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Fallback Plan pursuant to EU Regulation 2016/1011 of 8 June 2016
and Article 118-bis of the Italian Banking Act

This plan (the "**Fallback Plan**") is prepared in accordance with Article 28.2 of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016, as amended and supplemented ("**EU Benchmarks Regulation**" or "**EU BMR**"), taking into account the provisions of Article 118-bis of Legislative Decree No. 385 of 1 September 1993, as amended and supplemented ("**Italian Banking Act**").

Legislative Background

The EU Benchmarks Regulation introduced a common EU-wide framework to ensure the accuracy and integrity of reference indices ("**Benchmarks**") used under financial instruments or financial contracts or to measure the performance of investment funds. Specifically, Article 28 of the EU Benchmarks Regulation requires supervised entities using a benchmark to produce and maintain robust written plans setting out the actions that they would take in the event that a benchmark materially changes or ceases to be provided.

In accordance with this provision, Italian Legislative Decree No. 207 of 7 December 2023 introduced the new Article 118-bis into the Italian Banking Act, which regulates the contractual clauses (so-called "fallback clauses") that deal with the occurrence of a material change or cessation of the benchmarks used to determine the interest rate.

Pursuant to applicable regulations, SMBC Bank EU AG ("**SMBC**" or the "**Bank**", which operates in Italy also through its branch established in Milan), must:

- Produce and maintain robust a replacement plan setting out the actions to be taken in the event of cessation or material change of a Benchmark. To this end, the Bank must publish a fallback plan on its website, also in excerpts, and keep it updated;

- Where possible and appropriate, designate in the fallback plan one or more **Replacement Benchmarks** that can be referred to for the replacement of ceased or changed Benchmarks, indicating why such Replacement Benchmarks would be valid alternatives;

- Provide the relevant competent authority with the fallback plan and any updates, upon request and without undue delay, and reflect it in the contractual relationship with the clients.

Consequently, the Bank is required to adopt robust and clear fallback clauses in the relevant indexed contracts (the "**Contracts**")[1] that allow the relevant counterparties to identify - also by reference to the fallback plan - the changes to the applicable Benchmark or Replacement Benchmark in the event of a material change or cessation of the Benchmark applied to such Contracts.

Implementation of the Fallback Plan

This Fallback Plan applies to Contracts concerning products and services provided in the Italian territory by SMBC, within the scope of Article 118-bis of the Italian Banking Act.

The Bank monitors the availability of the Benchmarks used on an ongoing basis, in order to detect events of future cessation or material change.

It should be noted that:

- "material change" means a significant change in the methodology for determining or providing the Benchmark, as made by the relevant administrator, for which Article 13(1)(c) of the EU Benchmarks Regulation requires the initiation of a consultation procedure;
- "cessation" means the permanent cessation of the calculation, determination or provision of the Benchmark by the relevant administrator (including, without limitation, where the administrator of the Benchmark publicly announces that it has ceased or will cease to provide the Benchmark permanently or indefinitely) and, at that time, there is no successor administrator to continue to provide such Benchmark; or where the administrator of the Benchmark or its supervisor announces that the Benchmark may no longer be used or is no longer representative of the underlying market and the economic reality that it is intended to measure and that such representativeness will not be restored.

- Material change of a Benchmark

Where a material change is made to a Benchmark in accordance with the procedure developed by its administrator pursuant to Article 28(1) of the EU Benchmarks Regulation, SMBC shall apply what is provided in the fallback clause in the Contracts, if any, in order to continue using the Benchmark as materially changed, or to apply the Replacement Benchmark that may be identified therein.

In the absence of such a clause, SMBC will continue to use the Benchmark as materially changed. If, however, the relevant supervisory authorities or market practice should recommend or identify a specific index as the Replacement Benchmark of the Benchmark subject to material change, SMBC will adopt the recommended index as the Benchmark (with the customer's consent, where necessary).

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[1] The aforementioned rules apply to contracts concerning transactions and services governed by Title VI of the Italian Banking Act (including banking and financial transactions and services, consumer credit and payment services) on transparency of contractual terms and customer relationships.

- Cessation of a Benchmark and determination of the Replacement Benchmark

In the event of cessation of one or more Benchmarks in use in the Contracts with the customers, the Replacement Benchmark applicable to the Contracts from the date on which the cessation takes effect shall be the index identified by the fallback clause contained in the relevant Contract with the customers.

If no Replacement Benchmark is identified in the Contract, the Bank will identify one based on the criteria outlined in this Fallback Plan. In particular:

(i) If this Fallback Plan identifies a Replacement Benchmark for the Benchmark that is ceasing, the Bank shall apply such Replacement Benchmark. Indeed, where the Bank considers it possible and appropriate according to the present regulatory framework and market practice, the Bank aims at identifying in advance a suitable alternative for each Benchmark used in the Contracts.

In this respect, with respect to EURIBOR, the Bank considers the €STR EFTERM (*Euro Forward-Looking Term Rate*) to be the appropriate Replacement Benchmark. This index was selected in consideration of recommendations from authoritative working groups such as the Working Group on Euro Risk-Free Rates.

(ii) However, it is not always possible to identify in advance alternative indices for the Benchmarks used in the Contracts. In the event that, for a specific Benchmark, this Fallback Plan does not provide for a Replacement Benchmark, upon the occurrence of a termination event for such Benchmark, the Bank will identify a Replacement Benchmark using the following criteria: any designations made by the Benchmark administrator and/or in accordance with the law (including Replacement Benchmarks identified by competent authorities); any recommendations of authorities, official bodies and trade associations such as ISDA or LMA; compliance of the Replacement Benchmark with the requirements of the EU Benchmarks Regulation; suitability to measure the underlying economic reality; market practice; technical and timing feasibility of the replacement; consistency with original Benchmark in terms of structure, spread and characteristics of related products.

- Application of an adjustment factor

The Replacement Benchmark will be increased by the "Credit Adjustment Spread" as may be specified in the fallback clause of the relevant Contract.
Where not specified, the Bank will assess whether an adjustment factor needs to be applied. The purpose of this adjustment factor is to neutralise any transfer of value or negative economic impact on the parties during the transition, ensuring economic equivalence between the original Benchmark and the corresponding Replacement Benchmark.

In the event of a substitution of EURIBOR with EFTERM, the Bank will apply as an adjustment factor the five-year historical median of the difference between the latest available EURIBOR values for the relevant period and the corresponding EFTERM values, calculated according to the methodology provided by ISDA (International Swaps and Derivatives Association) and recommended by the Working Group on Euro Risk-Free Rates. In any case, the Bank will take into account any guidance that may be provided in the announcement of the replacement event by the administrator or the relevant supervisory authority, or that may be issued by working groups or trade associations.

- Customer information

Within 30 days from the date of cessation of the Benchmark, the Bank shall send a notice to the customers who had entered into Contracts indexed to the Benchmark that is ceasing, in order to communicate the Replacement Benchmark that will be applied to the relevant Contract(s), the applicable effective date, as well as the customers' entitlement to exercise the right of withdrawal and the relevant procedures, in accordance with the provisions of the underlying Contract.

The above changes shall be deemed to have been approved if the customer does not withdraw from the Contract (subject to the charges that may be provided for in the Contract) within two months of receipt of the notice. In the event of withdrawal, the customer has the right, when settling the relationship, to the application of the conditions previously applied, also with reference to the interest rate and taking into account, where necessary, the last available value of the Benchmark.

- Monitoring and updating the Fallback Plan

The Bank constantly monitors the validity of the Fallback Plan. In the event of regulatory changes, events related to market conditions, organisational changes or business operations, as well as the introduction of new Benchmarks related to the products and services offered, the Bank shall review the Fallback Plan and communicate the relevant updates to the customers at least once a year or at the first available opportunity.