Act and/or within the limits of the provisions of the Servicing Agreements with regard to events occurred between the Transfer Date and the Issue Date.
- (25) With particular regard to the *Ipotecario* Mortgage Loans, no Borrower or Guarantor has the right to obtain any cancellation or reduction (*riduzione*) of any Mortgage

with the exception of those circumstances provided by Section 2873 of the Italian civil code and/or within the limits of the provisions of the Servicing Agreements, with regard to events occurred between the Transfer Date and the Issue Date. With reference to the *Ipotecario* Mortgage Loans, no Borrower or Guarantor has the right to obtain any release (*restrizione*) or apportionment (*frazionamento*) of any Mortgage and/or the parcelling of the relevant loan in quotas.

- (26) Each Claim is fully and unconditionally owned by and available to each of the Originators and is not subject to any lien (*pignoramento*), seizure (*sequestro*) or other charge in favour of any third party and is freely transferable to the Issuer. Each of the Originators holds sole and unencumbered legal title to each of the Claims and the Mortgage Loans and has not assigned (whether absolutely or by way of security), participated, transferred, pledged, charged or created any security interest in or otherwise disposed of any of the Mortgage Loans or the Claims or otherwise created or allowed the creation or constitution of any lien (with the exception of the special privileges provided for by Sections 2770, 2771 and 2772 of the Italian civil code), pledge, encumbrance, security interest, arrangement or other right, claim or beneficial interest of any third party on any of the Claims or the Mortgage Loans. There are no clauses or provisions in the Mortgage Loans or in any other agreement, deed or document to which each of the Originators is a party, (A) pursuant to which each of the Originators is prevented from transferring, assigning or otherwise selling the Claims or part of any of them or (B) which would conflict with and would prohibit or otherwise limit the terms of the Transaction Documents or the matters contemplated thereby, including for the avoidance of doubt and without limitation:
- (i) the assignment of the Claims, the Mortgages, the other Collateral Security and the benefits of the Insurance Policies to the Issuer; and
 - (ii) the administration of the Mortgage Loans, the Mortgages, the other Collateral Security and the Insurance Policies by each of the Originators or a delegate of the Originators or the appointment of a new servicer under the terms of the Servicing Agreements.
- (27) Each Individual Purchase Price, as set forth in Schedule 2 to the Transfer Agreements, has been correctly calculated by each of the Originators and corresponds to the Initial Outstanding Amount, increased of the interests accrued over the relevant Claim in the lapse of time between the date on which due interests have been paid pursuant to the relevant Mortgage Loan Agreement and the Valuation Date (included).
- (28) With reference to any Mortgage Loan, each Individual Purchase Price has been accurately indicated in Schedule 2 to the Transfer Agreements and represents the principal amount outstanding of the relevant Mortgage Loan as of the Valuation Date and the interests accrued over the relevant Claim in the lapse of time between the date on which due interests have been paid pursuant to the relevant Mortgage Loan Agreement and the Valuation Date (included). The list of Mortgage Loans attached as Schedule 2 to the Transfer Agreements is an accurate list of all Mortgage Loans, contains the Individual Purchase Price of each Claim and all information contained therein is true and correct.

- (29) Each of the Originators has not, up to the Transfer Date, relieved or discharged any Debtor of its obligations or subordinated its rights to those of other creditors thereof, waived any of its rights, except in relation to payments made in a corresponding amount to satisfy the relevant Claims.
- (30) With respect to each Mortgage Loan and each Mortgage, no Debtor thereunder is entitled, to each of the Originators' knowledge which represents to have used all suitable procedures so to ensure that this is the case, to exercise any right of termination (except for early termination rights contractually provided for in case of prepayment), rescission, set-off, counterclaim or defence to or in respect of the operation of any of the terms of the relevant Mortgage Loan, Mortgage or any connected agreement, deed or document, or in respect of any amount payable or repayable thereunder, and no such right, claim or action has been asserted or threatened in writing against each of the Originators.
- (31) The transfer of the Claims and the Mortgages to the Issuer under the Transfer Agreements does not jeopardise or vitiate the obligations of any of the Debtors regarding payment of the outstanding amounts of the Claims nor does it prejudice any right to enforce the Mortgages or the other Collateral Security.
- (32) Each Mortgage Loan and each Claim, included in the Portfolio, exists and is denominated in Euro (or advanced in a different currency and subsequently redenominated in Euro).
- (33) Each Mortgage Loan, each Claim, each Mortgage and each other Collateral Security is governed by Italian law.
- (34) The Collateral Security and the Mortgages related to each Claim has been transferred to the Issuer pursuant to the Transfer Agreements.
- (35) With the exception of the Servicing Agreements, no servicing or syndicate agreement has been entered into by each of the Originators in relation to any of the Mortgage Loans and/or any of the Claims, nor any mandate (*mandato*) has been entered into with a financial institutions or any other entity, which will be binding on the Issuer or which may otherwise impair or affect in any manner whatsoever the exercise of any of the Issuer's rights in respect of the Mortgage Loans, the Claims, the Mortgages or the other Collateral Security.
- (36) Each Mortgage Loan is duly classified as a performing mortgage loan (*credito in bonis*) under the Bank of Italy Instructions.
- (37) Each Mortgage Loan has been disbursed pursuant to the Originators' Credit Policies applicable at the time of its disbursement.
- (38) No Mortgage Loan has been subject to any litigation or is currently subject to litigation regarding its validity, existence, enforceability or amount by any Debtor or any third party. With reference to none of the Mortgage Loans each of the Originators has paid to or indemnified the Debtors for any damage or indemnity and no legal action has been undertaken by any of the Debtors.
- (39) Each Mortgage Loan is secured by a Mortgage on a Real Estate Asset and, mainly, by a mortgage on buildings and other constructions.

- (40) Other than the Mortgage Loans secured also by Mortgages on land, the Mortgage Loans are secured by Mortgages on buildings and constructions entirely built.
- (41) Each of the Originators has maintained in all material respects complete, proper and up-to-date books, records, data and documents relating to the Mortgage Loans, the Mortgages and the Collateral Security, and to all instalments and any other amounts to be paid or repaid thereunder, and all such books, records, data and documents are kept directly by each of the Originators or by its agents.
- (42) The disbursement, administration and collection procedures adopted and employed by each of the Originators with respect to each of Mortgage Loan, Mortgage, Collateral Security and Claim have been in all respects, which are material for the Securitisation, conducted in compliance with all applicable laws and regulations and with care, skill and diligence and in a prudent manner and in accordance with the Originators' Credit Policies as well as in accordance with all customary banking practices.
- (43) All taxes, duties and fees of any kind required to be paid by each of the Originators under or in connection with any Mortgage Loan, any Mortgage and Collateral Security starting from the time on which the relevant Mortgage Loan was disbursed up to Transfer Date (including, without limitation, the creation and preservation of each Mortgage and Collateral Security and the execution of any other agreement, deed or document or the performance and fulfilment of any action or formalities relating thereto), have been duly and timely paid by each of the Originators.
- (44) Each rate of interest (which means the relevant spread and the reference index) in relation to each Mortgage Loan and indicated opposite each Mortgage Loan in Schedule 2 to the Transfer Agreements is true and correct.
- (45) Each rate of interest indicated opposite a Mortgage Loan in Schedule 2 to the Transfer Agreements has at all times been applied, agreed and received in full compliance with the laws applicable at any given time (including, but not limited to, the Usury Law and the Usury Law Decree, to the applicable extent) and are therefore in compliance with the Usury Act and the Usury Law Decree.
- (46) Save for the Borrowers which have entered into the so called "optional" Mortgage Loans (being those Mortgage Loans which, at the date of their disbursement, provide for the option of the Borrower to modify the interest computing method) no Borrower has the right pursuant to the relevant Mortgage Loan Agreement to modify the interest computing method, and in particular to switch, during the execution of the relevant Mortgage Loan Agreement, from (i) a floating rate to a fixed rate computing method and (ii) from a fixed rate computing method to an other fixed rate computing method.
- (47) To each of the Originators' knowledge which represents to have done all internal checks, none of the Debtors is subject to Proceedings and none of the Real Estate Assets are subject to lien (*pignoramento*), seizure (*sequestro*) or analogous proceeding (*procedura esecutiva*).
- (48) The Mortgage Loans are not subject to consumer credit legislation, including but not limited to Section 121 and followings of the Italian Banking Act.

- (49) To each of the Originators' knowledge, which represents to have done all internal checks, there are no circumstances or facts which could cause a delayed repayment or non-repayment of any Mortgage Loan.
- (50) Each *Fondiaro* Mortgage Loan was disbursed for a maximum amount equal to the 80 per cent. loan-to-value ratio prescribed by the Bank of Italy Instructions on the date of execution and disbursement of such *Fondiaro* Mortgage Loan and complies with the limits set out by the Bank of Italy relating to proportion between the amount of each *Fondiaro* Mortgage Loan and the value of the corresponding Real Estate Asset.
- (51) The payments by the Borrowers related to the Mortgage Loans are made (i) through the direct debit of the Borrower's bank account; (ii) in cash; (iii) through payment upon prior notice, so called "*mediante avviso*" (MAV) or (iv) through inter-banking direct debit (RID). With reference to the payments made through the direct debit of the Borrower's bank account and in cash, each of the Originators is able to verify the successful crediting of its accounts by 10.00 a.m. of the Business Day immediately following the day on which the relevant Borrower has made the relevant payment. With reference to the payments made through MAV, each of the Originators is able to verify the successful crediting of its accounts (i) by 10.00 a.m. of the Business Day immediately following the day on which the relevant Borrower has made the relevant payment, if the payment is made to the Originators, or (ii) by 10.00 a.m. of the fourth Business Day immediately following the day on which the relevant Borrower has made the relevant payment, if the payment is made to another bank. With reference to the payments made through RID, each of the Originators is able to verify the successful crediting of its accounts by 10.00 a.m. of the tenth Business Day immediately following the day on which the relevant Borrower has made the relevant payment..
- (52) On the Valuation Date and the Transfer Date, each Mortgage Loan has never been, since the relevant execution date, classified by each of the Originators as "*sofferenza*". For the purposes of this representation "*sofferenza*" means, with reference to either a Mortgage Loan or any other relationship between the relevant debtor and each of the Originators, the position of the debtor (or debtors in case of joint obligations) to whom each of the Originators has notified an injunction or an order of payment provided that the relevant debtor is insolvent or is in a financial standing equivalent to insolvency. Normally claims are classified in "*sofferenza*" if: at least 12 monthly instalments are due and unpaid; (ii) at least 4 quarterly instalments are due and unpaid; (iii) at least 3 half-yearly instalments are due and unpaid, and, in any case, any reduction of the principal component has been occurred in the preceding 6 months.
- (53) Each Mortgage Loan complies with the provisions set forth in Sections 1283 and 1346 of the Italian civil code.
- (54) Each *Fondiaro* Mortgage Loan is a "*mutuo fondiario*" pursuant to Section 38 and followings of the Italian Banking Act.
- (55) All the Mortgage Loans are in the amortising period, which means that the first instalment of each Mortgage Loan due after the Valuation Date will comprise both an interest component and a principal component.

- (56) The Initial Outstanding Amount of the Mortgage Loans is equal to the 100% of the Initial Outstanding Amount of the Portfolio.
- (57) In relation to Mortgage Loans secured by a Mortgage deriving from apportionment of a previous mortgage, the Borrower of the Mortgage Loan is the person who purchased the relevant Real Estate Asset and not the company which built such a Real Estate Asset.
- (58) As at the Valuation Date, with reference to the BPN Mortgage Loans, at least the 70% of the Borrowers consists of employees (*lavoratori dipendenti*) and the other 30% consists of professionals (*lavoratori autonomi*).
- (59) As at the Valuation Date, with reference to the CREBERG Mortgage Loans, at least the 75% of the Borrowers consists of employees (*lavoratori dipendenti*) and the other 25% consists of professionals (*lavoratori autonomi*).
- (60) As at the Valuation Date, with reference to the BPN Mortgage Loans, the BPN Mortgage Loans with Italian amortisation profile are in an aggregate amount not higher than 0.03% of the BPN Portfolio.
- (61) As at the Valuation Date, with reference to the CREBERG Mortgage Loans, the CREBERG Mortgage Loans with Italian amortisation profile are in an aggregate amount not higher than 0.10% of the CREBERG Portfolio;

(B) *Real Estate Assets*

- (1) Each of the Real Estate Assets was fully and exclusively owned by the relevant Guarantor on the date of registration (*iscrizione*) of the relevant Mortgage.
- (2) There are no prejudicial registrations, annotations (*iscrizioni* or *trascrizioni pregiudizievoli*) or, to each of the Originators' knowledge, third party claims (including *usucapione*) in relation to any of the Real Estate Assets which may impair, affect or jeopardise in any manner whatsoever the relevant Mortgages, their enforceability or their ranking as represented in Schedule 2 to the Transfer Agreements, with the exception of those registrations or annotations requested by zoning deeds and/or zoning agreements preceding the Mortgage Loan Agreements or which relate to deeds concerning expropriation of land and/or orders and/or legal constraints adopted or ordered by the public authority (including those deeds concerning expropriation of land adopted by the public authority after the execution of the Mortgage Loan Agreements).
- (3) Each Real Estate Asset has been and is currently insured against risks arising from, fires and explosions with the Insurance Policies for an amount at least equal to the value of the relevant Real Estate Asset as assessed by an expert on the basis of the appraisal criteria of the reconstruction cost of the relevant Real Estate Asset net of the value of the area. The *premia* relating to the Insurance Policies have been, to each of the Originators' knowledge which represents to have done all internal checks, duly and timely paid and the other obligations arising therefrom have been duly performed until the Transfer Date.

- (4) Each Individual Insurance Policy has been entered into between the relevant Debtor and the relevant Insurance Company.
- (5) Each Collective Insurance Policy has been entered into between each of the Originators and the relevant Insurance Company, to which the relevant Debtor has adhered, in relation to the Real Estate Assets.
- (6) Pursuant to the loss payable clause set out in each Insurance Policy the relevant Insurance Company is permitted to inform each of the Originators of any breach of the relevant Debtor in relation to the payment of the insurance *premium*.
- (7) By virtue of the loss payable clauses of the Insurance Policies, each of the Originators (and, by virtue of the Transfer Agreements, the Issuer) is entitled to retain any amount paid by the relevant Insurance Company for damages.
- (8) At as the Valuation Date, all the Real Estate Assets, with the exclusion of the land, have the benefit of an Insurance Policy.
- (9) At the time of disbursement of the Mortgage Loans and of the perfection of the Mortgages and on the Transfer Date, each of the relevant Real Estate Assets complied with all applicable laws, including, without limitation, planning and building laws and regulations (*legislazione edilizia, urbanistica and vincolistica*), or otherwise a valid petition for amnesty from such laws or regulations with reference to any existing irregularity had been duly filed with the competent authorities, and such petition cannot be rejected by such authorities by reason of the fact that any levy, tax or penalty has not been duly and timely paid. All the licences, authorisations or certificates concerning the Real Estate Assets required by the applicable laws have been, as at the date of disbursement of the relevant Mortgage Loan duly obtained and, to each of the Originators' knowledge, have not been revoked as at the Valuation Date.
- (10) To each of the Originators' knowledge, none of the Real Estate Assets is subject to any pending or threatened (in writing) judicial proceedings which may result in the attachment or seizure of the whole or any part thereof.
- (11) At the time of the disbursement of the Mortgage Loans and at the time of the execution of the Mortgages, the relevant Real Estate Assets were duly registered with the competent registration offices (*Agenzia del Territorio and Ufficio del Catasto Urbano e dei Terreni*).
- (12) To each of the Originators' knowledge, at the time of the disbursement of the Mortgage Loans and at the time of the perfection of the Mortgages, the relevant Real Estate Assets were not affected by any breach of any health, environmental and security laws or regulations. Each of the Originators is not aware of the presence of any harmful or dangerous material with respect to any environmental and security laws, nor of any form of dissimilarity of any Real Estate, as at the Transfer Date, from any health, environmental and security laws or regulations.
- (13) Each Real Estate Asset is located in Italy.
- (14) The appraisal values set out in Schedule 2 to the Transfer Agreements as the cautionary values of the relevant Real Estate Assets are the values based on the

most recent appraisals carried out on the same Real Estate Assets, in accordance with the relevant Credit Policies.

- (15) As of the execution date of the relevant Mortgage Loans, to each of the Originators' knowledge, each Real Estate Asset has the features required by law and the applicable regulation and relevant sector provisions in order to ensure the declaration of usability ("*agibilità*") or habitability ("*abitabilità*"), as the case may be, and each Real Estate Asset was, as at the same date, freely transferable.
- (16) No mortgage loan was extended in connection with the realisation of any refurbishment intervention ("*esecuzione di interventi di ristrutturazione edilizia*") as defined by Presidential Decree no. 380 of 6 June 2001.

Each of the Transfer Agreements provide that the representations and warranties made by each of the Originators in respect of the Claims and the Mortgage Loans are deemed to be given on the Signing Date and repeated on the Transfer Date and on the Issue Date.

The Transfer Agreements also contains a number of undertakings assumed by the relevant Originator in respect of their activities relating to the Claims. The Originators have undertaken, *inter alia*, to refrain from carrying out activities with respect to the Claims which may prejudice the validity or recoverability of any Claims or the relevant Collateral Security and to not assign or transfer the Claims 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 Claims in the period of time between the Signing Date and the Transfer Date.

Insurance Policies

In connection with the Insurance Policies, each of the Originators has, *inter alia*, undertaken to ensure with reference to the Insurance Policies executed by the relevant Borrowers and in respect of which the Borrowers have undertaken to pay to the relevant Insurance Company the relevant *premia*, that the Real Estate Assets will continue to have the benefit of the insurance coverage until the related Mortgage Loan is fully repaid. Thus, should a Borrower fail to pay the insurance *premia* as they fall due, the relevant Originator will (upon becoming aware of the Borrower's failure) carry out any and all activities useful and/or necessary to maintain the relevant insurance coverage and will make the relevant payment to the relevant Insurance Company in lieu of the relevant Borrower.

The relevant Originator will be entitled to a reimbursement from the Issuer of the insurance *premia* thus paid by it in accordance with the applicable Priority of Payments.

In addition to the above, each of the Originators has also undertaken, pursuant to the Transfer Agreements, to transfer the benefit of the Insurance Policies in respect of the Mortgage Loans in favour of the Issuer.

Repurchase of the Claims

Pursuant to the BPN Transfer Agreement and the CREBERG Transfer Agreement, the Issuer has granted to BPN and CREBERG, respectively, the rights:

- (a) on any Payment Date on which the aggregate outstanding principal amount of the Claims included in the Portfolio is less than, or equal to, 10 per cent. of the Initial Outstanding Amount of the Portfolio to purchase from the Issuer, simultaneously, all the then outstanding BPN Claims and CREBERG Claims, respectively (the "**Clean-up Option**"), and

- (b) to re-purchase, at any time, individually and/or as a pool (*in blocco*), up to the 2% of the Outstanding Principal of the BPN Portfolio and the CREBERG Portfolio, respectively, as at the Issue Date (the “**Option**”).

The Issuer shall apply proceeds deriving from the Clean-up Option towards redemption of the Notes in accordance with the relevant Condition.

In respect of the Option, the Issuer and each of the Originators (i) acknowledged that the purchase price of the Claims to be re-purchased by mean of the Option as set out pursuant to article 9.2(d) of each of the Transfer Agreements is a price not lower than the relevant market price, and (ii) acknowledged and agreed that the Option shall be deemed as never granted if such Option might jeopardize the aim of the Originators with respect to the transfer of the credit risk and the risk weighting of the securitized Claims within the limits set forth by the applicable Bank of Italy regulations.

Payments by the Issuer

Any amount owed to any of the Originators from time to time by the Issuer pursuant to the terms of the Transfer Agreements, other than the Principal Component of the Purchase Price, will be paid by the Issuer to the Originators pursuant to the applicable Priority of Payments and subject to the Intercreditor Agreement commencing from the first Payment Date.

Governing Law

The Transfer Agreements will be governed by and will be construed in accordance with Italian law.

THE SERVICING AGREEMENTS AND THE BACK-UP SERVICING AGREEMENT

The description of the Servicing Agreements and the Back-up Servicing Agreement set out below is a summary of certain features of such Transaction Documents and is qualified in its entirety by reference to the detailed provisions of such agreements. Prospective Noteholders may inspect a copy of each of the Servicing Agreements and of the Back-up Servicing Agreement upon request at the Specified Office of the Representative of the Noteholders and at the Specified Office of, respectively, the Irish Paying Agent and the Irish Listing Agent.

In order to ensure that the Claims are managed and serviced in a uniform and coherent manner, the Servicing Agreements and the obligations undertaken by each Servicer thereunder are substantially the same. The collection policies for the management of the Claims have been agreed between the Issuer and each of the Servicers and have been reproduced in the relevant Servicing Agreement (see *"The Credit and Collection Policies"* above). However, prospective Noteholders' attention is drawn to the fact that the scope of activity and, therefore, the responsibility of each Servicer is limited to the Claims transferred by that Servicer (as Originator) to the Issuer and does not extend to the servicing of any other Claims. Each Servicer has been appointed by the Issuer as responsible for the collection of the Claims respectively transferred by it (as Originator) to the Issuer and for cash and payment services (*"soggetto incaricato della riscossione dei crediti ceduti e dei servizi di cassa e pagamento"*). In accordance with the Securitisation Law, each Servicer is therefore responsible for ensuring that the collection of the Claims serviced by it and the relative cash and payment services comply with Italian law and this Prospectus. None of BPN or CREBERG has undertaken any responsibility for the servicing of Claims other than those originated by it and, in general, for the obligations undertaken by any other Servicer. In case one Servicer for any reason fails to perform under the relevant Servicing Agreement or otherwise, the other Servicers will not be bound to assume the obligations of the non-performing Servicer or otherwise co-operate with the Issuer in responding to such non-performance. Prospective Noteholders' attention is also drawn to the fact that none of BPN or CREBERG nor any other person has undertaken to monitor the activity of the Servicers (other than itself) on an ongoing basis or otherwise ensure that the Claims are managed in a uniform and coherent manner by each Servicer.

On the Signing Date, the Issuer and each of BPN and CREBERG entered into two separate servicing agreements (respectively, the **"BPN Servicing Agreement"** and the **"CREBERG Servicing Agreement"** and, collectively, the **"Servicing Agreements"**), (in such capacity, the **"Servicers"** and, each of them, a **"Servicer"**), pursuant to which:

- (a) the Servicer of the BPN Portfolio has agreed to administer and service the BPN Mortgage Loans, including the collection of the related BPN Claims, on behalf of the Issuer and, following the service of a Trigger Notice, the Representative of the Noteholders; and
- (b) the Servicer of the CREBERG Portfolio has agreed to administer and service the CREBERG Mortgage Loans, including the collection of the related CREBERG Claims, on behalf of the Issuer and, following the service of a Trigger Notice, the Representative of the Noteholders.

THE SERVICING AGREEMENT

Duties of the Servicers

The Servicer of the BPN Portfolio is responsible for the receipt of cash collections in respect of the BPN Mortgage Loans and related BPN Claims. Within the limits of article 2, paragraph 6 of the Securitisation Law, the Servicer of the BPN Portfolio is responsible for verifying that the transactions to be carried out in connection with the Securitisation comply with applicable laws and are consistent with the contents of this Prospectus.

The Servicer of the CREBERG Portfolio is responsible for the receipt of cash collections in respect of the CREBERG Mortgage Loans and related CREBERG Claims. Within the limits of article 2, paragraph 6 of the Securitisation Law, the Servicer of the CREBERG Portfolio is responsible for verifying that the transactions to be carried out in connection with the Securitisation comply with applicable laws and are consistent with the contents of this Prospectus.

Each of the Servicers has undertaken in relation to each of the Mortgage Loans and related Claims serviced by each of them, *inter alia*:

- (a) to collect, on each relevant date as indicated in the relevant Mortgage Loan, from the Borrower the amounts owed by the Borrower in respect of the relevant Claim; then to credit the relevant amounts on the BPN Interim Collection Account or the CREBERG Interim Collection Account, as the case may be, opened in the name of BPN and CREBERG, respectively, and exclusively dedicated to the Securitisation. The amounts standing to the credit of the abovementioned Interim Collection Accounts shall be transferred by BPN and CREBERG into the BPN Collection Account and the CREBERG Collection Account, respectively, on the first following Business Day on which such amounts have been collected or recovered in accordance with the Collection Policies described in the relevant Servicing Agreement;
- (b) to strictly comply with the each of the Servicing Agreements and the collection policy described in "*The Credit and Collection Policies*", above (the "**Collection Policies**");
- (c) to carry out the administration and management of such Claims and to manage any possible legal proceedings (*procedura giudiziale*) against the relative Borrower or related Guarantor in respect thereof;
- (d) to comply with any requirements of laws and regulations applicable in the Republic of Italy in carrying out activities under the Servicing Agreement;
- (e) save where otherwise provided for in the Collection Policies or other than in certain circumstances specified in the relevant Servicing Agreement, not to consent to any waiver or cancellation of or other change prejudicial to the Issuer's interests in or to such Claims, the mortgage and any other real or personal security or remedy under or with respect to such Mortgage Loan;
- (f) on behalf of the Issuer, operate an adequate supervision and information disclosure system with respect to the Claims and an adequate database maintenance system, by keeping and maintaining any books, records, documents, magnetic media and IT systems as may be useful for, or relevant to, the implementation of a data disclosure system to permit the Issuer to operate in full compliance with all applicable laws and regulations in matters of supervision, reporting procedures; and
- (g) maintain and implement administrative and operating procedures (including, without limitation, copying recordings in case of destruction thereof), keep and maintain all books, records and all the necessary or advisable documents (i) in order to collect all the Claims and all the other amounts which are to be paid for any reason whatsoever in connection with the Claims (including, without limitation, records which make it possible to identify the nature of any payment and the precise allocation of payment and collected amounts to capital and interest), and (ii) in order to check the amount of all the Collections received.

The Issuer and the Representative of the Noteholders have the right to inspect and copy the documentation and records relating to the Claims in order to verify the activities undertaken by

the Servicer pursuant to the Servicing Agreement, provided that the Servicer has been informed at least 5 (five) Business Days in advance of any such inspection.

Pursuant to the terms of the relevant Servicing Agreement, each Servicer will indemnify the Issuer from and against any and all damages and losses incurred or suffered by the Issuer as a consequence of a default by the relevant Servicer of any of its obligation under the relevant Servicing Agreement, save for any damages and losses arising from the Issuer's wilful default (*dolo*) or gross negligence (*colpa grave*). Each Servicer has acknowledged and accepted that, pursuant to the terms of the relevant Servicing Agreement, it will not have any recourse against the Issuer for any damages, claims, liabilities or costs incurred by it as a result of the performance of its activities under the relevant Servicing Agreement except as may result from the Issuer's wilful default (*dolo*) or gross negligence (*colpa grave*).

Reporting requirements

Each Servicer has undertaken to prepare and submit to, *inter alios*, the Issuer, the Representative of the Noteholders, the Rating Agencies and the Calculation Agent, on or before each Monthly Report Date, the Monthly Report in the form set out in the relevant Servicing Agreement, which will contain information as to, respectively, the BPN Portfolio and any relevant BPN Collections and the CREBERG Portfolio and any relevant CREBERG Collections in respect of the preceding month.

In addition to the relevant Monthly Report, each Servicer has undertaken to prepare and submit to, *inter alios*, the Issuer, the Representative of the Noteholders, the Calculation Agent and the Rating Agencies, on or before each Quarterly Report Date the Quarterly Report in the form set out in the relevant Servicing Agreement, which will contain information as to, respectively, the BPN Portfolio and any relevant BPN Collections and the CREBERG Portfolio and any relevant CREBERG Collections in respect of the preceding Collection Period.

Commingling Guarantee

Under the provisions of each of the Servicing Agreements and until the Legal Maturity Date, BPVN has undertaken as of the Signing Date to guarantee, by way of a first demand, irrevocable and unconditional guarantee, the obligations of each of the Servicers and to duly and punctually repay to the Issuer at the Issuer's instructions, any exceptions, objections or protests concerning the relationship between the relevant Servicer and the Issuer under the relevant Servicing Agreement waived, all amounts standing to the credit of the relevant Interim Collection Account (and which are not transferred in accordance with the provisions of the relevant Servicing Agreement due to the occurrence of the Relevant Events) to the BPN Collection Account or the CREBERG Collection Account, as the case may be (the "**Indemnified Amount**"), up to a maximum amount equal to Euro 28,925,140 (the "**Guaranteed Amount**"). It is understood that the Guaranteed Amount, starting from the Issue Date until the Payment Date on which the sum standing to the credit of the Cash Reserve Account will reach the amount of Euro 11,268,726, will be equal to an aggregate amount of Euro 40,193,866, to be proportionally reduced with the increase of the sum standing to the credit of the Cash Reserve Account, up to an amount equal to Euro 28,925,140. The Guaranteed Amount will be recalculate on each Payment Date falling in July of each year starting from the Payment Date falling on July 2008, by means of the arithmetic sum of the following items:

- (i) the total amount of the Collections (the principal and interest collections) relating to the month of June immediately preceding; plus

- (ii) the total amount of the unpaid Instalments of the Delinquent Claims as at the 30th of June immediately preceding; plus
- (iii) the total amount of the Principal Instalment of the Defaulted Claims as at the 30th of June immediately preceding; plus
- (iv) the fifteen per cent. of the Outstanding Amount of the Portfolio as at the 30th of June immediately preceding less the total amount of the Defaulted Claims net of the Recoveries, divide for twelve;

and in any event for an amount not less than 0.9% of the total amount of the rated Notes as at the Issue Date.

“Relevant Event” means, in relation to any of the Servicers:

- (i) a failure to pay any amount standing to the credit of the relevant Interim Collection Account to the BPN Collection Account or the CREBERG Collection Account, as the case may be, other than due to strikes, technical interruptions or other force majeure events duly documented by the relevant Servicer;
- (ii) an order made by any competent judicial authority providing for the winding-up or dissolution of any of the Servicers, or for the appointment of a liquidator or receiver, or the admission of any of the Servicers to insolvency proceedings, or a resolution passed by any of the Servicers with the intention of applying for such proceedings to be initiated;
- (iii) any action for the purpose of rescheduling its own debts in full or in respect of a material portion thereof, or postponing the maturity dates thereof, enters into any extrajudicial arrangement with all or a material portion of its creditors, files any petition for the suspension of its payments or any court grants a moratorium for the fulfilment of its debts or the enforcement of the securities securing its debts; and
- (iv) the loss of the Bank of Italy authorisation to carry out the banking activity.

Upon the occurrence of any Relevant Events, BPVN has also undertaken to immediately give instructions to the relevant Debtors to pay any amounts due under the Claims to the BPN Collection Account or the CREBERG Collection Account, as the case may be.

In case the rating assigned to the unguaranteed, unsubordinated and unsecured short-term debt obligations of BPVN falls below the Minimum Rating, BPVN shall (A) immediately give instructions to the relevant Debtors to pay any amounts due under the Claims to the BPN Collection Account or the CREBERG Collection Account, as the case may be; and (B) within thirty calendar days and in any case until the Debtors have started to pay the amounts due under the Claims to the relevant Collection Account:

- (i) procure to the Issuer, also for the benefit of the Noteholders, a first demand, irrevocable and unconditional guarantee, any exceptions, objections or protests concerning the relationship between the relevant Servicer and the Issuer under the Servicing Agreement waived, from a bank having at least the Minimum Rating (the **“Commingling Guarantee”**); or
- (ii) credit on the relevant Collection Account an amount equal to the Guaranteed Amount.

Representation and Warranties by the Servicers

The Servicer has given to the Issuer standard market practice representations and warranties.

Remuneration of the Servicers

In return for the services provided by each of the Servicers in relation to the ongoing management of the Claims, on each Payment Date and in accordance with the applicable Priority of Payments, the Issuer will pay to the each Servicer the Collection Fee, the Recovery Fee and the Servicing Fee.

Termination of the Servicers

The Issuer may terminate the appointment of each of the Servicers (*revocare il mandato*), pursuant to article 1725 of the Italian civil code, or withdraw from the relevant Servicing Agreement (*recesso unilaterale*), pursuant to article 1373 of the Italian civil code, upon the occurrence of, *inter alia*, one of any of the following events:

- (a) an order is made by any competent judicial authority providing for the winding-up or dissolution of the relevant Servicer, or for the appointment of a liquidator or receiver, or the relevant Servicer is admitted to insolvency proceedings, or a resolution is passed by the Servicer with the intention of applying for such proceedings to be initiated;
- (b) failure on the part of the relevant Servicer to deliver and pay any amount higher than Euro 500.000 due under the Servicing Agreement within 3 (three) Business Days from the date of which the relevant delivery or payment became due, other than due to strikes, technical interruptions or other force majeure events; and
- (c) a representation given by the relevant Servicer pursuant to the terms of the relevant Servicing Agreement is verified to be false or misleading and this could have a material negative effect on the Issuer and/or the Securitisation.

Pursuant to the terms of a back-up servicing agreement (the “**Back-up Servicing Agreement**”), BPVN has agreed to act as back-up servicer (in such capacity, the “**Back-up Servicer**”) and to perform the duties and obligations set forth in each of the Servicing Agreements, in the event of any of the Servicers ceasing to act as Servicer under the relevant Servicing Agreement.

The Back-up Servicer has also undertaken to immediately give instructions to the relevant Debtors to pay any amounts due under the Claims to the BPN Collection Account or the CREBERG Collection Account, as the case may be.

Pursuant to the terms of the Back-up Servicing Agreement, in the event that any of S&P, Moody’s or Fitch has lowered, respectively, to “BBB”, “Baa2” or “BBB”, the rating previously given to BPVN, the Issuer shall enter into a back-up servicing agreement on substantially the same terms and conditions of the Back-up Servicing Agreement with an entity having the characteristics provided by in Clause 12.1 of any of the Servicing Agreements and such an entity shall act as back-up servicer upon the downgrading of BPVN to or below “BBB-”, “Baa3” or “BBB-” by S&P, Moody’s or Fitch, respectively.

Without prejudice to the Back-up Servicer's undertakings under the Back-up Servicing Agreement, the Issuer may appoint a substitute Servicer (other than BPVN), only with (i) the prior written approval of the Representative of the Noteholders and (ii) prior written notice to the Rating Agencies. The substitute servicer:

- (a) shall be a bank operating for at least three years and having one or more branches in the territory of the Republic of Italy; or

- (b) shall be a financial intermediary registered pursuant to article 107 of the Banking Act operating and having one or more branches in the territory of the Republic of Italy, which has proven experience in the management of mortgage loans;
- (c) shall have a software compatible with the management of the Mortgage Loans, provided that each of the Servicers has undertaken to use its best endeavours to ensure the regularity of the performances with respect to the information technology services;
- (d) shall have a reliable and creditworthy financial situation;
- (e) shall have a rating at least equal to the Substitute Servicer Minimum Rating.

The substitute servicer must execute a servicing agreement with the Issuer substantially in the same form of the Servicing Agreement and must accept all the provisions and obligations set out in the Intercreditor Agreement.

Subordination and limited recourse

Each Servicer has agreed that the obligations of the Issuer under the relevant Servicing Agreement are subordinated and limited recourse obligations and will be payable only in accordance with the applicable Priority of Payments.

Governing Law

The Servicing Agreements and the Back-up Servicing Agreement will be governed by and will be construed in accordance with Italian law.

THE OTHER TRANSACTION DOCUMENTS

The description of the Transaction Documents set out below is a summary of certain features of such Transaction Documents and is qualified in its entirety by reference to the detailed provisions of such Transaction Documents. Prospective Noteholders may inspect a copy of such Transaction Documents upon request at the Specified Office of the Representative of the Noteholders and at the Specified Offices of, respectively, the Irish Paying Agent and the Irish Listing Agent.

THE CORPORATE SERVICES AGREEMENT

Duties

On 5 April 2007, the Issuer and the Corporate Services Provider entered into a corporate services agreement in the context of the BPVN Securitisation, as amended and extended on or about the Signing Date (the “**Corporate Services Agreement**”), pursuant to which the Corporate Services Provider has agreed to extend to the Securitisation the administrative services provided by it under the BPVN Securitisation, including, *inter alia*, the organisation of the Issuer’s quotaholder meetings, the safekeeping of the relevant Transaction Documents, and the liaising with independent auditors and the Representative of the Noteholders

Pursuant to the terms of the Corporate Services Agreement, the Corporate Services Provider has agreed to indemnify and hold harmless the Issuer from and against any and all damages and losses incurred by the Issuer arising from any breaches by the Corporate Services Provider of its obligations under the Corporate Services Agreement.

If a termination event of the appointment of the Corporate Services Provider occurs, the Issuer, shall appoint a substitute Corporate Services Provider. Both the termination of the appointment of the Corporate Services Provider and the appointment of the substitute of the Corporate Services Provider shall be made in accordance with the Representative of the Noteholders.

Upon the occurrence of a Trigger Event and subsequent serving of the Trigger Notice to the Issuer, the Corporate Services Provider undertakes to act solely in accordance with the Representative of the Noteholders’ instructions.

In return for the services so provided, the Corporate Services Provider will be entitled to an initial fee and to an ongoing annual remuneration.

Governing law

The Corporate Services Agreement will be governed by and will be construed in accordance with Italian law.

INTERCREDITOR AGREEMENT

Pursuant to an intercreditor agreement entered into on or about the Issue Date, (the “**Intercreditor Agreement**”) between BPN (in any capacity), CREBERG (in any capacity), BPVN (in any capacity), the Representative of the Noteholders (for itself, including in its capacity as Security Trustee, and on behalf of the Noteholders), the Principal Paying Agent, the Italian Account Bank, the Irish Paying Agent, the Irish Listing Agent, the Cash Manager, the Calculation Agent, the Swap Counterparty and the Corporate Services Provider (together other than the Noteholders, the “**Issuer Secured Creditors**”), the Quotaholder and the Issuer, the parties thereto agree to the orders of priority of payments to be made out of the Issuer Available Funds.

Under the terms of the Intercreditor Agreement, the Representative of the Noteholders acts as agent of the Noteholders and the other Issuer Secured Creditors in relation to the Security Documents. The Noteholders and the other Issuer Secured Creditors agree that the cash deriving from time to time from the subject matter of the Security Documents as well as all proceeds from the enforcement thereof shall be applied to satisfy amounts due to each of them in accordance with the applicable Priority of Payments.

In addition, the Issuer shall authorise the Representative of the Noteholders to exercise, in the name of and on behalf of the Issuer, subject to a Trigger Notice being served upon the Issuer following the occurrence of a Trigger Event, all the Issuer's rights arising out of the Transaction Documents to which the Issuer is a party and the Issuer's rights in respect of the Claims and generally to take such action, in the name and on behalf of the Issuer, as the Representative of Noteholders may deem necessary to protect the interests of the Noteholders and the other Issuer Secured Creditors, in respect of the Claims and the Issuer's Rights.

Under the terms of the Intercreditor Agreement, the Issuer has granted, *inter alia*, an irrevocable mandate under Section 1723, second paragraph, of the Italian Civil Code to the Representative of the Noteholders, pursuant to which, subject to a Trigger Notice being served upon the Issuer by the Representative of the Noteholders following the occurrence of a Trigger Event, the Representative of the Noteholders shall be authorised to exercise in the name and for the benefit of the Issuer all the Issuer's Rights arising out of the Transaction Documents to which the Issuer is a party and in respect of the Portfolio, including the right to sell the Portfolio in whole or in part, in the interest of the Noteholders and the other Issuer Secured Creditors. In such event, the Originators shall have a right of first refusal over the Portfolio.

The Intercreditor Agreement provides, *inter alia*, that after the delivery of a Trigger Notice upon the occurrence of a Trigger Event, the Representative of the Noteholders shall be entitled: (i) to cause the Italian Account Bank to transfer all amounts standing to the credit of the Cash Accounts to one or more accounts opened for such purpose by the Representative of the Noteholders in the name of the Issuer with one or more Eligible Institutions; (ii) to cause the Cash Manager to liquidate within 5 days all outstanding Eligible Investments and transfer the amounts deriving from their liquidation to one or more accounts opened for such purpose by the Representative of the Noteholders in the name of the Issuer with one or more Eligible Institutions; (iii) to request each of the Servicers and each of the Originators to transfer all amounts payable to the Issuer under the Transfer Agreements and the Servicing Agreements to one or more accounts opened for such purpose by the Representative of the Noteholders in the name of the Issuer with one or more Eligible Institutions.

Pursuant to Clause 2.3 of the Back-up Servicing Agreement, in the event that any of the Servicers ceases to act as Servicer under the related Servicing Agreement, the Back-up Servicer has agreed to replace such Servicer and to perform the duties and obligations set forth in the relevant Servicing Agreement.

Without prejudice to the Back-up Servicer's undertakings under the Back-up Servicing Agreement, upon the occurrence of any of the circumstances set forth in Clause 11.2(a) of any of the Servicing Agreements, the Issuer will be entitled to terminate the relevant Servicer's appointment on its own absolute discretion and, in particular, upon the occurrence of any of the circumstances set forth in Clause 11.2(a)(i) and Clause 11.2(a)(v) the Issuer shall promptly terminate the Servicer's appointment if so requested in writing by the Representative of the Noteholders and shall appoint a substitute servicer (other than BPVN) substantially in the same terms of the Servicer terminated.

Within the context of the Intercreditor Agreement, the Quotaholder covenants and undertakes with the other parties to the Agreement that: (i) it shall accept receipt of any dividend or distribution of reserve by the Issuer only to the extent that such dividend is permitted under the provisions of the Intercreditor Agreement, the other Transaction Documents and applicable law; (ii) it shall not exercise its voting and Quotaholder's rights and powers in the Issuer in any manner that may be contrary to the provisions of the Intercreditor Agreement or the other Transaction Documents; and (iii) it shall give written notice of any amendments of the Issuer's corporate object, its *statuto* or *atto costitutivo* to the Representative of the Noteholders.

Within the context of the Intercreditor Agreement, in the event one of the following events will occur:

- (i) an order made by any competent judicial authority providing for the winding-up or dissolution of any of the Originators, or for the appointment of a liquidator or receiver, or the admission of any of the Originators to insolvency proceedings, or a resolution passed by any of the Originators with the intention of applying for such proceedings to be initiated; or
- (ii) any action for the purpose of rescheduling the debts of any of the Originators in full or in respect of a material portion thereof, or postponing the maturity dates thereof, the entering into of any extrajudicial arrangement with all or a material portion of the creditors of any of the Originators, the filing of any petition for the suspension of the payments of any of the Originators or the granting by any courts of a moratorium for the fulfilment of the debts of any of the Originators or the enforcement of the securities securing the debts of any of the Originators; or
- (iii) downgrading of BPVN to or below "A2", "Baa1" or "BBB+" by S&P, Moody's or Fitch, respectively (together, the "**Mutuo Alberto Events**"),

BPVN hereby covenants and undertakes with the other Parties that, with reference to the Mortgage Loans named "*Mutuo Alberto*" only:

- (A) in case the Mutuo Alberto Events listed under (i) or (ii) above should occur with reference to BPN and/or CREBERG, BPVN, promptly and in any case within 5 calendar days, build a cash reserve equal to the 50% (fifty per cent.) (the "**Relevant Amount**") of the outstanding balance of each bank account open by the relevant Debtor in connection with the granting of the relevant BPN Mortgage Loan and/or CREBERG Mortgage Loan named "*Mutuo Alberto*". For the avoidance of doubt, the Relevant Amount may not exceed the outstanding amount to be paid by the Debtor in relation to the relevant "*Mutuo Alberto*" BPN Mortgage Loan and/or CREBERG Mortgage Loan; and
- (B) in case the Mutuo Alberto Events listed under (iii) above should occur, shall, promptly and in any case within 30 calendar days, build a cash reserve equal to Relevant Amount of the outstanding balance of each bank account open by the relevant Debtor in connection with the granting of the relevant Mortgage Loan named "*Mutuo Alberto*". For the avoidance of doubt, the Relevant Amount may not exceed the outstanding amount to be paid by the Debtor in relation to the relevant "*Mutuo Alberto*" Mortgage Loan.

The parties to the Intercreditor Agreement have acknowledged and accepted that the Joint-Lead Managers and the Series M Noteholders shall not be liable in respect of any loss, liability, claim, expenses or damages suffered or incurred by any of the Parties as a result of the performance by the Representative of the Noteholders of its duties provided by the Transaction Documents.

In addition, the parties to the Intercreditor Agreement have acknowledged and agreed that, without prejudice to the provisions contained in Clause 3.2(m) of each of the Servicing Agreements and in Clause 18 of the Intercreditor Agreement, in the case of BPVN consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, or recognises, reincorporates or reconstitutes into or as, another entity and, at the time of such consolidation, amalgamation, merger, transfer, reorganisation reincorporation or reconstitution the resulting, surviving or transferee entity to which rights and obligations under the relevant Transaction Documents have been passed, transferred or assigned by operation of law, has a rating not higher than “BBB-”, “Baa3” or “BBB-” by S&P, Moody’s or Fitch, respectively, the Parties shall replace such an entity in any and all the obligations assumed by BPVN under the Transaction Documents with a bank having a rating at least equal to “BBB”, “Baa2” or “BBB” by S&P, Moody’s or Fitch, respectively.

Governing Law

The Intercreditor Agreement will be governed by and will be construed in accordance with Italian law.

DEED OF PLEDGE

Pursuant to a deed of pledge governed by Italian law executed on or about the Issue Date (the “**Deed of Pledge**”) the Issuer, in order to ensure the segregation of the rights of the Issuer, in the event of any possible restrictive interpretation of Law 130 has granted, subject to the delivery of a Trigger Notice, in favour of the Noteholders and the other Issuer Secured Creditors (acting through the Representative of the Noteholders) a first priority pledge over: (i) all monetary claims and rights and all the amounts (including payment for claims, indemnities, damages, penalties, credits and guarantees) to which the Issuer is entitled pursuant to the Transaction Documents (other than the English Deed of Charge and the Swap Agreement) to which the Issuer is a party and (ii) any existing and future monetary claims and rights to any sums credited from time to time to any of the Collection Accounts, the Payments Account, the Expenses Account and the Cash Reserve Account; and (iii) all the Eligible Investments deriving from the funds standing to the credit of the Collection Accounts and the Cash Reserve Account, as the case may be.

The Deed of Pledge will be governed by and will be construed in accordance with Italian law.

ENGLISH DEED OF CHARGE

Pursuant to a deed of charge governed by English law and executed by the Issuer on or about the Issue Date (the “**English Deed of Charge**” and together with the Deed of Pledge, the “**Security Documents**”), the Issuer, in order to ensure the segregation of the rights of the Issuer in the event of any possible restrictive interpretation of Law 130, has assigned and charged in favour of the Security Trustee for itself and on trust for the Issuer Secured Creditors (i) all of the Issuer’s rights, title and interest (present and future) in, to and under the Swap Agreement and (ii) a floating charge over all of the Issuer’s assets which are subject to the assignments or charges described under (i) above and not effectively assigned or charged thereunder.

Governing Law

The English Deed of Charge will be governed by and will be construed in accordance with English law.

ESTIMATED WEIGHTED AVERAGE LIFE OF THE 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 (and this is estimated on the basis of several assumptions). The weighted average life of the Notes will be influenced by, *inter alia*, the actual rate at which the principal of the Loans is paid.

The estimated weighted average life of the Notes cannot be predicted as the actual rate at which the Loans will be repaid and a number of other relevant factors are unknown. The calculations of the estimated weighted average life of the Notes set forth in the table below have been based on certain assumptions including the following:

- i. the Issuer will on any Payment Date falling on or after January 2009 redeem the Notes in whole but not in part at their Principal Outstanding Amount, together with all accrued but unpaid interest thereon up to and including the relevant Payment Date when the Outstanding Principal Portfolio is equal to or less than the lower of 10% of the Outstanding Principal of the Portfolio at the Valuation Date;
- ii. the Issue Date is 29 June 2007;
- iii. the interest rate applicable to a Mortgage Loan will not change on an interest reset date;
- iv. the Proportional Payment Trigger has occurred and is continuing;
- v. there are no Defaulted Loans and no Delinquent Loans and the Mortgage Loans are fully performing at any given time;
- vi. the Claims are subject to a constant annual prepayment at such rates as shown in the tables below, in equal monthly portions starting from the Issue Date;
- vii. redemption on the Notes commences on the Payment Date falling in January 2009;
- viii. no Trigger Events occur in respect of the Notes;
- ix. the Notes are not redeemed in accordance with Condition 6.4 (*Redemption for tax reasons*).

The actual characteristics and performance of the Claims 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 Claims will cause the estimated weighted average life of the Notes to differ (which difference could be material) from the corresponding information in the following table.

<i>Constant prepayment rate (percentage per annum)</i>	<i>Estimated Weighted Average Life (years)</i>			
	<i>Series A1 Notes</i>	<i>Series A2 Notes</i>	<i>Series B Notes</i>	<i>Series C Notes</i>
0%	1.58	10.84	17.37	17.37
2%	1.55	9.21	15.04	15.04
4%	1.55	7.96	13.14	13.14
6%	1.55	6.96	11.67	11.67

8%

1.55

6.15

10.43

10.43

The estimated weighted average life of the Series A1 Notes, the Series A2 Notes, the Series B Notes and the Series C Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates in this section will prove in any way to be realistic and they must therefore be viewed with considerable caution.

TAXATION IN THE REPUBLIC OF ITALY

The statements herein regarding taxation summarise the principal Italian tax consequences of the purchase, the ownership, the redemption and the disposal of the Notes. They apply to a holder of Notes only if such holder purchases its Notes in this offering. It is a general summary that does not apply to certain categories of investors and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. It does not discuss every aspect of Italian taxation that may be relevant to a holder of Notes if such holder is subject to special circumstances or if such holder is subject to special treatment under applicable law.

This summary also assumes that the Issuer is structured and conducts its business in the manner outlined in this Prospectus. Changes in the Issuer's organisational structure, tax residence or the manner in which it conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to Notes is at arm's length.

Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.

The statements herein regarding taxation are based on the laws in force in the Republic of Italy as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid.

It is expected that the Italian Government may in the near future be authorized by the Italian Parliament to amend the tax regime applicable to financial income. In particular, the Government may, *inter alia*, raise the rate applicable to withholding tax on interest payments as well as the rate of the *imposta sostitutiva* and CGT (as defined below) up to 20%.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax 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 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.

1. Interest on the Notes

Section 6, paragraph 1, of the Securitisation Law and the Decree 239 regulate the income tax treatment of interest, premium and other income (including any difference between the redemption amount and the issue price, hereinafter collectively referred to as "**Interest**") from notes having a maturity of eighteen months or more issued by a company incorporated pursuant to the Securitization Law.

1.1. Italian resident Noteholders

Where an Italian resident Noteholder is (i) an individual not engaged in a business activity to which the Notes are effectively connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 12.5% (either when the Interest is paid by the Issuer, or when payment thereof is obtained by the Noteholder on a sale of the relevant Notes). The *imposta sostitutiva* may not be recovered by the Noteholder as a deduction from the income tax due.

If the Notes are held by an investor engaged in a business activity and are effectively connected with the same business activity, the Interest is subject to the *imposta sostitutiva* and is included in the relevant income tax return. As a consequence, the Interest is subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Pursuant to the Decree 239, *imposta sostitutiva* is levied by banks, *società di intermediazione mobiliare* (“SIMs”), *società di gestione del risparmio* (“SGRs”), fiduciary companies, stock exchange agents and other entities identified by the relevant Decrees of the Ministry of Finance (the “Intermediaries”).

An Intermediary must satisfy the following conditions:

- (i) it must be: (a) resident in Italy; or (b) a permanent establishment in Italy of an intermediary resident outside of Italy; or (c) an organisation or company non-resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which includes Euroclear and Clearstream, Luxembourg) having appointed an Italian representative for the purposes of Decree 239; and
- (ii) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes.

In order to levy *imposta sostitutiva*, an Intermediary opens an account (the “*single account*”) to which it credits *imposta sostitutiva* in proportion to Interest accrued. In the event that more than one Intermediary participates in an investment transaction, *imposta sostitutiva* in respect of the transaction is credited to or debited from the single account of the Intermediary having the deposit or investment management relationship with the Noteholder.

Where the Notes are not deposited with an Intermediary, *imposta sostitutiva* is applicable and withheld by any Italian bank or any Italian intermediary paying Interest to a Noteholder.

The *imposta sostitutiva* regime described herein does not apply in cases where the Notes are held in a discretionary investment portfolio managed by an authorized intermediary pursuant to the so-called discretionary investment portfolio regime (“*Risparmio Gestito*” regime as described under paragraph 2, “*Capital Gains*”, below). In such a case, Interest is not subject to *imposta sostitutiva* but contributes to determine the annual net accrued result of the portfolio, which is subject to an ad-hoc substitutive tax of 12.5%.

The *imposta sostitutiva* also does not apply to the following subjects, to the extent that the Notes are deposited in a timely manner, directly or indirectly, with an Intermediary:

- (i) *Corporate investors* - Where an Italian resident Noteholder is a corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected), Interest accrued on the Notes must be included in: (I) the relevant Noteholder’s yearly taxable income for the purposes of corporate income tax (“IRES”), applying at the rate of 33%; and (II) in certain circumstances, depending on the *status* of the Noteholder, also in its net value of production for the purposes of regional tax on productive activities (“IRAP”), generally applying at the rate of 4.25%. Said Interest is therefore subject to general Italian corporate taxation according to the ordinary rules;
- (ii) *Investment funds* - Italian investment funds (including a *Fondo Comune d’Investimento*, or a SICAV, as well as Luxembourg investment funds regulated by article 11-bis of Law Decree

No. 512 of 30 September 1983, collectively, the “**Funds**”) are subject to a 12.5% substitutive tax on their annual net accrued result. Interest on the Notes is included in the calculation of such annual net accrued result.

- (iii) *Pension funds* - Pension funds (subject to the tax regime set forth by Legislative Decree No. 252 of 5 December 2005, the “**Pension Funds**”) are subject to an 11% substitutive tax on their annual net accrued result. Interest on the Notes is included in the calculation of such annual net accrued result; and
- (iv) *Real estate investment funds* - Interest payments in respect of the Notes to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (the “**Real Estate Investment Funds**”) are generally subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the same Real Estate Investment Funds.

1.2. Non-Italian resident Noteholders

An exemption from *imposta sostitutiva* is provided with respect to certain beneficial owners of the Notes resident outside of Italy, not having a permanent establishment in Italy to which the Notes are effectively connected. In particular, pursuant to the Decree 239 the aforesaid exemption applies to any beneficial owner of an Interest payment relating to the Notes who (i) is resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Republic of Italy; or (ii) is an international body or entity set up in accordance with international agreements which have entered into force in the Republic of Italy; or (iii) is the Central Bank or an entity also authorised to manage the official reserves of a country; or (iv) is an institutional investor which is established in a country which allows for a satisfactory exchange of information with the Republic of Italy, even if it does not possess the *status* of taxpayer in its own country of establishment (each, a “**Qualified Noteholder**”).

The exemption procedure for Noteholders who are non-resident in Italy and are resident in qualifying countries identifies two categories of intermediaries:

- (i) an Italian or foreign bank or financial institution (there is no requirement for the bank or financial institution 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 (as defined below); and
- (ii) an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via computerized link, with the Italian tax authorities (the “**Second Level Bank**”). Organisations and companies non-resident in Italy, acting through a system of centralized 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 Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree no. 58 of 24 February 1998) for the purposes of the application of Decree 239.

In the event that a 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.

The exemption from the *imposta sostitutiva* for Noteholders who are non-resident in Italy is conditional upon:

- (a) the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and
- (b) the submission to the First Level Bank or the Second Level Bank of a statement of the relevant Noteholder (*autocertificazione*), to be provided only once, in which it declares that it is eligible to benefit from the exemption from *imposta sostitutiva*. Such statement must comply with the requirements set forth by a Ministerial Decree dated 12 December, 2001, is valid until withdrawn or revoked and needs not to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in the Republic of Italy or Central Banks or entities also authorized to manage the official reserves of a State.

1.3. Early Redemption

Without prejudice to the regime described above, if the Notes are subject to an early redemption within eighteen months from the issue date, a tax is payable by the Issuer at the rate of 20% in respect of Interest accrued thereon up to the date of such early redemption, pursuant to Article 26, paragraph 1, of Presidential Decree No. 600 of 29 September, 1973, as amended. Pursuant to one interpretation of Italian tax law, this 20% additional tax may also be due in the event that the Issuer were to purchase the Notes and subsequently cancel them prior to the aforementioned eighteen-month period.

2. Capital Gains

2.1. Italian resident Noteholders

Pursuant to Legislative Decree No. 461 of 21 November, 1997, as amended, a 12.5% capital gains tax (the “CGT”) is applicable to capital gains realized on any sale or transfer of the Notes for consideration or on redemption thereof by Italian resident individuals (not engaged in a business activity to which the Notes are effectively connected), regardless of whether the Notes are held outside of Italy.

For the purposes of determining the taxable capital gain, any Interest on the Notes accrued and unpaid up to the time of the purchase and the sale of the Notes must be deducted from the purchase price and the sale price, respectively.

Taxpayers can opt for one of the three following regimes:

- (a) Tax return regime (“**Regime della Dichiarazione**”) - The Noteholder must assess the overall capital gains realized in a certain fiscal year, net of any incurred capital losses, in his annual income tax return and pay the CGT so assessed together with the income tax due for the same fiscal year. Losses exceeding gains can be carried forward into following fiscal years up to the fourth following fiscal year. Since this regime constitutes the ordinary regime, the taxpayer must apply it to the extent that he does not opt for any of the two other regimes;
- (b) Non-discretionary investment portfolio regime (“**Risparmio Amministrato**”) - The Noteholder may elect to pay the CGT separately on capital gains realized on each sale, transfer or redemption of the Notes. Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs or other authorized intermediaries and (ii) an express election for the *Risparmio Amministrato* regime being

made in writing by the relevant Noteholder. The *Risparmio Amministrato* lasts for the entire fiscal year and unless revoked prior to the end of such year will be deemed valid also for the subsequent one. The intermediary is responsible for accounting for the CGT in respect of capital gains realized on each sale, transfer or redemption of the Notes, as well as in respect of capital gains realized at the revocation of its mandate. The intermediary is required to pay the relevant amount to the Italian tax authorities by the 16th day of the second month following the month in which the CGT is applied, by deducting a corresponding amount from the proceeds to be credited to the Noteholder. Where a particular sale, transfer or redemption of the Notes results in a net loss, the intermediary is entitled to deduct such loss from gains subsequently realized on assets held by the Noteholder with the same intermediary and within the same deposit relationship, in the same fiscal year or in the following fiscal years up to the fourth following fiscal year. The Noteholder is not required to declare the gains in his annual income tax return; and

- (c) Discretionary investment portfolio regime ("**Risparmio Gestito**") - If the Notes are part of a portfolio managed by an Italian asset management company, capital gains are not subject to the CGT, but contribute to determine the annual net accrued result of the portfolio. Such annual net accrued result of the portfolio, even if not realized, is subject to an ad-hoc 12.5% substitutive tax, which the asset management company is required to levy on behalf of the Noteholder. Any losses of the investment portfolio accrued at year end may be carried forward against net profits accrued in each of the following fiscal years, up to the fourth following fiscal year. Under such regime the Noteholder is not required to declare the gains in his annual income tax return.

The aforementioned regime does not apply to the following subjects:

- (A) *Corporate investors* - Capital gains realized on the Notes by Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) form part of their aggregate income subject to IRES. In certain cases, capital gains may also be included in the taxable net value of production of such entities for IRAP purposes. The capital gains are calculated as the difference between the sale price and the relevant tax basis of the Notes. Upon fulfilment of certain conditions, the gains may be taxed in equal instalments over up to five fiscal years both for IRES and for IRAP purposes.
- (B) *Funds* - Capital gains realized by the Funds on the Notes contribute to determine their annual net accrued result, which is subject to a 12.5% substitutive tax (see under paragraph 1.1. "*Italian Resident Noteholders*", above).
- (C) *Pension Funds* - Capital gains realized by Pension Funds on the Notes contribute to determine their annual net accrued result, which is subject to an 11% substitutive tax (see under paragraph 1.1., "*Italian Resident Noteholders*", above).
- (D) *Real Estate Investment Funds* - Capital gains realized by Real Estate Investment Funds on the Notes are not taxable at the level of same Real Estate Investment Funds (see under paragraph 1.1., "*Italian Resident Noteholders*", above).

2.2. Non Italian resident Noteholders

Capital gains realized by non-resident Noteholders (not having permanent establishment in Italy to which the Notes are effectively connected) on the disposal or redemption of the Notes are not subject to tax in Italy, regardless of whether the Notes are held in Italy, subject to the condition that the Notes are listed in a regulated market in Italy or abroad.

Should the Notes not be listed in a regulated market as indicated above, the aforesaid capital gains would be subject to tax in Italy, if the Notes are held by the non-resident Noteholder therein. Pursuant to Article 5 of Legislative Decree No. 461 of 21 November, 1997, an exemption, however, would apply with respect to beneficial owners of the Notes, which are Qualified Noteholders.

In any event, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a tax treaty with Italy providing that capital gains realized upon sale or redemption of Notes are taxed only in the country of tax residence of the recipient, will not be subject to tax in Italy on any capital gains realized upon sale for consideration or redemption of the Notes.

3. Transfer Taxes

Pursuant to Royal Decree No. 3278 of 30 December, 1923, Legislative Decree No. 435 of 21 November, 1997 and Ministerial Circular No. 106/E of 21 December, 2001 the transfer of the Notes (either (a) by or between Italian residents or (b) by or between non-Italian residents) may be subject to stamp duty tax (*tassa sui contratti di borsa*) as described below:

- (i) Contracts entered into directly between private parties or with the participation of entities other than banks and persons who are authorised to perform investment services pursuant to Legislative Decree No. 58 of 24 February, 1998, or stockbrokers (the “*Authorised Intermediaries*”): Euro 0.0083 for each Euro 51.65 (or a fraction thereof) of the price of the Notes.
- (ii) Contracts between private parties, with the participation of Authorised Intermediaries, or between private parties and Authorised Intermediaries: Euro 0.00465 for each Euro 51.65 (or fraction thereof) of the price of the Notes.
- (iii) Contracts between Authorised Intermediaries: Euro 0.00465 for every Euro 51.65 (or fraction thereof), of the price of the Notes.

In cases under (ii) and (iii) above, the amount of transfer tax payable cannot exceed Euro 929.62 for each transaction or repurchase agreement.

However, transfer tax is not levied in the following cases:

- (i) contracts entered into on regulated markets;
- (ii) contracts relating to securities which are admitted to listing in the regulated markets and finalized outside such markets and entered into:
 - (a) between Authorised Intermediaries;
 - (b) between Authorised Intermediaries and non-residents;
 - (c) between Authorised Intermediaries, also non-resident, and undertakings for collective investments in transferable securities;
- (iii) contracts relating to public offers for the admission to listing on regulated markets or relating to securities already admitted to listing on such markets;
- (iv) contracts having a consideration not higher than Euro 206.58; and
- (v) securities lending transactions and any contracts having the same economic purpose.

4. Inheritance and Gift Tax

According to Law No. 383 of 18 October, 2001, Italian inheritance and gift tax, previously generally payable on transfer of securities by gift or death, was abolished as of 25 October, 2001.

Pursuant to Law Decree No. 262 dated 3 October 2006 (converted, with amendments, by Law No. 286 of November 24, 2006), as amended by Law No. 296 of December 27, 2006, inheritance and gift taxes have been re-introduced in the Italian system. Such taxes will apply on the overall net value of the relevant assets, at the following rates, depending on the relationship between the testate (or donor) and the beneficiary (or donee): (a) 4%, if the beneficiary (or donee) is the spouse or a direct ascendant or descendant (such rate only applying on the net asset value exceeding, for each person, Euro 1 million); (b) 6% if the beneficiary (or donee) is another relative within the fourth degree or a direct relative-in-law as well an indirect relative-in-law within the third degree; (c) 6%, if the beneficiary (or donee) is a brother or sister (such rate only applying on the net asset value exceeding, for each person, Euro 100,000); (c) 8% if the beneficiary is a person, other those mentioned other (a), (b) and (c), above. In case the beneficiary has a serious disability, inheritance and gift taxes will apply on its portion of the net asset value exceeding Euro 1.5 million

Moreover, an anti-avoidance rule is provided for by Law No. 383/2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to CGT. 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 CGT on capital gains as if the gift had not been made.

5. Tax Monitoring

Pursuant to Law Decree No. 167 of 28 June, 1990, converted by Law No. 227 of 4 August, 1990, as amended, individuals resident in Italy who, at the end of the fiscal year, hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). Such obligation is not provided if, *inter alia*, each of the overall value of the foreign investments or financial activities held at the end of the fiscal year, and the overall value of the related transfers carried out during the relevant fiscal year, does not exceed Euro 12,500. Pursuant to Ministerial Decree of 15 June 2007, entered into force on 25 June 2007, such threshold has been lowered to Euro 10,000.

6. EU Directive on the Taxation of Savings Income

The European Union has adopted a Directive regarding the taxation of savings income in the form of interest payments (Council Directive 2003/48/EC of 3 June 2003). Under the Directive Member States are required from 1 July 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to an individual in another Member State, except that Belgium, Luxembourg and Austria may instead impose a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period will 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.

Also with effect from 1 July 2005, a number of non-EU countries, and certain dependent or associated territories of certain Member States, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their jurisdiction to, or collected by such a person for, an individual resident in a Member

State. In addition, the Member States have entered into reciprocal provisions of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a paying agent in a Member State to, or collected by such a paying agent for, an individual resident in one of those territories.

The Directive has been implemented in Italy by Legislative Decree No. 84 of 18 April 2005. Pursuant to said decree Italian paying agents (e.g., banks, SIMs, SGRs, financial companies and fiduciary companies resident in Italy for tax purposes, permanent establishments in Italy of non-resident persons as well as any other person resident in Italy for tax purposes paying interest for professional or commercial reasons) shall report to the Italian tax authorities details of interest payments made from 1 July 2005 to individuals which qualify as beneficial owners thereof and are resident for tax purposes in another EU Member State. Such information will be transmitted by the Italian tax authorities to the competent authorities of the State of residence of the beneficial owner of the interest payment by 30th June of the fiscal year following the fiscal year in which said interest payment is made.

Noteholders who are individuals and receive Interest on the Notes should note that additional amounts which, at present, may become due as described in Condition 8 ("*Taxation*") above would not be due in respect of withholding tax imposed under or pursuant to the Directive, or any law implementing or complying with, or introduced in order to conform to, the Directive.

Prospective investors resident in a Member State of the European Union should consult their own legal or tax advisers regarding the consequences of the Directive in their particular circumstances.

SUBSCRIPTION AND SALE

UBS Limited and Banca Aletti & C. S.p.A. (collectively the “**Joint-Lead Managers**”) have entered into on 27 June 2007 a subscription agreement with the Issuer, the Representative of the Noteholders, Banca Popolare di Novara S.p.A and Credito Bergamasco S.p.A. (the “**Senior Notes Subscription Agreement**”), whereby the Joint-Lead Managers have agreed, *inter alia*, to subscribe and pay, or procure the subscription and payment, for each Series of the Senior Notes at the issue price of 100 per cent. of the aggregate principal amount of the Senior Notes.

Banca Popolare di Novara S.p.A and the Issuer have entered into on 27 June 2007 a subscription agreement (the “**BPN Junior Notes Subscription Agreement**”), whereby, *inter alia*, Banca Popolare di Novara S.p.A has agreed to subscribe and pay, or procure the subscription and payment, for the Junior Notes at the issue price of 104.60 per cent. of the aggregate principal amount of the Junior Notes.

Credito Bergamasco S.p.A. and the Issuer have entered into on 27 June 2007 a subscription agreement (the “**CREBERG Junior Notes Subscription Agreement**”), whereby, *inter alia*, Credito Bergamasco S.p.A. has agreed to subscribe and pay, or procure the subscription and payment, for the Junior Notes at the issue price of 104.60 per cent. of the aggregate principal amount of the Junior Notes.

Under the provisions of the Senior Notes Subscription Agreement the Issuer will, *inter alia*, reimburse the Joint-Lead Managers in respect of certain of its expenses. Pursuant to the terms of the Senior Notes Subscription Agreement, the Issuer, Banca Popolare di Novara S.p.A and Credito Bergamasco S.p.A. have agreed to indemnify the Joint-Lead Managers against certain liabilities in connection with the issue and offering of the Notes.

The Subscription Agreements may be terminated in certain circumstances prior to payment of the Issuer.

United States of America

The Notes have not been and will not be 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, a U.S. person except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes 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 certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Joint-Lead Managers and the Junior Noteholders have represented and agreed that they have not offered or sold the Notes and will not offer or sell any Notes constituting part of their allotment within the United States or to, or for the benefit of, a U.S. Person except in accordance with Rule 903 of Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until the expiration of 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by any dealer, distributor or other person (whether or not participating in this offering) may violate the requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the

Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

Republic of Italy

The Joint-Lead Managers and the Junior Noteholders understand that the Notes have not been registered pursuant to Italian securities legislation. Accordingly, the Joint-Lead Managers and the Junior Noteholders have represented and agreed that:

- (a) they have not offered, sold or delivered and will not offer, sell or deliver any Notes in the Republic of Italy in a solicitation of the public at large, and that, save as provided below, sale of the Notes by the Joint-Lead Managers and the Junior Noteholders in the Republic of Italy shall only be made to an Italian resident who submits an unsolicited offer to purchase the Notes and shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations; and
- (b) the Notes may not be offered, sold, transferred or delivered and neither the Prospectus, the Prospectus nor any other offering material relating to the Notes may be distributed or made available in the Republic of Italy except to “Professional Investors” (*operatori qualificati*), as defined in Article 31.2 of Consob Regulation No. 11522 of 1 July, 1998 (as amended, restated or substituted from time to time) (“**Regulation No. 11522**”), pursuant to Article 30.2 and Article 100 of the Legislative Decree No. 58 of 24 February, 1998 (“**Decree No. 58**”), or in any other circumstances where an express exemption from compliance with the solicitation restriction, provided by Decree No. 58 or Consob Regulation No. 11971 of 14 May, 1999 (as amended, restated or substituted from time to time) (“**Regulation No. 11971**”) applies, provided, however, that: (i) such activities are carried out by a securities intermediary duly authorised to conduct such activities in the Republic of Italy and in accordance with applicable Italian securities laws and any other applicable legal or regulatory requirements, including, *inter alia*, Decree No. 58, Regulation No. 11522, the Italian Banking Act and Regulation No. 11971, all as amended, restated and/or substituted from time to time; and (ii) following the issuance, the applicable requirements for notices to the Bank of Italy under Article 129 of the Italian Banking Act, and the Bank of Italy’s instructions issued thereunder, if any, are fully complied with.

The Joint-Lead Managers and the Junior Noteholders have acknowledged and agreed that:

- (i) no action has or will be taken by it which would allow an offering (nor 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;
- (ii) no application has been made by it to obtain an authorisation from Consob for the public offering of the Notes in the Republic of Italy; and
- (iii) if the Notes offered or sold to Professional Investors are subsequently transferred or sold (including, upon the occurrence of certain circumstances, in the context of unsolicited offers to purchase) to investors not qualifying as Professional Investors (the “**Retail Investor(s)**”), pursuant to Article 100-bis of Decree No. 58 the subsequent transfer must comply with the requirements set forth by Decree No. 58, and in particular an information document (*documento informativo*) containing the information prescribed by Consob must be delivered to the Retail Investor(s).

United Kingdom

The Joint-Lead Managers and the Junior Noteholders have each, pursuant to the relevant Subscription Agreements, represented and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“FMSA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

The Joint-Lead Managers and the Junior Noteholders have each, pursuant to the relevant Subscription Agreements, represented and agreed with the Issuer that in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), 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 Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time 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;
- (c) at any time 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 EUR 43,000,000 and (3) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the 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.

France

Each of the Joint-Lead Managers and the Issuer have represented that they have not offered or sold and they will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France and they have not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France the Prospectus or any other offering material relating to the Notes and such offer, sales and distribution of Notes have been and will be made in the Republic of France only to (i) persons providing investment services relating to portfolio management for the account of third parties, and/or qualified investors (*investisseurs qualifiés*) as defined in accordance with Articles L. 411-1, L. 411-2 and D. 411-1 to D.411-3 of the French Code *monétaire et financier*.

The Netherlands

Each of the Joint-Lead Managers and the Issuer have represented that any Notes acquired by them may not be offered or sold by them or any dutch resident purchaser of the Notes except in accordance with the restrictions referred to in the following paragraph.

This Prospectus may not be distributed and the Notes may not be offered or sold as part of their initial distribution or at any time thereafter, directly or indirectly, in The Netherlands other than to the following entities referred to as "Professional Market Parties" or "PMPs" provided they acquire the Notes for their own account:

- (i) banks, insurance companies, securities firms, collective investment institutions or pension funds that are (a) supervised or licensed in The Netherlands or (b) established in a European Economic area Member State (other than The Netherlands) and are subject to prudential supervision in their country of establishment;
- (ii) collective investment institutions which offer their shares or participations exclusively to professional investors (or, as far as foreign investment institutions are concerned, those that are not required to be supervised or licensed under Netherlands law) and are not required to be supervised or licensed under Dutch law;
- (iii) the Dutch government (the "*Staat der Nederlanden*"), the Dutch Central Bank ("*the Nederlandsche Bank N.V.*"), a foreign government body being part of a central government, foreign central banks, Dutch or foreign regional local or other decentralized governmental institutions, international treaty organisation and supranational organisations;
- (iv) enterprises or entities with total assets of at least euro 500.000.000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Notes;
- (v) enterprises, entities or natural persons, with a net equity ("*eigen vermogen*") of at least euro 10.000.000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Notes and who or which have been active in the financial markets on average twice a month over a period of at least two consecutive years preceding such date;
- (vi) subsidiaries of the entities referred to under (i) above, provided such subsidiaries are subject to prudential supervision;
- (vii) enterprises or entities that have a credit rating from an approved rating agency or whose securities have such a rating; and

- (viii) such other entities designated by the competent Neetherlands authorities after the date hereof by any amendment of the applicable regulations.

General

Each of the Joint-Lead Managers, the Junior Noteholders and the Issuer have represented that no action has been taken by them that would, or is intended to, permit a public offer of the Notes or possession or distribution of the Prospectus or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, pursuant to the Subscription Agreements, the Joint-Lead Managers and the Junior Noteholders have undertaken that they will not, directly or indirectly, offer or sell any Notes or have in their possession, distribute or publish the Prospectus or any prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of their knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by them will be made on the same terms.

GENERAL INFORMATION

Authorisation

The issue of the Notes has been authorised by resolution of the board of directors of the Issuer passed on 19 June 2007.

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Funds available to the Issuer

The principal source of funds available to the Issuer for the payment of interest and the repayment of principal on the Notes will be from collections made in respect of the Portfolio.

Approval, Listing and Admission to trading of the Notes

Application has been made to the Irish Financial Services Regulatory Authority (the “**IFSRA**”) as competent authority under the Directive 2003/71/EC (the “**Prospectus Directive**”) for the approval of the Prospectus. Application has been made to the Irish Stock Exchange for the Notes to be listed in accordance with the Prospectus Directive and to be admitted to trading on the regulated market of the Irish Stock Exchange.

Clearing systems

The Notes have been accepted for clearance through Monte Titoli by Euroclear and Clearstream, Luxembourg. Monte Titoli shall act as depository for Euroclear and Clearstream, Luxembourg. The ISINs and the Common Codes for the Notes are as follows:

	Series A1 Notes	Series A2 Notes	Series B Notes	Series C Notes	Series M1 Notes	Series M2 Notes
Common Code:	030517199	030517270	030517385	030517563	030517792	030517075
ISIN:	IT0004239346	IT0004239353	IT0004239379	IT0004239395	IT0004239403	IT0004239429

No significant change

Save as disclosed in this Prospectus, there has been no significant change in the financial or trading position of the Issuer since 31 December 2006, and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2006.

No material contracts or arrangements, other than those disclosed in this Prospectus, have been entered into by the Issuer since the date of its incorporation.

Legal and arbitration proceedings

The Issuer is not involved in any legal, governmental or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, since its incorporation significant effects on the financial position or profitability of the Issuer.

Conflicts of Interest

There are no restrictions on the Joint-Lead Managers, *inter alia*, acquiring the Notes and/or financing to or for third parties. Consequently, conflicts of interest may exist or may arise as a result of the Joint-Lead Managers having different roles in this transaction and/or carrying out other transactions for third parties.

Accounts

The Issuer will produce, and will make available at its registered office, proper accounts (*ordinata contabilità interna*) and audited (to the extent required) financial statements in respect of each financial year (commencing on 1 January and ending on 31 December, the next such accounts to be prepared being those in respect of the financial year has ended on 31 December 2006) but will not produce interim financial statements.

Deloitte & Touche S.p.A., with its registered address at via Tortona, 25, Milan, are the independent auditors of the Issuer, they are registered in the special register (*albo speciale*) for auditing companies (*società di revisione*) provided for by article 161 of legislative decree No. 58 of 1998 and have prepared an auditors' report on the Issuer (included in section "The Issuer" in this Prospectus). Deloitte & Touche S.p.A. belongs to ASSIREVI - *Associazione Italiana Revisori Contabili*. Deloitte & Touche S.p.A. has given and not withdrawn their written consent to the issue of this Prospectus and the inclusion herein of their report and have authorised the contents of that part of this Prospectus.

Borrowings

Save as disclosed in this document, as at the date of this document, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer created any mortgages or charges or given any guarantees.

Documents

As long as the Notes are listed on the Irish Stock Exchange, copies of the following documents will, when published, be available in physical form for inspection free of charge during usual office hours on any Business Day (excluding public holidays) at the registered office of the Issuer and the Specified Office of the Representative of the Noteholders and the Irish Paying Agent (as set forth in Condition 14 (*Notice to Noteholders*)):

- (a) the by-laws (*statuto*) and the deed of incorporation (*atto costitutivo*) of the Issuer;
- (b) the annual audited (to the extent required) financial statements of the Issuer. The first annual financial reports will relate to the financial year ended on 31 December 2006. The financial statements and the financial reports are drafted in Italian;
- (c) the Investor Reports;
- (d) the Quarterly Report setting forth the performance of the Claims and Collections made in respect of the BPN Portfolio and the CREBERG Portfolio prepared by BPN and CREBERG, respectively, as Servicers; and
- (e) copies of the following documents:
 - (i) the Cash Management, Calculation and Agency Agreement;

- (ii) the Swap Agreement;
- (iii) the Intercreditor Agreement;
- (iv) the English Deed of Charge;
- (v) the Deed of Pledge;
- (vi) the Corporate Services Agreement;
- (vii) the Transfer Agreements;
- (viii) the Servicing Agreements;
- (ix) the Back-up Servicing Agreement; and
- (x) the Prospectus.

Any references to websites and website addresses (and the contents thereof) do not form part of this Prospectus.

As long as the Notes are listed on the Irish Stock Exchange, this Prospectus will be published on the internet site of the IFSRA www.ifsra.ie.

Notes freely transferable

The Notes shall be freely transferable.

Annual fees

The estimated annual fees and expenses payable by the Issuer in connection with the transaction described herein (inclusive of the total expenses related to the admission to trading, being equal to approximately € 5,782.40) amount to approximately € 100,000, excluding all fees payable to the Servicers under each of the Servicing Agreements, plus any VAT if applicable.

GLOSSARY

Acceding Party: means, pursuant to the Deed of Pledge, any other party which may become party to the Deed of Pledge by signing an Accession Letter.

Accession Letter: means the letter set out in Schedule 4 of the Deed of Pledge, to permit to any other relevant party to become party to the Deed of Pledge.

Additional Return: means each of the Series M1 Notes Additional Return and the Series M2 Notes Additional Return.

Agents: means, jointly, the Cash Manager, the Principal Paying Agent, the Italian Account Bank, the Irish Listing Agent, the Irish Paying Agent and the Calculation Agent and Agent means each of them.

Amortisation Date (*Data di Rimborso dei Titoli*): means 20 January 2009, being the date starting from the eighteenth month from the Issue Date.

Amortisation Period (*Periodo di Rimborso*): means the period starting from the Amortisation Date.

Annual Default Level: means, at any Calculation Date, the ratio equivalent to the fraction: (a) the numerator of which is the aggregate Outstanding Principal of all the Claims which have become Defaulted Claims during the Collection Period immediately preceding such Calculation Date and the three immediately preceding Collection Periods; and (b) the denominator of which is the arithmetic mean of the Outstanding Principal of the Claims comprised in the Performing Collateral Portfolio at the beginning of such four Collection Periods.

Auditors (*Revisori*): means Deloitte & Touche S.p.A. a company established and operating as a joint stock company (*società per azioni*) whose registered office is at via Tortona, 25, Milano, Italy.

Back-up Servicing Agreement: means the back-up servicing agreement entered into on the Signing Date between the Issuer, the Servicers and the Back-up Servicer pursuant to which the Back-up Servicer has agreed to replace each of the Servicers, as the case may be, and to perform the duties and obligations set forth in the relevant Servicing Agreement, in the event of any of the Servicers ceasing to act as Servicer under the related Servicing Agreement.

Back-up Servicer (*Sostituto del Servicer*): means BPVN and any of its successors or assignees.

Banca Aletti: means Banca Aletti & C. S.p.A. a bank established and operating as a joint stock company (*società per azioni*) whose registered office is at via Santo Spirito, 14, Milan, Italy.

Bank of Italy Instructions: means the *Istruzioni di Vigilanza per le Banche*, the “*manuale per la Matrice dei Conti*” and, more generally, any other regulation from time to time issued by the Bank of Italy and applicable to banks, as subsequently amended and supplemented.

Bankruptcy Proceedings (*Procedure Concorsuali*): means the Insolvency Proceedings and any other bankruptcy procedure applicable to any Debtor, starting from the Transfer Date.

BNY Financial Services: means BNY Financial Services Plc, a company incorporated under the laws of Ireland, having its registered office is at 30 Herbert St, Dublin 2, Republic of Ireland.

BNY, London Branch: means The Bank of New York, London Branch, a banking institution registered with the Companies' Register of England and Wales, having its registered office at One Canada Square, E14 5AL London, United Kingdom.

BNY, Milan Branch: means The Bank of New York, (Luxembourg) S.A., Milan Branch, a bank incorporated under the laws of the Grand Duchy of Luxembourg, with registered office at Senningerberg, Aerogolf Center, 1A Hoehenhof - Luxembourg, Grand Duchy of Luxembourg registered with the Companies' Register of Milan under No. 05694250969, acting through its Milan branch at Via Carducci, 31 - 20123 Milano and registered with the register pursuant to article 13 of the Italian Banking Act as a *filiale di banca estera* under No. 5662 and with ABI code 3351.4.

BNY Trustee: means BNY Corporate Trustee Services Limited, a company incorporated under the laws of England and Wales whose specified office is at One Canada Square, London E14 5AL, United Kingdom.

Borrowers (*Beneficiari*): means the borrowers of one or more Mortgage Loan and its permitted successors or assignees.

BPN Claims (*Crediti BPN*): means any claim deriving from or arising from the BPN Mortgage Loans, including, without limitation:

- (a) claims relating to:
 - (i) principal due in connection with the BPN Mortgage Loans;
 - (ii) interest arising from or in connection with the BPN Mortgage Loans accrued (but not yet paid);
 - (iii) contractual interest, legal interest, default interest to accrue on the BPN Mortgage Loans;
 - (iv) refund of expenses to accrue and already accrued (including, without limitation, legal and judicial expenses), costs, penalties and indemnities arising in connection with the BPN Mortgage Loans;
 - (v) any other amount accrued or to accrue in favour of BPN in connection with the BPN Mortgage Loans, the BPN Mortgage Loan Agreements and the related Collateral Security;
 - (vi) monetary claims arising from the enforcement of Collateral Security;
 - (vii) the monetary claims and all amounts deriving from any Bankruptcy Proceedings and Enforcement Procedures;
- (b) any other claim arising from or connected with the BPN Mortgage Loans or the BPN Mortgage Loan Agreements, including, without limitation, claims *vis-à-vis* Debtors for damages compensation;
- (c) any other legal or contractual right or action of BPN in connection with the BPN Claims, the BPN Mortgage Loans, the related Collateral Security and/or any other act, contract or document relating to or connected with such claims to the extent that they may be transferred pursuant to Securitisation Law;
- (d) the claims of BPN *vis-à-vis* third parties for damages compensation deriving from third parties' activities in relation to the BPN Claims, the BPN Mortgage Loans, the related Collateral Security or the underlying subject.

BPN Collection Account (*Conto Incassi BPN*): means the Euro denominated account No. 53201189780, established in the name of the Issuer, held in Italy with the Italian Account Bank, for so long as the Italian Account Bank qualifies as an Eligible Institution, pursuant to the Cash Management, Calculation and Agency Agreement for the deposit of all amounts collected and/or recovered by BPN in respect of the BPN Claims pursuant to the BPN Servicing Agreement.

BPN Collection Policies (*Procedura di Riscossione BPN*): means the procedures set forth in Schedule 1 of the BPN Servicing Agreements pursuant to which BPN shall carry out the collection, management and the recovery of the Instalments and any other amount due in connection with the BPN Claims and the BPN Mortgage Loans Agreements.

BPN Collections (*Incassi BPN*): means any and all amounts collected by BPN in respect of the BPN Claims.

BPN Credit Policies (*Procedura di Erogazione BPN*): means the activities and the procedures followed by BPN in the granting of the BPN Mortgage Loans under the Schedule A to the BPN Transfer Agreement.

BPN Defaulted Claims (*Crediti BPN in sofferenza*): means the BPN Claims (i) having unpaid Instalments for more than 180 days; or (ii) classified as BPN Defaulted Claims by BPN, in the name and on behalf of the Issuer, in compliance with the Bank of Italy Instructions, as modified from time to time, and with the BPN Collection Policies.

BPN Delinquent Claims (*Crediti BPN in Ritardo*): means the BPN Claims having unpaid Instalments for more than 120 days and not classified as BPN Defaulted Claims.

BPN Eligibility Criteria (*Criteri BPN*): means the objective criteria to be met by the BPN Claims, as set out in Schedule 1 of the BPN Transfer Agreement on the basis of which the BPN Claims are selected.

BPN Eligible Investments: means the Eligible Investments deriving from the investment of funds standing to the credit of the BPN Collection Account and the Cash Reserve Account.

BPN Fondiario Mortgage Loan (*Mutuo Fondiario BPN*): means each mortgage loan which qualify as a *mutuo fondiario* (medium-long term loans secured by mortgages on real estate, issued by a bank in accordance with the provisions of Section 38 and following of the Italian Banking Act), identified by BPN as "*Fondiario*" in the list of loans contained in Schedule 2 of the BPN Transfer Agreement, whose BPN Claims are transferred to the Issuer pursuant to the BPN Transfer Agreement.

BPN Fondiario Mortgage Loan Agreement (*Contratto di Mutuo Fondiario BPN*): means each contractual document setting out the terms and conditions governing each BPN *Fondiario* Mortgage Loan and any related Mortgage, Insurance Policy and Collateral Security.

BPN Individual Purchase Price (*Prezzo di Acquisto Individuale BPN*): means, pursuant to Clause 3.1 of the BPN Transfer Agreement, the purchase price of the BPN Claims arising from each BPN Mortgage Loan, which shall be equal to the Initial Outstanding Amount under the relevant BPN Mortgage Loan, increased of the interest accrued but not yet payable up to the Valuation Date (included), as indicated in Schedule 2 of the BPN Transfer Agreement.

BPN Interim Collection Account (*Conto Incassi Provvisorio BPN*) means the Euro denominated interim collection account opened in the name of BPN, exclusively dedicated to the Securitisation, for the deposit of all the amounts owed by the Borrowers in respect of the BPN Claims to be

transferred by BPN into the BPN Collection Account on the first Business Day following the day on which such amounts have been collected or recovered in accordance with the BPN Collection Policies.

BPN Ipotecario Mortgage Loan (*Mutuo Ipotecario BPN*): means each mortgage loan (*mutuo ipotecario*) which do not qualify as a BPN *Fondiaro* Mortgage Loan, identified by BPN as “*Ipotecario*” in the list of loans contained in Schedule 2 of the BPN Transfer Agreement, whose BPN Claims are transferred to the Issuer pursuant to the BPN Transfer Agreement.

BPN Ipotecario Mortgage Loan Agreement (*Contratto di Mutuo Ipotecario BPN*): means each contractual document setting out the terms and conditions governing each BPN *Ipotecario* Mortgage Loan and any related Mortgage, Insurance Policy and Collateral Security.

BPN Junior Notes Subscription Agreement (*Contratto di Sottoscrizione dei Titoli M1*): means the subscription agreement for the subscription of the Series M1 Notes entered into on or about the Issue Date between the Issuer, BPN and the Representative of the Noteholders, 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.

BPN Mortgage Loan (*Mutuo BPN*): means each BPN *Fondiaro* Mortgage Loan or BPN *Ipotecario* Mortgage Loan listed in Schedule 2 to the BPN Transfer Agreement whose BPN Claims have been transferred to the Issuer pursuant to the BPN Transfer Agreement and **BPN Mortgage Loans** (*Mutui BPN*) means all of them.

BPN Mortgage Loan Agreement (*Contratto di Mutuo BPN*): means either a BPN *Fondiaro* Mortgage Loan Agreement or a BPN *Ipotecario* Mortgage Loan Agreement as applicable and **BPN Mortgage Loan Agreements** (*Contratti di Mutuo*) means all of them.

BPN Portfolio (*Portafoglio BPN*): means, at any given date, all the BPN Claims purchased by the Issuer.

BPN Portfolio Liability Ratio: means the fraction, expressed as a percentage:

- (i) the numerator of which is represented by the sum of the Outstanding Principal of BPN Portfolio Claims at the first day of each Collection Period; and
- (ii) the denominator of which is represented by the sum of the Outstanding Principal of all of the Claims at the first day of each Collection Period.

BPN Portfolio Purchase Price (*Prezzo di Acquisto del Portafoglio BPN*): means the amount due by the Issuer to BPN in respect of the purchase of the BPN Claims included in the BPN Portfolio, as provided by Clause 3.1. of the BPN Transfer Agreement.

BPN Servicing Agreement (*Contratto di Servicing BPN*): means the servicing agreement entered into, on the Signing Date simultaneously with the BPN Transfer Agreement, between BPN, as Servicer, and the Issuer, with which the Issuer has assigned to BPN, *inter alia*, the task to provide certain specific services with regards to the management of the BPN Claims and to the collection of the payments related to them.

BPN Transfer Agreement (*Contratto di Cessione BPN*): means the transfer agreement entered into, on the Signing Date, between BPN and the Issuer, pursuant to which, according to Section 1 and Section 4 of the Securitisation Law, BPN has transferred without recourse (*pro soluto*) and as a pool (“*in blocco*”) to the Issuer, which has purchased without recourse (*pro soluto*) and as a pool (“*in*

blocco”) from BPN, the full legal title and ownership of the BPN Claims that meet the BPN Eligible Criteria under the BPN Portfolio.

BPVN: means Banco Popolare di Verona e Novara S.c.ar.l., a bank established and operating as a cooperative with limited liability (*società cooperativa a responsabilità limitata*) whose registered office is at Piazza Nogara, 2, 37121 Verona, Italy, VAT No. 03231270236.

BPVN Securitisation: means the securitisation transaction of claims deriving from performing mortgage loans originated by BPVN and carried out by the Issuer on 11 April 2007.

Business Day (*Giorno Lavorativo*): means any day on which commercial banks are open for business in Milan, London and Dublin and on which TARGET is open for business, provided that, if any relevant date falls in a day which is not a Business Day, it shall be postponed to the immediately following Business Day.

Calculation Agent (*Agente per i Calcoli*): means BNY, London Branch, in its capacity as calculation agent, in accordance with the Cash Management, Calculation and Agency Agreement entered into on or about the Issue Date.

Calculation Date: means the date which falls three Business Days prior to each Payment Date.

Cancellation Date: means July 2046, being the date on which any amounts remaining outstanding in respect of principal and/or interests on the Notes shall be reduced to zero and deemed to be released by the holder of the relevant Notes and the Notes shall be cancelled.

Cash Accounts: means the BPN Collection Account, the CREBERG Collection Account, the Payments Account, the Cash Reserve Account and the Expenses Account.

Cash Management, Calculation and Agency Agreement (*Contratto di Gestione e Allocazione della Liquidità*): means the cash, allocation, management and agency agreement entered into on or about the Issue Date between the Issuer, the Representative of the Noteholders, the Calculation Agent, the Principal Paying Agent, the Italian Account Bank, the Irish Paying Agent, the Irish Listing Agent and the Cash Manager, as from time to time modified in accordance with the provision therein contained and including any agreement or other document to be supplemental thereto.

Cash Manager (*Amministratore della Liquidità*): means BNY, London Branch, in its capacity as cash manager in accordance with the Cash Management, Calculation and Agency Agreement entered into on or about the Issue Date.

Cash Reserve Account: means the Euro denominated deposit account No. 5320199780 which will be held in Italy with the Italian Account Bank, in name of the Issuer, for so long as the Italian Account Bank qualifies as an Eligible Institution, into which the Issuer will deposit and maintain, according to the applicable Priority of Payments, the Cash Reserve Amount.

Cash Reserve Amount: means the amount up to, but not exceeding, the Cash Reserve Required Level, standing from time to time to the credit of the Cash Reserve Account.

Cash Reserve Required Level: means 0,7% of the Principal Amount Outstanding of the Notes as at the Issue Date, provided that:

- (a) if the Cumulative Net Default Ratio is higher than 2.00%, the Cash Reserve Amount shall be increased up to 1.2% of the Principal Amount Outstanding of the Notes as at the Issue Date,

on the immediately following Payment Date and shall be maintained so increased as long as such ratio is above 2.00%;

- (b) the Cash Reserve Amount will be reduced to the higher of 0.4% of the Principal Amount Outstanding of the Notes as at the Issue Date, and 0.7% of the Principal Amount Outstanding of the Notes as at such Calculation Date, to the extent:
 - (i) the Series A Notes Credit Enhancement on the relevant date or any date occurring prior to that date is at least equal to 2.5 times the initial Series A Notes Credit Enhancement;
 - (ii) there is no Principal Deficiency Ledger Outstanding Balance;
 - (iii) the Delinquency Level is below 3.5%;
 - (iv) the Cash Reserve Amount is at the Cash Reserve Required Level;
 - (v) the Initial Period has expired;
 - (vi) the Cumulative Gross Default Ratio is below 2.6%; and
 - (vii) the Cumulative Net Default Ratio is below 1.3%;
 - (viii) BPVN has a rating at least equal to BBB, Baa2 and BBB assigned by S&P, Moody's and Fitch, respectively;
- (c) on the Payment Date on which the Notes will be redeemed in full, the Cash Reserve Amount will be reduced to zero.

CICR: means Comitato Interministeriale per il Credito ed il Risparmio.

Claim (*Credito*) means each of the BPN Claims or each of the CREBERG Claims, as the case may be and **Claims** (*Crediti*) means, collectively, all of them.

Clean-up Option (*Opzione Clean-up*): means the option granted by the Issuer to BPN and CREBERG pursuant to clause 9.1 of the BPN Transfer Agreement and the CREBERG Transfer Agreement, respectively.

Clean-up Option Date (*Data di Esercizio dell'Opzione Clean-up*): means the date on which the Clean-up Option may be exercised.

Clearstream: means Clearstream Banking S.A.

Collateral: means, from time to time, prior to the occurrence of an Early Termination Date (as defined in the Swap Agreement) for the Interest Rate Swap Transactions, the aggregate of all amounts and/or securities (if any) which have been transferred pursuant to the credit support annex to the Issuer with respect to the Interest Rate Swap Transactions.

Collateral Account: means the account that the Issuer shall be obliged to open for any collateral posted pursuant to the credit support annex to the Swap Agreement.

Collateral Security (*Garanzia*): means the Mortgages and any other guarantee, security interests or *accollo* arrangements (other than the Omnibus Guarantees ("*fideiussioni omnibus*") which have been granted to the Originators, or existing in any other way, in connection with a Mortgage Loan, a

Mortgage Loan Agreement or to secure or ensure the payment and/or the repayment of the Claims.

Collection Accounts (*Conti Incassi*): means the BPN Collection Account and the CREBERG Collection Account.

Collection Date (*Data di Incasso*): means 2 January, 2 April, 2 July and 2 October, or if any such day is not a Business Day the immediately following Business Day, of each year until the Notes have been repaid or otherwise redeemed in full.

Collection Fee: means an amount payable by the Issuer to each of the Servicers, in accordance with the applicable Priority of Payments, as return for the services provided by BPN and CREBERG, in relation to the collection activity carried out under the BPN Servicing Agreement and the CREBERG Servicing Agreement, respectively.

Collection Period (*Periodo di Incasso*): means each three months period commencing on (and including) each relevant Collection Date and ending on (but excluding) the next following Collection Date of each year until the Notes have been repaid or otherwise redeemed in full, provided that the first Collection Period shall commence on (but excluding) the Valuation Date and shall end on (but excluding) 2 October 2007.

Collection Policies (*Procedura di Riscossione*): means, collectively, the BPN Collection Policies and the CREBERG Collection Policies.

Collections (*Incassi*): means, collectively, the BPN Collections and the CREBERG Collections.

Collective Insurance Policy (*Polizza Assicurativa Individuale*): means any insurance policy stipulated by each of the Originators and the relevant Insurance Company, to which the relevant Debtor has adhered, in relation to the Real Estate Assets, including, without limitation, insurance policies against the risks of explosion and fire.

Conditions (*Condizioni*): means the set of conditions provided by the Terms and Conditions of the Notes and any reference to a numbered relevant; and **Condition** means the corresponding numbered provision thereof.

CONSOB: means *Commissione Nazionale per le Società e la Borsa*.

Corporate Capital Account: means a Euro denominated account, which will be held in Italy with Credito Bergamasco, Milan branch, with No. 38403 EUR, ABI 03336, CAB 01600, into which have been credited all amounts contributed to the Quotaholder as share capital of the Issuer.

Corporate Services Agreement (*Contratto di Servizi Amministrativi*): means the corporate services agreement entered into on 5 April 2007 in the context of the BPVN Securitisation between the Corporate Services Provider and the Issuer, according to which the Corporate Services Provider is bound to provide the Issuer certain administrative, corporate, accounting, regulatory and other services, on the terms and the conditions stated therein, as amended and supplemented on the Signing Date by means of an extension and amendment agreement.

Corporate Services Provider (*Prestatore dei Servizi Amministrativi*): means Structured Finance Management, in its capacity as corporate services provider pursuant to the Corporate Services Agreement entered into on or about the Issue Date.

CREBERG Claims (*Crediti CREBERG*): means any claim deriving from or arising from the CREBERG Mortgage Loans, including, without limitation:

- (a) claims relating to:
 - (i) principal due in connection with the CREBERG Mortgage Loans;
 - (ii) interest arising from or in connection with the CREBERG Mortgage Loans accrued (but not yet paid);
 - (iii) contractual interest, legal interest, default interest to accrue on the CREBERG Mortgage Loans;
 - (iv) refund of expenses to accrue and already accrued (including, without limitation, legal and judicial expenses), costs, penalties and indemnities arising in connection with the CREBERG Mortgage Loans;
 - (v) any other amount accrued or to accrue in favour of CREBERG in connection with the CREBERG Mortgage Loans, the CREBERG Mortgage Loan Agreements and the related Collateral Security;
 - (vi) monetary claims arising from the enforcement of Collateral Security;
 - (vii) the monetary claims and all amounts deriving from any Bankruptcy Proceedings and Enforcement Procedures;
- (b) any other claim arising from or connected with the CREBERG Mortgage Loans or the CREBERG Mortgage Loan Agreements, including, without limitation, claims *vis-à-vis* Debtors for damages compensation;
- (c) any other legal or contractual right or action of CREBERG in connection with the CREBERG Claims, the CREBERG Mortgage Loans, the related Collateral Security and/or any other act, contract or document relating to or connected with such claims to the extent that they may be transferred pursuant to Securitisation Law;
- (d) the claims of CREBERG *vis-à-vis* third parties for damages compensation deriving from third parties' activities in relation to the CREBERG Claims, the CREBERG Mortgage Loans, the related Collateral Security or the underlying subject.

CREBERG Collection Account (*Conto Incassi CREBERG*): means the Euro denominated account No. 5320249780, established in the name of the Issuer, held in Italy with the Italian Account Bank, for so long as the Italian Account Bank qualifies as an Eligible Institution, pursuant to the Cash Management, Calculation and Agency Agreement for the deposit of all amounts collected and/or recovered by CREBERG in respect of the CREBERG Claims pursuant to the CREBERG Servicing Agreement.

CREBERG Collection Policies (*Procedura di Riscossione CREBERG*): means the procedures set forth in Schedule 1 of the CREBERG Servicing Agreements pursuant to which CREBERG shall carry out the collection, management and the recovery of the Instalments and any other amount due in connection with the CREBERG Claims and the CREBERG Mortgage Loans Agreements.

CREBERG Collections (*Incassi CREBERG*): means any and all amounts collected by CREBERG in respect of the CREBERG Claims.

CREBERG Credit Policies (*Procedure di Erogazione CREBERG*): means the activities and the procedures followed by CREBERG in the granting of the CREBERG Mortgage Loans under the Schedule A to the CREBERG Transfer Agreement.

CREBERG Defaulted Claims (*Crediti CREBERG in sofferenza*): means the CREBERG Claims (i) having unpaid Instalments for more than 180 days; or (ii) classified as CREBERG Defaulted Claims by CREBERG, in the name and on behalf of the Issuer, in compliance with the Bank of Italy Instructions, as modified from time to time, and with the CREBERG Collection Policies.

CREBERG Delinquent Claims (*Crediti CREBERG in Ritardo*): means the CREBERG Claims having unpaid Instalments for more than 120 days and not classified as CREBERG Defaulted Claims.

CREBERG Eligibility Criteria (*Criteri CREBERG*): means the objective criteria to be met by the CREBERG Claims, as set out in Schedule 1 of the CREBERG Transfer Agreement on the basis of which the CREBERG Claims are selected.

CREBERG Eligible Investments: means the Eligible Investments deriving from the investment of funds standing to the credit of the CREBERG Collection Account and the Cash Reserve Account.

CREBERG Fondiario Mortgage Loan (*Mutuo Fondiario CREBERG*): means each mortgage loan which qualify as a *mutuo fondiario* (medium-long term loans secured by mortgages on real estate, issued by a bank in accordance with the provisions of Section 38 and following of the Italian Banking Act), identified by CREBERG as “*Fondiario*” in the list of loans contained in Schedule 2 of the CREBERG Transfer Agreement, whose CREBERG Claims are transferred to the Issuer pursuant to the CREBERG Transfer Agreement.

CREBERG Fondiario Mortgage Loan Agreement (*Contratto di Mutuo Fondiario CREBERG*): means each contractual document setting out the terms and conditions governing each CREBERG *Fondiario* Mortgage Loan and any related Mortgage, Insurance Policy and Collateral Security.

CREBERG Individual Purchase Price (*Prezzo di Acquisto Individuale CREBERG*): means, pursuant to Clause 3.1 of the CREBERG Transfer Agreement, the purchase price of the CREBERG Claims arising from each CREBERG Mortgage Loan, which shall be equal to the Initial Outstanding Amount under the relevant CREBERG Mortgage Loan, increased of the interest accrued but not yet payable up to the Valuation Date (included), as indicated in Schedule 2 of the CREBERG Transfer Agreement.

CREBERG Interim Collection Account (*Conto Incassi Provvisorio CREBERG*) means the Euro denominated interim collection account opened in the name of CREBERG, exclusively dedicated to the Securitisation, for the deposit of all the amounts owed by the Borrowers in respect of the CREBERG Claims to be transferred by CREBERG into the CREBERG Collection Account on the first Business Day following the day on which such amounts have been collected or recovered in accordance with the CREBERG Collection Policies.

CREBERG Ipotecario Mortgage Loan (*Mutuo Ipotecario CREBERG*): means each mortgage loan (*mutuo ipotecario*) which do not qualify as a CREBERG *Fondiario* Mortgage Loan, identified by CREBERG as “*Ipotecario*” in the list of loans contained in Schedule 2 of the CREBERG Transfer Agreement, whose CREBERG Claims are transferred to the Issuer pursuant to the CREBERG Transfer Agreement.

CREBERG Ipotecario Mortgage Loan Agreement (*Contratto di Mutuo Ipotecario CREBERG*): means each contractual document setting out the terms and conditions governing each CREBERG *Ipotecario* Mortgage Loan and any related Mortgage, Insurance Policy and Collateral Security.

CREBERG Junior Notes Subscription Agreement (*Contratto di Sottoscrizione dei Titoli M2*): means the subscription agreement for the subscription of the Series M2 Notes entered into on or about the Issue Date between the Issuer, CREBERG and the Representative of the Noteholders, 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.

CREBERG Mortgage Loan (*Mutuo CREBERG*): means each CREBERG *Fondinario* Mortgage Loan or CREBERG *Ipotecario* Mortgage Loan listed in Schedule 2 to the CREBERG Transfer Agreement whose CREBERG Claims have been transferred to the Issuer pursuant to the CREBERG Transfer Agreement and **CREBERG Mortgage Loans** (*Mutui CREBERG*) means all of them.

CREBERG Mortgage Loan Agreement (*Contratto di Mutuo CREBERG*): means either a CREBERG *Fondinario* Mortgage Loan Agreement or a CREBERG *Ipotecario* Mortgage Loan Agreement as applicable and **CREBERG Mortgage Loan Agreements** (*Contratti di Mutuo CREBERG*) means, collectively, all of them.

CREBERG Portfolio (*Portafoglio CREBERG*): means, at any given date, all the CREBERG Claims purchased by the Issuer.

CREBERG Portfolio Liability Ratio: means the fraction, expressed as a percentage:

- (i) the numerator of which is represented by the sum of the Outstanding Principal of CREBERG Portfolio Claims at the first day of each Collection Period; and
- (ii) the denominator of which is represented by the sum of the Outstanding Principal of all of the Claims at the first day of each Collection Period.

CREBERG Portfolio Purchase Price (*Prezzo di Acquisto del Portafoglio CREBERG*): means the amount due by the Issuer to CREBERG in respect of the purchase of the CREBERG Claims included in the CREBERG Portfolio, as provided by Clause 3.1. of the CREBERG Transfer Agreement.

CREBERG Servicing Agreement (*Contratto di Servicing CREBERG*): means the servicing agreement entered into, on the Signing Date simultaneously with the CREBERG Transfer Agreement, between CREBERG, as Servicer, and the Issuer, with which the Issuer has assigned to CREBERG, *inter alia*, the task to provide certain specific services with regards to the management of the CREBERG Claims and to the collection of the payments related to them.

CREBERG Transfer Agreement (*Contratto di Cessione CREBERG*): means the transfer agreement entered into, on the Signing Date, between CREBERG and the Issuer, pursuant to which, according to Section 1 and Section 4 of the Securitisation Law, CREBERG has transferred without recourse (*pro soluto*) and as a pool ("*in blocco*") to the Issuer, which has purchased without recourse (*pro soluto*) and as a pool ("*in blocco*") from CREBERG, the full legal title and ownership of the CREBERG Claims that meet the CREBERG Eligible Criteria under the CREBERG Portfolio.

Credit Policies (*Procedure di Erogazione*): means (i) the BPN Credit Policies or (ii) the CREBERG Credit Policies, as the case may be.

Cumulative Gross Default Ratio: means, in respect of the last day of any Collection Period, the percentage equivalent of a fraction (A) the numerator of which is the sum of the Outstanding Principal as at the relevant Default Date of all the Claims which have become a Defaulted Claims from the Valuation Date up to the last day of the relevant Collection Period; and (B) the denominator of which is the Outstanding Principal of the Portfolio as at the Valuation Date.

Cumulative Net Default Ratio: means, in respect of the last day of any Collection Period, the percentage equivalent of a fraction (A) the numerator of which is: (a1) the sum of the Outstanding Principal as at the relevant Default Date of all the Claims which have become a Defaulted Claims from the Valuation Date up to the last day of the relevant Collection Period minus (a2) the aggregate amount of Recoveries received in respect of such Defaulted Claims; and (B) the denominator of which is the Outstanding Principal of the Portfolio as at the Valuation Date.

Debtor (*Debitore Ceduto*): means any Borrower and/or Guarantor or any other person or entity liable for payment on respect of a Claim or of a Collateral Security and **Debtors** (*Debitori Ceduti*) means, collectively, the totality of the Borrowers, the Guarantors and/or any other person or entity liable for payment on respect of a Claim or of a Collateral Security.

Decree 239: means the Italian legislative decree No. 239 of 1 April 1996, as subsequently amended and supplemented.

Decree 239 Withholding: means any withholding or deduction for or on account of “*imposta sostitutiva*” under Decree 239.

Deed of Pledge (*Atto di Pegno*): means the deed of pledge to be executed on or about the Issue Date among the Issuer, the Italian Account Bank and the Representative of the Noteholders, in its capacity as agent in the name and on behalf of the Issuer Secured Creditors.

Defaulted Amount: means, with reference to each Collection Period, the aggregate of the Outstanding Principal and any accrued but unpaid Principal Instalments of Claims which have become Defaulted Claims during such Collection Period, as of the relevant Default Date.

Defaulted Claim (*Credito in sofferenza*) means each of the BPN Defaulted Claims or each of the CREBERG Defaulted Claims, as the case may be and **Defaulted Claims** (*Crediti in sofferenza*) means, collectively, all of them.

Default Date: means the date on which a Claim has become a Defaulted Claim.

Delinquency Level: means, at any Calculation Date, the ratio equivalent to the fraction: (a) the numerator of which is the aggregate of the Outstanding Principal of all the Claims which are Delinquent Claims as at such Calculation Date; and (b) the denominator of which is the Performing Collateral Portfolio.

Delinquent Claim (*Credito in Ritardo*) means each of the BPN Delinquent Claims or each of the CREBERG Delinquent Claims, as the case may be and **Delinquent Claims** (*Crediti in Ritardo*) means, collectively, all of them.

Deposit Date: has the meaning attributed to it in clause 4.4. of the Deed of Pledge.

Eligibility Criteria (*Criteri*) means the BPN Eligibility Criteria or the CREBERG Eligibility Criteria, as the case may be.

Eligible Institution: (*Istituzione Eleggibile*): means any bank with a short-term rating for its unsecured, unsubordinated and un-guaranteed debt obligations equal to F1 from Fitch, P-1 from Moody's and A-1+ from S&P.

Eligible Investments: means any Euro denominated senior short term, unsubordinated debt security, bank account, deposit or other debt instruments providing a fixed principal amount at maturity issued by, or fully and unconditionally guaranteed on an unsubordinated basis, having a

purchase price not above par, by, or held at an institution having at least the following ratings: for Moody's (i) "P-1"/"A1" with reference to securities having a maturity falling between one and three months; and (ii) "P1"/"A2" with reference to securities having a maturity falling not later than one month; for S&P "A-1+" and for Fitch "F1+". For money market funds the minimum ratings shall be: "Aaa/MR1+" for Moody's; "AAAm" and "AAAm-G" for S&P; and "AAA/V1+" for Fitch. The Eligible Investments shall have a maturity date falling not later than two Business Days immediately preceding the next succeeding Payment Date.

Enforcement Procedures (*Procedura Esecutiva*): means any proceedings or procedures for the compulsory collection of the Claims, even not of judicial nature, including, without limitation, foreclosure procedures with respect to the Collateral Security or related to the Claims, the Mortgage Loan Agreements, the Insurance Policies, the Collateral Security, which may be commenced after the Transfer Date.

English Deed of Charge: means the deed of charge governed by English law to be executed by the Issuer and the Representative of the Noteholders, in name and on behalf of the other Issuer Secured Creditors, on or about the Issue Date 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.

EONIA: means Euro OverNight Index Average, the overnight rate computed as a weighted average of all overnight unsecured lending transactions in the interbank market within the euro area.

EURIBOR: means the Euro Interbank Offered Rate, for three months Euro denominated deposits, valid from the first day of each Interest Period as gathered generally at 11.00 of the gathering day by the Euribor Panel Steering Committee, and published in Reuters circuit, currently at page EURIBOR01, and on the principal economic daily presses.

Euroclear: means Euroclear Bank S.A./N.V. as operator of the Euroclear System.

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 Secured 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 the applicable legislation.

Expenses Account: means the Euro denominated deposit account No. 5320169780 which will be held in Italy with the Italian Account Bank, in name of the Issuer, for so long as the Italian Account Bank qualifies as an Eligible Institution, into which the Issuer will deposit the Retention Amount.

Extraordinary Resolution (*Assemblea Straordinaria*): means a resolution of a Meeting of the Relevant Series of the Noteholders, duly convened and held in accordance with the provisions of the Rules of the Organisation of the Noteholders, on any subjects covered by article 18 of the Rules of the Organisation of the Noteholders.

Fitch: means Fitch Ratings Ltd., as well as any of its permitted successor(s) and/or assignee(s).

Fondiaro Mortgage Loan (*Mutuo Fondiario*) means each BPN *Fondiaro* Mortgage Loan or each CREBERG *Fondiaro* Mortgage Loan, as the case may be and **Fondiaro Mortgage Loans** (*Mutui Fondiari*) means, collectively, all of them.

Fondiaro Mortgage Loan Agreement (*Contratto di Mutuo Fondiario*): means each BPN *Fondiaro* Mortgage Loan Agreement or each CREBERG *Fondiaro* Mortgage Loan Agreement, as the case may be and **Fondiaro Mortgage Loan Agreements** (*Contratti di Mutuo Fondiario*) means, collectively, all of them.

Guaranteed Amount (*Importo Garantito*): means the guaranteed amount as defined in Clause 3.2 (k) of each of the Servicing Agreements.

Guarantor (*Garante*): means any person or entity, except the Borrower, who has granted a Collateral Security bound, as principal debtor, or collaterally, to pay or to reimburse a Claim, included, but not limited to, the ones who have taken over a debt (“*accollanti*”), or their permitted successors or assignees.

Indemnified Amount (*Importo dell'Indennizzo*): means the indemnified amount as defined in Clause 3.2 (k) of each of the Servicing Agreements.

Independent Director: means a duly appointed member of the board of directors of the Issuer who should not have been, at the time of such appointment, or at any time in the preceding five years, (i) a direct or indirect legal or beneficial owner in the Issuer or any of its affiliates (excluding *de minimus* ownership interests), (ii) a creditor, supplier, employee, officer, director, family member, manager, or contractor of the Issuer or its affiliates, (iii) a person who controls (whether directly, indirectly, or otherwise) the Issuer or its affiliates or any creditor, supplier, employee, officer, director, manager, or contractor of such entity or its affiliates, or (iv) resident in countries other than the Republic of Italy.

Individual Insurance Policy (*Polizza Assicurativa Individuale*): means any insurance policy stipulated by a Debtor with an Insurance Company in relation to the Real Estate Assets, including, without limitation, insurance policies against the risks of explosion and fire, in favour of each of the Originators or endorsed in favour of each of them.

Initial Interest Payment Date: means 20 October 2007.

Initial Interest Period: means the period from (and including) the Issue Date to (but excluding) the Initial Interest Payment Date.

Initial Outstanding Amount (*Debito Residuo Iniziale*): means the initial outstanding principal amount of each of the Mortgage Loans at the Valuation Date.

Initial Period: means the period of eighteen months and one day after the Issue Date.

Initial Principal Amount: means, in respect of the Notes of each Series, the principal amount of the Notes of such Series on the Issue Date.

Insolvency Act: means the Insolvency Act 1986 and/or the Insolvency Act 2000 of England and Wales, as applicable, as the same may be amended and supplemented from time to time (including any statutory instrument or regulation made thereunder in force from time to time).

Insolvency Law (*Legge Fallimentare*): means Royal Decree No.267, 16 March 1942, as from time to time modified.

Insolvency Proceedings (*Procedure Fallimentari*): means the bankruptcy or any other applicable insolvency proceedings or similar procedures provided for under Italian law (and, in particular, by the Insolvency Law and the Italian Banking Act), including, without limitation, “*liquidazione coatta*

amministrativa", "*concordato preventivo*", "*concordato fallimentare*" and "*amministrazione straordinaria delle grandi imprese in stato di insolvenza*".

Instalment (Rata): means, with respect to each Mortgage Loan Agreement, each payment due by the relevant Debtor pursuant to the Mortgage Loan Agreements, including both the Principal Instalment and the Interest Instalment.

Insurance Companies (Compagnie di Assicurazione): means the insurance companies with which the Insurance Policies have been entered into by the Debtors.

Insurance Policy (Polizza Assicurativa): means, collectively, the Individual Insurance Policies and the Collective Insurance Policies.

Intercreditor Agreement (Accordo tra Creditori): means the intercreditor agreement entered into on, or about, the Issue Date between the Issuer, the Originators, the Representative of Noteholders (including in its capacity as Security Trustee and on behalf of the Noteholders), the Cash Manager, the Principal Paying Agent, the Italian Account Bank, the Calculation Agent, the Irish Listing Agent, the Irish Paying Agent the Servicers, the Corporate Services Provider, the Quotaholder, the Back-up Servicer and the Swap Counterparty, as from time to time modified in accordance with the provisions therein contained, including any agreement or other document expressed to be supplemental thereto.

Interest Amount: means the amount of interest payable on each Note in respect of each Interest Period, as specified in Condition 5.3 (*Calculations of Interest Amounts*).

Interest Available Funds: on each Calculation Date and in respect of the immediately following Payment Date, consists in the aggregate of the following:

- (i) all interest components of the Claims (including any interest component of the Claims deriving from the exercise of the Option and/or the Clean-up Option), all prepayment fees and all Recoveries in respect of the Claims and/or the Defaulted Claims and the Delinquent Claims collected by each of the Servicers during each Collection Period and credited into the BPN Collection Account or the CREBERG Collection Account, as the case may be;
- (ii) all amounts of interest accrued in respect of any of the Issuer Accounts (other than the Corporate Capital Account) or any Eligible Investments and paid during the Collection Period immediately preceding such Calculation Date;
- (iii) any amounts available to be drawn from the Cash Reserve Account;
- (iv) any amount available to be drawn from the Expenses Account;
- (v) any net amounts (if positive) paid to the Issuer by the Swap Counterparty in accordance with the terms of the Swap Agreement on the Payment Date immediately following the relevant Calculation Date (excluding any collateral delivered to the Issuer pursuant to the credit support annex relating to the Swap Agreement, except in circumstances in which the Issuer is entitled to use such monies following a termination of the Swap Agreement and to pay such monies into the Payments Account in accordance with the terms of the Cash Management, Calculation and Agency Agreement);
- (vi) any amounts allocated under item (i) of the Principal Priority of Payments to cover any residual shortfall in the payments of senior expenses and interest on the Senior Notes; and

(vii) any other amount received by the Issuer and not qualified as Principal Available Funds.

Interest Determination Date: means, pursuant to Condition 5 (*Interest*), the date falling two Business Days prior to each Payment Date in respect of the Interest Period commencing on that date (save in respect of the Initial Interest Period, where the Rate of Interest will be determined by the Principal Paying Agent two Business Days prior to the Issue Date).

Interest Instalment (*Rata in Conto Interessi*): means the interest component of each Instalment.

Interest Period: means, pursuant to Condition 5 (*Interest*), each period from (and including) a Payment Date to (but excluding) the next following Payment Date, provided that the first Interest Period (the “**Initial Interest Period**”) shall begin on (and include) the Issue Date and end on (but exclude) the Initial Interest Payment Date.

Interest Priority of Payments: means the priority of payments applicable in respect of the Interest Available Funds, as set out in Condition 4 (*Issuer Available Funds – Priority Of Payments*).

Interest Rate Swap Transactions: means the two interest swap transactions which are supplemental to and form part of the ISDA Master Agreement, (i) entered into on or about the Issue Date between the Issuer and the Swap Counterparty with reference to the BPN Portfolio and (ii) entered into on or about the Issue Date between the Issuer and the Swap Counterparty with reference to the CREBERG Portfolio, pursuant to which (i) and (ii) the Issuer shall hedge its payment obligations under the Notes.

Interim Collection Accounts (*Conti Incassi Provvisori*) means, collectively, the BPN Interim Collection Account and the CREBERG Interim Collection Account.

International Accounting Standards Board (or **IASB**): means the International Accounting Standards Board, whose principal offices are located at 30 Cannon Street, London, United Kingdom or any successor entity so formed by the International Accounting Standards Board or as otherwise agreed to by the parties to this Agreement.

Investor Presentation Material: means the investor presentation material contained in the Schedule 8 to the Senior Notes Subscription Agreement.

Investor Report: means the report delivered by the Calculation Agent pursuant to Clause 9.14 of the Cash Management, Calculation and Agency Agreement.

Ipotecario Mortgage Loan (*Mutuo Ipotecario*): means each BPN *Ipotecario* Mortgage Loan or each CREBERG *Ipotecario* Mortgage Loan, as the case may be and **Ipotecari Mortgage Loans** (*Mutui Ipotecari*) means all of them.

Ipotecario Mortgage Loan Agreement (*Contratto di Mutuo Ipotecario*): means each BPN *Ipotecario* Mortgage Loan Agreement or each CREBERG *Ipotecario* Mortgage Loan Agreement, as the case may be and **Ipotecario Mortgage Loan Agreements** (*Contratti di Mutuo Ipotecario*) means, collectively, all of them.

Irish Listing Agent: means BNY, London Branch, in its capacity as Irish listing agent in accordance with the Cash Management, Calculation and Agency Agreement entered into on or about the Issue Date.

Irish Paying Agent: means BNY Financial Services, in its capacity as Irish paying agent in accordance with the Cash Management, Calculation and Agency Agreement entered into on or about the Issue Date.

Irish Stock Exchange: means the Irish stock exchange on which application has been made to list the Notes.

ISDA Master Agreement: means the International Swaps and Derivatives Association, Inc. ("ISDA") 1992 Master Agreement (Multicurrency-Cross Border) entered into on or about the Issue Date, between the Issuer and the Swap Counterparty, together with the Schedule and credit support annex thereto.

Issue Date (*Data di Emissione*): means 29 June 2007, being the date on which the Notes will be issued.

Issue Price: means the price equal to:

- (i) in the case of the Series A1, 100% of the Series A1 Notes Initial Principal Amount;
- (ii) in the case of the Series A2, 100% of the Series A2 Notes Initial Principal Amount;
- (iii) in the case of the Series B, 100% of the Series B Notes Initial Principal Amount;
- (iv) in the case of the Series C, 100% of the Series C Notes Initial Principal Amount;
- (v) in the case of the Series M1, 104.60% of the Series M1 Notes Initial Principal Amount; and
- (vi) in the case of the Series M2, 104.60% of the Series M2 Notes Initial Principal Amount.

Issuer (*Emittente*): means BP Mortgages S.r.l. a limited liability company incorporated in the Republic of Italy having its registered office at Via Romanino, 1, 25122 Brescia, Italy, fiscal code, VAT number and registration number with the Companies' Register of Brescia No. 08705611005.

Issuer Accounts (*Conti Correnti dell'Emittente*): means, collectively, the Payments Account, the Cash Reserve Account, the BPN Collection Account, the CREBERG Collection Account, the Expenses Account and **Issuer Account** means each of them.

Issuer Available Funds (*Fondi Disponibili*): means, collectively, the Interest Available Funds and the Principal Available Funds.

Issuer's Rights: means the Issuer's rights under the Transaction Documents.

Issuer Secured Creditors (*Creditori Garantiti dell'Emittente*): means the Noteholders, the Representative of the Noteholders in its own capacity and as Security Trustee under the English Deed of Charge, any receiver and any administrator appointed under the English Deed of Charge, the Originators, the Cash Manager, the Principal Paying Agent, the Italian Account Bank, the Calculation Agent, the Irish Listing Agent, the Irish Paying Agent, the Swap Counterparty, the Servicers, the Corporate Services Provider and any other persons entitled to payment by the Issuer pursuant to the Priority of Payments.

Issuer Security: means, collectively, any and all Security Interest created under the Security Documents.

Italian Account Bank (*Banca dei Conti dell'Operazione*): means BNY, Milan Branch, in its capacity as Italian account bank in accordance with the Cash Management, Calculation and Agency Agreement entered into on or about the Issue Date.

Italian Banking Act (*Testo Unico Bancario*): means the Italian legislative decree No. 385 of 1 September 1993 as subsequently amended and supplemented.

Joint-Lead Managers: means Banca Aletti and UBS Limited.

Junior Noteholders: means Series M Noteholders.

Junior Notes (*Titoli Junior*): means the Series M Notes.

Junior Notes Subscription Agreements (*Contratti di Sottoscrizione dei Titoli Junior*): means, collectively, the BPN Junior Notes Subscription Agreement and the CREBERG Junior Notes Subscription Agreement

Legal Maturity Date (*Data di Scadenza Legale*): means the Payment Date falling in (i) July 2044 for the Series A2 Notes, the Series B Notes, the Series C Notes and the Series M Notes, and (ii) January 2018 for the Series A1 Notes.

Master Definitions Agreement (*Accordo Quadro sulle Definizioni*): means this master definitions agreement entered into on or about the Issue Date between, *inter alios*, the Issuer, the Originators and the Representative of the Noteholders, which will contain all the definitions of the terms used in the Transaction Documents.

Minimum Rating means a rating assigned to the unguaranteed, unsubordinated and unsecured short-term debt obligations at least equal to "A-2", "P1" or "F2" by S&P, Moody's or Fitch, respectively.

Monte Titoli: means Monte Titoli S.p.A.

Monte Titoli Account Holders: means any authorised financial intermediary institutions entitled to hold accounts on behalf of their customers with Monte Titoli and includes any depository banks appointed by Euroclear and Clearstream.

Monte Titoli Mandate Agreement (*Convenzione con Monte Titoli*): means a mandate agreement entered into between the Issuer and Monte Titoli, whereby Monte Titoli agrees to provide the Issuer with certain depository and administration services in relation to the Notes, 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.

Monthly Report (*Rendiconto Mensile*): has the meaning attributed to it in Clause 3.13 (*Rendiconto mensile*) of each of the Servicing Agreements.

Monthly Report Date (*Data di Rendiconto Mensile*): means the date on which each of the Servicers shall deliver the Monthly Report, being the seventh day of each calendar month of each year (or if such day is not a Business Day, the immediately following Business Day). The first Monthly Report Date will be 7 September 2007.

Moody's: means Moody's Investors Services Inc.

Mortgages (*Ipoteche*): means the voluntary Mortgages granted on the Real Estate Assets as security of the Claims.

Mortgage Loan (*Mutuo*): means each BPN Mortgage Loan or each CREBERG Mortgage Loan, as the case may be and **Mortgage Loans** (*Mutui*) means, collectively, all of them.

Mortgage Loan Agreement (*Contratto di Mutuo*): means each BPN Mortgage Loan Agreement or each CREBERG Mortgage Loan Agreement, as the case may be and **Mortgage Loan Agreements** (*Contratti di Mutuo*) means, collectively, all of them.

Most Senior Series: means, at any given time:

- (i) the Series A Notes; or
- (ii) if no Series A Notes are then outstanding, the Series B Notes; or
- (iii) if no Series B Notes are then outstanding, the Series C Notes; or
- (iv) if no Series C Notes are then outstanding, the Series M Notes.

Most Senior Noteholders: means, at any given time:

- (i) the Series A Noteholders;
- (ii) if no Series A Notes are then outstanding, the Series B Noteholders;
- (iii) if no Series B Notes are then outstanding, the Series C Noteholders; or
- (iv) if no Series C Notes are then outstanding, the Series M Noteholders.

MTA: means Mercato Telematico Azionario.

Noteholders (*Portatori dei Titoli*): means, jointly, the persons who are, for the time being, the holders of the Series A Notes, the Series B Notes, the Series C Notes and Series M Notes and **Noteholder** means any of them.

Notes (*Titoli*): means, collectively, the Series A1 Notes, the Series A2 Notes, the Series B Notes, the Series C Notes, the Series M1 Notes and the Series M2 Notes.

Official List: means the official list under the Irish Stock Exchange.

Option (*Opzione di Riacquisto*): is the call option granted by the Issuer to BPN and CREBERG pursuant to clause 9.2 of the BPN Transfer Agreement and the CREBERG Transfer Agreement, respectively.

Originator (*Cedente*): means BPN or CREBERG, as the case may be and **Originators** (*Cedenti*) means, collectively, BPN and CREBERG.

Outstanding Principal (*Importo Dovuto*): means, on any date and with respect to each Claim, the sum of: (i) the Principal Instalments expiring on each following Scheduled Instalment Date and (ii) all the Principal Instalments due, but which have remained unpaid on such date, after the relevant Scheduled Instalment Date.

Paying Agents: means, collectively, the Irish Paying Agent, the Principal Paying Agent and the Irish Listing Agent.

Payments Account (*Conto Pagamenti*): means the Euro denominated account No. 5320179780 which will be held in Italy in the name of the Issuer with the Italian Account Bank, for so long as the Italian Account Bank qualifies as an Eligible Institution, into which amounts payable on the relevant Payment Date will be transferred from the BPN Collection Account and CREBERG Collection Account and, if any, from the Cash Reserve Account and the Expenses Account, and out of which, on any Payment Date, payments will be made in accordance with the applicable Priority of Payments.

Payment Date (*Data di Pagamento*): means 20 January, April, July, and October in each year (or if such day is not a Business Day, the immediately following Business Day). The first Payment Date will fall 20 October 2007.

Payments Report: means (i) if no Trigger Notice has been served, the report which shall be delivered on each Calculation Date by the Calculation Agent to, *inter alios*, the Issuer, the Representative of the Noteholders, the Servicers, the Cash Manager, the Principal Paying Agent, the Italian Account Bank, the Irish Listing Agent, the Rating Agencies, the Swap Counterparty, setting out all the payments to be made on the following Payment Date pursuant to the Cash Management, Calculation and Agency Agreement or (ii) after a Trigger Notice has been served, the report to be prepared and delivered by the Calculation Agent upon reasonable request of the Representative of the Noteholders.

Person(s): means any natural person, partnership, corporation, company, limited liability company, trust, estate, joint-stock partnership or company, joint venture, governmental entity, unincorporated organisation or other entity or association.

Pledged Claims: means all existing and future monetary claims and rights and any sums to be received from time to time in connection with the monetary rights (including, but not limited to, any claims, indemnities, damages, penalties, sanctions, credits, security interests and guarantees) to which the Issuer is or will be entitled to claim (other than the subscription price of the Notes) under or in connection with the Transaction Documents to which the Issuer is a party (other than the Swap Agreement and the English Deed of Charge), pledged in favour of the Issuer Secured Creditors, as security for the Secured Obligations, pursuant to Clause 2.1 of the Deed of Pledge.

Pledgor: means BP Mortgages S.r.l., as pledgor under the Deed of Pledge.

Performing Collateral Portfolio: means, on any Calculation Date, the aggregate of the Outstanding Principal of all Claims arising under the Mortgage Loan Agreements purchased by the Issuer under the Transfer Agreements, less (i) the aggregate of the Outstanding Principal of all Claims arising under those Mortgage Loan Agreements that are classified, on such Calculation Date, as Defaulted Claims, and less (ii) the aggregate of the unpaid Principal Instalments of the Claims arising under those Mortgage Loan Agreements that are classified as Delinquent Claims.

Portfolio (*Portafoglio*): means, collectively, the BPN Portfolio and the CREBERG Portfolio.

Portfolio Purchase Price (*Prezzo di Acquisto del Portafoglio*): means the sum of the BPN Portfolio Purchase Price and the CREBERG Portfolio Purchase Price.

Post-Enforcement Priority of Payments: means the order in which the Issuer Available Funds, in respect of each Payment Date, shall be applied in accordance with Condition 4 (*Issuer Available Funds – Priority Of Payments*).

Pre-Enforcement Priority of Payments: means the order in which the Issuer Available Funds, in respect of each Payment Date, shall be applied in accordance with Condition 4 (*Issuer Available Funds – Priority Of Payments*).

Principal Amount Outstanding: means, on any date, in respect of a Note, the nominal principal amount of such Note upon issue, less the aggregate amount of all principal payments in respect of such Note that have been made prior to such date.

Principal Available Funds: on each Calculation Date and in respect of the immediately following Payment Date, consists in the aggregate of the following:

- (i) all principal components of the Claims (including prepaid Claims and prepayments and any principal component of the Claims deriving from the exercise of the Option and/or the Clean-up Option) collected during the immediately preceding Collection Period pursuant to the BPN Servicing Agreement and CREBERG Servicing Agreement and credited to the BPN Collection Account and the CREBERG Collection Account, respectively;
- (ii) all principal components of the Claims received by the Issuer from each of the Originators pursuant to the Transfer Agreements during the immediately preceding Collection Period;
- (iii) amounts under item (viii) of the Interest Priority of Payments;
- (iv) amounts under item (ix) of the Interest Priority of Payments;
- (v) amounts under item (xii) of the Interest Priority of Payments;
- (vi) after the service of a Trigger Notice or upon exercise of the optional redemption for tax reasons pursuant to Condition 6.4 (*Redemption for tax reasons*) or early redemption pursuant to Condition 6.5 (*Early redemption at the option of the Originator*) or Condition 6.6 (*Early redemption at the option of the Issuer*), the proceeds from the sale (if any) of all or part of the Portfolio; and
- (vii) any other amounts received by the Issuer and not qualified as Interest Available Funds received by the Issuer from any Issuer Secured Creditors (other than the Noteholders).

Principal Component of the BPN Purchase Price: means Euro 862,810,736.69.

Principal Component of the CREBERG Purchase Price: means Euro 747,007,661.48.

Principal Deficiency Ledger: means the ledger showing, on each Calculation Date, the positive difference between:

- (A) the aggregate of (i) the Outstanding Principal of all Claims arising under those Mortgage Loan Agreements that are classified, on the relevant Calculation Date, as Defaulted Claims or, that have been classified as Defaulted Claims on any preceding Calculation Dates; and
- (B) any Interest Available Funds transferred in the preceding Payment Dates to the Principal Available Funds according to item (ix) of the Interest Priority of Payments.

Principal Deficiency Ledger Outstanding Balance: means the ratio equivalent to the fraction: (a) the numerator of which is the uncured amount of the Principal Deficiency Ledger; and (b) the denominator of which is the Outstanding Principal of the Portfolio as of the Issue Date.

Principal Instalment (*Rata in Conto Capitale*): means the principal component of each Instalment.

Principal Paying Agent (*Agente per i Pagamenti*): means BNY, Milan Branch, in its capacity as principal paying agent in accordance with the Cash Management, Calculation and Agency Agreement entered into on or about the Issue Date.

Principal Payment: means the Euro principal amount redeemable on each Note in respect of each Interest Period.

Principal Priority of Payments: means the priority of payments applicable in respect of the Principal Available Funds, as set out in Condition 4 (*Issuer Available Funds – Priority Of Payments*).

Principal to Pay Interest Ledger: means the ledger showing, on each Calculation Date, the difference between:

- (A) all Principal Available Funds applied on the preceding Payment Dates in or towards satisfaction of any and all amounts due and payable in accordance with item (i) of the Principal Priority of Payments, and
- (B) all Interest Available Funds applied on the preceding Payment Dates in or towards satisfaction of any and all amounts due and payable in accordance with item (viii) of the Interest Priority of Payments.

Priority of Payments (*Ordine di Priorità dei Pagamenti*): means the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments, as the case may be.

Privacy Law (*Legge sulle Privacy*): means Decree No.196, 30 June 2003, as from time to time modified and includes the implementation regulation.

Proceedings (*Procedimenti*): means, collectively, the Bankruptcy Proceedings and the Enforcement Procedures.

Proportional Payment Trigger: means, on any given date, the following events:

- (i) the Series A Notes Credit Enhancement on the relevant date or any date occurring prior to that date is at least equal to 2.5 times the initial Series A Notes Credit Enhancement;
- (ii) there is no Principal Deficiency Ledger Outstanding Balance;
- (iii) the Cumulative Net Default Ratio is below 1.3%;
- (iv) the Cumulative Gross Default Ratio is below 2.6%;
- (v) the Outstanding Principal of the Portfolio is more than 10% of the Outstanding Principal of the Portfolio as at the Issue Date;
- (vi) the Cash Reserve is at the Cash Reserve Required Level; and
- (vii) the Delinquency Level is below 3.5%.

Prospectus (*Prospetto*): means the prospectus of the Notes.

Prospectus Directive: means the EC Directive 2003/71/EC of 4 November 2003 on the Prospectus to be published when securities are offered to the public or admitted to trading and amending EC Directive 2001/34/EC.

Provisional Portfolio: means all information and statistical data in respect of the Portfolio (contained in section “*The Provisional Portfolio*” of the Prospectus) as at 19 April 2007, which, for the avoidance of doubt, is not the Valuation Date.

Publicity (*Pubblicità*): means in respect of Portfolio, the occurrence of both of (i) the publication in the Official Gazette of the assignment of the Portfolio, in the form of Schedule 3 of the Transfer Agreements and (ii) the filing of an application for the registration of such assignment with the competent Companies’ Register.

Quarterly Report (*Rendiconto Trimestrale*): has the meaning attributed to it in Clause 3.14 (*Rendiconto Trimestrale*) of the Servicing Agreements.

Quarterly Report Date (*Data di Rendiconto Trimestrale*): means the date falling seven Business Days prior to each Payment Date. The first Quarterly Report Date will be the 11 October 2007.

Quotaholder: means the sole quotaholder (*socio unico*) of the Issuer being Stichting Project 56, a Dutch Foundation (*stichting*) established under the Laws of the Netherlands, the statutory seat of which is Amsteldijk, 166, 1079 LH Amsterdam, The Netherlands.

Rates of Interest: means the rates of interest payable from time to time in respect of the Notes, determined pursuant to the Condition 5.2 (*Interest*) and **Rate of Interest** means each of such rate.

Rating Agencies (*Agenzie di Rating*): means, collectively, S&P, Moody’s and Fitch.

Real Estate Asset (*Immobilie*): means any real estate asset mortgaged as security of a Claim, under a Mortgage Loan Agreement.

Recoveries (*Recuperi*): means all the recoveries made by each of the Servicers in respect of the Claims which have become Defaulted Claims, included the amounts deriving from the enforcement of the Collateral Securities.

Recovery Fee: means an amount payable by the Issuer to each of the Servicers, in accordance with the applicable Priority of Payments, as return for the services provided by the Servicers in relation to the recovery activity carried out under each of the Servicing Agreements.

Regulated Market: means the regulated market of the Irish Stock Exchange on which the Notes will be admitted to trading.

Relevant Date: means, in respect of any Note, the date on which a payment in respect thereof first becomes due and payable or (if the full amounts payable in respect of all Notes due and payable on or before that date has not been duly received by the Principal Paying Agent or the Representative of the Noteholders on or prior to such date) the date on which notice that such amounts has been received is duly given to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*).

Representative of the Noteholders (*Rappresentante dei Portatori dei Titoli*): means BNY Trustee, in its capacity as representative of the Noteholders pursuant to the Subscription Agreements and the Rules of the Organisation of the Noteholders.

Retention Amount: means an amount up to Euro 30,000 standing to the credit of the Expenses Account.

Rules of the Organisation of the Noteholders: means the rules of the organisation of the Noteholders attached to the Terms and Conditions as Schedule 1.

Scheduled Instalment Date (*Data di Scadenza della Rata*): means any date on which the payment of any Instalments is due pursuant to each Mortgage Loan Agreement.

Secured Creditors: means, under the Deed of Pledge, the Noteholders and the other Issuer Secured Creditors.

Secured Obligations: means, under the Deed of Pledge, each and any payment obligation in respect of principal and interest of the Pledgor due to the Noteholders pursuant to the Conditions, as well as each and any payment obligation due to the other Issuer Secured Creditors, in accordance with the Transaction Documents.

Securities Accounts: means the securities accounts, which the Issuer may decide, in the future and in any event before all the Notes have been repaid in full, to open in its own name, with the Italian Account Bank, for so long as the Italian Account Bank qualifies as an Eligible Institution, for the deposit of the Eligible Investments.

Securities Act: means the U.S. Securities Act of 1933, as amended and supplemented.

Securitisation (*Cartolarizzazione*): means the securitisation transaction implemented by the Issuer within the scope of which the Notes are issued.

Securitisation Law (*Legge sulla Cartolarizzazione*): means Law No.130 of 30 April 1999, as from time to time modified.

Security Documents: means the Deed of Pledge and the English Deed of Charge.

Security Interest: means any mortgages, charges, pledges, liens, rights of set-off, special privileges (*privilegio speciale*), assignments by way of security, retentions of title or any other security interests whatsoever or any other agreements or arrangements having the effect of conferring security.

Security Trustee: means the security trustee appointed under the English Deed of Charge and any receivers and administrators appointed thereunder.

Senior Noteholders (*Portatori dei Titoli Senior*): means the persons who are, for the time being, the holders of the Series A1 Notes, the Series A2 Notes, the Series B Notes and the Series C Notes.

Senior Notes (*Titoli Senior*): means, collectively, the Series A1 Notes, the Series A2 Notes, the Series B Notes and the Series C Notes.

Senior Notes Subscription Agreement (*Contratto di Sottoscrizione dei Titoli Senior*): means the subscription agreement for the subscription of the Senior Notes entered into on or about the Issue Date between the Issuer, BPN, CREBERG, the Joint-Lead Managers and the Representative of the Noteholders, 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.

Series A Notes (*Titoli di Serie A*): means the Series A1 Notes and the Series A2 Notes.

Series A Notes Credit Enhancement: means, on any date, the aggregate of the Principal Amount Outstanding of the Series B Notes, the Series C Notes, the Series M Notes and the Cash Reserve Amount divided by the aggregate of the Principal Amount Outstanding of the Series A Notes, Series B Notes, Series C Notes and the Series M Notes and the Cash Reserve Amount.

Series A1 Noteholders (*Portatori dei Titoli di Serie A1*): means the persons who are, for the time being, the holders of the Series A1 Notes.

Series A1 Notes (*Titoli di Serie A1*): means Euro 147,300,000 Series 2007-2-A1 Residential Mortgage-Backed Floating Rate Notes due January 2018.

Series A1 Rate of Interest: means the interest which will accrue on the Principal Amount Outstanding of the Series A1 Notes from and including the Issue Date until final redemption, as specified in Condition 5.2 (*Rate of Interest on the Notes*).

Series A2 Noteholders (*Portatori dei Titoli di Serie A2*): means the persons who are, for the time being, the holders of the Series A2 Notes.

Series A2 Notes (*Titoli di Serie A2*): means Euro 1,382,000,000 Series 2007-2-A2 Residential Mortgage-Backed Floating Rate Notes due July 2044.

Series A2 Rate of Interest: means the interest which will accrue on the Principal Amount Outstanding of the Series A2 Notes from and including the Issue Date until final redemption, as specified in Condition 5.2 (*Rate of Interest on the Notes*).

Series B Noteholders (*Portatori dei Titoli di Serie B*): means the persons who are, for the time being, the holders of the Series B Notes.

Series B Notes (*Titoli di Serie B*): means Euro 28,200,000 Series 2007-2-B Residential Mortgage-Backed Floating Rate Notes due July 2044.

Series B Rate of Interest: means the interest which will accrue on the Principal Amount Outstanding of the Series B Notes from and including the Issue Date until final redemption, as specified in Condition 5.2 (*Rate of Interest on the Notes*).

Series B Trigger Event: means an irreversible event occurring when the Principal Deficiency Ledger Outstanding Balance is higher than 9.95%.

Series C Noteholders (*Portatori dei Titoli di Serie C*): means the persons who are, for the time being, the holders of the Series C Notes.

Series C Notes (*Titoli di Serie C*): means Euro 36,200,000 Series 2007-2-C Residential Mortgage-Backed Floating Rate Notes due July 2044.

Series C Rate of Interest: means the interest which will accrue on the Principal Amount Outstanding of the Series C Notes from and including the Issue Date until final redemption, as specified in Condition 5.2 (*Rate of Interest on the Notes*).

Series C Trigger Event: means an irreversible event occurring when the Principal Deficiency Ledger Outstanding Balance is higher than 6%.

Series M Noteholders (*Portatori dei Titoli di Serie M*): means, collectively, the persons who are, for the time being, the holders of the Series M1 Notes and the Series M2 Notes.

Series M Notes (*Titoli di Serie M*): means, collectively, the Series M1 Notes and the Series M2 Notes.

Series M1 Notes (*Titoli di Serie M1*): means Euro 8,639,000 Series 2007-2-M1 Residential Mortgage-Backed Variable Rate Notes due July 2044.

Series M2 Notes (*Titoli di Serie M2*): means Euro 7,479,000 Series 2007-2-M2 Residential Mortgage-Backed Variable Rate Notes due July 2044.

Series M Rate of Interest: means the interest which will accrue on the Principal Amount Outstanding of the Series M Notes from and including the Issue Date until final redemption, as specified in Condition 5.2 (*Rate of Interest on the Notes*).

Series M1 Notes Additional Return: means the additional return (if any), payable in respect of the Series M1 Notes, equal to (A) any residual amounts available after that all payments due under items (i) to (xiv) of the Interest Priority of Payments or under items (i) to (xiii) of the Post-Enforcement Priority of Payments, as the case may be, have been made in full, multiplied by (B) the BPN Portfolio Liability Ratio.

Series M2 Notes Additional Return: means the additional return (if any), payable in respect of the Series M2 Notes, equal to (A) any residual amounts available after that all payments due under items (i) to (xiv) of the Interest Priority of Payments or under items (i) to (xiii) of the Post-Enforcement Priority of Payments, as the case may be, have been made in full, multiplied by (B) the CREBERG Portfolio Liability Ratio.

Series M Trigger Event: means an irreversible event occurring when at least one of the following events occurs: (i) the Principal Deficiency Ledger Outstanding Balance is higher than 2.00%; (ii) the Annual Default Level is higher than 4.00%; or (iii) the Delinquency Level is higher than 3.5%.

Servicer: means BPN or CREBERG, as the case may be, in their capacity as servicers pursuant to the BPN Servicing Agreement and the CREBERG Servicing Agreement, respectively and **Servicers** means, collectively, BPN and CREBERG.

Servicing Agreements (*Contratti di Servicing*): means, collectively, the BPN Servicing Agreement and the CREBERG Servicing Agreement.

Servicing Fee: means an amount payable by the Issuer to each of the Servicers as return for the services provided by each of them in relation to the management and administration of the Claims.

Signing Date (*Data di Conclusione*): means the date on which the Transfer Agreements, the Servicing Agreements, the Back-up Servicing Agreement and the Corporate Services Agreement have been signed, being 22 June 2007.

S&P: means Standard & Poor's Rating Services a division of McGraw-Hill Companies Inc.

South of Italy (*Sud Italia*): means the regions of Abruzzo, Molise, Campania, Apulia, Calabria, Basilicata, Sicily, Sardinia.

Specified Office: means the office in which the Cash Manager, the Principal Paying Agent, the Italian Account Bank, the Irish Paying Agent, the Irish Listing Agent and the Calculation Agent, respectively, carry out their own activities pursuant to the Cash Management, Calculation and Agency Agreement.

Stabilisation Manager: means UBS Limited.

Statement of the Issuer Accounts: means the statement of the balance of the Payments Account, each of the Collection Accounts, the Cash Reserve Account and the Expenses Account as of the close of business of two Business Days prior to the relevant Calculation Date, to be sent by the

Italian Account Bank to, *inter alios*, the Issuer and the Representative of the Noteholders by 10:00 a.m. (Milan Time) of the Business Day before each Calculation Date.

Structured Finance Management: means Structured Finance Management – Italy S.r.l., a company incorporated under the laws of Italy, whose registered office is at Via Romanino n. 1, 25122 Brescia, Italy.

Subject Matter of the Pledge: means the Pledged Claims, as well as any connected claim, right, interest and action relating thereto on which the pledge will be granted.

Subscription Agreements (*Contratti di Sottoscrizione dei Titoli*): means, collectively, the Senior Notes Subscription Agreement and the Junior Notes Subscription Agreements.

Substitute Servicer Minimum Rating: means the rating assigned to the unguaranteed, unsubordinated and unsecured long-term debt obligations of the substitute servicer at least equal to “BBB”, “Baa2” or “BBB” by S&P, Moody’s or Fitch, respectively.

Swap Agreement (*Contratto di Swap*): means the ISDA Master Agreement together with the confirmations documenting the Interest Rate Swap Transactions executed thereunder on or around the Issue Date between the Issuer and the Swap Counterparty.

Swap Counterparty (*Controparte Swap*): means UBS Limited.

Swap Guarantor: means UBS AG.

Swap Subordination Event: means the default of the Swap Counterparty under the Swap Agreement or an Additional Termination Event which has occurred in connection with a Rating Event and the Swap Counterparty is the Sole Affected Party (each such terms defined in the Swap Agreement).

TARGET: means the Trans-European Automated Real Time Gross Settlement-Express Transfer System (or any successor or assignees thereto).

Tax Event: means any of the events contemplated under Condition 6.4 (*Redemption for tax reasons*).

Terms and Conditions (*Regolamento dei Titoli*): means the terms and conditions provided for the issue of the Notes, attached to the Prospectus, to the Intercreditor Agreement and to the Subscription Agreements.

Transaction Debtor: means any counterparty who is or may become the debtor of any of the claims and rights over which the Pledge is hereby created.

Transaction Documents (*Documenti dell’Operazione*): means the Transfer Agreements, the Servicing Agreements, the Corporate Services Agreement, the Back-up Servicing Agreement, the *Prospectus*, the Cash Management, Calculation and Agency Agreement, the Senior Notes Subscription Agreement, the Junior Notes Subscription Agreements, the Intercreditor Agreement, the Monte Titoli Mandate Agreement, the Swap Agreement, the Deed of Pledge, the English Deed of Charge and the Master Definitions Agreement.

Transfer Agreements (*Contratti di Cessione*): means, collectively, the BPN Transfer Agreement and the CREBERG Transfer Agreement.

Transfer Date (*Data di Cessione*): means the date on which the transfer of the Portfolio takes effect pursuant to each of the Transfer Agreements.

Trigger Event (*Causa di Decadenza del Beneficio del Termine*): means any of the events referred to in Condition 10 (*Trigger Events*).

Trigger Notice (*Comunicazione di Decadenza del Beneficio del Termine*): means a notice to be served by the Representative of the Noteholders pursuant to Condition 10.2 (*Trigger Events*), once a Trigger Event has occurred.

UBS AG means a company incorporated under the laws of Switzerland, whose registered offices are at Aeschenvorstadt 1, CH-4051 Basel, Switzerland and Bahnhofstrasse 45, CH-8098 Zurich, Switzerland.

UBS Limited means a company incorporated under the laws of England and Wales, whose registered office is at 1 Finsbury Avenue, London, EC2M 2PP, United Kingdom.

Usury Law (*Legge sull'Usura*): means the Italian Law No. 108 of 7 March 1996 as well as the Usury Law Decree.

Usury Law Decree (*Decreto Legge sull'Usura*): means the Law Decree No. 394 of 29 December 2000 (amending, deeming, and supplementing the Usury Law) converted in Law No. 24 of 28 February 2001.

Usury Regulations: means collectively the Usury Law and the Usury Law Decree.

Valuation Date (*Data di Valutazione*): means, with reference to the Portfolio, 15 June 2007.

ANNEX 1

Independent Auditors' Report

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83321111
Fax: +39 02 83321112
www.deloitte.it

AUDITORS' REPORT

To the Board of Directors of
BP MORTGAGES S.r.l.

1. We have audited the financial statements of BPMortgages S.r.l., which comprise the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit. These financial statements represent BP Mortgages S.r.l.'s first annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.
2. We conducted our audit in accordance with Auditing Standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements present for comparative purposes the corresponding data for the year 2005 prepared in accordance with IFRS. In addition, the Appendix to the financial statements explains the effects of transition to IFRS as adopted by the European Union. The information presented in such Appendix have been examined by us in order to express our opinion on the financial statements as of December 31, 2006.
3. In our opinion, the financial statements present fairly the financial position of BP Mortgages S.r.l. as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

DELOITTE & TOUCHE S.p.A.

Signed by
Maurizio Ferrero
Partner

Milan, Italy
April 3, 2007

This report has been translated into the English language solely for the convenience of international readers.

Accounting and Tax Services, Insurance, Financial Capital Markets, Internal Controls, Bank Finance, Private Finance, Public Finance, Corporate Finance

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale Euro 18.378.130.000 i.v.
Rivenditori/Concessionari: Deloitte & Touche S.p.A. n. 01588990154 - R.E.A. Milano n. 1718187

Member of
Deloitte Touche Tohmatsu

BP Mortgages S.r.l.
Sole Quotaholder Company
Registered Office: Brescia, Via Romanino n.1
Capital Stock: € 10,000 fully paid up.
Brescia Company Register no. 08705611005
Tax Code and VAT No. 08705611005

Financial Statements at 31 December 2006

Company business

The company was established on 21 October 2005 deed under the hand and seal of Dr. Paolo Fenuccia, Notary Public in Rome Index No. 10639, with the name "SPV PROJECT 56 SRL". Subsequently, the general meeting of 3 February 2006 resolved to change its original name, to transfer the registered office from the Municipality of Rome to the Municipality of Brescia and to partly reformulate the corporate object. More recently, the general meeting held on 8 March 2007 resolved to change the company name "EUROPEAN MERRILL RESIDENTIAL & CONSUMER FUNDING ITALY (E-MERC ITALY) S.R.L." – for short "E-MERC ITALY S.R.L." to the current name "BP Mortgages S.r.l".

The company, whose sole purpose is to carry out one or more securitisation transactions pursuant to Law no. 130 of 30th April 1999, is registered in the general list of financial intermediaries pursuant to Art. 106 Legislative Decree no. 385 of 1/9/1993 (Consolidated banking act) and in the special list of financial intermediaries as per art. 107 of the said Decree.

Introduction

The Company prepared its financial statements at 31 December 2006 in compliance with the International Financial Reporting Standards (IFRS) and in observance of supervisory instructions as per Bank of Italy circular dated 14 February 2006 (Instructions on the preparation of financial statements of financial intermediaries registered with the special list, electronic money organisations, savings management companies and securities houses).

IAS/IFRS principles and the interpretations thereto (SEC/IFRIC) applied hereto are those approved by the European Union and in force at the time of preparation of these financial statements.

The introduction of said standards implies significant changes with regard to the representation of accounting items, the valuation of assets and liabilities, the structure of the financial statements and the information provided.

The section "adoption of IAS/IFRS accounting standards" reports the reconciliation schemes as called for by IFRS 1; the notes comment on the impact on the individual financial statements items involved that result in changes in the net equity.

Form and content of the Financial Statements

The financial statements for the period were prepared in compliance with the provisions set out in Legislative Decree no. 87 of 27 January 1992, Legislative Decree no. 38 of 28 February 2005 and the instructions issued by the Bank of Italy with the order of 14/02/2006, and are comprised of:

- Balance sheet and Income statement
- Statement of changes to the net equity
- Cash-flow statement
- Notes

Part A – Accounting policies

A.1 General

A.2 Main financial statements aggregates

Part B – Balance sheet data

Part C – Income statement data

Part D – Additional information

BALANCE SHEET AND INCOME STATEMENT

BALANCE SHEET

(in Euro units)

Assets		31 December 2006	31 December 2005
10	Cash and cash equivalents	30	30
60	Receivables	10,941	8,254
120	Fiscal assets	0	111
	<i>a) current</i>	0	0
	<i>b) advance</i>	0	111
Total assets		10,971	8,435
Liabilities		31 December 2006	31 December 2005
10	Payables	241	0
70	Fiscal liabilities	664	0
	<i>a) current</i>	664	0
	<i>b) advance</i>	0	0
90	Other liabilities	60	0
120	Capital stock	10,000	10,000
160	Reserves	(1,375)	0
180	Profit (loss) for the year	1,375	(1,375)
Total liabilities		10,971	8,435

INCOME STATEMENT

(in Euro units)

Costs – revenues	31 December 2006	31 December 2005
<i>Interest margin</i>	0	0
<i>Net commissions</i>	0	0
<i>Brokerage margin</i>	0	0
120 Administrative costs	(3,105)	(3,332)
(5) other administrative costs	(3,105)	(3,332)
180 Other operating proceeds	5,455	1,086
Operating profit	2,350	(1,686)
Operating profit (loss) before taxes	2,350	(1,686)
210 Taxes for the year on operations	(775)	111
Operating profit (loss) after taxes	1,575	(1,575)
Profit for the year	1,575	(1,575)

CHANGES IN NET EQUITY

(in Euro anti)

	Initial values as at 31/12/2005	Adjustments to opening balances	Allocation profit previous financial year		Changes of the reserves	Transactions on net equity Issue of new shares Purchase of treasury stock Extraordinary dividend distribution Changes to Capital Instruments Other changes	Profit (Loss) for the year	Net equity as at 31/12/2006
			Initial values as at 01/01/2006	Reserves				
Capital stock:	10,000		10,000					10,000
Premium on issue								
Reserves:								
a) from profit								
b) other				(1,575)				(1,575)
Evaluation reserves:								
Capital instruments								-
Profit (Loss) for the year	(1,575)		(1,575)	1,575			1,575	1,575
Total	8,425		8,425	-	-	-	1,575	10,000

CASH FLOW STATEMENT AS AT 31 DECEMBER 2006		
OPERATIONS	31/12/2006	31/12/2005
1. MANAGEMENT	1,378	(1,575)
- interest income and similar revenues		
- interest costs and similar charges		
- dividends or similar revenues		
- commissions received		
- commissions paid		
- staff cost		
- other costs	(3,105)	(3,332)
- other revenues	3,455	1,668
- taxes	(775)	111
2. CASH GENERATED BY FINANCIAL ASSETS REDUCTION	111	0
- financial assets held for trading		
- financial assets at fair value		
- financial assets available for being sold		
- receivables		
- other assets	111	
3. CASH ABSORBED BY FINANCIAL ASSETS INCREASE	(5,455)	(8,777)
- financial assets held for trading		
- financial assets at fair value		
- financial assets available for being sold		
- receivables		
- other activities	(5,455)	(1,668)
4. CASH GENERATED BY FINANCIAL LIABILITIES INCREASE	972	0
- payables		
- securities outstanding	241	0
- financial liabilities for trading		
- financial liabilities at fair value		
- other liabilities	731	
5. CASH ABSORBED BY REPAYMENT/REPURCHASE OF FINANCIAL LIABILITIES	0	0
- payables		
- securities outstanding		
- financial liabilities for trading		
- financial liabilities at fair value		
- other liabilities		
NET CASH GENERATED / ABSORBED BY OPERATING ACTIVITIES (A)	(2,707)	(9,382)
INVESTMENTS ACTIVITIES		
1. CASH GENERATED BY DECREASE OF	0	0
- holdings		
- financial assets held to maturity		
- tangible fixed assets		
- intangible fixed assets		
- other assets		
2. CASH GENERATE BY THE INCREASE OF	0	0
- holdings		
- financial assets held to maturity		
- tangible fixed assets		
- intangible fixed assets		
- other assets		
NET CASH GENERATED / ABSORBED BY INVESTMENT ACTIVITIES (B)	0	0
FINANCING ACTIVITIES		
- payment of capital stock		10,000
- issue / purchase of treasury shares		
- issue / purchase of capital instruments		
- dividend distribution and other purposes		
NET CASH GENERATED / ABSORBED BY FINANCING ACTIVITIES (C)	0	10,000
NET CASH GENERATED / ABSORBED DURING THE YEAR (D=A+B+C)	(2,707)	6,618
RECONCILIATION		
Balance sheet items	31.12. 2006	31.12. 2005
Cash and cash equivalents at the beginning of the year	6,618	0
Total net cash generated / absorbed in the year	(2,777)	6,618
Cash and cash equivalents at the end of the year	3,841	6,618

NOTES

Part A – Accounting policies

A.1 General

Section 1 - Statement of compliance with international accounting standards

In accordance with the provisions of Leg. Decree 38/05, as a financial broker registered as envisaged in Article 107, Leg. Decree 385 of 1993 in the Special List, the Company has prepared financial statements for the year ended 31 December 2006 in compliance with IAS/IFRS standards, applying as a result all international standards currently approved by the European Commission. In drafting the first statements in line with IAS/IFRS standards, accounting standard IFRS 1 was adopted, i.e. First-time Adoption of International Financial Reporting Standards. In application of this standard, an initial version of the balance sheet was prepared to IFRS requirements at the transition date (constitution date) taken as the start date for IFRS-compliant accounting.

Differences with the previous accounting basis are booked as applicable under a specific quotaholders' equity reserve.

Section 2 - General preparation principles

The financial statements were drawn up in line with international accounting standards prescribed by the International Accounting Standard Board (IASB) and relative interpretations issued by IFRIC and approved by the European Union, as well as prescriptions laid down in the Banca D'Italia Instruction dated 14 February 2006 outlining the framework and regulations for the financial statements of financial brokers under the new standards.

The financial statements were drafted to present a true and accurate view of the company's financial position, financial performance and cash flow.

The financial statements were prepared on a going concern basis (IAS 1 - section 23), income and expenses were booked in accordance with the accruals principle (IAS 1 - sections 25 and 26), and in line with the required presentation and classification of items (IAS 1 - section 27). Assets and liabilities, income and expenses were not offset unless required or permitted by a Standard or Interpretation (IAS 1 - section 32).

Specifically, the main underlying assumptions are:

- Going concern

Assets and liabilities are valued at their operating value, given that they are expected to be used for several years.

- Accruals accounting

The effects of revenues and costs are recognized when they occur, rather than when cash is received or paid, and they are reported in the financial statements of the periods to which they relate.

- Consistency

The presentation and classification of items in the financial statements is consistent from one period to the next in order to provide the necessary comparative information, unless a standard or interpretation permits or requires otherwise or if the items concerned would be more appropriately represented, i.e. in a more reliable and relevant way. If a presentation or classification criteria is changed, this is applied retrospectively where possible. In this case, the nature and reason for the change are also provided, along with the items concerned. In the presentation and classification of items, the new frameworks indicated by Banca d'Italia in the Governor Decree dated 14 February 2006 were adopted.

- Aggregation and relevance

All key aggregations of items of similar nature or function are presented separately. Items of a different nature or function, where relevant, are presented individually.

- No offsetting

Assets and liabilities, and income and expenses, are not offset unless required or permitted by an International Accounting Standard or Interpretation, or by the frameworks and instructions issued by Banca d'Italia.

- Comparability

Comparative information for the previous year is provided for all figures disclosed in the financial statements, unless otherwise required or permitted by International Accounting Standards or Interpretations. Descriptive information is also provided to help understand the figures presented.

The full set of financial statements as required under IAS 1 comprises the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes.

Comparable figures for the previous year are provided for each item in the balance sheet and income statement.

All figures reported in the financial statements use the Euro as the money of account; unless indicated otherwise, all figures given are in thousands of euro.

These financial statements include the directors' report.

Section 3 - Events after the financial year-end

As these statements were being prepared, a securitisation operation was being put together which will result in the acquisition, expected by the end of March 2007, of the accounts receivable portfolio of Banco Popolare di Verona e Novara S.p.A. ("BPVN") and associated issue of securities by April 2007.

It will be a block transfer without recourse in accordance with the combined provisions of Articles 1 and 4 of Law 130/1999, and Article 58 of the Consolidated Banking Act. The portfolio will consist of accounts receivable for landed-property loans and mortgages payable under Italian law by debtors (physical people) and originally granted by BPVN.

The receivables, of a nominal value of €1.5 billion, are classified as performing under BPVN's classification criteria.

Section 4 - Other issues

Information on how the company applied IAS/IFRS international accounting standards and the resultant effect on the financial position and performance of the first-time adoption, in compliance with the requirements of IFRS 1, is provided in a specific annex to the notes that you are invited to read. The aforementioned annex should be considered a material part of these notes.

A.2 Main financial aggregates

The accounting principles adopted to prepare the financial statements for the year ended 31 December 2006 are described below for each item reported in the balance sheet and income statement. Reporting, classification, valuation and cancellation criteria are listed for each item.

RECEIVABLES

Reporting criteria

Receivables are recognized at the payment date i.e. the date the company becomes a party to the legal transfer agreement and hence also acquires legal rights to receive financial flows.

The amounts are initially booked at the fair value which generally equals the amount or price paid.

Classification criteria

This item includes amounts due from banks as cash and cash equivalents at bank and other receivables classified as "Other Assets", such as amounts receivable from the national tax authority or from third parties.

Valuation criteria

After they are initially brought to account, amounts receivable from banks are measured at their original value.

As regards other receivables, at every year end any clear evidence of impairment is checked.

Cancellation criteria

Receivables are cancelled when the asset concerned is sold, transferring all related risks and benefits, when contractual rights expire or when the receivable is considered to be definitively unrecoverable.

PAYABLES

Reporting criteria

Payables are recognized at the collection date, i.e. when the company becomes a party to the legal transfer agreement and hence is legally obliged to correspond financial flows.

Payables are initially booked at the *fair value which generally equals* the amount paid.

Classification criteria

Amounts due to the national tax authority or suppliers are included in this item.

Valuation criteria

Being short-term liabilities for which the actual term is of no importance, they are measured at their original value.

Cancellation criteria

Payables are cancelled when the relative liabilities have expired or been extinguished.

DEFERRED AND CURRENT TAXATION

Reporting criteria

Tax liabilities are brought to account when the various withholdings and taxes are known.

Classification criteria

This item includes current and deferred tax assets and liabilities.

Valuation criteria

Current and deferred tax assets and liabilities are recognized without offsetting.

Current tax assets are disclosed at the nominal value of the relative amounts receivable for advance tax paid.

Current tax liabilities are also disclosed at the nominal value of the withholdings levied, whilst tax for the current year is calculated on the basis of a realistic estimate of the tax burden under applicable tax legislation.

Deferred tax liabilities are measured without taking into account any current or estimated potential losses considered for tax purposes; accelerated taxes are only booked if it is reasonably certain they will be recovered.

Cancellation criteria

Current taxation (assets and liabilities) are cancelled when the various taxes levied as withholding agent are paid at the official due date.

Deferred tax is cancelled to the extent that it is expected to be recovered.

INCOME AND EXPENSES

Costs are charged to the income statement when economic benefits are expected to decrease in the future, leading to a resultant decrease in assets or increase in liabilities, the value of which can be reasonably estimated. Costs are charged to the income statement by directly matching costs incurred to the associated revenue produced (cost/income matching).

Income is charged to the income statement when economic benefits are expected to increase in the future, leading to a resultant increase in assets or decrease in liabilities, the value of which can be reasonably estimated. This means that income is recognized at the same time as the recognition of an increase in assets or decrease in liabilities.

The information included in Parts B, C and D of the explanatory notes is provided below. It should be pointed out that information is not provided for any issues not of interest to the financial statements under review, nor are tables provided for accounting items that do not appear in the statements or amount to less than 1000 euro, which is the minimum unit of measurement in these notes.

Part B – Balance sheet data

Assets

Section 6 – Receivables- Item 60

6.1 “Receivables from banks”

This item consists in the sums deposited in a deposit account whose balance is Euro 4 thousand, and it is to be considered as receivables at sight.

Items	31.12.2006	31.12.2005	Changes
1. Deposits and current accounts			
- deposit book	4	7	-3
2. Repo			
3. Financings			
4. Debt securities			
5. Other assets			
6. Assets sold not cancelled			
7. Defaced assets			
Total balance sheet value	4	7	-3
Total fair value	4	7	-3

The fair value of receivables is equal to their balance sheet since they solely consist in receivables payable at sight.

6.3 "Receivables from financial institutions"

Items	31.12.2006	31.12.2005	Changes
1. Repo			
2. Financings			
3. Securities			
4. Other assets	7	2	5
5. Assets sold not cancelled			
6. Defaced assets			
Total balance sheet value	7	2	5
Total fair value	7	2	5

This item is represented by receivables for invoices to be issued to Zenith Holding S.r.l. amounting to Euro 2 thousand and to Zenith Service S.p.a. for Euro 5 thousand.

Liabilities

Section 7 – Fiscal liabilities – Item 70

La voce, amounting to Euro 1 thousand, is represented by current income tax for the period.

Section 12 – Equity – Items 120, 160

12.1 "Capital"

The capital stock, subscribed and paid up for a total amount of Euro 10 thousand, is held by the sole shareholder Stichting Project 56 S.r.l., a company in Dutch law, with registered office Amsteldijk 166, 1079LH Amsterdam.

Items	31.12.2006	31.12.2005	Changes
Capital stock	10	10	0
Total balance sheet value	10	10	0

12.5 Composition and changes to item 160 "Reserves "

	Legal	Profit carried forward	Loss carried forward / FTA reserve*	Total
A. Initial amount				
B. increase				
B.1 Allocation to profit				
B.2 other changes			- 2	- 2
C. Decrease				
C.1 Uses				
- Loss coverage				
- Distribution				
- Transfer to capital				
C.2 Other changes				
Total balance sheet value	0	0	- 2	- 2

* This is a loss incurred in fiscal year 2005 that was restated due to the introduction of IAS/IFs

Sureties, Commitments and "off balance sheet" transactions

Sureties issued to third parties

The company did not grant any surety to third parties.

Commitments

There are no commitments.

"Off balance sheet" transactions

At 31 December 2006 the company had no "off balance sheet" transactions.

Foreign exchange assets and liabilities

The balance sheet at 31 December 2006 shows no foreign current assets or liabilities.

Part C – Income statement data

Section 10 – Administrative costs– Item 120

This item, equal to Euro 3 thousand, consists in administrative services and other operating charges.

Composition	31.12.2006	31.12.2005
Administrative services gov. lic. duties, CCLAA dues, stamps and postage, other minor expenses	3	3
Total amount	3	3

Section 16 – Other operating proceeds– Item 180

This entry, amounting to Euro 5 thousand, is represented by the Issuer Retention Amount, required to maintain the good standing of the Company.

Composition	31.12.2006	31.12.2005
Other proceeds from operations	5	2
Total amount	5	2

Section 19 – Income tax for the period of current operations– item 210

	31.12.2006	31.12.2005
1. Current tax	1	0
2. Changes to current tax for previous years		
3. Decrease of current tax for the year		
4. Change to advance tax		
5. Change to deferred tax		
Total amount	1	0

In addition to current tax, this item also includes the reversal of advance tax entered in the previous year which is not shown in the table since the total amount was less than 1 thousand Euro. See the Appendix for details on entries for the previous year.

Section 3 – Information on risks and hedging policies

Given the peculiarity of provisions laid down in the legislation with regard to securitisation vehicles, there is no significant information to be provided as to the so-called “ordinary administration” of the Company.

Section 4 – Transactions with related parties

4.1 Information on directors’ fees and executive’s remuneration

No remuneration to corporate bodies was resolved upon for the year.

4.2 Loans and sureties to directors and statutory auditors

No loans or sureties have been granted to directors and statutory auditors.

4.3 Information on transactions with related parties

The company has not made any transactions with related parties.

Section 5 – Additional details

5.1 Headcount

The company has no employees.

All the information contained in the financial statements for the year is consistent with the accounting entries of the company and harmonised classification criteria for corporate events are ensured by compliance with the instructions issued on the matter.

Annex

The adoption of the new IAS/IFRS accounting standards:

- Description of main changes introduction by initial application of IAS/IFRS
- Initial application of IAS/IFRS
- IAS/IFRS reconciliation schemes and the notes.

Description of the main changes introduced by the initial application of IAS/IFRS

International accounting standards require significant changes in the way operating events are booked, the valuation criteria and how financial statements values are shown. Below is a description of the ones which produced the most significant effects on the financial statements of the Company.

Main changes to booking methods

The main impact deriving from the adoption of IAS/IFRS concerns intangible fixed assets as to which international accounting standards envisage certain requirements for their entry, and, *inter alia*, the costs derived from incorporation expenses can not be capitalised (please refer to the description below).

New valuation criteria

Also in the case of the new valuation criteria, the main change concerns intangible fixed assets. As for intangible fixed assets, accounting standards specify a fair value valuation or booking at cost, adjusted on the basis of amortisation allowances, determined in line with the useful life of the fixed asset or its final recovery value.

Initial application of IAS/IFRS

The application of IAS/IFRS standards to the company as from the financial statements for the year ending 31 December 2006, resulted in the reversal of intangible fixed assets regarding incorporation expenses for these can not be entered pursuant to IAS 38.

The company was established on 31 October 2005 and his day is the transition date to the IAS/IFRS. In 2005 the Company incurred incorporation expenses which had originally been capitalised. Therefore, said capitalised expenses have been reversed and charged to the Income statement, which lead to a negative effect on same.

The effects of said restatement are shown in the 31.12.2005 comparative column.

IAS/IFRS reconciliation schemes and notes

As called for by IFRS 1 standards, the following reconciliation scheme has been prepared showing the equity net of FTA, the net equity at 31.12.2005 and the result for the year 2005.

In euro units	Reference IAS/IFRS	Equity At Incorporation (year 2005)	Results 2005	Equity at 31/12/2005
Financial statements values		€ 10,000	€ -	€ 10,000
National accounting standards				
Effects of IAS application				
1) intangible fixed assets that can not be capitalised for IAS/IFRS purposes	IAS 38		-€ 1,575	-€ 1,575
Financial statements values adjusted according to IAS / IFRS		€ 10,000	-€ 1,575	€ 8,425

All amounts are net of taxes

The reversal of intangible fixed assets amount to Euro (unit) 1,686. Advance tax adds up to Euro (units) 111. Advance taxes are entered on the basis of their possible recovery and only concerned the IRES tax. No advance tax was booked as IRAP tax since it is unreasonable to foresee future taxable amounts connected with said tax.

Milan - 23 March 2007

The Chief of the Board of Directors
Massimo Bosio




BP Mortgages S.r.l.

Sole Quotaholder Company

Registered Office: Brescia, Via Romanino no.1

Capital Stock: € 10,000 fully paid up.

Brescia Company Register no. 08705611005

Tax Code and VAT No. 08705611005

DIRECTORS' REPORT ON OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2006

Dear Quotaholders,

We hereby submit to you the financial statements for the year ended 31 December 2006 for your approval. These statements consist of the Balance sheet, the Income statement and the notes, and are accompanied by this' Directors' Report on operations.

The financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS), the interpretation by the International Accounting Standards Board (IASB) and in observance of the instructions for the preparation of financial statements of financial intermediaries registered with the special list, as issued by the Bank of Italy on 14 February 2006.

The company was established on 21 October 2005 by deed under the hand and seal of Dr. Paolo Fenuoltea, Notary Public in Roma, Index No. 10639, with the name "SPV PROJECT 56 SRL". At a later time, the general meeting of 3 February 2006 resolved to change the original name, to transfer the registered office from the Municipality of Rome to the Municipality of Brescia and partly reformulated the corporate object.

More recently, the general meeting held on 8 March 2007 resolved to change the name EUROPEAN MERRILL RESIDENTIAL & CONSUMER FUNDING ITALY (E-MERC ITALY) S.R.L." – for short "E-MERC ITALY S.R.L. to the current name "BP Mortgages S.r.l".

Company Business

The company's sole purpose is to carry out one or more securitisation transactions pursuant to Law no. 130 of 30th April 1999; the company is registered with the general list of financial intermediaries pursuant to Art. 106 Legislative Decree no. 385 of 1/9/1993 (Consolidated banking act) and in the special list of financial intermediaries as per art. 107 of the said Decree.

Within the scope of said purpose, in the first few months of 2007 the company has been arranging a

securitisation transaction as described more in detail below.

The ordinary administration of the company does not feature any significant events that call for any other comments in addition to those set out in the Notes.

Capital stock composition

The Capital stock, subscribed and paid up for a total of Euro 10,000, is held by the sole quotaholders Stichting Project 56 S.r.l., a company under Dutch law, with registered office in Amsteldijk 166, 1079LH Amsterdam.

Relations with subsidiaries, affiliates and holding companies

The company has no relations with its holding company.

Treasury shares and shares of quota of holding companies

There is no data available in this respect.

Research and development

No research and development activities have been undertaken during the year.

List of branches

At present the company only operates from its headquarters.

Significant events after the end of the year and foreseeable development of the business

At the date hereof a securitisation transaction is being arranged which will result in the purchase of the receivables portfolio, very much likely to take place by the end of March 2007, from Banco Popolare di Verona e Novara S.c.ar.l. (hereinafter "BPVN") and the issue of notes, indicatively in the month of April 2007.

The assignment will be made *en bloc* and without recourse pursuant to the combined provisions of articles 1 and 4 of Law 130/1999, and Art 58 of the Consolidated Banking Act. The Portfolio will comprise receivables arising from real estate and mortgage loans under Italian law, from debtors (individuals), and originated by BPVN.

The Claims whose nominal value will indicatively add up to Euro 1.5 billion, rank as performing claims according to the classification criteria adopted by BPVN.

Privacy



The Company complied with privacy requirements and sent to all the relevant entities the information communications as per Legislative Decree no. 196 of 30 June 2003.

Result for the year

The year ended with a profit equal to Euro 1,574.82 which we hereby suggest to fully allocate to cover the loss carried forward – entered as a negative net equity reserve– resulting from the introduction of the IAS.

Proposed approval of the financial statements

Dear Quotaholders,

We hereby invite you to approve the Financial Statements for the year ended 31 December 2006 - comprised of the Balance Sheet, the Income Statement and the Notes, as well as the statements relevant thereto and this Directors' Report – which show a profit of Euro 1,574.82.

Milan, 22 March 2007

The Chief of the Board of Directors

Massimo Bosio



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