

## CREDIT AND COLLECTION POLICY

*The description of the Credit and Collection Policy set out below is a summary of certain features of the Credit and Collection Policy adopted by IBL Banca - Istituto Bancario del Lavoro S.p.A. and is qualified by reference to the detailed contents of the Credit and Collection Policy enclosed to the Servicing Agreement. Prospective Noteholders may inspect copies of the Transaction Documents (including the Servicing Agreement and the exhibits thereof) upon request at the specified office of each of the Representative of the Noteholders and the Paying Agent.*

### Loan application management

The process of loan application management involves the following stages:

- 1) Preliminary Investigation (“Istruttoria”)
- 2) Offer
- 3) Decision (authorisation)
- 4) Pre-contractual information
- 5) Processing
- 6) Loan Disbursement

#### 1. **PRELIMINARY INVESTIGATION (Customer contact stage)**

In this stage the procedure is based on internal regulations involving an initial objective and subjective assessment of the loan application to determine the suitability of the customer by a credit scoring system implemented by the bank, and the preparation of a customised offer for the particular customer. The bank complies with the law and regulations on banking products and services relating to privacy and transparency, with the customer giving his consent to the use of his personal data, while the bank provides the customer with all the documentation and information on the particular characteristics of, and the risks associated with, the product, while checking the adequacy of the application itself to the customer's financial needs.

There are two different stages involved in the management of the preliminary investigation. During the first stage the bank carries out an analysis of the formal requirements of the application and only if these requirements are met, then the substantial requirements are also analysed.

The formal requirements are:

- the applicant shall be an employee or retired person;
- if it is an employee, whether his employer meets the scoring requirements set by the bank.

The applicant must submit at least the last salary slip or pension slip which indicates the employer or the pensions agency, the assignable amount and the presence or otherwise of any other pre-existing debts (as withheld in the pay packet).

In any event, financing cannot be obtained by anyone who:

- is not in good health (as shown by a medical exam);
- subject to being drafted into the military service;

- is not actively working (e.g. on a leave of absence or on disciplinary leave);
- will reach retirement age before maturity, other than in case of assignment of the fifth of the pension.

With regard to any private employers that are not yet registered in the bank's IT system, a thorough investigation (also called "pre-acceptance" examination) is carried out with the aim to calculate the credit scoring required by the management.

The relevant factors are whether the information in the application satisfies certain quantitative and qualitative requirements both with respect to the employer and the applicant. In the case of a CDQ Loan and of a DP Loan the process of granting a loan depends on the employer (primarily) as well as the applicant as an individual. Such particular requirements (unique among products in the consumer credit sector) arise out of the legal nature of the relationship established among the lender (the bank), the borrower (the applicant) and the employer (assigned third party administration) where the lender has the right to obtain repayment of the portions of the lent sum by deductions from the employee's pay packet (assignment with recourse) made directly by the employer.

In this regard the Group has implemented an IT system that enables it, when in possession of certain information, to check the admissibility or otherwise of the application. Behind the mathematical calculation there are certain assumptions and parameters agreed by the Management that are periodically reviewed according to market trends (macro variables) and the specific consideration of the persons involved in the preliminary investigation (employer and applicant).

It is ascertained for example whether the employer meets certain size requirements (minimum number of employees), legal requirements (type of legal status: e.g. joint stock company), capital requirements (minimum level of paid up capital), performance requirements (analysis of the financial statements in relation to specific indicators) and qualitative requirements (operating in determined goods or manufacturing sectors). Moreover, on the basis of periodic analyses carried out by Risk Management, the benchmarks are updated to provide indications for the correlation between certain characteristics of the company and the presumed performance expected in possible future dealings.

On the other hand investigations are carried out on the individual applicant on an ad hoc basis to estimate the risk of fraud and to assess creditworthiness. In the investigative stage the bank also examines the details of the customer to make sure there are no outstanding default situations (such as overdue or unpaid bills).

The above process then results in a positive, negative or "to be re-examined" outcome. While the first two outcomes are clear, in the third case the application is scrutinised by the Credit Department, which comes to a final conclusion as to the admissibility or otherwise of the request after further and more detailed analysis.

## **2. OFFER**

If the application meets all the formal and substantial requirements, an offer that meets the financial needs of the customer is worked out.

The offer is usually informative and does not entail a binding commitment either for the bank or for the customer. Its only purpose is to explain to the customer, given the payment plan, the possible net benefit of the transaction once the investigation stage and decision are completed.

During this stage the bank defines the main features of the loan, or the maximum assignment/delegation instalment, the loan term, the insurance cover (insurance company) and the financial terms (the rate).

### **3. DECISION (AUTHORIZATION)**

If the investigation process ends with a positive outcome and the bank's offer is approved, the decision is made with regard to a loan that satisfies certain criteria.

From a technical point of view the decision does not mean that the customer is granted a loan, but it is only a confirmation of the preliminary investigation (i.e. the fulfilment of the requirements of internal rules and the compliance with the law) so that it is possible to go ahead with the actual process that ends with the calculation and disbursement of the loan.

With the completion of this stage the compliance of the documentation submitted by the customer is verified as well as the employer's credit score as previously described and it is also verified that guarantees can be obtained (the capacity of the loan to be insured by insurance companies).

### **4. PRE-CONTRACTUAL INFORMATION**

Once the decision to grant a loan has been taken, the customer is informed of the final features of the loan and its total cost (in compliance with current regulations on the transparency of banking and financial transactions and bank services) and is, at the same time, given the pre-contractual offer provided for in the new European consumer credit provisions (standard European consumer credit information).

If the pre-contractual offer is accepted by the customer, the process moves on to the subsequent processing stage.

### **5. PROCESSING**

Once the loan is approved and the customer has signed the offer, Branch Representative performs certain checks, acquires the guarantees and thereafter proceeds with the signing of the loan documentation and the notification of the assignment of the CDQ to the employer / pension fund.

The bank checks the contractual documentation ensuring:

- that it has reached the competent office;
- that it is authentic;
- that it is consistent with the information furnished at the time of pre-contractual offer;
- that it has been signed by the applicant and that the signature corresponds to the one made on his identity card;
- that it is duly filed in the records of the applicant's loan.

Further actions are carried out by the bank, and in particular:

- the information and forms regarding insurance cover are given to the applicant;
- the contract is signed and delivered;
- notice of the contract is given to the employer/pensions agency;
- insurance cover is obtained from the insurance companies that are approved by the Group;
- a request is made for documentation regarding any previous debts that have to be settled;

- a formal and substantial check of the whole case is carried out.

## **6. DISBURSEMENT**

When the processing stage has been completed and the guarantees obtained from the insurance companies, and once the contract has been received and accepted by the employer/pensions agency for the purposes of its obligations as assigned third party debtor, the bank proceeds with the final disbursement of the loan.

From the technical point of view it is only with the actual disbursement that the process of granting the loan to the customer is completed.

Disbursement of the loan is subject to the following checks:

- the official go-ahead (“benestare”) or other document from which can be inferred acceptance by the employer of the obligations to which it is subject under the terms of the loan contract (first guarantee);
- the obtaining of the insurance policies provided for in relation to the loan (second guarantee).

After the aforesaid guarantees have been obtained and before the loan can actually be paid, the bank carries out a final check to ensure that all the documents necessary in order to complete the transaction are both formally and substantially in its possession.

### **Fraud prevention systems**

In relation to loan policy and the need to mitigate the risk of fraud, the Group has set up a system of fraud controls that is in place across all the investigation processes, irrespective of the channel through which the application is received.

The system envisages four distinct lines of checks for each loan application:

- analysis and checks of the documents certifying the applicant's income;
- telephone checks with the employer;
- checks of significant information on the customer from external databases;
- direct telephone checks to the customers.

The checks on documents relating to income essentially consist in verification of the formal and substantial original nature of the document submitted. Among the checks made, the bank will for example study the documents' fonts, correspondence between monthly remuneration and duties performed, correspondence of the document with other documents acquired from other customers working for the same employer, etc.

Telephone calls to the employer aim at confirming the actual existence of the employment contract in addition to checking any prejudicial factors in relation to the grant of the loan (e.g. garnishment or attachment of earnings or charges on the earnings, the absence of any disciplinary measures or proceedings, the true situation as regards any current deductions from pay, the absence of any other already notified not amortised loans). The bank takes particular care only to speak to employers on telephone numbers that it has verified or that it has taken from public databases.

Through external databases the bank also obtains other important information about the application whereby the banks checks the real identity of the customer as well as the actual existence of his position as an employee or person in receipt of a pension.

Through telephone checks to the customer the bank ascertains, through predetermined interviews, any inconsistent replies from the customer that could lead to any inference of suspicious conduct. During the interview stage the bank, inter alia, also checks carefully that the information corresponds to the data on the customer acquired directly by the bank from external databases.

### **Collections management**

The whole collection process is governed by internal regulations that are subject to continuous amendments and updates that respond to changes in the general law and regulations on the subject.

Currently the collection process is split in two macro categories of activity that break down into two operational processes:

- management of collections;
- ascertaining non-performing loans and taking credit recovery action in or out of court.

### **Management of collections**

In this stage of the management process, all the day-to-day activities are carried out with the aim to establishing what instalments are due on the individual loans as envisaged in the payment plan and entering the payments received in the accounts while allocating them to the appropriate borrower's record.

In accordance with an express irrevocable mandate from the employee, the Administration is obliged by law as the assigned third-party debtor, to withhold the payment from the payroll and to remit the same to IBL.

The management of the collections is thus very streamlined since the relationship in the case of many borrowers who are employees of a single Administration is maintained with a single counterparty who is not only legally responsible for sending the payments, but also for providing IBL with a special list indicating the names and amounts for the individual payments made.

The payments are made by the employer Administrations through bank transfers to:

1. current accounts with banks held in the name of IBL at around 20 Italian banks;
2. current accounts with the post office.

The monitoring of such payments occurs on a real-time basis through IBL's direct link with:

- the banks through a concentrated remote-banking system;
- the Italian Post Office through protected Internet access.

With such connections in place, IBL is able to monitor the current accounts daily, and to maintain a constantly updated situation on the status of the payments.

The credit monitoring area is responsible for the management of the collections and in particular it carries on the following activities:

#### **1. Evaluation of new employers**

Once the request for a CDQ/DP comes from an employee whose employer is not already registered, into IBL systems, the bank collects significant information on the employer, amongst which:

- company data from public data providers, for the registration of the employer into IBL systems and for the classification of the company (private, public, state-owned, Ente Poste or Ferrovie dello Stato);
- company contact details and offices in charge of making salary payments;
- further information for certain state-owned entities (i.e. INPDAP)

## 2. Management of collections

This stage of the process involves the management of the instalments that become due (i.e. identification of instalments to be paid, matching of payments with amounts due, ....) and the identification of the loans that, for any reasons, are not in line with scheduled payments (because of missed payment or an event that triggers the payment of an insurance company).

This process also includes any necessary changes in payment plans as a result of:

- **suspension**, where there is a missed payment or a partial payment of one or more instalments consequent upon events provided for and regulated contractually. These are generally due to one of the following situations:
  - o redundancy;
  - o unpaid leave;
  - o any reason in general that results in a reduction in pay of more than 30%.
- **deferral of starting date**, where the contractual starting date for the payment plan differs from when the deductions start to be put into effect by the assigned debtor;
- **administration changes**, where the debtor is transferred to another unit, department or office of the same employer or to another employer.

## 3. Reimbursement (amounts paid back to borrowers) management

Reimbursements occur in cases of:

- Payments exceeding the scheduled payment;
- interest paid notwithstanding prepayments (the employer pays the full amount due including interest not yet accrued).

In such cases IBL:

- checks the existence of the amount exceeding the scheduled payment;
- issues a reimbursement document;
- receives a copy of the reimbursement document countersigned by the client;
- records the reimbursement.

## 4. Prepayments

Prepayments occur in the following circumstances:

- The loan is re-financed;
- Following a written request by the client;
- Following an event which triggers a payment by the insurance company

## 5. Reporting

Reports summarising information on new and existing loans, and on collections expected are periodically issued with the aim to support the collection management process.

### Ascertaining non-performing loans and taking credit recovery action in or out of court

A loan that performs anomalously is one that is out of line with the payment plan as a result of:

- **arrears**, where there is failure by the borrower to perform obligations exactly. The collection manager checks on the causes of the failure to pay the sums due, which can lead to:
  - o the classification of the loan as past-due and the consequent charging of interest on the delayed payment;
  - o the termination of the instalment plan and the benefit of time limit, with the residual balance due in a single payment.
  - o suspension of payments
- **insurance claims**, where the customer dies or the contract of employment is terminated. In such cases the operational department lodges a claim with the insurance company;
- **non-performing loans**, where a borrower has arrears greater than the limits laid down in the supervisory provisions.

The checking and the management of these situations generally involves highlighting within the company which companies are defaulting and notifying them and their customers of the problems associated with non-payment (by individual correspondence, notice to perform, the allocation of a term for performance, court action and debt collection).

In the event of an event covered by insurance, after the event has been investigated it is reported the insurance company to make a claim for the sum due. In cases of employment contingencies there will be a preliminary check on whether the customer has moved to another employer. In such cases notification is given by the bank to the new employer so that the latter can meet the requirements for the repayment of the loan.

### **Arrears**

The Company controls the exact status of the payments with respect to both the contractual obligations and the amounts paid by the employer Administrations, evidencing any anomalies and proceeding to activate collection through written solicitation of the payments.

The Company checks to see that the payments have been regularly made on the basis of the amortization plans, showing any past-due payments and/or positions for which payments have been suspended. Recovery procedures are activated for past-due amounts. Instead, an active approach is

taken to managing positions for which payments have been legally suspended due to the reduction of one-third or more of the borrower's monthly wage (e.g. maternity leave, leave of absence, etc.)

Past-due positions

The management of the past-due positions takes into account (in terms of the analysis of the unpaid amounts) a grace period of 60 days with respect to the actual contractual due date provided by the amortization plan. This grace period covers a 30-day period provided by law for the payment of the instalments by the Administrations and another 30-day period for the technical reconciliation of the collections.

Depending on the information reported by the collections area, the management of the past-due position will proceed according to one of the following approaches:

- Out-of-court proceedings to recover the credit:
  - Solicitation (with the expiration of the second payment due and not paid);
  - Warning (with expiration of the third payment due and not paid);
  - Assignment of a 30-day deadline to effect payment (with expiration of the fourth payment due and not paid);
- Court proceedings (litigation initiated upon the expiration of the fifth payment due and not paid):
  - Termination of instalment plan.

The situations are summarized in the table below:

EVENT	PROCEEDINGS	CREDIT STATUS	TIMELINE
Non-payment of 1 monthly instalments	Indication of past-due status Notice sent to the customer and to Administration	Past-due	60 Days past due (from the relevant instalment due date)
Non-payment of 2 monthly instalments	Solicitation	Past-due	90 days past due
Non-payment of 3 monthly instalments	Warning	Past-due	120 days past due
Non-payment of 4 monthly instalments	Classification as past due (Costituzione in Mora)	Past-due	150 days past due
Non-payment of more than 4 monthly instalments for loans with up to 36 instalments	Classification and start of legal proceedings	Watchlist	180 days past due
Non-payment of more than 5 monthly instalments for loans with more than 36 instalments	Classification and start of legal proceedings	Watchlist	210 days past due

Whenever an instalment has not been paid (total of 60 days past the contractual due date of the amortization plan), the credit monitoring area immediately arranges to contact:

- the customer:

- to advise of the non-payment of the instalments
- to solicit the payment;
- the Administration:
  - to advise of the non-payment of the instalments;
  - to request the settlement of the past-due amounts.

Should a second instalments not be paid (total of 90 days past the contractual due date of the amortization plan), a second solicitation and request of settlement of the past due amounts is sent to the relevant customer/Administration.

Should a third instalment not be paid (total of 120 days past the contractual due date of the amortization plan) and should there be no:

- notice from the customer explaining the non-payment;
- notice from the Administration explaining the non-payment;
- settlement of the past-due amounts and the most recent payment due;

the credit monitoring area will send another written notice warning the Administration and the customer to effect payment, showing that the delay will automatically result in the accrual of interest on the past-due amounts.

Should a fourth instalment not be paid (total of 150 days past the contractual due date of the amortization plan) and should there be no:

- notice from the customer explaining the non-payment;
- notice from the Administration explaining the non-payment;

the credit monitoring area will advise the customer of a deadline of 30 days for effecting the payment, evidencing that the following shall occur should the payment not be received within such period:

- the instalment plan shall be annulled and the benefit of term lost
- legal proceedings shall be initiated for the recovery of the credit.

Once the 30-day period has elapsed, the out-of-court proceedings are considered terminated, and legal proceedings are begun (total of 180 days past the contractual due date of the amortization plan).

In this case, the credit monitoring area:

- sends all documentation produced to the legal office for the opening of the proceedings;
- consults monthly with the legal office regarding the status of the proceedings, and draws up a report in relation thereto for presentation to the department manager.

### *Suspensions*

The causes of the suspension provided by the laws governing loans backed by the pledge to transfer wages automatically translate into an extension of the contractual maturity of the loan. During the

suspension period the loan is classified as arrears but the bank does not take any legal action against the client.

### **Insurance claims**

The Company presents claims to the insurers in the case of the borrower's loss of employment or life, and then tracks the case to ensure the compensation is promptly paid as agreed.

Claims are filed in the event of:

#### **1. Death of the borrower**

In the event of the death of the customer prior to the contractual expiration date, the credit monitoring area will:

- classify the loan as “subject to claim” , as soon as the death certificate is produced, and will then close the credit position with respect to the borrower and open a file with the insurer;
- file the loss claim with the insurer, making sure to attach:
  - the request for the repayment of all instalments not yet due;
  - a copy of the policy;
  - a copy of the death certificate;
- gather and send the documentation needed for the insurance settlement;
- verify the regular settlement of the claim by the insurer, soliciting payment in the event of any delay.

#### **2. Loss of the status of full-time employee**

In the event of the termination of the employment relationship, the credit monitoring area will provide notice thereof to the insurance company, and ascertain the nature of the termination of the relationship which may result in:

- a) the borrower being transferred to another Administration or the borrower being hired by another employer;
- b) the loss of the borrower's status as a full-time employee.

In the case a), the Company will determine if the borrower:

- has been transferred to another company. If this is the case, the Company will verify that the Administration has sent to the new Administration the documentation relative to the financing so that the latter can begin withholding the loan payments from the borrower's wage and remitting them in accordance with the amortization plan;
- has advised the Administration of his being employed by another employer. The Company may also verify this directly with the borrower. In this case, the contract is provided to the new employer so that the new employer can begin withholding the loan payments from the borrower's wage and remitting them in accordance with the amortization plan

In case b), the Company will:

- classify the loan as “subject to claim”;
- check to ensure that the Administration remits to the Company the severance indemnities accrued for the account of the employee and such amounts will be used to cover part of the residual debt;
- file a definitive loss claim with the insurance company, making sure to attach:
  - the request for reimbursement of the loan instalments net yet due, net of the severance indemnities;
  - copy of the policy;
- verify the regular settlement of the claim by the insurer, soliciting payment in the event of a delay, and once payment has been made, close the position with respect to the borrower.

### **Management of the non-performing loans**

Considering the collection reports, the Administrations will be classified as "in default" in cases in which:

- the Company has specific information about the Administration (e.g. existence of insolvency proceedings in process);
- the Company has general information about the Administration, and in this case, the default classification needs to be authorized by senior management (such information may include the most recent internal rating, a high number of losses, and information available to the public indicating a critical situation at the Administration).

Default on the part of any organization concerned means that any further loan applications from any persons depending on the particular employer or agency will not be approved.

### **Workout and recovery procedures**

After the bank has carried out all the activities listed above with reference to the management of arrears or after the employer has been classified as “non-performing”, it prepares a memo for its legal advisers with the aim to evaluate a possible legal action. Thereafter it proceeds with the following actions:

#### **A) Workout**

The Company embarks on the initiatives it deems most suitable for working out any precarious credit positions, entering into legal action or taking action out of court with respect to the principal debtor and any guarantors/co-obligors. Such action may be taken directly by the Company or through its legal advisors.

Once a position has been placed on the watchlist and the actions undertaken by credit monitoring area for the out-of-court recovery of the credit have been documented, the legal department will embark on the recovery proceedings admitted by the law, through:

- injunctions (Articles 633 and the articles thereafter of the Code of Civil Procedure);
- injunctions to pay (Articles 474 and the articles thereafter of the Code of Civil Procedure);
- foreclosures with respect to third parties (Articles 543 and the articles thereafter of the Code of Civil Procedure);

B) Reporting to senior management

The Credit Monitoring Department reports quarterly to senior management the positions it deems to be classified as “non-performing” (sofferenza).