

BASE PROSPECTUS



CREDITO VALTELLINESE S.p.A.

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

€5,000,000,000

Euro Medium Term Note Programme

Under the €5,000,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus, Credito Valtellinese S.p.A. ("**Credito Valtellinese**" or the "**Issuer**") may from time to time issue certain non-equity securities in bearer form, denominated in any currency and governed by English Law (the "**English Law Notes**") or by Italian Law (the "**Italian Law Notes**"), and together with the English Law Notes, the "**Notes**"), as described in further detail herein.

The terms and conditions for the English Law Notes are set out herein in "*Terms and Conditions for the English Law Notes*" and the terms and conditions for the Italian Law Notes are set out herein in "*Terms and Conditions for the Italian Law Notes*". References to the "*Notes*" shall be to the English Law Notes and/or the Italian Law Notes, as appropriate and references to the "*Terms and Conditions*" or the "*Conditions*" shall be to the Terms and Conditions for the English Law Notes and/or the Terms and Conditions for the Italian Law Notes, as appropriate. For the avoidance of doubt, in "*Terms and Conditions for the English Law Notes*", references to the "*Notes*" shall be to the English Law Notes, and in "*Terms and Conditions for the Italian Law Notes*", references to the "*Notes*" shall be to the Italian Law Notes.

This Base Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority in Luxembourg as a base prospectus under article 8 of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"). Application has been made for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65/EU. The Programme also allows for Notes to be unlisted or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. The CSSF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer.

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

The Programme has been rated "(P)B2" (Senior Unsecured Debt), "(P)B2" (Subordinated Debt), "(P)NP" (Short Term Debt) by Moody's France SAS ("**Moody's**") and "BB (high)" with Stable Trend (Long Term Debt), "BB (low)" with Stable Trend (Subordinated Debt), "R-3" with Stable Trend (Short Term Debt) by DBRS Ratings GmbH ("**DBRS**"). Each of Moody's and DBRS is established in the European Union and registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**"). As such, each of Moody's and DBRS is included in the list of credit rating agencies published by the European Securities and Market Authority on its website (at <https://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will be specified in the Final Terms and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable on Floating Rate Notes and/or Reset Notes will be calculated by reference to one of LIBOR, EURIBOR or CMS, as specified in the relevant Final Terms. As at the date of this Base Prospectus, the EMMI

(European Money Market Institute), as administrator of EURIBOR, and the ICE Benchmark Administration, as administrator of LIBOR and CMS, are included in the register of administrators maintained by the European Securities and Markets Authority (ESMA) under Article 36 of the Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**").

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, see "Risk Factors" on page 4.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Information Incorporated by Reference*"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CSSF.

Arranger

BofA Merrill Lynch

Dealers

BofA Merrill Lynch

**Mediobanca – Banca di Credito Finanziario
S.p.A.**

UniCredit Bank

Dated 22 October 2019

CONTENTS

	Page
IMPORTANT NOTICES	1
RISK FACTORS	4
GENERAL DESCRIPTION OF THE PROGRAMME.....	31
ALTERNATIVE PERFORMANCE MEASURES	39
INFORMATION INCORPORATED BY REFERENCE.....	46
FURTHER PROSPECTUSES	48
FORMS OF THE NOTES.....	49
TERMS AND CONDITIONS FOR THE ENGLISH LAW NOTES	54
TERMS AND CONDITIONS FOR THE ITALIAN LAW NOTES	100
FORM OF FINAL TERMS.....	152
OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM.....	171
DESCRIPTION OF THE ISSUER	175
TAXATION	205
SUBSCRIPTION AND SALE	215
GENERAL INFORMATION	221

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this document and the Final Terms for each Tranche of Notes issued under the Programme and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus should be read and construed together with any supplements hereto and with any other information incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Final Terms (as defined herein).

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus (including, for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented by a supplement or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented by a supplement or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the

Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*" below. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

IMPORTANT – EEA RETAIL INVESTORS

If the Final Terms in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €5,000,000,000 and, for this purpose, any Notes denominated in another currency shall be converted into euro at the date of the agreement to issue such Notes, calculated in accordance with the provisions of the Dealer Agreement (as defined under "*Subscription and Sale*"). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CSSF.

In this Base Prospectus, unless otherwise specified or where the context requires otherwise, references to a "**Member State**" are references to a Member State of the European Economic Area and references to "€", "**EUR**" or "**euro**" are to the single currency introduced at the start of the third stage of European economic and monetary union and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended; references to "£" and "**Sterling**" are to the lawful currency for the time being of the United Kingdom; and references to "**billions**" are to thousands of millions.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of any Tranche of Notes under the Programme, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes 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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager(s) (or persons acting on behalf of the Stabilisation Manager(s)) in accordance with all applicable laws and rules.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer (hereinafter also referred to as “CreVal”) believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. In addition, the order in which the risk factors are presented below is not intended to be indicative either of the relative likelihood that each risk will materialise or of the magnitude of their potential impact on the business, financial condition and results of operations of the Issuer or the Issuer’s group (hereinafter also referred to as the “Group”).

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in "Forms of the Notes", "Terms and Conditions for the English Law Notes" and "Terms and Conditions for the Italian Law Notes" or elsewhere in this Base Prospectus have the same meaning in this section. Prospective investors should read the entire Base Prospectus.

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

The risks below have been classified into the following categories:

Risks relating to the Issuer’s financial position;

Risks relating to the Issuer’s business activity and industry;

Risks related to the legal and regulatory environment of the Issuer;

Risks related to the internal control of the Issuer; and

Risks related to the political, environmental, social and governance environment of the Issuer.

Risks relating to the Issuer’s financial position

Risks related to economic and financial conditions

The earning capacity and stability of the Issuer are affected by the general state of the economy, the dynamics of financial markets and, in particular, the strength and growth prospects of the economy in Italy (and the creditworthiness of its sovereign debt), as well as that of the Eurozone as a whole. In addition, the risk remains that a default of one or more countries in the Eurozone, the extent and precise nature of which is

impossible to predict, could lead to the expulsion or voluntary withdrawal of one or more countries from the Eurozone or a disorderly break-up of the Eurozone, either of which could significantly disrupt financial markets and possibly trigger another global recession.

Negative trends related to any of these factors, particularly in times of economic and financial crisis and market volatility, as well as protracted political and economic uncertainty, may cause the Issuer to suffer losses, increases in funding costs and a diminution in the value of its assets, with a potential adverse effect on its (and the Group's) liquidity, financial position and results of operations including its ability to access the capital and financial markets and to refinance debt in order to meet its funding requirements.

Risks concerning liquidity

The Group's businesses are subject to risks concerning liquidity which are inherent in its banking operations and could affect the Group's ability to meet its financial obligations as they fall due or to fulfil its commitments to lend. In order to ensure that the Group continues to meet its funding obligations and to maintain or grow its business generally, it relies on customer savings and transmission balances, as well as ongoing access to the wholesale lending markets. Should the Group be unable to continue to maintain a sustainable funding profile which can withstand sudden shocks, its ability to fund its financial obligations at a competitive cost, or at all, could be adversely affected with a consequent material adverse effect on the financial condition and results of operations of the Issuer and the Group.

Risk related to the rating assigned to the Issuer

The current ratings of the Programme are “(P)B2” (Senior Unsecured Debt), “(P)B2” (Subordinated Debt), “(P)NP” (Short Term Debt) by Moody's and “BB (high)” with Stable Trend (Long Term Debt), “BB (low)” with Stable Trend (Subordinated Debt), “R-3” with Stable Trend (Short Term Debt) by DBRS. Both Moody's and DBRS are established in the European Union and are registered under the Regulation (EC) No 1060/2009, as amended (the “**CRA Regulation**”). A downgrade of any of the Issuer's ratings (for whatever reason) might result in higher funding and refinancing costs for the Issuer in the capital markets. In addition, a downgrade of any of the Issuer's ratings may limit the Issuer's opportunities to extend mortgage loans and may have a particularly adverse effect on the Issuer's image as a participant in the capital markets, as well as in the eyes of its clients. These factors may also have an adverse effect on the Issuer's financial condition and/or results of operations and, as a consequence, on the rating assigned to the Notes.

Risks relating to the Issuer's business activity and industry

Credit risk

The business of the Issuer and the Group, and the stability of their operating results and financial condition depend on the creditworthiness of customers, including sovereign debtors. Although in many cases the Issuer can require counterparties in financial difficulty to provide further security, it cannot be ruled out that disputes will arise over the amount of the security to which the Issuer is entitled and the value of the assets over

which security is to be given. The frequency of defaults, reductions in value and disputes with counterparties over the value of security significantly increases in periods of tension and market illiquidity.

A decrease in the creditworthiness of third parties whose bonds or other securities are held by the Issuer, including sovereign debtors, could adversely affect the ability of the Issuer to use those securities as collateral or use them for other purposes connected with obtaining liquidity and/or could have an adverse impact on the results of the Issuer's operations.

Risks related to quality of loans

Credit quality is affected by the continuing weakness of the economy and within the banking system generally, a growing number of companies are struggling to repay loans.

Further significant increases in the Group's non-performing loans could have a material adverse effect on its financial condition and results of operation. The Issuer has taken significant measures to dispose of its non-performing loans and an important element in the 2019 – 2023 Business Plan “Sustainable Growth” is to deconsolidate non-performing loans of the Group. However, the Italian banking system is currently recording high levels of non-performing loans and, as a result, numerous other banks may seek to dispose of these assets, which may result in excess supply and downward price pressure.

The Issuer may, therefore, find it difficult to identify buyers for non-performing loans or only find buyers at low prices, which may result in adverse consequences on the Issuer's financial condition and results of operations.

Changes in interest rates

Fluctuations in interest rates influence the Group's financial performance. The results of the Group's banking operations are affected by the Group's management of interest rate sensitivity and, in particular, changes in market interest rates.

A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the Group's financial condition or results of operations.

Market risk

The financial results of the Issuer are linked to the operational context in which it carries on its business. In particular, the Issuer is exposed to potential changes in the value of securities, including securities issued by sovereign debtors, as a result of fluctuations in interest rates, exchange rates, the prices of listed securities and commodities, and credit spreads. Such fluctuations may be triggered by changes in the general performance of the economy, the appetite of investors, monetary and tax policy, market liquidity on a global scale, the availability and cost of funding, action taken by rating agencies, political events (both local and international), war and terrorism.

Although the Group has existing measures in place for the purposes of verifying risk, there can be no assurance that, at a future date, faced with market-related trends, such as

share prices, inflation rates, interest rates and exchange rates and their volatility, as well as changes in the creditworthiness of the Issuer, a reduction in the value of its assets or an increase in financial liabilities will not have an adverse effect on the financial conditions and results of operations of the Issuer and the Group.

Risks linked to the Issuer's strategy

On 18 June 2019, the Issuer's Board of Directors approved the 2019 – 2023 Business Plan "Sustainable Growth". If one or more of the underlying assumptions of the plan do not materialise or materialise only in part due to factors outside of the Issuer's control, the objectives of management may not be achieved and, consequently, the Group's financial performance could fall short of the forecasts under the plan, with a likely adverse effect on the Issuer's financial condition and results of operations.

Risks related to competition in the banking and finance sector

The Issuer and the other companies of the Group operate in a highly competitive market, with particular reference to the geographical areas where their activity is mainly concentrated (in particular, Italy). Competitive pressure may arise either from consumer demand of new services as well as technological demand, with the consequent necessity to make investments, or as a result of competitors' specific competitive actions. In the event that the Group is not able to respond to increasing competitive pressure by, for example, offering profitable new services and products that meet client demands, the Group could lose market share in a number of business sectors and/or fail to increase or maintain the volumes of business and/or profit margins it has achieved in the past, with possible adverse effects on the Issuer's financial condition and results of operations.

Risks related to the legal and regulatory environment of the Issuer

The Issuer may be unable to maintain the capital adequacy requirements

The rules on capital adequacy for banks define the prudential minimum capital requirements, the quality of capital resources, and risk mitigation instruments. Such rules are complex and evolve regularly. In addition, the European Central Bank (ECB), as well as the Bank of Italy, can and do impose, as permitted by such rules, on the Group additional requirements with respect to its capital, which may restrict the Group's operational flexibility and may, should it fail to meet such requirements, subject the Group to additional measures imposed by the ECB or other regulators.

Capital adequacy requirements include – in addition to the capital ratios and buffer provided by the CRR – also the following main requirements: (a) the requirement to maintain a Minimum Requirement for Own Funds and Eligible Liabilities (MREL), expressed as a percentage of the total liabilities and own funds of the institution, in the view of facilitating a smooth resolution of the bank, in the event of a resolution decision; (b) a Liquidity Coverage Ratio (LCR), aimed at ensuring the ongoing ability of the bank to meet its short-term obligations. Starting from June 2021, the banks shall meet also a binding leverage ratio of 3 per cent, which is aimed at preventing banks from excessively increasing their leverage levels, and a binding Net Stable Funding Ratio (NSFR), designed to ensure that banks finance their long-term activities with stable sources of funding in order to increase banks' resilience to funding constraints.

The Issuer's resolution under the BRRD may affect Notes issued under the Programme

CreVal – as a bank – is subject to the Bank Recovery and Resolution Directive ("**BRRD**"), which is an EU Directive intended to enable a range of actions to be taken in relation to institutions considered to be at risk of failing (*i.e.* the sale of business, the asset separation, the bail in and the bridge bank). The taking of any action under the BRRD in relation to CreVal could materially affect the value of, or any repayments linked to the Notes.

In particular, if CreVal is determined as failing or likely to fail within the meaning of BRRD, and is put under resolution, the Notes (both the Senior and the Subordinated) may be, totally or partially, written down or converted in equity, if it is deemed necessary by the resolution Authority in the context of the resolution process. However, for the Subordinated Notes, such risk is higher as subordinated notes are written down and/or converted, after the shares, but before the senior debt securities. Thus, depending on the amount of resources necessary to resolve the Issuer, the conversion/write down of the sole Subordinated Notes may be sufficient to ensure its recovery.

Furthermore, the Bank of Italy, as resolution Authority, may seek to amend the terms of the maturity date of the Notes: this circumstance could negatively affect the value of the Notes for the purpose of reselling.

The resolution measures may be adopted in isolation or, they may occur as a combination. For instance, the relevant authority may require a partial conversion of the Notes into ordinary shares of CreVal, in addition to the sale of CreVal's assets.

(see further, section "*Banking resolution under the EU Bank Recovery and Resolution Directive (BRRD)*")

The Issuer is under an obligation to make both ordinary and extraordinary contributions to the Deposit Guarantee Scheme and Single Resolution Fund

As a bank, the Issuer is obligated to provide the financial resources necessary for funding the Deposit Guarantee Scheme (the "**DGS**") and the Single Resolution Fund (the "**SRF**"). These contribution obligations could have a significant impact on the Issuer's financial and capital position.

The Issuer has also joined the "voluntary scheme" (the "**Voluntary Scheme**") introduced by the interbank deposit protection fund (**IBDPF**) – operating as a representative of the national deposit guarantee scheme under Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (the "**DGSD**"). The Voluntary Scheme is provided with autonomous regulations, governance and resources, and provides supportive measures to assist crisis-affected banks.

The contributions required under the SRF, DGS and the Voluntary Scheme reduce the Group's profitability and have a negative impact on its capital resources. In addition, the amount of both ordinary and extraordinary contributions required from the Group's members may increase significantly in the future and their timing cannot be predicted. Consequently, the Issuer and the Group may be required to record further extraordinary expenses which may have an adverse impact on the Issuer's and the Group's business,

financial condition and results of operations and/or could negatively affect the value of the Notes.

Changes in regulatory framework

The Issuer is subject to extensive regulation and supervision by, among others, the Bank of Italy, CONSOB, the ECB and the SRB. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in Italy and the European Union.

Significant uncertainty remains around the implementation of some of these initiatives and how they are ultimately applied may have a material effect on the Issuer's business and operations. It is uncertain if laws and regulations will be adopted, enforced or interpreted in a manner that will or will not restrict the operations of the Issuer or otherwise have an adverse effect on its business, financial condition, cash flows and results of operations or on the rights of Noteholders as creditors of the Issuer.

Value of assets and liabilities under IFRS

Under International Financial Reporting Standards ("**IFRS**"), for the purposes of preparing its consolidated financial statements, the Issuer uses estimates and assumptions that may have a significant effect on the values recorded on the balance sheet and income statement, as well as on the reporting of contingent assets and liabilities. These estimates and assumptions are applied on a going concern basis and are strongly influenced by growing uncertainty of the economic environment and current market conditions, the degree of volatility of financial parameters and the presence of high indicators for credit quality deterioration. Parameters and information used for the determination of estimates and assumptions are particularly affected by factors which by their nature are unpredictable. As a result, those estimates and assumptions may vary from period to period and, accordingly, it cannot be ruled out that amounts recorded in the Issuer's most recent financial statements and those recorded in the future will differ, even significantly, following changes to the valuation methods to be applied.

The values recorded on the balance sheet and income statement, as well as on the reporting of contingent assets and liabilities are significantly affected by the above factors and, accordingly, even if the estimates and assumptions adopted are subject to periodic review in order to take into account changes in the relevant period, it cannot be ruled out that a worsening performance will have an adverse effect on the items subject to valuation and, ultimately, on the financial condition and results of operations of the Issuer.

Risks associated with pending legal proceedings

As at the date of the Base Prospectus, the Issuer and the Group companies are/were parties to civil and administrative judiciary proceedings associated with their ordinary operations which may negatively affect the financial situation of the Issuer; for some of these proceedings, the Issuer has allocated, as recognised in its consolidated financial

statements, a specific provision for contingencies and liability, intended to cover potential liabilities resulting from the same proceedings.

Even though the outcome of the many legal proceedings to which the Group is a party is intrinsically difficult to forecast and, therefore, it cannot be ruled out that an unfavourable outcome of some of them might impact the Group's financial, income and equity situation, the Issuer believes that the allocated provision is adequate to meet any unfavourable outcomes. Moreover, the above proceedings are not significant when considered individually.

Risk associated with inspections by regulatory authorities

Broadly speaking, the Group is subject, in the course of its ordinary activities, to inspections and other supervisory actions carried out by the supervisory authority that could require organisational interventions or strengthening of internal functions or other measures aimed at addressing weaknesses identified during inspections which might, furthermore, result in sanction proceedings which may have negative effects on operations, financial and capital position and economic results of the Issuer.

Risks associated with recent ECB guidance on NPL provisioning

The ECB has published on 20 March 2017 its final guidance on non-performing loans (NPLs). It outlines measures, processes and best practices which banks should incorporate when tackling NPLs. The ECB expects banks to fully adhere to the guidance in line with the severity and scale of NPLs in their portfolios. On 15 March 2018, the ECB published an addendum to the guidance mentioned above which sets out the ECB's supervisory expectations for prudent levels of provisions for new NPL's. The guidance calls on banks to implement realistic and ambitious strategies to work towards a holistic approach regarding the problem of NPLs. This includes areas such as governance and risk management. For instance, banks should ensure that managers are incentivised to carry out NPL reduction strategies. The ECB does not stipulate quantitative targets to reduce NPLs. Instead, it asks banks to devise a strategy that could include a range of policy options such as NPL work-out, servicing, and portfolio sales. The guidance is applicable as of its date of publication and is currently non-binding in nature. However, banks should explain and substantiate any deviations upon supervisory request. This guidance is taken into consideration in the Single Resolution Mechanism regular supervisory review and evaluation process and non-compliance may trigger supervisory measures. In this context, on 26 April 2019, the EU Regulation no. 2019/630, which introduces common minimum loss coverage levels for newly originated loans that become non-performing, entered into force. According to this regulation, where the minimum coverage requirement is not met, the difference between the actual coverage level and the requirement should be deducted from a bank's own funds (CET1). The minimum coverage levels thus act as a 'statutory prudential backstop'. The required coverage increases gradually depending on how long an exposure has been classified as non-performing, being lower during the first years. This architecture would ensure that the risks associated with NPL losses that are not sufficiently covered are reflected in institutions' CET1 capital ratios. In order to facilitate a smooth transition towards the new prudential backstop, the new rules should not be applied in relation to exposures originated prior to 26 April 2019. No assurance can be given on the effect of the application of the new rules in relation to the Issuer's exposures originated after 26 April 2019.

Risks related to the internal control of the Issuer

Risk management and exposure to unidentified or unanticipated risks

The Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risks and intends to continue to do so in the future. Nonetheless, the Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Group fails to identify or anticipate. If the Group's risk management policies and procedures are inadequate, the Group's reputation as well as its revenues and profits may be negatively affected.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes and/or systems, human resources and/or external events.

The Group, fully aware of the considerable damage to its image and its reputation which could arise from the occurrence of loss events, adopts a management system suitable, in the opinion of the Issuer, to mitigate the operational risk effects. This system relies on procedures for the containment and mitigation of operational risks arising from transactions and for the prevention and/or limitation of the possible adverse effects resulting from them. However, the adoption of these measures may be inadequate to deal with the risks potentially arising, in part because of the unpredictability of the occurrence of risk events.

Risks relating to information technology systems

The Group depends on its information technology (“IT”) and data processing systems to operate its business, as well as on their continuous maintenance and constant updating. The Group is exposed to the risk that data could be damaged or lost, removed, disclosed or processed (data breach) for purposes other than those authorised by the customer, including by unauthorised parties.

The possible destruction, damage or loss of customer, employee or third party data, as well as its removal, unauthorised processing or disclosure, would have a negative impact on the Group's business and reputation and could subject the Group to fines, with consequent negative effects on the Group's business, results of operations or financial condition.

In addition, changes to relevant regulation could impose more stringent sanctions for violations, and could have a negative impact on the Group's business insofar as they lead the Group to incur additional compliance costs.

Risks related to the political, environmental, social and governance environment of the Issuer

Risks related to a downgrade of the Italian sovereign credit rating

A further downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur would be likely to have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, depressing economic activity, increasing unemployment, reducing asset prices and consequently increasing the risk of a “double dip” recession.

Furthermore, any further downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur may severely destabilise the markets and have a material adverse effect on the Group’s operating results, financial condition, prospects as well as on the marketability of the Notes. This might also impact on the Group’s credit ratings, borrowing costs and access to liquidity.

Risks related to the performance of sovereign debt securities

The large sovereign debts and fiscal deficits in European countries have raised concerns regarding the financial condition of Eurozone financial institutions and their exposure to such countries, which may in turn have an impact on Eurozone banks’ funding. The Group is therefore exposed to trends in Italian government securities, which in recent years have shown tension and volatility.

Furthermore, on the basis of the methodologies used by rating agencies, further downgrades of Italy’s credit rating have had, and may continue to have, a knock-on effect on the credit rating of Italian issuers such as the Issuer causing the credit rating of Notes issued under the Programme to be downgraded, with a consequent increase in funding costs.

Catastrophic events, terrorist attacks and similar events could have a negative impact on the business and results of the Issuer

Catastrophic events, terrorist attacks and similar events, as well as the responses thereto, may create economic and political uncertainties, which could have a negative impact on economic conditions in the regions in which the Issuer operates and, more specifically, on the business and results of the Issuer in ways that cannot be predicted.

Risks related to the Notes

The risks below have been classified into the following categories:

The Notes may not be a suitable investment for all investors;

Risks related to the structure of a particular issue of Notes;

Risks related to Notes generally; and

Risks related to the market generally;

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information

contained or incorporated by reference in this Base Prospectus or any applicable supplement;

- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as standalone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The obligations of the Issuer under the Notes are not covered by deposit insurance schemes in the Republic of Italy. Furthermore, the Notes will not be guaranteed by the Republic of Italy under any legislation that is or will be passed to address liquidity issues in the credit markets, including government guarantees or similar measures.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features:

Subordinated Notes

If the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors) in full before it can make any payments on the Subordinated Notes. If this occurs, investors may experience a significant delay in receiving any interest due under the Notes and/or the Issuer may not have enough assets remaining after these payments to pay amounts due under the Subordinated Notes. Although Subordinated Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become insolvent. For a full description of the provisions relating to Subordinated Notes, see Condition 2.3 (*Status of the Notes – Subordinated Notes*) of the Terms and Conditions for the English Law Notes and

Condition 2.3 (*Status of the Notes – Subordinated Notes*) of the Terms and Conditions for the Italian Law Notes.

Regulatory classification of Subordinated Notes

If any Subordinated Notes are issued under the Programme, the Issuer's intention is that they should qualify on issue as "Tier II capital", for so long as this is permitted under the applicable regulations. Current regulatory practice by the Bank of Italy does not require (or customarily provide for) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such. There can be no representation that any such Subordinated Notes will continue to qualify as "Tier II Capital" during the life of the Notes or that the Notes will be grandfathered under the implementation of further EU capital requirement regulations. If the Notes are not grandfathered, or for any other reason cease to qualify, as "Tier II capital", the Issuer will (if so specified in the relevant Final Terms) have the right to redeem the Notes in accordance with Condition 4.5 (*Redemption, Purchase and Options – Redemption for Regulatory Reasons*) of the Terms and Conditions for the English Law Notes and Condition 4.5 (*Redemption, Purchase and Options – Redemption for Regulatory Reasons*) of the Terms and Conditions for the Italian Law Notes, subject to the prior approval of the Competent Authority. There can be no assurance that holders of such Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Notes, as the case may be.

Senior Non-Preferred Notes

On 1 January 2018, Italian law No. 205 of 27 December 2017 (so-called *Legge di Bilancio 2018*) came into force introducing certain amendments to the Legislative Decree no. 385/1993 (the "**Consolidated Banking Act**"), including the possibility for banks and companies belonging to banking groups to issue senior non-preferred securities (the so-called *strumenti di debito chirografario di secondo livello*, "**Senior non-Preferred Notes**").

In particular, the so-called *Legge di Bilancio 2018* introduced, *inter alia*, a new provision in the Consolidated Banking Act (i.e., Article 12-bis (*Strumenti di debito chirografario di secondo livello*)) providing that securities (*obbligazioni e altri titoli di debito*) with a senior non-preferred ranking issued by banks and companies belonging to banking groups must comply with the following requirements:

- (i) the original maturity period must be at least twelve months;
- (ii) they must not be derivative securities (*strumenti finanziari derivanti*) (as defined in Article 1, paragraph 3 of the Legislative Decree No. 58 of 24 February 1998, (as amended, the "**Consolidated Financial Act**") nor be linked to derivative securities, or include any characteristics of such derivative securities;
- (iii) the minimum denomination must be at least equal to Euro 250,000;
- (iv) the senior non-preferred securities may only be offered to qualified investors (*investitori qualificati*), as referred to in Article 100, letter a), of the Consolidated Financial Act as implemented by Article 34-ter, first paragraph, letter b) of Regulation No. 11971/1999 and Article 35, paragraph 1(d) of CONSOB Regulation No. 20307 of 15 February 2018;

- (v) the base prospectus and the agreements regulating the issuance of senior non-preferred securities must expressly provide that payment of interests and reimbursement of principal due in respect thereof are subject to the provisions set forth in Article 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated Banking Act.

According to Article 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated Banking Act, in case an issuer of senior non-preferred securities is subject to compulsory liquidation (*Liquidazione Coatta Amministrativa*), the relevant payment obligations in respect thereof will rank in right of payment (A) after unsubordinated creditors (including depositors), (B) at least *pari passu* with all other present and future unsubordinated and non-preferred obligations which do not rank or are not expressed by their terms to rank junior or senior to such senior non-preferred securities and (C) in priority to any present or future claims ranking junior to such senior non-preferred securities and the claims of the shareholders.

Furthermore, Article 12-*bis* of the Consolidated Banking Act also provides that:

- (a) the provisions set forth in Article 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated Banking Act shall apply to such senior non-preferred securities only to the extent that the requirements described in paragraphs (i), (ii) and (v) above have been complied with; any contractual provision which does not comply with any of the above requirements is invalid but such invalidity does not imply the invalidity of the entire agreement;
- (b) the senior non-preferred securities, once issued, may not be amended in a manner that the requirements described in paragraphs (i), (ii) and (v) above are not complied with and that any different contractual provision is null and void; and
- (c) the Bank of Italy may enact further regulation providing for additional requirements in respect of the issuance and the characteristics of senior non-preferred securities.

Any prospective investor in the Senior Non-Preferred Notes should be aware that the provisions of Articles 12-*bis* and 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated Banking Act were recently enacted and that, as at the date of this Base Prospectus, no interpretation of the application of such provisions has been issued by any Italian court or governmental or regulatory authority and no regulation has been issued by the Bank of Italy in respect thereof. Consequently, it is possible that any regulation or official interpretation relating to the above will be issued in the future by the Bank of Italy or any different authority, the impact of which cannot be predicted by the Issuer as at the date of this Base Prospectus.

The Senior Non-Preferred Notes are senior non-preferred obligations and are junior to certain obligations

In order to be eligible to meet the requirements and conditions of Articles 12-*bis* and 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Act and any relevant implementing regulation which may be enacted for such purposes by any Competent Authority and also qualify as eligible liabilities available to meet the MREL

Requirements (as defined in the Conditions), Senior Non-Preferred Notes will rank junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes. As a result, the default risk on the Senior Non-Preferred Notes will be higher than the risk associated with preferred senior debt (such as Senior Notes) and other senior liabilities (such as wholesale deposits).

Although Senior Non-Preferred Notes may pay a higher rate of interest than comparable Senior Notes which are not issued on a senior non-preferred basis, there is a greater risk that an investor in Senior Non-Preferred Notes will lose all or some of its investment should the Issuer become insolvent.

The Senior Non-Preferred Notes are complex instruments that may not be suitable for certain investors

Senior Non-Preferred Notes are novel and complex financial instruments and may not be a suitable investment for certain investors. Each potential investor in the Senior Non-Preferred Notes should determine the suitability of such investment in light of its own circumstances and have sufficient financial resources and liquidity to bear the risks of an investment in the Senior Non-Preferred Notes, including the possibility that the entire principal amount of the Senior Non-Preferred Notes could be lost. A potential investor should not invest in the Senior Non-Preferred Notes unless it has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Senior Non-Preferred Notes will perform under changing conditions, the resulting effects on the market value of the Senior Non-Preferred Notes, and the impact of this investment on the potential investor's overall investment portfolio.

Senior Non-Preferred Notes are new types of instruments for which there is no trading history

Prior to the adoption of the so-called *Legge di Bilancio 2018* and its entry into force, Italian issuers were not able to issue senior non-preferred securities. Accordingly, there is no trading history for securities with this ranking. Market participants, including credit rating agencies, are in the initial stages of evaluating the risks associated with senior non-preferred obligations. The credit ratings assigned to senior non-preferred securities such as the Senior Non-Preferred Notes may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value of senior non-preferred securities such as the Senior Non-Preferred Notes will be lower than those expected by investors at the time of issuance of the Senior Non-Preferred Notes. If so, investors may incur losses in respect of their investments in the Senior Non-Preferred Notes.

Senior Notes and Senior Non-Preferred Notes could be subject to Issuer Call due to MREL Disqualification Event

If Issuer Call due to MREL Disqualification Event is specified as applicable in the relevant Final Terms, upon the occurrence of an MREL Disqualification Event (as defined in Condition 4.10 (*Issuer Call due to MREL Disqualification Event*) of the Terms and Conditions for the English Law Notes or Condition 4.10 (*Issuer Call due to MREL Disqualification Event*) of the Terms and Conditions for the Italian Law Notes),

the Issuer may (subject to the provisions of Condition 4.10 of the Terms and Conditions for the English Law Notes or Condition 4.10 of Terms and Conditions for the Italian Law Notes), elect to redeem all, but not some only, of the relevant Senior Notes or relevant Senior Non-Preferred Notes.

The applicability of the minimum requirements for eligible liabilities is subject to the application, in the EU and in Italy, of the new EU regulatory framework under the BRRD II, SRM II Regulation, CRD V Directive and CRD V Regulation ("**New EU Banking Framework**").

If the Senior Notes or the Senior Non-Preferred Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Senior Notes or Senior Non-Preferred Notes being redeemed. Potential investors should consider reinvestment risk in light of other investments available at that time. In addition, an MREL Disqualification Event could result in a decrease in the market price of the Notes.

Early redemption and purchase of the Senior Notes and Non-Preferred Senior Notes may be restricted

Any early redemption or purchase of Senior Notes and Non-Preferred Senior Notes is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by MREL Requirements at the relevant time, including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes or Non-Preferred Senior Notes at such time as eligible liabilities available to meet the MREL Requirements.

In addition, under the New EU Banking Framework, the early redemption or purchase of Senior Notes and Non-Preferred Senior Notes which qualify as eligible liabilities available to meet MREL Requirements is subject to the prior approval of the Competent Authority where applicable from time to time under the applicable laws and regulations. The New EU Banking Framework state that the Competent Authority would approve an early redemption of the Senior Notes and Non-Preferred Senior Notes where any of the following conditions is met:

- on or before such early redemption or purchase of the Senior Notes or Non-Preferred Senior Notes, the Issuer replaces the Senior Notes or Non-Preferred Senior Notes with own funds instruments or eligible liabilities of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer;
- the Issuer has demonstrated to the satisfaction of the Competent Authority that its Own Funds and eligible liabilities would, following such redemption or purchase, exceed the requirements for own funds and eligible liabilities set out in the CRD V Directive or the BRRD II (or, in either case, any relevant provisions of Italian law implementing the CRD V Directive or, as appropriate, the BRRD II) or the CRD V Regulation by a margin that the Competent Authority considers necessary; or
- the Issuer has demonstrated to the satisfaction of the Competent Authority that the partial or full replacement of the eligible liabilities with own funds instruments is

necessary to ensure compliance with the own funds requirements laid down in the CRD IV Regulation and in the CRD V, as amended and implemented by the CRD V Regulation and CRD V Directive, for continuing authorisation.

The Competent Authority shall consult with the Relevant Resolution Authority before granting that permission as requested pursuant to the New EU Banking Framework.

Senior Notes, Senior Non-Preferred Notes and Subordinated Notes which are English Law Notes may be subject to substitution and modification without Noteholders' consent

If, in case of English Law Notes only, (i) at any time in relation to any Senior Notes or Senior Non-Preferred Notes, a MREL Disqualification Event occurs and is continuing, or if at any time in relation to any Subordinated Notes, a Capital Event occurs and is continuing, or (ii) in order to ensure the effectiveness and enforceability of Condition 15 (*Statutory Loss Absorption Powers*) of the Terms and Conditions for the English Law Notes and the relevant Final Terms for such Senior Notes or Senior Non-Preferred Notes or Subordinated Notes specify that the Substitution or Variation of Notes is applicable, then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority (without any requirement for the consent or approval of the holders of such Senior Notes or Senior Non-Preferred Notes or Subordinated Notes), at any time either substitute all (but not some only) of such Senior Notes or Senior Non-Preferred Notes or Subordinated Notes, or vary the terms of such Senior Notes or Senior Non-Preferred Notes or Subordinated Notes so that they remain or, as appropriate, become, Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes or Qualifying Subordinated Notes (in each case as defined in Condition 9 (*Meetings of Noteholders; Modification, Waiver and Substitution*) of Terms and Conditions for the English Law Notes, provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes or Qualifying Subordinated Notes, as applicable, are securities issued by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 15 (*Statutory Loss Absorption Powers*) of the Terms and Conditions for the English Law Notes, have terms not materially less favourable to the Noteholders (as reasonably determined by the Issuer) than the terms of the relevant Senior Notes or Senior Non-Preferred Notes or Subordinated Notes, as applicable. However, no assurance can be given as to whether any of these changes (including, without limitation, any changes to governing law and/or jurisdiction) will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such substituted or varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such substitution or variation.

The Bank Recovery and Resolution Directive may affect Notes issued under the Programme

As described in "*The Issuer's resolution under the BRRD may affect Notes issued under the Programme*" above, the BRRD gives wide powers to governments aimed at

addressing banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. These include the so-called "bail-in tool", by which resolution authorities would have the power to write down the claims of senior unsecured creditors of a failing institution (which would be likely to include holders of Senior Notes) and its subordinated creditors (including holders of Tier 2 instruments, such as the Subordinated Notes, and non-common Tier 1 securities) and to convert unsecured debt claims to equity (subject to certain parameters as to which liabilities would be eligible for the bail in tool).

The BRRD has required Member States to modify their national insolvency regimes so that deposits of natural persons and micro, small and medium-sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors, such as holders of Senior Notes. Furthermore, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, such as holders of corporate deposits or other operating liabilities of the Bank with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. As a result, significant amounts of liabilities that previously ranked *pari passu* with Senior Notes under the national insolvency regime in Italy will now be ranked higher than Senior Notes in normal insolvency proceedings and, on application of the general bail-in tool, such creditors will now be written-down or converted into equity after Senior Notes, meaning that holders of Senior Notes will therefore be subject to greater losses than the claims of such other creditors.

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to write-down permanently or convert into equity capital instruments such as Subordinated Notes at the point of non-viability of the financial institution or the group and before any other resolution action is taken ("**non-viability loss absorption**"). Any shares issued to holders of Subordinated Notes upon any such conversion into equity may also be subject to any application of the general bail-in tool. For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments (such as Subordinated Notes) are written-down or converted or extraordinary public support is to be provided.

The measures set out in the BRRD, including the power of the authorities to write off non-common Tier 1 and Tier 2 capital, have already been implemented in Italy, with the senior debt bail-in tool taking effect from 1 January 2016. The powers set out in the BRRD will have a significant impact on how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Under the BRRD, holders of Senior Notes and Subordinated Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool and, in the case of Subordinated Notes, non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes. In addition to the bail-in tool, the

BRRD provides for additional resolution tools such as (1) the sale of business assets or shares of the entity subject to resolution; (2) the establishment of a bridging organization; and (3) the separation of the unimpaired assets of the failing organization from those which are deteriorated or impaired.

Waiver of set-off

As specified in Condition 2.1 (*Status of the Notes – Senior Notes*) of the Terms and Conditions for the English Law Notes and Condition 2.1 (*Status of the Notes – Senior Notes*) of the Terms and Conditions for the Italian Law Notes in respect of Senior Notes, Condition 2.2 (*Status of the Notes – Senior Non-Preferred Notes*) of the Terms and Conditions for the English Law Notes and Condition 2.2 (*Status of the Notes – Senior Non-Preferred Notes*) of the Terms and Conditions for the Italian Law Notes in respect of Senior Non-Preferred Notes and Condition 2.3 (*Status of the Notes – Subordinated Notes*) of the Terms and Conditions for the English Law Notes and Condition 2.3 (*Status of the Notes – Subordinated Notes*) of the Terms and Conditions for the Italian Law Notes in respect of Subordinated Notes, the holder of a Note will unconditionally and irrevocably waive any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Note.

Risk relating to the governing law of the Italian Law Notes

The Terms and Conditions for the Italian Law Notes are governed by Italian law and Condition 13.1 of the Terms and Conditions for the Italian Law Notes provides that contractual and non-contractual obligations arising out or in connection with them are governed by, and shall be construed in accordance with, Italian Law, pursuant to EU and Italian private international law provisions as applicable from time to time. Article 59 of Law No. 218 of 31 May 1995 (the “**Italian Private International Law**”) provides that “other debt securities (*titoli di credito*) are governed by the law of the State in which the security was issued”. The Temporary Global Notes or the Permanent Global Notes, whether issued in CGN or NGN form, as the case may be, representing the Italian Law Notes are signed by the Issuer in the United Kingdom and are, thereafter, delivered to Banque Internationale à Luxembourg, SA as initial Fiscal Agent and Paying Agent, being the entity in charge of, inter alia, completing, authenticating and delivering the Temporary Global Note and Permanent Global Notes and (if required) authenticating and delivering Definitive Notes.

The Issuer cannot foresee the effect of any potential misalignment between the laws applicable to the Terms and Conditions for the Italian Law Notes and the laws applicable to their transfer and circulation for any prospective investors in the Italian Law Notes and any disputes which may arise in relation to, inter alia, the transfer of ownership in the Italian Law Notes on the basis of the above-mentioned provisions of Italian Private International Law and the relevant applicable European legislation.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest

basis, and any conversion of the interest basis, may affect the secondary market, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Fixed Rate Notes

A holder of Fixed Rate Notes is exposed to the risk that the price of those Notes falls as a result of changes in the current interest rate on the capital markets (the "**Market Interest Rate**"). While the nominal interest rate of Fixed Rate Notes is fixed during the life of such Notes or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such Notes moves in the opposite direction. If the Market Interest Rate increases, the price of such Notes typically falls, until the yield of such Notes is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of Fixed Rate Notes typically increases, until its yield is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes.

Floating Rate Notes

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the Conditions of the Notes provide for frequent interest payment dates, investors are exposed to reinvestment risk if market interest rates decline. In other words, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. At the same time, the Issuer's ability to issue also Fixed Rate Notes may affect the market value and the secondary market (if any) of the Floating Rate Notes (and *vice versa*). In addition, if Floating Rate Notes are structured to include caps or floors, or a combination of both or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Reset Notes

Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the First Margin or Subsequent Margin (as applicable) as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a "**Subsequent Reset Rate of Interest**"). The Subsequent Reset Rate of Interest for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate of Interest for prior Reset Periods and could affect the market value of an investment in the Reset Notes.

CMS Linked Interest Notes

The Issuer may issue Notes with interest determined by reference to the CMS Rate which determine the amount of interest (a "**relevant factor**"). Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) the relevant factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (iv) if the relevant factor is applied to the Notes in conjunction with a multiplier greater than one or contains any other leverage factor, the effect of changes in the relevant factor on interest payable is likely to be magnified; and
- (v) the timing of changes in the relevant factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

Redemption for tax or regulatory reasons

The redemption for tax or regulatory reason feature is likely to limit the market value of the Notes, as during any period when the Issuer may, or is perceived to be able to, elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions for the English Law Notes and the Terms and Conditions for the Italian Law Notes. In addition, the Issuer may, at its option (if so specified in the relevant Final Terms), redeem Subordinated Notes for regulatory reasons, as described in further detail in "*- Regulatory classification of Subordinated Notes*" below. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

The regulation and reform of benchmarks may adversely affect the value of Notes linked to or referencing such benchmarks

Interest rates and indices which are deemed to be benchmarks ("**Benchmarks**"), including the London interbank offered rate ("**LIBOR**") and the euro interbank offered rate ("**EURIBOR**"), are the subject of recent national and international guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such Benchmarks to perform differently from the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a Benchmark. Regulation (EU) 2016/1011 (the "**Benchmark Regulation**") was published in the official journal of the EU on 29 June 2016. The Benchmark Regulation applies, subject to certain conditions, to the provision of Benchmarks, the contribution of input data to a Benchmark and the use of a Benchmark within the EU. It will, among other things, (i) require Benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of Benchmarks of administrators that are not authorised/registered (or, if non-EU based, deemed equivalent or recognised or endorsed).

The Benchmark Regulation could have a material impact on any Notes linked to or referencing a rate or index deemed to be a Benchmark (such as Floating Rate Notes and Reset Notes), in particular, if the methodology or other terms of the Benchmark are changed in order to comply with the requirements of the Benchmark Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the Benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of Benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain Benchmarks: (i) discourage market participants from continuing to administer or contribute to such Benchmark; (ii) trigger changes in the rules or methodologies used in the Benchmark or (iii) lead to the disappearance of the Benchmark. Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a Benchmark.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the UK Financial Conduct Authority ("**FCA**") confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcements**"). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated

with implementing a broad-based transition to the Sterling Overnight Index Average ("SONIA") over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate ("€STR") as the new risk free rate. €STR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forwards. This may cause LIBOR and EURIBOR to perform differently than they have done in the past and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Terms and Conditions for the English Law Notes and the Terms and Conditions for the Italian Law Notes provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an Original Reference Rate and/or any page on which an Original Reference Rate may be published, becomes unavailable, or if the Issuer, the Calculation Agent, any Fiscal Agent or any other party responsible for the calculation of the Rate of Interest (as specified in the relevant Final Terms) are no longer permitted lawfully to calculate interest on any Notes by reference to such an Original Reference Rate under the Benchmarks Regulation or otherwise. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Terms and Conditions for the English Law Notes and the Terms and Conditions for the Italian Law Notes), with or without the application of an adjustment spread and may include amendments to the Terms and Conditions for the English Law Notes and the Terms and Conditions for the Italian Law Notes to ensure the proper operation of the successor or replacement benchmark, all as determined by the Issuer (acting in good faith and in consultation with an Independent Adviser). An adjustment spread, if applied could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of an Original Reference Rate. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a

Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Rate (including with the application of an adjustment spread) will still result in any Notes linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page or, in the case of Reset Notes, the application of the previous reset Rate of Interest for a preceding Reset Period, or for the First Reset Rate of Interest, the application of the Initial Rate of Interest applicable to such Notes on the Interest Commencement Date or a rate based on the Mid-Swap Fallback Rate. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation or any of the international or national reforms and the possible application of the benchmark replacement provisions of the Notes, investigations and licensing issues in making any investment decision with respect to the Notes linked to or referencing such a Benchmark.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Notes have limited Events of Default and remedies

The Events of Default in respect of the Notes, being events upon which the Noteholders may declare the Notes to be immediately due and payable, are limited to circumstances in which the Issuer (i) is liquidated (including when the Issuer becomes subject to *Liquidazione Coatta Amministrativa* as defined in the Consolidated Banking Act) or (ii) is insolvent as set out in Condition 8 (*Events of Default*) of the Terms and Conditions for the English Law Notes and Condition 8 (*Events of Default*) of the Terms and Conditions for the Italian Law Notes. Accordingly, other than following the occurrence of an Event of Default, if the Issuer fails to meet any of its obligations under the Notes, including without limitation the payment of any interest, the Noteholders will not have the right of acceleration in respect of any amount due under the Notes and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce the payment of any such amount. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would

otherwise have been payable by it.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Change of law

The Terms and Conditions for the English Law Notes are based on English law in effect as at the date of this Base Prospectus, other than certain provisions relating to Senior Non-Preferred Notes and Subordinated Notes and to Contractual Recognition of Statutory Bail-In Powers, which are based on Italian law.

The Terms and Conditions for the Italian Law Notes are based on Italian law in effect as at the date of this Base Prospectus.

No assurance can be given as to the impact of any possible judicial decision or change to English law or Italian law or administrative practice after the date of this Base Prospectus.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper (as the case may be) for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or common safekeeper (as the case may be) for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Denominations and restrictions on exchange for Definitive Notes

Notes may in certain circumstances be issued in denominations including (i) a minimum denomination of €100,000 or its equivalent in another currency (the "**Minimum Denomination**") and (ii) amounts which are greater than the Minimum Denomination but which are integral multiples of a smaller amount (such as €1,000). Where this occurs, Notes may be traded in amounts in excess of the Minimum Denomination that

are not integral multiples of the Minimum Denomination. In such a case, a holder who as a result of trading such amounts, holds a principal amount of less than the Minimum Denomination will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to an integral multiple of the Minimum Denomination. The minimum specified denomination of each Note specified as being a Senior Non-Preferred Note shall be €250,000 (or its equivalent in any other currency as at the date of issue of the Notes).

Potential conflicts of interest

Any Calculation Agent appointed under the Programme (whether the Fiscal Agent, any Paying Agent or otherwise) is the agent of the Issuer and not the agent of the Noteholders. Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a Calculation Agent), including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Terms and Conditions for the English Law Notes and the Terms and Conditions for the Italian Law Notes that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

The Issuer may appoint a Dealer as Calculation Agent in respect of an issuance of Notes under the Programme. In such a case the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

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

The relationship of the United Kingdom with the European Union may affect the business of the Issuer.

On 29 March 2017, the United Kingdom ("UK") invoked Article 50 of the Treaty on the European Union and officially notified the European Union ("EU") of its decision to withdraw from the EU. This commenced the formal two-year process (although this has subsequently been extended twice) of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the EU (the "**Article 50 Withdrawal Agreement**"). As part of those negotiations, a transitional period has been agreed in principle which would extend the application of EU law and provide for continuing access to the EU single market, until the end of 2020 and possibly longer.

The Article 50 Withdrawal Agreement has not yet been ratified by the UK or the EU. The parties have agreed to an extended time line which allows for ratification to take place any time prior to 31 October 2019. To the extent ratification does take place ahead of 31 October 2019, the UK would leave on the first day of the month following

ratification. However, it remains uncertain whether the Article 50 Withdrawal Agreement, or any alternative agreement, will be finalised and ratified by the UK and EU ahead of the deadline. If the deadline of 31 October 2019 is not met, unless the negotiation period is further extended or the Article 50 notification revoked, the Treaty on the European Union and the Treaty on the Functioning of the EU will cease to apply to the UK and the UK will lose access to the EU single market. Whilst continuing to discuss the Article 50 Withdrawal Agreement and political declaration, the UK Government has commenced preparations for a "hard" Brexit (or a "no-deal" Brexit) to minimise the risks for firms and businesses associated with an exit with no transitional period. This has included publishing draft secondary legislation under powers provided in the EU (Withdrawal) Act 2018 to ensure that there is a functioning statute book after any exit without a transitional period.

Due to the on-going political uncertainty as regards the terms of the UK's withdrawal from the EU and the structure of the future relationship, the precise impact on the business of the Issuer is difficult to determine. As such, prospective Noteholders should note that no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's

Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. Where an issue of Notes is rated, investors should be aware that:

- (i) such rating will reflect only the views of the rating agency and may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes;
- (ii) a rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency; and
- (iii) notwithstanding the above, an adverse change in a credit rating could adversely affect the trading price for the Notes.

In addition, in relation to unsolicited ratings:

- (i) the Issuer is under no obligation to disclose any such ratings in the Final Terms or in any Supplement to this Base Prospectus; and
- (ii) unsolicited ratings assigned to the Issuer or Notes may differ from any then existing ratings assigned.

Furthermore, in general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

If the status of the rating agency rating the Notes changes, European regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European regulated investors selling the Notes which may impact the value of the Notes and any secondary market.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of

borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

GENERAL DESCRIPTION OF THE PROGRAMME

This section is a general description of the Programme for the purposes of Article 25.1(b) of Commission Delegated Regulation (EU) 2019/980 (as amended) and must be read as an introduction to this Base Prospectus. Any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the English Law Notes", in the "Terms and Conditions for the Italian Law Notes" below or elsewhere in this Base Prospectus (or in the information incorporated by reference in the Base Prospectus) have the same meanings in this section.

Issuer:	Credito Valtellinese S.p.A.
Issuer Legal Entity Identifier (LEI)	549300BDV4C410CYAQ76
Arranger:	Merrill Lynch International
Dealers:	BofA Securities Europe SA Mediobanca – Banca di Credito Finanziario S.p.A. Merrill Lynch International UniCredit Bank AG
	and any other Dealer appointed from time to time by the Issuer, either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent:	Banque Internationale à Luxembourg SA
Luxembourg Listing Agent:	Banque Internationale à Luxembourg SA
Approval, Listing and Admission to Trading:	Application has been made to the CSSF to approve this Base Prospectus as a base prospectus pursuant to the Prospectus Regulation. Application has also been made for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading (as the case may be) on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes may also be issued which are neither listed nor admitted to trading on any market.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.

Initial Programme Amount:	Up to €5,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches and each Tranche may comprise Notes of different denominations.
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions for the English Law Notes and the Terms and Conditions for the Italian Law Notes as completed by the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced by the relevant Drawdown Prospectus.
Forms of Notes:	<p>Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not specified in the relevant Final Terms as a New Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is specified in the relevant Final Terms as a New Global Note will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.</p> <p>Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.</p>

Currencies: Notes may be denominated in euro or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Status of the Notes: Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms. See Condition 2.1 (*Status of the Notes – Senior Notes*) of the Terms and Conditions for the English Law Notes and Condition 2.1 (*Status of the Notes – Senior Notes*) of the Terms and Conditions for the Italian Law Notes, Condition 2.2 (*Status of the Notes – Senior Non-Preferred Notes*) of the Terms and Conditions for the English Law Notes and Condition 2.2 (*Status of the Notes – Senior Non-Preferred Notes*) of the Terms and Conditions for the Italian Law Notes and Condition 2.3 (*Status of the Notes – Subordinated Notes*) of the Terms and Conditions for the English Law Notes and Condition 2.3 (*Status of the Notes – Subordinated Notes*) of the Terms and Conditions for the Italian Law Notes.

The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, ranking (subject to any obligations preferred by any applicable law) *pari passu* with all other unsecured obligations (other than obligations ranking junior to the Senior Notes from time to time (including Senior Non-Preferred Notes and any further obligations permitted by law to rank, or expressed to rank, junior to the Senior Notes, on or following the Issue Date), if any) of the Issuer, present and future and *pari passu* and rateably without any preference among themselves.

The Senior Non-Preferred Notes (being Notes intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under Article 12-*bis* of the Consolidated Banking Act) will constitute direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer ranking junior to the Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to Senior Non-Preferred Notes, as described in "*Terms and Conditions for the English Law Notes – Status of the Notes – Senior Non-Preferred Notes*" and in "*Terms and Conditions for the Italian Law Notes – Status of the Notes – Senior Non-Preferred Notes*".

The Subordinated Notes (being Notes intended to qualify as Tier 2 capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Bank of Italy's *Disposizioni di Vigilanza Prudenziale per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time, including any successor regulations, and Article 63 of CRR) will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and, subject to Condition 2.3 (*Subordinated Notes*) of the Terms and Conditions for the English Law Notes and Condition 2.3 (*Subordinated Notes*) of the Terms and Conditions for the Italian Law Notes, will rank *pari passu* and without any preference among themselves and after all unsubordinated, unsecured obligations of the Issuer, as described in Condition 2.3 (*of Subordinated Notes*) of the Terms and Conditions for the English Law Notes and Condition 2.3 (*Subordinated Notes*) of the Terms and Conditions for the Italian Law Notes.

Issue Price: Notes may be issued at any price as specified in the relevant Final Terms.

Maturities: Any maturity or no fixed maturity date, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

In the case of Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Competent Authority's requirements applicable to the issue of Subordinated Notes by the Issuer, Subordinated Notes must have a minimum maturity of five years (or, if issued for an indefinite duration, redemption of such Notes may only occur five years after their date of issue).

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer.

Under the Prospectus Regulation, base prospectuses for the listing of money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities are not subject to the approval provisions stated therein.

Unless otherwise permitted by then current laws, regulations and directives, Senior Non-Preferred Notes (intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer as defined under Article 12-bis of Legislative Decree No. 385 of 1 September, 1993, as amended) will have a maturity of not less than twelve months.

Redemption: Subject to any purchase and cancellation or early redemption or repayment, Notes are redeemable at par.

To the extent required by the Relevant Regulations, the redemption of Subordinated Notes shall be subject to the prior approval of the Bank of Italy.

Optional Redemption: Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or (in the case of Senior Notes and Senior Non-Preferred Notes only) at the option of the Issuer at the occurrence of a MREL Disqualification Event (as described in Condition 4.10 (*Redemption, Purchase and Options – Issuer Call due to MREL Disqualification Event*) of the Terms and Conditions for the English Law Notes and Condition 4.10 (*Redemption, Purchase and Options – Issuer Call due to MREL Disqualification Event*) of the Terms and Conditions for the Italian Law Notes) to the extent (if at all) specified in the relevant Final Terms. In the case of Subordinated Notes, such early redemption may only be at the option of the Issuer and is subject to any necessary prior consent thereto having been obtained from the Competent Authority.

Tax or Regulatory Redemption: Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons or, in the case of Subordinated Notes, for regulatory reasons, as described in Condition 4.4 (*Redemption, Purchase and Options – Redemption for Taxation Reasons*) of the Terms and Conditions for the English Law Notes and Condition 4.4 (*Redemption, Purchase and Options – Redemption for Taxation Reasons*) of the Terms and Conditions for the Italian Law Notes and Condition 4.5 (*Redemption, Purchase and Options – Redemption for Regulatory Reasons*) of the Terms and Conditions for the English Law Notes and Condition 4.5 (*Redemption, Purchase and Options – Redemption for Regulatory Reasons*) of the Terms and Conditions for the Italian Law Notes.

Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate, or interest may initially accrue at a fixed rate and then switch to a floating rate, or <i>vice versa</i> . Reset Notes will, in respect of an initial period, bear interest at the initial fixed rate of interest specified in the relevant Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the relevant Final Terms by reference to a mid-market swap rate for the relevant Specified Currency, and for a period equal to the reset period, as adjusted for any applicable margin, in each case as may be specified in the relevant Final Terms. The method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Denominations:	Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and save that the minimum denomination of each Note, which is not a Senior Non-Preferred Note, will be €100,000 (or, where the Notes are denominated in a currency other than euro, the equivalent amount in such other currency).
	The minimum denomination of each Senior Non-Preferred Note will be €250,000 (or, if the Senior Non-Preferred Notes are denominated in a currency other than euro, the equivalent amount in such currency) or such other higher amount as may be allowed or required from time to time by the relevant central bank (or equivalent body).
Negative Pledge:	The Notes will not be subject to a negative pledge.
Taxation:	All payments of principal and interest in respect of Notes will be made free and clear of Italian withholding taxes, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 6 (<i>Taxation</i>) of the Terms and Conditions for the English Law Notes and Condition 6 (<i>Taxation</i>) of the Terms and Conditions for the Italian Law Notes) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

As more fully set out in Condition 6 (*Taxation*) of the Terms and Conditions for the English Law Notes and Condition 6 (*Taxation*) of the Terms and Conditions for the Italian Law Notes, the Issuer shall not be liable in certain circumstances to pay any additional amounts to holders of the Notes with respect to certain withholding or deductions, including any withholding or deductions made pursuant to Italian Legislative Decree No. 239 on account of substitute tax (*imposta sostitutiva*, as defined therein) in relation to interest payable in respect of Notes.

Governing Law:

The English Law Notes and the Coupons and any non-contractual obligations arising out of or in connection with them (except for Conditions 2.2 (*Status of the Notes – Senior Non-Preferred Notes*), 2.3 (*Status of the Notes – Subordinated Notes*) and 15 (*Statutory Loss Absorption Powers*) which shall be governed by, and construed in accordance with, Italian law) are governed by English Law.

The Italian Law Notes and the Coupons and any non-contractual obligations arising out of or in connection with them shall be governed by, and constructed in accordance with, Italian law.

See "*Terms and Conditions for the English Law Notes – Governing Law and Jurisdiction*" and "*Terms and Conditions for the Italian Law Notes – Governing Law and Jurisdiction*".

Enforcement of Notes in Global Form (only for English Law Notes):

In connection with the English Law Notes only, in the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 22 October 2019, a copy of which will be available for inspection at the specified office of the Fiscal Agent.

Ratings

The Programme has been rated “(P)B2” (Senior Unsecured Debt), “(P)B2” (Subordinated Debt), “(P)NP” (Short Term Debt) by Moody’s and “BB (high)” with Stable Trend (Long Term Debt), “BB (low)” with Stable Trend (Subordinated Debt), “R-3” with Stable Trend (Short Term Debt) by DBRS. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. **A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

The Final Terms relating to rated Notes will disclose whether or not each credit rating applied for in relation to the relevant Series of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA

Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating does not fall within any of the three above categories.

The European Securities and Markets Authority ("ESMA") is obliged to maintain on its website a list of credit rating agencies registered and certified in accordance with the CRA Regulation, which may be found on the following page:

<https://www.esma.europa.eu/page/List-registered-and-certified-CRAs>

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area (including the United Kingdom, Belgium, France and Italy) and Japan, see "*Subscription and Sale*" below.

Senior Non-Preferred Notes shall be distributed to qualified investors only in accordance with Law No. 205 of 27 December 2017 on the budget of the Italian government for 2018.

ALTERNATIVE PERFORMANCE MEASURES

This section provides information on certain financial measures contained in the Base Prospectus that are not recognised as a measure of performance under IFRS or Italian GAAP. These measures can be found in the following information incorporated by reference in this Base Prospectus:

- (i) the audited annual consolidated financial statements of the Issuer as at and for the year ended 31 December 2018;
- (ii) the audited annual consolidated financial statements of the Issuer as at and for the year ended 31 December 2017;
- (iii) the Condensed Interim Consolidated Report at 30 June 2019; and
- (iv) the Press Release issued by the Issuer on 18 June 2019, announcing the approval of the 2019-2023 business plan “Sustainable Growth”,

in each case on the pages identified in the tables shown in the sub-section of this Base Prospectus entitled “Information Incorporated by Reference – Cross-reference list”.

Such financial measures should not be recognised as an alternative to operating income or net income or any other performance measures recognised as being in accordance with IFRS, Italian GAAP or any other generally accepted accounting principles. Although used by management to monitor the underlying performance of the business and operations, they are not indicative of the historical operating results of the Issuer, nor are they meant to be predictive of future results. Therefore, undue reliance should not be placed on any such data.

These indicators, prepared by the management, provide additional information to investors since they facilitate the understanding of statement of financial position and income statement, they should not be considered as a replacement of those required by IAS/IFRS, they are not always comparable with those provided by other banks and they are provided in accordance with the indications contained in Consob Communication no. 6064293 of 28 July 2006 and in ESMA's Recommendation on alternative performance indicators.

APM

Definition / reconciliation

Cost/Income ratio	Calculated as the ratio between Operating costs and Operating Income net of any other non-recurring items specified in the notes
Coverage ratio of bad loans	Calculated as the ratio between impairment on Bad Loans and gross Bad Loans (taken from the relevant consolidated financial statements of the Issuer) excluding loans and receivables with customers classified as non-current assets held for sale and

APM**Definition / reconciliation**

disposal groups

Coverage ratio of non-performing loans

Calculated as the ratio between non-performing loans impairment and gross non-performing loans included in Loans and receivables with customers, but excluding loans and receivables with customers classified as non-current assets held for sale and disposal groups

Coverage ratio of other doubtful loans

Calculated as the ratio between other doubtful loans impairment and gross other doubtful loans included in Loans and receivables with customers but excluding loans and receivables with customers classified as non-current assets held for sale and disposal groups

Direct funding from customers

Comprises the following items from the relevant consolidated financial statements of the Issuer:

- Due to customers
- Securities issued

Direct funding from customers / Total liabilities

Calculated as the ratio between Direct funding from customers (as defined above) and Total liabilities (taken from the relevant consolidated financial statements of the Issuer)

APM**Definition / reconciliation**

Gross non-performing loans	Loans and receivables with customers classified as Bad loans, Unlikely to pay and Past due non-performing gross of allowances, but excluding loans and receivables with customers classified as non-current assets held for sale and disposal groups
Gross Non-performing loans ratio (Gross non-performing loans / Gross Loans and receivables with customers)	Calculated as the ratio between Gross non-performing loans (as defined above) and Gross Loans and receivables with customers (taken from the relevant consolidated financial statements of the Issuer), but excluding loans and receivables with customers classified as non-current assets held for sale and disposal groups
Gross Non-performing loans ratio excluding government bonds (Gross non-performing loans / Gross Loans and receivables with customers excluding government bonds)	Calculated as the ratio between Gross non-performing loans (as defined above) and Gross Loans and receivables with customers (taken from the relevant consolidated financial statements of the Issuer), but excluding (i) loans and receivables with customers classified as non-current assets held for sale and disposal groups and (ii) government bonds classified in the Loans and receivable with customers
Indirect funding from customers	Comprises Asset under management and under administration, taken from internal management data of the Issuer
Indirect funding from customers / Total funding	Calculated as the ratio between Indirect funding from customers and Total funding
Loans and receivables with customers / Direct funding from Customers	Calculated as the ratio between Loans and receivables with customers (taken from the relevant consolidated financial statements of the Issuer) and Direct funding from customers (as defined above)
Loans and receivables with	Calculated as the ratio between Loans and receivables with customers and Total assets, both

APM	Definition / reconciliation
customers / Total assets	taken from the relevant consolidated financial statements of the Issuer
Managed funds	Asset under management, taken from internal management data of the Issuer
Managed funds / Indirect funding from customers	Calculated as the ratio between Managed funds and Indirect funding from customers (as defined above)
NPE (Non performing Exposures) or NPL (Non Performing Loans)	Non-Performing Exposures shall be classified in the following risk classes: Bad Loans ("Sofferenze"), Unlikely to Pay ("Inadempienze Probabili") and Past Due ("Esposizioni scadute e/o sconfinanti")
Other doubtful loans	Unlikely to Pay ("Inadempienze Probabili") and Past Due ("Esposizioni scadute e/o sconfinanti")
Net bad loans	Loans and receivables with customers classified as Bad loans net of allowances, but excluding loans and receivables with customers classified as non-current assets held for sale and disposal groups
Net bad loans / Loans and receivables with customers	Calculated as the ratio between Net bad loans (as defined above) and Loans and receivables with customers (taken from the relevant consolidated financial statements of the Issuer), but excluding loans and receivables with customers classified as non-current assets held for sale and disposal groups
Net non-performing loans	Loans and receivables with customers classified as Bad loans, Unlikely to pay and Past due non-performing net of allowances, but excluding loans and receivables with customers classified as non-current assets held for sale and disposal groups
Net non-performing loans /	Calculated as the ratio between Net non-performing

APM

Definition / reconciliation

Loans and receivables with customers

loans (as defined above) and Loans and receivables with customers (taken from the relevant consolidated financial statements of the Issuer), but excluding loans and receivables with customers classified as non-current assets held for sale and disposal groups

Net non-performing loans /
Loans and receivables with
customers
(excluding government bonds)

Calculated as the ratio between Net non-performing loans (as defined above) and Loans and receivables with customers (taken from the relevant consolidated financial statements of the Issuer), but excluding (i) loans and receivables with customers classified as non-current assets held for sale and disposal groups and (ii) government bonds classified in the Loans and receivable with customers

Operating profit

The difference between Operating income and Operating costs

Operating costs

Comprises the following items:

- Administrative expenses: a) personnel expenses
- Administrative expenses: b) other administrative expenses
- Depreciation and net impairment losses on property, equipment and investment property
- Amortisation and net impairment losses on intangible assets
- Recoveries of taxes and other recoveries reclassified from Other operating expenses/income (-)
- Accumulated depreciation of costs incurred for leasehold improvements reclassified from Other operating expenses/income (-)

APM

Definition / reconciliation

Operating income	Comprises the following items: <ul style="list-style-type: none">• Total income (item 120. of the Consolidated Income Statement)• Profit (losses) of equity-accounted investments included in Net gains (losses) on equity investments• Other income and charges, corresponding to Other operating expenses/income without recoveries of taxes and other recoveries and accumulated depreciation of costs incurred for leasehold improvements
Other net doubtful loans	Loans and receivables with customers classified as Unlikely to pay and Past due non-performing net of allowances, but excluding loans and receivables with customers classified as non-current assets held for sale and disposal groups
Other net doubtful loans / Loans and receivables with customers	Calculated as the ratio between Other net doubtful loans (as defined above) and Loans and receivables with customers (taken from the relevant consolidated financial statements of the Issuer), but excluding loans and receivables with customers classified as non-current assets held for sale and disposal groups
Personnel expenses/Number of employees	Calculated as the ratio Personnel expenses (taken from the relevant financial statements of the Issuer but after deducting costs not attributable to employees) and the number of employees
Return on Equity (RoE)	profit for the period as a percentage of the equity for the period minus the net results
Return on Assets (RoA)	Net profit for the period as a percentage of Total Assets for the period
Total funding	Comprises the following items:

APM**Definition / reconciliation**

Direct funding from customers

Indirect funding from customers

The Issuer believes that the above measures provide useful information to investors for the purposes of evaluating the financial condition and results of operations of the Group, the quality of its assets and the fundamentals of its business. In particular:

- (i) the ratios presented by the Issuer are aimed at quantifying certain aspects of the Issuer's business and its strengths within the context of the Italian banking system; and
- (ii) the alternative performance indices, although not required by law in the preparation of financial statements, allow for comparisons with other banks (including as to size and different geographic location), over different periods of time and between the Issuer and the average industry standards.

Nevertheless, since companies do not all calculate alternative performance measures in an identical manner, the Issuer gives no assurance that the presentation of the above measures is consistent with similar indicators used by other companies.

INFORMATION INCORPORATED BY REFERENCE

The following information is incorporated by reference in, and forms part of, this Base Prospectus:

- (1) the audited annual consolidated financial statements of the Issuer as at and for the year ended 31 December 2018
(<http://www.gruppocreval.com/cartellaPDF/parsedPDF/2019/Bilancio-Creval-eng-31.12.2018.pdf>);
- (2) the audited annual consolidated financial statements of the Issuer as at and for the year ended 31 December 2017
(http://www.gruppocreval.com/cartellaPDF/en_parsedPDF/en_2018/Bilancio-31.12.2017_ING.pdf);
- (3) the Condensed Interim Consolidated Report of the Issuer at 30 June 2019
(http://www.gruppocreval.com/cartellaPDF/en_parsedPDF/en_2019/Relazione_finanziaria_semestrale_al_30.06.2019_eng.pdf); and
- (4) the Press Release issued by the Issuer on 18 June 2019, announcing the approval of the 2019-2023 business plan “Sustainable Growth”, and
(http://www.gruppocreval.com/media/comunicati_en/2019/2019_06_18_Creval_Business_Plan_2019-2023_eng.pdf)

in the case of (1) to (2) above, together with the accompanying notes and auditor's reports. Any statement contained in this Base Prospectus or in any of the information incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference by way of supplement prepared in accordance with Article 23 of the Prospectus Regulation modifies or supersedes such statement.

The consolidated financial statements and financial information referred to above, together with (only in the case of (1) and (2)) the accompanying audit reports, are available both in the original Italian and in English. Only the English language versions are incorporated by reference in, and form part of, this Base Prospectus. The English language versions are direct translations from the Italian language documents. In the event of any inconsistencies or discrepancies between the Italian and English language versions, the original Italian versions will prevail.

Cross-reference list

The following table shows, *inter alia*, where the information required under article 19(2) of Regulation (EU) 2017/1129 can be found in the above-mentioned documents.

<i>Annual consolidated financial statements 2018 and 2017</i>	<i>Page number(s)</i>	
Article 19(2) of Regulation (EU) 2017/1129	2018	2017

Group financial statement highlights and alternative performance indicators ⁽¹⁾	6-7	6-7
Report on operations.....	13-87	11-92
Consolidated financial statements	88-97	93-101
<i>Consolidated statement of financial position</i>	90-91	95
<i>Consolidated income statement</i>	92	96
<i>Consolidated statement of comprehensive income</i>	93	97
<i>Statement of changes in consolidated equity</i>	94-95	98-99
<i>Consolidated statement of cash flows – direct method</i>	96	100
Accounting policies and explanatory notes	98-325	102-321
Auditors' report.....	328-335	324-330

(1) See the preceding section of this Base Prospectus entitled "Alternative Performance Measures".

Condensed Interim Consolidated Report of the Issuer as at 30 June 2019 **Page number(s)**

<i>Consolidated highlights and alternative performance indicators as at 30 June 2019</i> ⁽¹⁾	4-5
<i>Report on operations</i>	7-37
<i>Condensed Interim Consolidated Financial Statements</i>	38-122
<i>Auditors' report</i>	124-125

(1) See the preceding section of this Base Prospectus entitled "Alternative Performance Measures".

Press Release issued by the Issuer on 18 June 2019, announcing the approval of the 2019-2023 business plan "Sustainable Growth" **Page number(s)**

Entire Document ⁽¹⁾	1-10
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(1) See the preceding section of this Base Prospectus entitled "Alternative Performance Measures".

Copies of documents incorporated by reference in this Base Prospectus will be available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The information incorporated by reference that is not included in the cross-reference lists above is considered additional information and is not required by the relevant schedules of Regulation (EC) 809/2004 (as amended).

FURTHER PROSPECTUSES

The Issuer will prepare a replacement prospectus setting out the changes in the operations and financial conditions of the Issuer at least every year after the date of this Base Prospectus and each subsequent Base Prospectus.

The Issuer has given an undertaking to the Dealers that, if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of the Notes, it shall prepare a supplement to this Base Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer any number of copies of such supplement as a Dealer may reasonably request.

In addition, the Issuer may agree with any Dealer to issue Notes in a form not contemplated in the section of this Base Prospectus entitled "*Form of Final Terms*". To the extent that the information relating to that Tranche of Notes constitutes a significant new factor in relation to the information contained in this Base Prospectus, a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**") will be made available and will contain such information. Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) pursuant to Article 6.3 of the Prospectus Regulation, by separate documents consisting of a securities note containing the necessary information relating to the relevant Notes, and, if necessary, a registration document containing the necessary information relating to the Issuer and a summary note. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, references in this Base Prospectus to information specified or identified in the Final Terms shall (unless the context requires otherwise) be read and construed as information specified or identified in the relevant Drawdown Prospectus.

FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Notes in NGN form are intended to be in a form that allows such Notes to be in compliance with requirements for their recognition as eligible collateral for monetary policy and intra day credit operations of the central banking system for the euro (the "**Eurosystem**"), subject to certain other criteria being fulfilled (including denomination in euro and listing on an EU regulated market or on a non regulated market approved by the European Central Bank). If the Notes are stated in the relevant Final Terms to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche to a common safekeeper and the relevant clearing systems will be notified whether or not such Notes are intended to be held in a manner which would allow Eurosystem eligibility.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.1635(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an

increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within 7 days of the bearer requesting such exchange.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; **provided, however, that** in no circumstances shall the principal amount of the Notes represented by Permanent Global Note exceed the initial principal amount of the Notes represented by Temporary Global Note.

The Permanent Global Note will become exchangeable in whole, but not in part, only and at the request of the bearer of the Permanent Global Note, for Notes in definitive form ("**Definitive Notes**"):

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or
- (c) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occur:
 - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or
 - (ii) any of the circumstances described in Condition 8 (*Events of Default*) of the Terms and Conditions for the English Law Notes and Condition 8 (*Events of Default*) of the Terms and Conditions for the Italian Law Notes occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Notes represented by Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Save as set out below, where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described above, Notes may only be issued in denominations which are integral multiples of their minimum denomination any may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes (which are not Senior Non-Preferred Notes) may be issued in denominations which represent the aggregate of (1) a

minimum denomination of €100,000 (as specified in the relevant Final Terms), plus (2) integral multiples of €1,000, **provided that** such denominations are not less than €100,000 nor more than €199,000. The minimum denomination for Senior Non-Preferred Notes will be €250,000 (as specified in the relevant Final Terms). For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Note. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Where the Temporary Global Note is to be exchanged for Definitive Notes, Notes may only be issued in denominations which are integral multiples of their minimum denomination and may only be traded in such amounts, whether in global or definitive form.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or

- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs;
- (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or
 - (b) any of the circumstances described in Condition 8 (*Events of Default*) of the Terms and Conditions for the English Law Notes and Condition 8 (*Events of Default*) of the Terms and Conditions for the Italian Law Notes occurs.

Save as set out below, where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described above, Notes may only be issued in denominations which are integral multiples of their minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (1) a minimum denomination of €100,000 (as specified in the relevant Final Terms), plus (2) integral multiples of €1,000, **provided that** such denominations are not less than €100,000 nor more than €199,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Note. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

Rights under Deed of Covenant (for the English Law Notes only)

In connection with the English Law Notes only, under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions for the English Law Notes*", "*Terms and Conditions for the Italian Law Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Overview of Provisions Relating to the Notes while in Global Form*" below.

Legend concerning United States persons

In the case of any Tranche of Notes where TEFRA D Rules or TEFRA C Rules are specified in the relevant Final Terms, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

TERMS AND CONDITIONS FOR THE ENGLISH LAW NOTES

*The following is the text of the terms and conditions that, save for this text in italics and subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in these terms and conditions (i) to the "Issuer" are to Credito Valtellinese S.p.A.; and (ii) to "Notes" are to the Notes governed by English law ("**English Law Notes**") of one Series only, not to all Notes that may be issued under the Programme.*

These terms and conditions for the English Law Notes (the "**Terms and Conditions for the English Law Notes**" or the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Agency Agreement for the English Law Notes (as defined below), which includes the form of the Notes, Coupons and Talons referred to below. The Amended and Restated Issue and Paying Agency Agreement dated 22 October 2019 (as further amended, restated or supplemented from time to time, the "**Agency Agreement for the English Law Notes**") has been entered into in relation to the Notes among the Issuer, Banque Internationale à Luxembourg S.A. as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and Banque Internationale à Luxembourg S.A. as paying agent or such other person specified in the relevant Final Terms as the paying agent (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor paying agents appointed from time to time in connection with the Notes).

The Noteholders and the Couponholders are entitled to benefit of the Deed of Covenant dated 22 October 2019 (as modified, supplemented and/or restated from time to time, the "**Deed of Covenant**") executed by the Issuer.

Copies of the Agency Agreement for the English Law Notes and the Deed of Covenant are available for inspection during usual business hours at the specified offices of the Paying Agents.

The Noteholders, the holders (the "**Couponholders**") of the interest coupons (the "**Coupons**") appertaining to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") relating to Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, the Provisions for the Meetings of Noteholders (as defined below), all the provisions of the Agency Agreement for the English Law Notes, the Deed of Covenant and the relevant Final Terms.

Words and expressions defined in the Agency Agreement for the English Law Notes or used in the relevant Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement for the English Law Notes and the relevant Final Terms, the relevant Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form in the Specified Denomination(s) shown hereon, provided that (i) the minimum Specified Denomination of each Note which is specified hereon as being a Senior Note or a Subordinated Note shall be Euro 100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes) and (ii) the minimum Specified Denomination of each Note specified hereon as being a Senior Non-Preferred Note shall be Euro 250,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Reset Note, a Floating Rate Note or a Zero Coupon Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption Payment Basis shown hereon.

The Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Title to the Notes, Coupons and Talons shall pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Note, "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Note, Coupon or Talon and capitalised terms have the meanings given to them in these Conditions, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. STATUS OF THE NOTES

2.1 Senior Notes

This Condition 2.1 is applicable in relation to Notes specified hereon as being Senior Notes (the "**Senior Notes**") (and, for the avoidance of doubt, does not apply to Senior Non-Preferred Notes).

The Senior Notes and the Coupons relating to them constitute unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Coupons relating to them shall at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer (other than, for the avoidance of doubt, Senior Non-Preferred Notes), present and future, subject to any applicable legislation that permits or requires certain such indebtedness or obligations to rank either junior or senior to the Senior Notes.

Each holder of a Senior Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it

might otherwise have under the laws of any jurisdiction in respect of such Senior Note.

2.2 Senior Non-Preferred Notes

This Condition 2.2 is applicable in relation to Notes specified hereon as being Senior Non-Preferred Notes (and, for the avoidance of doubt, does not apply to Senior Notes).

The Senior Non-Preferred Notes (being notes intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under Article 12-*bis* of Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended (the "**Banking Act**"), the "**Senior Non-Preferred Notes**") and the Coupons relating to them constitute unsecured, unsubordinated (*debito chirografario*) and non-preferred obligations of the Issuer and rank *pari passu* and without any preference among themselves and otherwise in accordance with the paragraph immediately below.

In the event of the bankruptcy, dissolution, liquidation or winding up of the Issuer (including *Liquidazione Volontaria* or an order for *Liquidazione Coatta Amministrativa*), the payment obligations of the Issuer under the Senior Non-Preferred Notes and the Coupons relating to them shall rank in right of payment:

- (a) junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes;
- (b) *pari passu* without any preferences among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes; and
- (c) in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-*bis*, letter c-*bis* of the Banking Act, as amended from time to time or any other present or future obligations of the Issuer which rank or are expressed by their terms to rank junior to the relevant Senior Non-Preferred Notes.

Each holder of a Senior Non-Preferred Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Non-Preferred Note.

2.3 Subordinated Notes

This Condition 2.3 is applicable in relation to Notes specified hereon as being Subordinated Notes intended to qualify as Tier 2 Capital (as defined in Condition 4.5 (*Redemption, Purchase and Options – Redemption for Regulatory Reasons*)).

The Subordinated Notes (notes intended to qualify as Tier 2 Capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Bank of

Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time, including by any successor regulations, and Article 63 of the Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, the “**Subordinated Notes**”) and the Coupons relating to them constitute unsecured obligations of the Issuer and rank *pari passu* and without any preference among themselves and otherwise in accordance with the paragraph immediately below.

In the event of the bankruptcy, dissolution, liquidation or winding up of the Issuer (including *Liquidazione Volontaria* or an order for *Liquidazione Coatta Amministrativa*), the payment obligations of the Issuer under the Subordinated Notes and the Coupons relating to them shall rank in right of payment in priority to those subordinated obligations expressed by their terms to rank lower than Subordinated Notes and the payment obligations of the Issuer under the Subordinated Notes and the Coupons relating to them shall rank in right of payment after unsubordinated, unsecured creditors (including depositors) of the Issuer and any subordinated obligations of the Issuer that rank or are expressed by their terms to rank senior to Subordinated Notes but *pari passu* with existing Tier 2 Capital of the Issuer and all other present and future subordinated obligations of the Issuer that are not expressed by their terms to rank or which do not rank junior or senior to the Subordinated Notes and in priority to the claims of shareholders of the Issuer.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Subordinated Note.

3. INTEREST AND OTHER CALCULATIONS

3.1 Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Accrual Period" means, in relation to Day Count Fraction below, the actual number of days in the relevant period from and including the Start Date to but excluding the Interest Payment Date.

"Actual Calculation Period" means, in relation to Day Count Fraction below, the actual number of days from and including one Interest Period Date to but excluding the next Interest Period Date.

"Business Day" means:

- (a) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (b) in the case of euro, a day on which the TARGET System is operating (a **"TARGET Business Day"**); and/or

- (c) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centres or, if no currency is indicated, generally in each of the Business Centres so specified.

"Change of Interest Basis" means, if applicable, the change of Interest Basis of the Notes as specified in the relevant Final Terms and in accordance with the provisions set out in Condition 3.7 (*Change of Interest Basis*).

"CMS Reference Banks" means (i) if the Reference Currency is Euro, the principal office of five major banks in the Euro-zone inter-bank market, (ii) if the Reference Currency is Sterling, the principal London office of five major banks in the London inter-bank market, (iii) if the Reference Currency is United States dollars, the principal New York city office of five major banks in the New York inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five major banks in the Relevant Financial Centre inter-bank market, in each case selected by the Calculation Agent.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the **"Calculation Period"**):

- (a) if **"Actual/Actual"** or **"Actual/Actual – ISDA"** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if **"Actual/365 (Fixed)"** is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (c) if **"Actual/365 (Sterling)"** is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (d) if **"Actual/360"** is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (e) if **"30/360"**, **"360/360"** or **"Bond Basis"** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - Y_{M_1})] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (f) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

- (g) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30; and

- (h) if "**Actual/Actual – ICMA**" is specified hereon, (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Periods normally ending in any year; and (B) if the Calculation Period is longer than one Determination Period, the sum of:
- (i) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Periods normally ending in any year; and
 - (ii) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Periods normally ending in any year

where:

"Determination Date" means the date specified as such hereon or, if none is so specified, the Interest Payment Date; and

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"Effective Date" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

"Euro-zone" means the region comprising Member States of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended.

"Interest Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"Interest Amount" means

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"Interest Basis" means (i) with respect to Notes to which Condition 3.2 (*Rate of Interest and Accrual on Fixed Rate Notes*) applies, the Fixed Rate specified in the relevant Final Terms; (ii) with respect to Notes to which Condition 3.3 (*Interest on Reset Notes*) applies, the Reset Rate specified in the relevant Final Terms; (iii) with respect to Notes to which Condition 3.4 (*Interest on Floating Rate Notes and CMS Linked Interest Notes*) and Condition 3.5 (*Rate of Interest for Floating Rate Notes and CMS Linked Interest Notes*) apply, the Floating Rate specified in the relevant Final Terms; and (iv) with respect to Notes to which Condition 3.8 (*Zero Coupon Notes*) applies, the Notes shall be specified to be Zero Coupon in the relevant Final Terms.

"Interest Commencement Date" means the date of issue of the Notes (the **"Issue Date"**) or such other date as may be specified hereon.

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none

is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"Interest Payment Date" means the date on which Interest in respect of the Notes is payable, as specified hereon.

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date unless otherwise specified hereon.

"Interest Period Date" means each Interest Payment Date unless otherwise specified hereon.

"ISDA Definitions" means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc.

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent in consultation with the Issuer or as specified hereon.

"Reference Currency" has the meaning given in the relevant Final Terms.

"Reference Rate" means EURIBOR, LIBOR or CMS Rate, as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms.

"Relevant Financial Centre" has the meaning given in the relevant Final Terms.

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"Specified Currency" means the currency specified hereon or, if none is so specified, the currency in which the Notes are denominated.

"Start Date" means, in relation to Day Count Fraction above, the date from which interest for the relevant period begins to accrue.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

3.2 **Rate of Interest and Accrual on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 3.11 (*Calculations*).

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 3 to the Relevant Date (as defined in Condition 6 (*Taxation*)).

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

3.3 **Interest on Reset Notes**

(a) *Rates of Interest and Interest Payment Dates*

Each Reset Note bears interest:

- (i) from (and including) the Interest Commencement Date until (but excluding) the First Reset Date at the Initial Rate of Interest;
- (ii) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on each Interest Payment Date and on the Maturity Date if that does not fall on an Interest Payment Date. The Rate of Interest and the Interest Amount payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, subject to Condition 3.5(b) (*Benchmark Discontinuation*) and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 3.2 (*Rate of Interest and Accrual on Fixed Rate Notes*).

For the purposes of the Conditions:

"**First Margin**" means the margin specified as such in the relevant Final Terms;

"First Reset Date" means the date specified in the relevant Final Terms;

"First Reset Period" means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Final Terms, the Maturity Date;

"First Reset Rate of Interest" means, in respect of the First Reset Period and subject to Condition 3.3(b) (*Fallbacks*), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin;

"Initial Rate of Interest" has the meaning specified in the relevant Final Terms;

"Mid-Market Swap Rate" means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the relevant Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

"Mid-Market Swap Rate Quotation" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

"Mid-Swap Floating Leg Benchmark Rate" means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro;

"Mid-Swap Rate" means, in relation to a Reset Determination Date and subject to Condition 3.3(b) (*Fallbacks*), either:

(i) if Single Mid-Swap Rate is specified in the relevant Final Terms, the rate for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

Which appears on the Relevant Screen Page; or

(ii) if Mean Mid-Swap Rate is specified in the relevant Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency;

- (A) with a term equal to the relevant Reset Period; and
- (B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

"Rate of Interest" means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

"Reset Date" means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

"Reset Determination Date" means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period;

"Reset Period" means the First Reset Period or a Subsequent Reset Period, as the case may be;

"Second Reset Date" means the date specified as such in the relevant Final Terms;

"Subsequent Margin" means the margin specified as such in the relevant Final Terms;

"Subsequent Reset Date" means the date or dates specified in the relevant Final Terms;

"Subsequent Reset Period" means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date; and

"Subsequent Reset Rate of Interest" means, in respect of any Subsequent Reset Period and subject to Condition 3.3(b) (*Fallbacks*), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin.

(b) *Fallbacks*

Subject to Condition 3.5(b) (*Benchmark Discontinuation*), if on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at

approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the sum of (as applicable) the First Margin (in the case of the First Reset Rate of Interest) or the Subsequent Margin (in the case of the Subsequent Reset Rate of Interest) and the relevant Mid-Swap Rate as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

For the purposes of this Condition 3.3(b) "**Reference Banks**" means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

3.4 Interest on Floating Rate Notes and CMS Linked Interest Notes

(a) *Application*

This Condition 3.4 is applicable to the Notes if (i) the Floating Rate Note Provisions or the CMS Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, or (ii) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Interest Periods for which the Floating Rate Note Provisions are stated to apply.

(b) *Interest Payment Dates*

Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 3.11 (*Calculations*). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(c) *Business Day Convention*

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (a) such date shall be brought forward to the immediately preceding Business Day and (b) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

3.5 Rate of Interest for Floating Rate Notes and CMS Linked Interest Notes

(a) *Floating Rate Notes and CMS Linked Interest Note*

The Rate of Interest in respect of Floating Rate Notes (including CMS Linked Interest Notes) for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(i) ISDA Determination for Floating Rate Notes and CMS Linked Interest Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph ((i)), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option is as specified hereon;
- (B) the Designated Maturity is a period specified hereon; and
- (C) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph ((i)), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Notes other than CMS Linked Interest Notes

(A) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined and "CMS Rate" is not specified as the Reference Rate in the relevant Final Terms, the Rate of Interest for each Interest Accrual Period will, subject to Condition 3.5(b) (*Benchmark Discontinuation*) below, be either:

(I) the offered quotation; or

(II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(B) If the Relevant Screen Page is not available or, if sub-paragraph (A)(I) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (A)(II) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(C) If paragraph (B) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as

a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (iii) Screen Rate Determination for Floating Rate Notes which are CMS Linked Interest Notes

Subject to Condition 3.5(b) (*Benchmark Discontinuation*) below, if Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and "CMS Rate" is specified as the Reference Rate in the Final Terms, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent by reference to the following formula:

CMS Rate plus Margin

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in good faith on such commercial basis as considered appropriate by the Calculation Agent in its absolute discretion, in accordance with standard market practice.

(b) *Benchmark Discontinuation*

This Condition 3.5(b) is applicable to Notes only if the Floating Rate Note Provisions or the Reset Note Provisions are specified in the relevant Final Terms as being applicable.

(i) **Independent Adviser**

Notwithstanding the provisions above in Condition 3.3 (*Interest on Reset Notes*), Condition 3.4 (*Interest on Floating Rate Notes and CMS Linked Interest Notes*) or Condition 3.5 (*Rate of Interest for Floating Rate Notes and CMS Linked Interest Notes*), if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 3.5(b)(ii) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 3.5(b)(iii) (*Adjustment Spread*)) and whether any Benchmark Amendments (in accordance with Condition 3.5(b)(iv) (*Benchmark Amendments*)) are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

An Independent Adviser appointed pursuant to this Condition 3.5(b)(i) shall act in good faith and in a commercially reasonable manner and in consultation with the Issuer. In the absence of bad faith, fraud and gross negligence, the Independent Adviser shall have no liability whatsoever to the Issuer, the party responsible for determining the Rate of Interest applicable to the Notes (being the Calculation Agent or such other party specified in the relevant Final Terms), the Fiscal Agent, any Paying

Agent, the Noteholders or the Couponholders for any determination made by it pursuant to this Condition 3.5(b)(i).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 3.5(b)(i) prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, failing which, an Alternative Rate, provided however that if the Issuer is unable or unwilling to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 3.5(b)(i) prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be (i) in the case of the Rate of Interest on Floating Rate Notes, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period or (ii) in the case of the First Reset Rate of Interest on Reset Notes, the Rate of Interest shall be equal to the initial Rate of Interest, or (iii) in the case of the Subsequent Reset Rate of Interest on Reset Notes, the Rate of Interest shall be equal to the Subsequent Reset Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Reset Period or if the immediately preceding Reset Period is the First Reset Period, the First Reset Rate of Interest. If there has not been a first Interest Payment Date or First Reset Date, the Rate of Interest for Floating Rate Notes shall be the initial Rate of Interest and the Rate of Interest for Reset Notes shall be the Initial Rate of Interest as applicable.

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

For the avoidance of doubt, this Condition 3.5(b)(i) shall apply to the relevant next succeeding Interest Accrual Period or Reset Period (as applicable) only and any subsequent Interest Accrual Periods or Reset Periods (as applicable) are subject to the subsequent operation of, and to adjustment as provided in, this Condition 3.5(b)(i).

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

If the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in

accordance with Condition 3.5(b)(i) (*Independent Adviser*) prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be) acting in good faith and in a commercially reasonable manner determines that:

- (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 3.5(b)(iii) (*Adjustment Spread*) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 3.5(b)(ii)); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 3.5(b)(iii) (*Adjustment Spread*) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 3.5(b)(ii)).

(iii) **Adjustment Spread**

If the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 3.5(b)(i) (*Independent Adviser*) prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be) acting in good faith and in a commercially reasonable manner determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(iv) **Benchmark Amendments**

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 3.5(b)(iv) and the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 3.5(b)(i) (*Independent Adviser*) prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be) acting in good faith and in a commercially reasonable manner determines (i) that amendments to these Conditions and the Agency Agreement for the English Law Notes, including but not limited to Relevant Screen Page, are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread and/or necessary or appropriate to comply with any applicable regulation or guidelines on the use of benchmarks or other related document issued by

the competent regulatory authority (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 3.5(b)(v) (*Notices*) and subject (to the extent required) to giving any notice required to be given to, and receiving any consent required from, or non-objection from, the Competent Authority, without any requirement for the consent or approval of Noteholders or Couponholders, vary these Conditions and the Agency Agreement for the English Law Notes to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 3.5(b), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 3.5(b), no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any other amendment to the terms and conditions of any Series of Notes be made to effect the Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the relevant Series of Subordinated Notes as Tier 2 Capital of the Issuer and/or the Group and/or (i) result in the exclusion of the relevant Series of Senior Notes or Senior Non-Preferred Notes from the eligible liabilities available to meet the MREL Requirements or (ii) (in the case of Senior Notes or Senior Non-Preferred Notes only) result in the Competent Authority and/or the Relevant Resolution Authority treating the Interest Payment Date or Reset Date, as the case may be, as the effective maturity date of the Notes, rather than the relevant Maturity Date. In such cases (i) the Rate of Interest on Floating Rate Notes applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period or (ii) in the case of the First Reset Rate of Interest on Reset Notes, the Rate of Interest shall be equal to the initial Rate of Interest or (iii) in the case of the Subsequent Reset Rate of Interest on Reset Notes, the Rate of Interest shall be equal to the Subsequent Reset Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Reset Period or if the immediately preceding Reset Period is the First Reset Period, the First Reset Rate of Interest. If there has not been a first Interest Payment Date or First Reset Date, the Rate of Interest for Floating Rate Notes shall be the initial Rate of Interest and the Rate of Interest for Reset Notes shall be the Initial Rate of Interest (as applicable).

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

the relevant Interest Accrual Period or Reset Period (as applicable) shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest or First Margin or Subsequent Margin relating to that last preceding Interest Accrual Period or Reset Period.

(v) **Notices**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 3.5(b)(v) will be notified immediately by the Issuer to the Fiscal Agent, the Calculation Agent and each of the Paying Agents and, in accordance with Condition 12 (*Notices*), the Noteholders and Couponholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

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

Without prejudice to the obligations of the Issuer under Conditions 3.5(b)(i) (*Independent Adviser*) to 3.5(b)(iv) (*Benchmark Amendments*), the Original Reference Rate and the fallback provisions provided for in Condition 3.3(b) (*Fallbacks*) and Condition 3.5(ii) (*Screen Rate Determination for Floating Rate Notes other than CMS Linked Interest Notes*) and Condition 3.5(iii) (*Screen Rate Determination for Floating Rate Notes which are CMS Linked Interest Notes*) will continue to apply unless and until a Benchmark Event has occurred.

(vii) **Definitions**

For the purposes of this Condition 3.5(b):

"**Adjustment Spread**" means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in each case required to be applied to the Successor Rate or the Alternative Rate (as the case may be) as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (B) the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner), is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer or the Independent Adviser determines that no such spread is customarily applied); or

- (C) the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner), is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);

"Alternative Rate" means an alternative benchmark or screen rate which the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) in accordance with Condition 3.5(b)(ii) (*Successor Rate or Alternative Rate*) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes;

"Benchmark Amendments" has the meaning given to it in Condition 3.5(b)(iv) (*Benchmark Amendments*);

"Benchmark Event" means:

- (A) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (B) a public statement by the administrator of the Original Reference Rate that it will, by a specified date on or prior to the next Interest Determination Date or Reset Determination Date, as the case may be, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (C) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date on or prior to the next Interest Determination Date or Reset Determination Date, as the case may be, be permanently or indefinitely discontinued; or
- (D) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is no longer representative of its relevant underlying market; or
- (E) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case on or prior to the next Interest Determination Date or Reset Determination Date, as the case may be; or
- (F) it has become unlawful for the Fiscal Agent, any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate;

"Independent Adviser" means an independent financial institution of international repute or an independent financial adviser with appropriate experience in the international debt capital markets appointed by the Issuer under Condition 3.5(b)(i) (*Independent Adviser*);

"Original Reference Rate" means:

- (A) the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes; or
- (B) any Successor Rate or Alternative Rate which has been determined in relation to such benchmark or screen rate (as applicable) pursuant to the operation of Condition 3.5(b) (*Benchmark Discontinuation*).

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

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

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

3.6 Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

3.7 **Change of Interest Basis**

If Change of Interest Basis is specified as applicable in the relevant Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 3.2 or Condition 3.4, each applicable only for the relevant periods specified in the relevant Final Terms.

If Change of Interest Basis is specified as applicable in the relevant Final Terms, and Issuer's Switch Option is also specified as applicable in the relevant Final Terms, the Issuer may, on one or more occasions, as specified in the relevant Final Terms, at its option (any such option, a "**Switch Option**"), having given notice to the Noteholders in accordance with Condition 12 (*Notices*) and delivering such notice to the Paying Agent and the Calculation Agent on or prior to the relevant Switch Option Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as otherwise specified in the relevant Final Terms with effect from (and including) the Switch Option Effective Date specified in the relevant Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the relevant Final Terms, up to and excluding the next following Switch Option Effective Date), provided that (A) the Switch Option may be exercised only in respect of all the outstanding Notes, (B) upon exercise of a Switch Option, the Interest Basis change will be effective from (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the relevant Final Terms, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and (C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

"**Switch Option Expiry Date**" and "**Switch Option Effective Date**" shall mean any date specified as such in the relevant Final Terms provided that any date specified in the relevant Final Terms as a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having been notified by the Issuer pursuant to this Condition and in accordance with Condition 12 (*Notices*) prior to the relevant Switch Option Expiry Date.

3.8 **Zero Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note as determined in accordance with Condition 4.2 (*Redemption, Purchase and Options – Early Redemption of Zero Coupon Notes*). As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield

(as described in Condition 4.2(b) (*Redemption, Purchase and Options – Early Redemption of Zero Coupon Notes*)).

3.9 Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 3 to the Relevant Date (as defined in Condition 6 (*Taxation*)).

3.10 Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding

- (a) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods, or (z) in relation to one or more Reset Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods or Reset Periods, in the case of (y) or (z), calculated, in each case, in accordance with Condition 3.2 (*Rate of Interest and Accrual on Fixed Rate Notes*) or Condition 3.3 (*Interest on Reset Notes*) by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (b) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (c) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Japanese yen, which shall be rounded down to the nearest Japanese yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

3.11 Calculations

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest

Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

3.12 Determination and publication of Rates of Interest, Interest Amounts, First Reset Date of Interest, Subsequent Reset Rate of Interest and Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts

- (a) The Calculation Agent shall, as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, including, in respect of Reset Notes, the calculation of the First Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate, in respect of Reset Notes, the First Reset Rate of Interest, any Subsequent Reset Rate of Interest, and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Issuer, the Fiscal Agent, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the rules of any stock exchange on which the Notes are listed or the rules of any other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, (including in respect of the calculation of the First Reset Rate of Interest and in respect of a Reset Period, the calculation of the Interest Amount payable on each Interest Payment Date falling in such Reset Period), the fourth Business Day after such determination.
- (b) Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 3.4(c) (*Business Day Convention*), the Interest Amount and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 8 (*Events of Default*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made.

- (c) The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

3.13 Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption or Optional Redemption Amount as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

4. REDEMPTION, PURCHASE AND OPTIONS

4.1 Final Redemption

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount in the relevant Specified Currency. With the exception of Zero Coupon Notes, subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at par or above par.

4.2 Early Redemption of Zero Coupon Notes

- (a) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 4.4 (*Redemption for Taxation Reasons*), Condition 4.5 (*Redemption for Regulatory Reasons*), (in respect of Senior Notes and Senior Non-Preferred Notes only) Condition 4.10 (*Issuer Call due to MREL Disqualification Event*) or upon it becoming due and payable as provided in Condition 8 (*Events of Default*) shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (b) Subject to the provisions of sub-paragraph (c) below, the "**Amortised Face Amount**" of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the

issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (c) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 4.4 (*Redemption for Taxation Reasons*), Condition 4.5 (*Redemption for Regulatory Reasons*), (in respect of Senior Notes and Senior Non-Preferred Notes only), Condition 4.10 (*Issuer Call due to MREL Disqualification Event*) or upon it becoming due and payable as provided in Condition 8 (*Events of Default*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (b) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph (c) shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 3.8 (*Interest and other calculations – Zero Coupon Notes*).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

4.3 Early Redemption of Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 4.2 *above*), upon redemption of such Note pursuant to Condition 4.4 (*Redemption for Taxation Reasons*), Condition 4.5 (*Redemption for Regulatory Reasons*), (in respect of Senior Notes and Senior Non-Preferred Notes only) Condition 4.10 (*Issuer Call due to MREL Disqualification Event*) or upon it becoming due and payable as provided in Condition 8 (*Events of Default*), shall be the Final Redemption Amount unless otherwise specified hereon.

4.4 Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, (subject to the provisions of Condition 4.9 (*Conditions to Early Redemption and Purchase of Notes*)) on any Interest Payment Date (if this Note is a Floating Rate Note), or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount as described in Conditions 4.2 (*Early Redemption of Zero Coupon Notes*) and 4.3 (*Early Redemption of Other Notes*) above (together, if appropriate, with interest accrued to (but excluding) the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as described under Condition 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes

effective on or after the date of issue of the first Tranche of the Notes and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 4.4, the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it.

4.5 Redemption for Regulatory Reasons

This Condition 4.5 is applicable only in relation to Notes specified hereon as being Subordinated Notes.

In respect of any Series of Subordinated Notes, if Regulatory Call is specified hereon, upon the occurrence of a Capital Event, the Issuer may (subject to the provisions of Condition 4.9 (*Conditions to Early Redemption and Purchase of Notes*)), on any Interest Payment Date (if this Note is a Floating Rate Note), or at any time (if this Note is not a Floating Rate Note), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all (but not some only) of the Notes then outstanding at any time at their Early Redemption Amount as described in Conditions 4.2 (*Early Redemption of Zero Coupon Notes*) and 4.3 (*Early Redemption of Other Notes*) above together (if appropriate) with interest accrued to (but excluding) the date fixed for redemption.

For the purpose of the Conditions:

a "**Capital Event**" is deemed to have occurred if, as a result of any amendment to, or change in, the Relevant Regulations which are in effect at the Issue Date, the Subordinated Notes are or are likely to be fully or partially excluded from the Tier 2 Capital of the Issuer and/or the Group;

"**Competent Authority**" means the European Central Bank in conjunction with the national competent authority, the Bank of Italy and/or any successor or replacement entity to either, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer or the Group and/or, as the context may require, the "resolution authority" or the "competent authority" as defined under the BRRD and/or the SRM Regulation;

"**Group**" means the Issuer and its consolidated subsidiaries;

"**Relevant Regulations**" means any requirements contained in the regulations, rules, guidelines and policies of the Competent Authority, or of the European Parliament and Council then in effect in the Republic of Italy, relating to capital adequacy and applicable to the Issuer and/or the Group from time to time (including, but not limited to, as at the Issue Date of the relevant Series of Notes, the rules contained in, or implementing, the CRD IV Package and the BRRD, delegated or implementing acts adopted by the European Commission and guidelines issued by the European Banking Authority); and

"Tier 2 Capital" has the meaning given to it by the Competent Authority from time to time.

4.6 Redemption at the Option of the Issuer

If Call Option is specified hereon, the Issuer may (subject to the provisions of Condition 4.9 (*Conditions to Early Redemption and Purchase of Notes*)), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date (subject to, in the case of Subordinated Notes, the Optional Redemption Date not being earlier than the fifth anniversary of the Issue Date). Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued, if appropriate, to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 4 (*Redemption, Purchase and Options*).

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

4.7 Purchases

The Issuer may subject as set out below and to the provisions of Condition 4.9 (*Conditions to Early Redemption and Purchase of Notes*), purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

Subordinated Notes may only be purchased by the Issuer or any of its Subsidiaries, unless and to the extent permitted by the Relevant Regulations at the relevant time.

4.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 4.7 (*Purchases*) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

4.9 Conditions to Early Redemption and Purchase of Notes

(a) *Conditions to Early Redemption and Purchase of Senior Notes and Senior Non-Preferred Notes*

Any redemption or purchase of Senior Notes or Senior Non-Preferred Notes in accordance with Conditions 4.4 (*Redemption for Taxation Reasons*), 4.6 (*Redemption at the Option of the Issuer*), 4.7 (*Purchases*) or 4.10 (*Issuer Call due to MREL Disqualification Event*) is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the Relevant Regulations at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes or Senior Non-Preferred Notes at such time as eligible liabilities available to meet MREL Requirements).

(b) *Conditions to Early Redemption and Purchase of Subordinated Notes*

Any redemption or purchase of Subordinated Notes in accordance with Conditions 4.4 (*Redemption for Taxation Reasons*), 4.5 (*Redemption for Regulatory Reasons*), 4.6 (*Redemption at the Option of the Issuer*) is subject to:

- (i) the Issuer giving notice to the Competent Authority and the Competent Authority granting permission to redeem or purchase the relevant Subordinated Notes (in each case to the extent, and in the manner, required by the Relevant Regulations (as defined in Condition 4.5 (*Redemption for Regulatory Reasons*)) including Articles 77(b) and 78 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR Regulation**");
- (ii) in respect of any redemption of the relevant Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, if and to the extent then required under the Relevant Regulations (a) in the case of redemption pursuant to Condition 4.4 (*Redemption for Taxation Reasons*), the Issuer having demonstrated to the satisfaction of the Competent Authority that the relevant change or amendment is material and was not reasonably foreseeable as at the Issue Date or (b) in the case of redemption pursuant to Condition 4.5 (*Redemption for Regulatory Reasons*), the Issuer having demonstrated to the satisfaction of the Competent Authority that the Capital Event was not reasonably foreseeable as at the Issue Date and the Competent Authority considering such Capital Event to be sufficiently certain; and
- (iii) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the Relevant Regulations for the time being.

4.10 Issuer Call due to MREL Disqualification Event

This Condition 4.10 is applicable only in relation to Notes specified hereon as being Senior Notes or Senior Non-Preferred Notes.

In respect of any Series of Senior Notes or Senior Non-Preferred Notes, if Issuer Call due to MREL Disqualification Event is specified hereon, the Issuer may (subject to the provisions of Condition 4.9 (*Conditions to Early Redemption and Purchase of Notes*)) on any Interest Payment Date (if this Note is a Floating Rate Note), or at any time (if this Note is not a Floating Rate Note), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all (but not some only) of the Notes then outstanding at any time at their Early Redemption Amount as described in Conditions 4.2 (*Early Redemption of Zero Coupon Notes*) and 4.3 (*Early Redemption of Other Notes*) together (if appropriate) with interest accrued to (but excluding) the date fixed for redemption, if the Issuer determines that an MREL Disqualification Event has occurred and is continuing.

As used in these Conditions:

"**BRRD**" is as defined in Condition 15 (*Statutory Loss Absorption Powers*);

"**BRRD II**" is as defined in Condition 15 (*Statutory Loss Absorption Powers*);

"**CRD IV Package**" means, taken together (i) the CRD IV Directive, (ii) the CRR Regulation, and (iii) the Future Capital Instruments Regulations;

"**CRD IV Directive**" means Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended or replaced from time to time (including by the CRD V Directive);

"**CRD V Directive**" means the Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures, as amended or replaced from time to time;

"**CRR Regulation**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended or replaced from time to time (including by the CRR II Regulation);

"**CRR II Regulation**" means Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012, as amended or replaced from time to time;

"**Future Capital Instruments Regulations**" means any regulatory capital rules or regulations introduced after the Issue Date by the Competent Authority or which are otherwise applicable to the Issuer (on a solo or, if relevant, consolidated basis), which prescribe (alone or in conjunction with any other

rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer (on a consolidated basis) to the extent required by (i) the CRR Regulation or (ii) the CRD IV Directive;

"Group Entity" is as defined in Condition 15 (*Statutory Loss Absorption Powers*);

"Loss Absorption Power" is as defined in Condition 15 (*Statutory Loss Absorption Powers*);

"MREL Disqualification Event" means that at any time, all or part of the aggregate outstanding nominal amount of such Series of Senior of Notes or Senior Non-Preferred Notes is or will be excluded fully or partially from eligible liabilities available to meet the MREL Requirements, provided that: (a) the exclusion of a Series of Senior Notes or of Senior Non-Preferred Notes from the MREL Requirements due to the remaining maturity of such Senior Notes or Senior Non-Preferred Notes being less than any period prescribed thereunder, does not constitute an MREL Disqualification Event; (b) the exclusion of all or some of a Series of Senior Notes from the MREL Requirements due to there being insufficient headroom for such Senior Notes within a prescribed exception to the otherwise applicable general requirements for eligible liabilities does not constitute an MREL Disqualification Event; and (c) the exclusion of all or some of a Series of Senior Notes or Senior Non-Preferred Notes from MREL Requirements as a result of such Notes being purchased by or on behalf of the Issuer or as a result of a purchase which is funded directly or indirectly by the Issuer, does not constitute an MREL Disqualification Event;

"MREL Requirements" means the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss-absorbing capacity instruments applicable to the Issuer and/or the Group, from time to time, including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by the Republic of Italy, a relevant Competent Authority or a Relevant Resolution Authority from time to time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Issuer and/or the Group), as any of the preceding laws, regulations, requirements, guidelines, rules, standards, policies or interpretations may be amended, supplemented, superseded or replaced from time to time;

"Own Funds" has the meaning given to such term (or any equivalent or successor term) in the Relevant Regulations;

"Relevant Resolution Authority" is as defined in Condition 15 (*Statutory Loss Absorption Powers*);

"Resolution Power" is as defined in Condition 15 (*Statutory Loss Absorption Powers*);

"**SRM Regulation**" is as defined in Condition 15 (*Statutory Loss Absorption Powers*); and

"**SRM II Regulation**" is as defined in Condition 15 (*Statutory Loss Absorption Powers*).

5. PAYMENTS AND TALONS

5.1 Modalities of payments

Payments of principal and interest in respect of the Notes shall, subject as mentioned below, be made against presentation and surrender of the Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 5.5(e) (*Unmatured Coupons and Unexchanged Talons*) or Coupons (in the case of interest, save as specified in Condition 5.5(b) (*Unmatured Coupons and Unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States or its possessions by transfer to an account denominated in the relevant currency with a Bank.

"**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

5.2 Payments in the United States

Notwithstanding the foregoing, if any Notes are denominated in US dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts, and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

5.3 Payments Subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 6 (*Taxation*). No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

5.4 Appointment of Agents

The Fiscal Agent, the Paying Agents, and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency

or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent or the Calculation Agent and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) such other agents as may be required by any stock exchange on which the Notes may be listed, and (iv) a Paying Agent with a specified office in a European Union Member State other than Italy.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Notes denominated in US dollars in the circumstances described in paragraph 5.2 above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

5.5 Unmatured Coupons and Unexchanged Talons

- (a) Upon the due date for redemption of Notes which comprise Fixed Rate Notes, such Notes should be surrendered for payment together with all unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 7 (*Prescription*)).
- (b) Upon the due date for redemption of any Note comprising a Floating Rate Note, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (c) Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (d) Where any Note that provides that the relevant unmaturing Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing Coupons, and where any Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (e) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender, if appropriate) of the relevant Note. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note.

5.6 Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 7 (*Prescription*)).

5.7 Non-Business Days

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph 5.7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Financial Centres" hereon and:

- (a) (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (b) (in the case of a payment in Euro) which is a TARGET Business Day.

5.8 Definition of the Euro

References in these Conditions to the Euro are to the currency which was introduced at the start of the third stage of European Economic and Monetary Union pursuant to Article 109(4) of the Treaty on the Functioning of the European Union, as amended from time to time.

6. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law or by the application or official interpretation thereof. In that event, the Issuer shall pay such additional amounts in respect of principal and interest in the case of Senior Notes or Senior Non-Preferred Notes (if permitted by the MREL Requirements), or interest only in the case of Subordinated Notes, as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required. The requirement to pay such additional amounts shall not apply:

- (a) in respect of any Note or Coupon presented for payment:

- (i) by or on behalf of a Noteholder or Couponholder who is:
 - (A) entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption; or
 - (B) liable to such taxes or duties by reason of his having some connection with the Republic of Italy, other than the mere holding of the Note or Coupon; or
- (ii) more than 30 days after the Relevant Date, except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or
- (b) in relation to any payment or deduction of any interest, premium or other proceeds of any Note or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended from time to time; or
- (c) in respect of any Note or Coupon where such withholding or deduction is required pursuant to Italian Law Decree No. 512 of 30 September 1983, converted into Law No. 649 of 25 November 1983 as amended from time to time.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 4 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 3 (*Interest and other calculations*) or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

If the Issuer becomes subject to any taxing jurisdiction other than Italy, references in these Conditions to Italy shall be construed as references to Italy and/or such other jurisdiction. For the avoidance of doubt, the Issuer shall be entitled to withhold and deduct any amounts required to be deducted or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to (i) any regulations thereunder or official interpretations thereof, or (ii) an intergovernmental agreement between the United States and another jurisdiction

facilitating the implementation thereof, or (iii) any law implementing such an intergovernmental agreement (any such withholding or deduction, a "**FATCA Withholding**"), and no person shall be required to pay any additional amounts in respect of a FATCA Withholding.

7. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

8. EVENTS OF DEFAULT

8.1 If the Issuer becomes subject to *Liquidazione Coatta Amministrativa* as defined in Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy (as amended from time to time) (the "**Event of Default**"), then any holder of a Note may, by written notice to the Issuer at the specified office of the Issuer or the Fiscal Agent, effective upon the date of receipt thereof by the Issuer or the Fiscal Agent, declare any Note held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

8.2 No remedy against the Issuer other than as specifically provided by this Condition 8 (*Events of Default*) shall be available to the Noteholders or Couponholders whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations in relation to the Notes or otherwise.

9. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

9.1 Meetings of Noteholders

The Agency Agreement for the English Law Notes and the provisions for the meetings of Noteholders attached as Schedule 1 (*Provisions for the Meetings of Noteholders*) to the Agency Agreement for the English Law Notes (the "**Provisions for the Meetings of Noteholders**") contain provisions for convening meetings of Noteholders to consider any matter affecting their interests (including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Agency Agreement for the English Law Notes). Any modification to the Conditions is subject (to the extent required by applicable laws and regulations) to the Issuer giving any notice required to be given to, and receiving any consent required from, or non-objection from, the Competent Authority with respect to any such modification. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting

two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amount on the Notes, (ii) to reduce or cancel the nominal amount of or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement for the English Law Notes and the Provisions for the Meetings of Noteholders provide that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

9.2 Modification

The Fiscal Agent may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Agency Agreement for the English Law Notes that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Agency Agreement), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Agency Agreement for the English Law Notes that is in the sole opinion of the Issuer not materially prejudicial to the interests of the Noteholders.

Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 12 (*Notices*). For the avoidance of doubt, any variation of these Conditions and the Agency Agreement for the English Law Notes to give effect to the Benchmark Amendments in accordance with Condition 3.5(b) (*Interest and other calculations – Benchmark Discontinuation*) shall not require the consent

or approval of Noteholders or Couponholders, subject (to the extent required) to the Issuer giving any notice required to be given to, and receiving any consent required from, or non-objection from, the Competent Authority.

9.3 Substitution or Variation of Notes

With respect to (i) any Series of Senior Notes or Senior Non-Preferred Notes, if at any time a MREL Disqualification Event occurs, and if Substitution or Variation of Notes is specified as being applicable in the relevant Final Terms, or (ii) any Series of Subordinated Notes, if at any time a Capital Event occurs, and if Substitution or Variation of Notes is specified hereon, or (iii) all Notes, if Substitution or Variation of Notes is specified as being applicable in the relevant Final Terms, in order to ensure the effectiveness and enforceability of Condition 15 (*Statutory Loss Absorption Powers*), then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority (without any requirement for the consent or approval of the holders of the relevant Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the holders of the Notes of that Series (or such other notice period as may be specified hereon), at any time either substitute all (but not some only) of such Notes, or vary the terms of such Notes so that they remain or, as appropriate, become, Qualifying Senior Notes, Qualifying Senior Non-Preferred Notes or Qualifying Subordinated Notes, as applicable, provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

In these Conditions:

"Qualifying Senior Notes" means securities issued by the Issuer that:

- (a) other than in respect of the effectiveness and enforceability of Condition 15 (*Statutory Loss Absorption Powers*), have terms not materially less favourable to a holder of the Senior Notes (as reasonably determined by the Issuer) than the terms of the Senior Notes of such Series prior to substitution or variation, as the case may be;
- (b) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements;
- (c) include a ranking in right of payment at least equal to that of the Senior Notes of such Series prior to substitution or variation, as the case may be;
- (d) have the same Maturity Date, the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Notes of such Series prior to substitution or variation, as the case may be;
- (e) have the same redemption rights as the Senior Notes of such Series prior to substitution or variation, as the case may be;
- (f) shall not, immediately following such substitution or variation, as the case may be, be subject to a Capital Event, a MREL Disqualification

Event and/or be required to pay additional amounts as described in Condition 4.4 (*Redemption for Taxation Reasons*);

- (g) are assigned (or maintain) the same credit ratings as were assigned to the Senior Notes of such Series immediately prior to such variation or substitution (save that, for the avoidance of doubt, where any credit rating was, as a result of Condition 15 (*Statutory Loss Absorption Powers*) becoming ineffective and/or unenforceable, amended prior to such substitution or variation, reference in this Condition 9.3 shall be to such credit rating prior to such amendment); and
- (h) are listed on a recognised stock exchange if the Senior Notes were listed immediately prior to such variation or substitution.

"Qualifying Senior Non-Preferred Notes" means securities issued by the Issuer that:

- (a) other than in respect of the effectiveness and enforceability of Condition 15 (*Statutory Loss Absorption Powers*), have terms not materially less favourable to a holder of the Senior Non-Preferred Notes (as reasonably determined by the Issuer) than the terms of the Senior Non-Preferred Notes of such Series prior to substitution or variation, as the case may be;
- (b) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements;
- (c) include a ranking in right of payment at least equal to that of the Senior Non-Preferred Notes of such Series prior to substitution or variation, as the case may be;
- (d) have the same Maturity Date, the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Non-Preferred Notes of such Series prior to substitution or variation, as the case may be;
- (e) have the same redemption rights as the Senior Non-Preferred Notes of such Series prior to substitution or variation, as the case may be;
- (f) shall not, immediately following such substitution or variation, as the case may be, be subject to a Capital Event, a MREL Disqualification Event and/or be required to pay additional amounts as described in Condition 4.4 (*Redemption for Taxation Reasons*);
- (g) are assigned (or maintain) the same credit ratings as were assigned to the Senior Preferred Notes of such Series immediately prior to such variation or substitution (save that, for the avoidance of doubt, where any credit rating was, as a result of Condition 15 (*Statutory Loss Absorption Powers*) becoming ineffective and/or unenforceable, amended prior to such substitution or variation, reference in this Condition 9.3 shall be to such credit rating prior to such amendment);

- (h) are listed on a recognised stock exchange if the Senior Non-Preferred Notes were listed immediately prior to such variation or substitution; and
- (i) comply with the requirements provided by Article 12-*bis*, paragraph 1 of the Banking Act, as amended from time to time.

"Qualifying Subordinated Notes" means securities issued by the Issuer that:

- (a) other than in respect of the effectiveness and enforceability of Condition 15 (*Statutory Loss Absorption Powers*), have terms not materially less favourable to a holder of the Subordinated Notes (as reasonably determined by the Issuer) than the terms of the Subordinated Notes of such Series prior to substitution or variation, as the case may be;
- (b) comply with the then-current requirements of the Relevant Regulations in relation to Tier 2 Capital;
- (c) include a ranking in right of payment at least equal to that of the Subordinated Notes of such Series prior to substitution or variation, as the case may be;
- (d) have the same Maturity Date, the same interest rate and the same Interest Payment Dates as those from time to time applying to the Subordinated Notes of such Series prior to substitution or variation, as the case may be;
- (e) have the same redemption rights as the Subordinated Notes of such Series prior to substitution or variation, as the case may be;
- (f) shall not, immediately following such substitution or variation, as the case may be, be subject to a Capital Event, a MREL Disqualification Event and/or be required to pay additional amounts as described in Condition 4.4 (*Redemption for Taxation Reasons*);
- (g) are assigned (or maintain) the same credit ratings as were assigned to the Subordinated Notes of such Series immediately prior to such variation or substitution (save that, for the avoidance of doubt, where any credit rating was, as a result of Condition 15 (*Statutory Loss Absorption Powers*) becoming ineffective and/or unenforceable, amended prior to such substitution or variation, reference in this Condition 9.3 shall be to such credit rating prior to such amendment); and
- (h) are listed on a recognised stock exchange if the Subordinated Notes were listed immediately prior to such variation or substitution.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

If a Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent in London or such other Paying Agent, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and

indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

12. NOTICES

Notices to the holders of the Notes shall be deemed to be validly given if published (a) in a daily newspaper of general circulation in London (which is expected to be the Financial Times) and (b) if and for so long as the Notes are admitted to trading on, and listed on, the Official List of the Luxembourg Stock Exchange, on the Luxembourg Stock Exchange's website (*www.bourse.lu*). 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, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of the Notes in accordance with this Condition.

13. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have the right to enforce any term or condition of any Notes under the Contracts (Rights of Third Parties) Act 1999.

14. GOVERNING LAW AND JURISDICTION

14.1 Governing Law

The Agency Agreement for the English Law Notes, the Deed of Covenant, the Terms and Conditions for the English Law Notes, the Notes, the Coupons and the Talons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law, except for Condition 2.2 (*Status of the Notes – Senior Non-Preferred Notes*), Condition 2.3 (*Status of the Notes – Subordinated Notes*) and Condition 15 (*Statutory Loss Absorption Powers*) each of which is governed by, and shall be construed in accordance with, Italian law.

14.2 Jurisdiction

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons ("**Proceedings**") may be brought in such courts.

14.3 Service of Process

The Issuer has irrevocably appointed The London Law Agency Limited at Collingham House, 6-12 Gladstone Road, Wimbledon, London SW19 1QT as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

15. STATUTORY LOSS ABSORPTION POWERS

By the acquisition of the Notes, each Noteholder acknowledges and agrees to be bound by the exercise of any Loss Absorption Power by the Relevant Resolution Authority that may result in the write-down or cancellation of all or a portion of the principal amount of, or distributions on, the Notes and/or the conversion of all or a portion of the principal amount of, or distributions on, the Notes into ordinary shares or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes to give effect to the exercise by the Relevant Resolution Authority of such Loss Absorption Power. Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Loss Absorption Power by the Relevant Resolution Authority.

Upon the Issuer being informed and notified by the Relevant Resolution Authority of the actual exercise of the date from which the Loss Absorption Power is effective with respect to the Notes, the Issuer shall notify the Noteholders without delay. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Loss Absorption Power nor the effects on the Notes described in this Condition 15.

The exercise of the Loss Absorption Power by the Relevant Resolution Authority with respect to the Notes shall not constitute an Event of Default and the terms and conditions of the Notes shall continue to apply in relation to the residual principal amount of, or outstanding amount payable with respect to, the Notes subject to any modification of the amount of distributions payable to reflect the reduction of the principal amount, and any further modification of the terms that the Relevant Resolution Authority may decide in accordance with applicable laws and regulations relating to the resolution of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State.

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements,

arrangements or understandings relating to the application of any Loss Absorption Power to the Notes.

As used in these Conditions:

"BRRD" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time (including by BRRD II);

"BRRD II" means Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC;

"Group Entity" means the Issuer or any legal person that is part of the Group;

"Loss Absorption Power" means any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements, whether relating to the resolution or independent of any resolution action, of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State in effect and applicable in the relevant Member State to the Issuer or other Group Entities, including (but not limited to) any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of any European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of a credit institution, investment firm and/or any Group Entities can be reduced, cancelled and/or converted into shares or obligations of the obligor or any other person;

"Relevant Resolution Authority" means the Italian resolution authority, the Single Resolution Board (SRB) established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Resolution Power or Loss Absorption Power from time to time;

"Resolution Power" means any statutory write-down, transfer and/or conversion power existing from time to time under any laws regulations, rules or requirements relating to the resolution of the Issuer or any other entities of the Group, including but not limited to any laws, regulations, rules or requirements implementing the BRRD and/or the SRM Regulation;

"SRM Regulation" means Regulation (EU) No 806/2014 of the European Parliament and Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended or replaced from time to time (including by the SRM II Regulation); and

"SRM II Regulation" means Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No

806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms.

TERMS AND CONDITIONS FOR THE ITALIAN LAW NOTES

*The following is the text of the terms and conditions that, save for this text in italics and subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes governed by Italian law in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. The full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in these terms and conditions (i) to the "Issuer" are to Credito Valtellinese S.p.A.; and (ii) to "Notes" are to the Notes governed by Italian law ("**Italian Law Notes**") of one Series only, not to all Notes that may be issued under the Programme.*

These terms and conditions for the Italian Law Notes (the "**Terms and Conditions for the Italian Law Notes**" or the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Agency Agreement for the Italian Law Notes (as defined below), which includes the form of the Notes, Coupons and Talons referred to below. The Issue and Paying Agency Agreement dated 22 October 2019 (as further amended, restated or supplemented from time to time, the "**Agency Agreement for the Italian Law Notes**") has been entered into in relation to the Notes among the Issuer and Banque Internationale à Luxembourg S.A. as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and Banque Internationale à Luxembourg S.A. as paying agent or such other person specified in the relevant Final Terms as the paying agent (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor paying agents appointed from time to time in connection with the Notes). Copies of the Agency Agreement for the Italian Law Notes are available for inspection during usual business hours at the specified offices of the Paying Agents.

The Noteholders, the holders (the "**Couponholders**") of the interest coupons (the "**Coupons**") appertaining to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") relating to Notes in bearer form are entitled to the benefit of, are bound by, and are deemed to have notice of, the Provisions for the Meetings of Noteholders (as defined below), all the provisions of the Agency Agreement for the Italian Law Notes and the relevant Final Terms.

Words and expressions defined in the Agency Agreement for the Italian Law Notes or used in the relevant Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement for the Italian Law Notes and the relevant Final Terms, the relevant Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form in the Specified Denomination(s) shown hereon, provided that (i) the minimum Specified Denomination of each Note which is specified hereon as being a Senior Note or a Subordinated Note shall be Euro 100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes) and (ii) the minimum Specified Denomination of each Note

specified hereon as being a Senior Non-Preferred Note shall be Euro 250,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Reset Note, a Floating Rate Note or a Zero Coupon Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption Payment Basis shown hereon.

The Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Title to the Notes, Coupons and Talons shall pass by delivery in accordance with the applicable laws. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Note, "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Note, Coupon or Talon and capitalised terms have the meanings given to them in these Conditions, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. STATUS OF THE NOTES

2.1 Senior Notes

This Condition 2.1 is applicable in relation to Notes specified hereon as being Senior Notes (the "**Senior Notes**") (and, for the avoidance of doubt, does not apply to Senior Non-Preferred Notes).

The Senior Notes and the Coupons relating to them constitute unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Coupons relating to them shall at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer (other than, for the avoidance of doubt, Senior Non-Preferred Notes), present and future, subject to any applicable legislation that permits or requires certain such indebtedness or obligations to rank either junior or senior to the Senior Notes.

Each holder of a Senior Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note.

2.2 Senior Non-Preferred Notes

This Condition 2.2 is applicable in relation to Notes specified hereon as being Senior Non-Preferred Notes (and, for the avoidance of doubt, does not apply to Senior Notes).

The Senior Non-Preferred Notes (being notes intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under Article 12-*bis* of Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended (the "**Banking Act**"), the "**Senior Non-Preferred Notes**") and the Coupons relating to them constitute unsecured, unsubordinated (*debito chirografario*) and non-preferred obligations of the Issuer and rank *pari passu* and without any preference among themselves and otherwise in accordance with the paragraph immediately below.

In the event of the bankruptcy, dissolution, liquidation or winding up of the Issuer (including *Liquidazione Volontaria* or an order for *Liquidazione Coatta Amministrativa*), the payment obligations of the Issuer under the Senior Non-Preferred Notes and the Coupons relating to them shall rank in right of payment:

- (a) junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes;
- (b) *pari passu* without any preferences among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes; and
- (c) in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-*bis*, letter c-*bis* of the Banking Act, as amended from time to time or any other present or future obligations of the Issuer which rank or are expressed by their terms to rank junior to the relevant Senior Non-Preferred Notes.

Each holder of a Senior Non-Preferred Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Non-Preferred Note.

2.3 Subordinated Notes

This Condition 2.3 is applicable in relation to Notes specified hereon as being Subordinated Notes intended to qualify as Tier 2 Capital (as defined in Condition 4.5 (*Redemption, Purchase and Options – Redemption for Regulatory Reasons*)).

The Subordinated Notes (notes intended to qualify as Tier 2 Capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Bank of Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time, including by any successor regulations, and Article 63 of the Regulation

No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, the “**Subordinated Notes**”) and the Coupons relating to them constitute unsecured obligations of the Issuer and rank *pari passu* and without any preference among themselves and otherwise in accordance with the paragraph immediately below.

In the event of the bankruptcy, dissolution, liquidation or winding up of the Issuer (including *Liquidazione Volontaria* or an order for *Liquidazione Coatta Amministrativa*), the payment obligations of the Issuer under the Subordinated Notes and the Coupons relating to them shall rank in right of payment in priority to those subordinated obligations expressed by their terms to rank lower than Subordinated Notes and the payment obligations of the Issuer under the Subordinated Notes and the Coupons relating to them shall rank in right of payment after unsubordinated, unsecured creditors (including depositors) of the Issuer and any subordinated obligations of the Issuer that rank or are expressed by their terms to rank senior to Subordinated Notes but *pari passu* with existing Tier 2 Capital of the Issuer and all other present and future subordinated obligations of the Issuer that are not expressed by their terms to rank or which do not rank junior or senior to the Subordinated Notes and in priority to the claims of shareholders of the Issuer.

Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Subordinated Note.

3. INTEREST AND OTHER CALCULATIONS

3.1 Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Accrual Period" means, in relation to Day Count Fraction below, the actual number of days in the relevant period from and including the Start Date to but excluding the Interest Payment Date.

"Actual Calculation Period" means, in relation to Day Count Fraction below, the actual number of days from and including one Interest Period Date to but excluding the next Interest Period Date.

"Business Day" means:

- (a) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (b) in the case of euro, a day on which the TARGET System is operating (a **"TARGET Business Day"**); and/or
- (c) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and

foreign exchange markets settle payments in such currency in the Business Centres or, if no currency is indicated, generally in each of the Business Centres so specified.

"Change of Interest Basis" means, if applicable, the change of Interest Basis of the Notes as specified in the relevant Final Terms and in accordance with the provisions set out in Condition 3.7 (*Change of Interest Basis*).

"CMS Reference Banks" means (i) if the Reference Currency is Euro, the principal office of five major banks in the Euro-zone inter-bank market, (ii) if the Reference Currency is Sterling, the principal London office of five major banks in the London inter-bank market, (iii) if the Reference Currency is United States dollars, the principal New York city office of five major banks in the New York inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five major banks in the Relevant Financial Centre inter-bank market, in each case selected by the Calculation Agent.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or Interest Accrual Period, the **"Calculation Period"**):

- (a) if **"Actual/Actual"** or **"Actual/Actual – ISDA"** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if **"Actual/365 (Fixed)"** is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (c) if **"Actual/365 (Sterling)"** is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (d) if **"Actual/360"** is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (e) if **"30/360"**, **"360/360"** or **"Bond Basis"** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - Y_{M_1})] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (f) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

- (g) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y₁**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y₂**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30; and

- (h) if "**Actual/Actual – ICMA**" is specified hereon, (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and (b) if the Calculation Period is longer than one Determination Period, the sum of:
- (i) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Periods normally ending in any year; and
 - (ii) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Periods normally ending in any year

where:

"**Determination Date**" means the date specified as such hereon or, if none is so specified, the Interest Payment Date; and

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"Effective Date" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

"Euro-zone" means the region comprising Member States of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended.

"Interest Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"Interest Amount" means

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"Interest Basis" means (i) with respect to Notes to which Condition 3.2 (*Rate of Interest and Accrual on Fixed Rate Notes*) applies, the Fixed Rate specified in the relevant Final Terms; (ii) with respect to Notes to which Condition 3.3 (*Interest on Reset Notes*) applies, the Reset Rate specified in the relevant Final Terms; (iii) with respect to Notes to which Condition 3.4 (*Interest on Floating Rate Notes and CMS Linked Interest Notes*) and Condition 3.5 (*Rate of Interest for Floating Rate Notes and CMS Linked Interest Notes*) apply, the Floating Rate specified in the relevant Final Terms; and (iv) with respect to Notes to which Condition 3.8 (*Zero Coupon Notes*) applies, the Notes shall be specified to be Zero Coupon in the relevant Final Terms.

"Interest Commencement Date" means the date of issue of the Notes (the **"Issue Date"**) or such other date as may be specified hereon.

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such

Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"Interest Payment Date" means the date on which Interest in respect of the Notes is payable, as specified hereon.

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date unless otherwise specified hereon.

"Interest Period Date" means each Interest Payment Date unless otherwise specified hereon.

"ISDA Definitions" means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc.

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent in consultation with the Issuer or as specified hereon.

"Reference Currency" has the meaning given in the relevant Final Terms.

"Reference Rate" means EURIBOR, LIBOR or CMS Rate, as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms.

"Relevant Financial Centre" has the meaning given in the relevant Final Terms.

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"Specified Currency" means the currency specified hereon or, if none is so specified, the currency in which the Notes are denominated.

"Start Date" means, in relation to Day Count Fraction above, the date from which interest for the relevant period begins to accrue.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

3.2 Rate of Interest and Accrual on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 3.11 (*Calculations*).

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 3 to the Relevant Date (as defined in Condition 6 (*Taxation*)).

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

3.3 Interest on Reset Notes

(a) Rates of Interest and Interest Payment Dates

Each Reset Note bears interest:

- (i) from (and including) the Interest Commencement Date until (but excluding) the First Reset Date at the Initial Rate of Interest;
- (ii) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on each Interest Payment Date and on the Maturity Date if that does not fall on an Interest Payment Date. The Rate of Interest and the Interest Amount payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, subject to Condition 3.6 (*Benchmark Discontinuation*) and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 3.2 (*Rate of Interest and Accrual on Fixed Rate Notes*).

For the purposes of the Conditions:

"**First Margin**" means the margin specified as such in the relevant Final Terms;

"First Reset Date" means the date specified in the relevant Final Terms;

"First Reset Period" means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Final Terms, the Maturity Date;

"First Reset Rate of Interest" means, in respect of the First Reset Period and subject to Condition 3.3(b) (*Fallbacks*), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin;

"Initial Rate of Interest" has the meaning specified in the relevant Final Terms;

"Mid-Market Swap Rate" means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the relevant Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

"Mid-Market Swap Rate Quotation" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

"Mid-Swap Floating Leg Benchmark Rate" means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro;

"Mid-Swap Rate" means, in relation to a Reset Determination Date and subject to Condition 3.3(b) (*Fallbacks*), either:

(i) if Single Mid-Swap Rate is specified in the relevant Final Terms, the rate for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

Which appears on the Relevant Screen Page; or

(ii) if Mean Mid-Swap Rate is specified in the relevant Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency;

- (A) with a term equal to the relevant Reset Period; and
- (B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

"Rate of Interest" means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

"Reset Date" means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

"Reset Determination Date" means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period;

"Reset Period" means the First Reset Period or a Subsequent Reset Period, as the case may be;

"Second Reset Date" means the date specified as such in the relevant Final Terms;

"Subsequent Margin" means the margin specified as such in the relevant Final Terms;

"Subsequent Reset Date" means the date or dates specified in the relevant Final Terms;

"Subsequent Reset Period" means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date; and

"Subsequent Reset Rate of Interest" means, in respect of any Subsequent Reset Period and subject to Condition 3.3(b) (*Fallbacks*), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin.

(b) *Fallbacks*

Subject to Condition 3.6 (*Benchmark Discontinuation*), if on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at

approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the sum of (as applicable) the First Margin (in the case of the First Reset Rate of Interest) or the Subsequent Margin (in the case of the Subsequent Reset Rate of Interest) and the relevant Mid-Swap Rate as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

For the purposes of this Condition 3.3(b) (*Fallbacks*), "**Reference Banks**" means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

3.4 Interest on Floating Rate Notes and CMS Linked Interest Notes

(a) *Application*

This Condition 3.4 is applicable to the Notes if (i) the Floating Rate Note Provisions or the CMS Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, or (ii) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Interest Periods for which the Floating Rate Note Provisions are stated to apply.

(b) *Interest Payment Dates*

Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 3.11 (*Calculations*). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(c) *Business Day Convention*

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (a) such date shall be brought forward to the immediately preceding Business Day and (b) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

3.5 **Rate of Interest for Floating Rate Notes and CMS Linked Interest Notes**

The Rate of Interest in respect of Floating Rate Notes (including CMS Linked Interest Notes) for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(i) **ISDA Determination for Floating Rate Notes and CMS Linked Interest Notes**

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated hereon) the Margin (if any). For the purposes of this sub-paragraph ((i)), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option is as specified hereon;
- (B) the Designated Maturity is a period specified hereon; and
- (C) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph ((i)), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Notes other than CMS Linked Interest Notes

(A) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined and "CMS Rate" is not specified as the Reference Rate in the relevant Final Terms, the Rate of Interest for each Interest Accrual Period will, subject to Condition 3.6 (*Benchmark Discontinuation*), be either:

(I) the offered quotation; or

(II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

(B) If the Relevant Screen Page is not available or, if sub-paragraph (A)(I) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (A)(II) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(C) If paragraph (B) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as

a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (iii) Screen Rate Determination for Floating Rate Notes which are CMS Linked Interest Notes

Subject to Condition 3.6 (*Benchmark Discontinuation*) below, if Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and "CMS Rate" is specified as the Reference Rate in the Final Terms, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent by reference to the following formula:

CMS Rate plus Margin

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in good faith on such commercial basis as considered appropriate by the Calculation Agent in its absolute discretion, in accordance with standard market practice.

(iv) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

3.6 Benchmark Discontinuation

This Condition 3.6 is applicable to Notes only if the Floating Rate Note Provisions or the Reset Note Provisions are specified in the relevant Final Terms as being applicable.

(a) Independent Adviser

Notwithstanding the provisions above in Condition 3.3 (*Interest on Reset Notes*), Condition 3.4 (*Interest on Floating Rate Notes and CMS Linked Interest Notes*) or Condition 3.5 (*Rate of Interest for Floating Rate Notes and CMS Linked Interest Notes*), if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 3.6(b) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 3.6(c) (*Adjustment Spread*)) and whether any Benchmark Amendments (in accordance with Condition 3.6(d) (*Benchmark Amendments*)) are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

An Independent Adviser appointed pursuant to this Condition 3.6 shall act in good faith and in a commercially reasonable manner and in consultation with the Issuer. In the absence of bad faith, fraud and gross negligence, the Independent Adviser shall have no liability whatsoever to the Issuer, the party responsible for determining the Rate of Interest applicable to the Notes (being the Calculation Agent or such other party specified in the relevant Final Terms), any Paying Agent, the Noteholders or the Couponholders for any determination made by it pursuant to this Condition 3.6.

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 3.6 prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, failing which, an Alternative Rate, provided however that if the Issuer is unable or unwilling to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 3.6 prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be (i) in the case of the Rate of Interest on Floating Rate Notes, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period or (ii) in the case of the First Reset Rate of Interest on Reset Notes, the Rate of Interest shall be equal to the initial Rate of Interest, or (iii) in the case of the Subsequent Reset Rate of Interest on Reset Notes, the Rate of Interest shall be equal to the Subsequent Reset Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Reset Period or if the immediately preceding Reset Period is the First Reset Period, the First Reset Rate of Interest. If there has not been a first Interest Payment Date or First Reset Date, the Rate of Interest for Floating Rate Notes shall be the initial Rate of

Interest and the Rate of Interest for Reset Notes shall be the Initial Rate of Interest as applicable.

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

For the avoidance of doubt, this Condition 3.6 shall apply to the relevant next succeeding Interest Accrual Period or Reset Period (as applicable) only and any subsequent Interest Accrual Periods or Reset Periods (as applicable) are subject to the subsequent operation of, and to adjustment as provided in, this Condition 3.6.

(b) Successor Rate or Alternative Rate

If the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 3.6(a) (*Independent Adviser*) prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be) acting in good faith and in a commercially reasonable manner determines that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 3.6(c) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 3.6); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 3.6(c) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 3.6).

(c) Adjustment Spread

If the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 3.6(a) (*Independent Adviser*) prior to the

relevant Interest Determination Date or Reset Determination Date, as the case may be) acting in good faith and in a commercially reasonable manner determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(d) **Benchmark Amendments**

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 3.6 and the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 3.6(a) prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be) acting in good faith and in a commercially reasonable manner determines (i) that amendments to these Conditions and the Agency Agreement for the Italian Law Notes, including but not limited to Relevant Screen Page, are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread and/or necessary or appropriate to comply with any applicable regulation or guidelines on the use of benchmarks or other related document issued by the competent regulatory authority (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 3.6(e) (*Notices*) and subject (to the extent required) to giving any notice required to be given to, and receiving any consent required from, or non-objection from, the Competent Authority, without any requirement for the consent or approval of Noteholders or Couponholders, vary these Conditions and the Agency Agreement for the Italian Law Notes to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 3.6(d), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 3.6 (*Benchmark Discontinuation*), no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any other amendment to the terms and conditions of any Series of Notes be made to effect the Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the relevant Series of Subordinated Notes as Tier 2 Capital of the Issuer and/or the Group and/or (i) result in the exclusion of the relevant Series of Senior Notes or Senior Non-Preferred Notes from the eligible liabilities available to meet the MREL Requirements or (ii) (in the case

of Senior Notes or Senior Non-Preferred Notes only) result in the Competent Authority and/or the Relevant Resolution Authority treating the Interest Payment Date or Reset Date, as the case may be, as the effective maturity date of the Notes, rather than the relevant Maturity Date. In such cases (i) the Rate of Interest on Floating Rate Notes applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Accrual Period or (ii) in the case of the First Reset Rate of Interest on Reset Notes, the Rate of Interest shall be equal to the initial Rate of Interest or (iii) in the case of the Subsequent Reset Rate of Interest on Reset Notes, the Rate of Interest shall be equal to the Subsequent Reset Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Reset Period or if the immediately preceding Reset Period is the First Reset Period, the First Reset Rate of Interest. If there has not been a first Interest Payment Date or First Reset Date, the Rate of Interest for Floating Rate Notes shall be the initial Rate of Interest and the Rate of Interest for Reset Notes shall be the Initial Rate of Interest (as applicable).

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

(e) **Notices**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 3.6 will be notified immediately by the Issuer to the Calculation Agent and each of the Paying Agents and, in accordance with Condition 12 (*Notices*), the Noteholders and Couponholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

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

Without prejudice to the obligations of the Issuer under Conditions 3.6(a) (*Independent Adviser*) to 3.6(d) (*Benchmark Amendments*), the Original Reference Rate and the fallback provisions provided for in Condition 3.3(b) (*Fallbacks*), Condition 3.5(ii) (*Screen Rate Determination for Floating Rate Notes other than CMS Linked Interest Notes*) and Condition 3.5(iii) (*Screen Rate Determination for Floating Rate Notes which are CMS Linked Interest Notes*) will continue to apply unless and until a Benchmark Event has occurred.

(g) **Definitions**

For the purposes of this Condition 3.6:

"**Adjustment Spread**" means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in each case required to be applied to the Successor Rate or the Alternative Rate (as the case may be) as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate),
- (ii) the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner), is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer or the Independent Adviser determines that no such spread is customarily applied),
- (iii) the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner), is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) in accordance with Condition 3.6(b) (*Successor Rate or Alternative Rate*) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes;

"**Benchmark Amendments**" has the meaning given to it in Condition 3.6(d) (*Benchmark Amendments*);

"**Benchmark Event**" means:

- (i) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that it will, by a specified date on or prior to the next Interest Determination Date or Reset Determination Date, as the case may

be, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date on or prior to the next Interest Determination Date or Reset Determination Date, as the case may be, be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is no longer representative of its relevant underlying market; or
- (v) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case on or prior to the next Interest Determination Date or Reset Determination Date, as the case may be; or
- (vi) it has become unlawful for the Fiscal Agent, any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate;

"Independent Adviser" means an independent financial institution of international repute or an independent financial adviser with appropriate experience in the international debt capital markets appointed by the Issuer under Condition 3.6(a) (*Independent Adviser*);

"Original Reference Rate" means:

- (A) the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes; or
- (B) any Successor Rate or Alternative Rate which has been determined in relation to such benchmark or screen rate (as applicable) pursuant to the operation of Condition 3.6 (*Benchmark Discontinuation*).

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

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

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

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

3.7 Change of Interest Basis

If Change of Interest Basis is specified as applicable in the relevant Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 3.2 (*Rate of Interest and Accrual on Fixed Rate Notes*) or Condition 3.4 (*Interest on Floating Rate Notes and CMS Linked Interest Notes*), each applicable only for the relevant periods specified in the relevant Final Terms.

If Change of Interest Basis is specified as applicable in the relevant Final Terms, and Issuer's Switch Option is also specified as applicable in the relevant Final Terms, the Issuer may, on one or more occasions, as specified in the relevant Final Terms, at its option (any such option, a "**Switch Option**"), having given notice to the Noteholders in accordance with Condition 12 (*Notices*) and delivering such notice to the Paying Agent and the Calculation Agent on or prior to the relevant Switch Option Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as otherwise specified in the relevant Final Terms with effect from (and including) the Switch Option Effective Date specified in the relevant Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the relevant Final Terms, up to and excluding the next following Switch Option Effective Date), provided that (A) the Switch Option may be exercised only in respect of all the outstanding Notes, (B) upon exercise of a Switch Option, the Interest Basis change will be effective from (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the relevant Final Terms, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and (C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

"**Switch Option Expiry Date**" and "**Switch Option Effective Date**" shall mean any date specified as such in the relevant Final Terms provided that any date specified in the relevant Final Terms as a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having

been notified by the Issuer pursuant to this Condition and in accordance with Condition 12 (*Notices*) prior to the relevant Switch Option Expiry Date.

3.8 Zero Coupon Notes

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note as determined in accordance with Condition 4.2 (*Redemption, Purchase and Options – Early Redemption of Zero Coupon Notes*). As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 4.2(b) (*Redemption, Purchase and Options – Early Redemption of Zero Coupon Notes*)).

3.9 Accrual of Interest

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 3 to the Relevant Date (as defined in Condition 6 (*Taxation*)).

3.10 Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding

- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods, or (z) in relation to one or more Reset Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods or Reset Periods, in the case of (y) or (z), calculated, in each case, in accordance with Condition 3.2 (*Rate of Interest and Accrual on Fixed Rate Notes*) or Condition 3.3 (*Interest on Reset Notes*) by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of Japanese yen, which shall be rounded down to the nearest Japanese yen. For these purposes “**unit**” means the lowest amount of such currency that is available as legal tender in the countries of such currency.

3.11 Calculations

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

3.12 Determination and publication of Rates of Interest, Interest Amounts, First Reset Date of Interest, Subsequent Reset Rate of Interest and Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts

- (i) The Calculation Agent shall, as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, including, in respect of Reset Notes, the calculation of the First Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate, in respect of Reset Notes, the First Reset Rate of Interest, any Subsequent Reset Rate of Interest, and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amount for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the rules of any stock exchange on which the Notes are listed or the rules of any other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, (including in respect of the calculation of the First Reset Rate of

Interest and in respect of a Reset Period, the calculation of the Interest Amount payable on each Interest Payment Date falling in such Reset Period), the fourth Business Day after such determination.

- (ii) Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 3.4(c) (*Business Day Convention*), the Interest Amount and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 8 (*Events of Default*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made.
- (iii) The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

3.13 Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption or Optional Redemption Amount as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

4. REDEMPTION, PURCHASE AND OPTIONS

4.1 Final Redemption

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount in the relevant Specified Currency. With the exception of Zero Coupon Notes, subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at par or above par.

4.2 Early Redemption of Zero Coupon Notes

- (a) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 4.4 (*Redemption for Taxation Reasons*), Condition 4.5 (*Redemption for Regulatory Reasons*), (in respect of Senior Notes and Senior Non-Preferred Notes only) Condition 4.10 (*Issuer Call due to MREL Disqualification Event*) or upon it becoming due and payable as provided in Condition 8 (*Events of Default*) shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (b) Subject to the provisions of sub-paragraph (c) below, the "**Amortised Face Amount**" of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (c) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 4.4 (*Redemption for Taxation Reasons*), Condition 4.5 (*Redemption for Regulatory Reasons*), (in respect of Senior Notes and Senior Non-Preferred Notes only) Condition 4.10 (*Issuer Call due to MREL Disqualification Event*) or upon it becoming due and payable as provided in Condition 8 (*Events of Default*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (b) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph (c) shall continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 3.8 (*Interest and other calculations – Zero Coupon Notes*).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

4.3 Early Redemption of Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in Condition 4.2 (*Early Redemption of Zero Coupon Notes*)), upon redemption of such Note pursuant to Condition 4.4 (*Redemption for Taxation Reasons*), Condition 4.5 (*Redemption for Regulatory Reasons*), (in respect of Senior Notes and Senior Non-Preferred Notes only) Condition 4.10 (*Issuer Call due to MREL Disqualification Event*) or upon it becoming due and payable as provided in Condition 8 (*Events of Default*), shall be the Final Redemption Amount unless otherwise specified hereon.

4.4 Redemption for Taxation Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, (subject to the provisions of Condition 4.9 (*Conditions to Early Redemption and Purchase of Notes*)) on any Interest Payment Date (if this Note is a Floating Rate Note), or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount as described in Conditions 3.2 (*Rate of Interest and Accrual on Fixed Rate Notes*) and 3.3 (*Interest on Reset Notes*) (together, if appropriate, with interest accrued to (but excluding) the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as described under Condition 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 4.4 (*Redemption for Taxation Reasons*), the Issuer shall deliver to the Fiscal Agent to make available at its specified office to the Noteholders a certificate signed by two Directors of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it.

4.5 Redemption for Regulatory Reasons

This Condition 4.5 is applicable only in relation to Notes specified hereon as being Subordinated Notes.

In respect of any Series of Subordinated Notes, if Regulatory Call is specified hereon, upon the occurrence of a Capital Event, the Issuer may (subject to the provisions of Condition 4.9 (*Conditions to Early Redemption and Purchase of Notes*)), on any Interest Payment Date (if this Note is a Floating Rate Note), or at any time (if this Note is not a Floating Rate Note), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all (but not some only) of the Notes then outstanding at any time at their Early Redemption Amount as described in Conditions 4.2 (*Early Redemption of Zero Coupon Notes*) and 4.3 (*Early Redemption of Other Notes*) above together (if appropriate) with interest accrued to (but excluding) the date fixed for redemption.

For the purpose of the Conditions:

a "**Capital Event**" is deemed to have occurred if, as a result of any amendment to, or change in, the Relevant Regulations which are in effect at the Issue Date, the Subordinated Notes are or are likely to be fully or partially excluded from the Tier 2 Capital of the Issuer and/or the Group;

"**Competent Authority**" means the European Central Bank in conjunction with the national competent authority, the Bank of Italy and/or any successor or replacement entity to either, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer or the Group and/or, as the context may require, the "resolution authority" or the "competent authority" as defined under the BRRD and/or the SRM Regulation;

"**Group**" means the Issuer and its consolidated subsidiaries;

"**Relevant Regulations**" means any requirements contained in the regulations, rules, guidelines and policies of the Competent Authority, or of the European Parliament and Council then in effect in the Republic of Italy, relating to capital adequacy and applicable to the Issuer and/or the Group from time to time (including, but not limited to, as at the Issue Date of the relevant Series of Notes, the rules contained in, or implementing, the CRD IV Package and the BRRD, delegated or implementing acts adopted by the European Commission and guidelines issued by the European Banking Authority); and

"**Tier 2 Capital**" has the meaning given to it by the Competent Authority from time to time.

4.6 Redemption at the Option of the Issuer

If Call Option is specified hereon, the Issuer may (subject to the provisions of Condition 4.9 (*Conditions to Early Redemption and Purchase of Notes*)), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date (subject to, in the case of Subordinated Notes, the Optional Redemption Date not being earlier than the fifth anniversary of the Issue Date). Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued, if appropriate, to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 4.

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

4.7 Purchases

The Issuer may subject as set out below and to the provisions of Condition 4.9 (*Conditions to Early Redemption and Purchase of Notes*), purchase Notes (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

Subordinated Notes may only be purchased by the Issuer or any of its Subsidiaries, unless and to the extent permitted by the Relevant Regulations at the relevant time.

4.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 4.7 (*Purchases*) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

4.9 Conditions to Early Redemption and Purchase of Notes

(a) *Conditions to Early Redemption and Purchase of Senior Notes and Senior Non-Preferred Notes*

Any redemption or purchase of Senior Notes or Senior Non-Preferred Notes in accordance with Conditions 4.4 (*Redemption for Taxation Reasons*), 4.6 (*Redemption at the Option of the Issuer*), 4.7 (*Purchases*) or 4.10 (*Issuer Call due to MREL Disqualification Event*) is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the Relevant Regulations at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes or Senior Non-Preferred Notes at such time as eligible liabilities available to meet MREL Requirements).

(b) *Conditions to Early Redemption and Purchase of Subordinated Notes*

Any redemption or purchase of Subordinated Notes in accordance with Conditions 4.4 (*Redemption for Taxation Reasons*), 4.5 (*Redemption for Regulatory Reasons*), 4.6 (*Redemption at the Option of the Issuer*) is subject to:

- (i) the Issuer giving notice to the Competent Authority and the Competent Authority granting permission to redeem or purchase the relevant Subordinated Notes (in each case to the extent, and in the manner, required by the Relevant Regulations (as defined in Condition 4.5 (*Redemption for Regulatory Reasons*)) including Articles 77(b) and 78 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR Regulation**");
- (ii) in respect of any redemption of the relevant Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, if and to the extent then required under the Relevant Regulations (a) in the case of redemption pursuant to Condition 4.4 (*Redemption for Taxation Reasons*), the Issuer having demonstrated to the satisfaction of the Competent Authority that the relevant change or amendment is material and was not reasonably foreseeable as at the Issue Date or (b) in the case of redemption pursuant to Condition 4.5 (*Redemption for Regulatory*

Reasons), the Issuer having demonstrated to the satisfaction of the Competent Authority that the Capital Event was not reasonably foreseeable as at the Issue Date and the Competent Authority considering such Capital Event to be sufficiently certain; and

- (iii) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the Relevant Regulations for the time being.

4.10 Issuer Call due to MREL Disqualification Event

This Condition 4.10 (*Issuer Call due to MREL Disqualification Event*) is applicable only in relation to Notes specified hereon as being Senior Notes or Senior Non-Preferred Notes.

In respect of any Series of Senior Notes or Senior Non-Preferred Notes, if Issuer Call due to MREL Disqualification Event is specified hereon, the Issuer may (subject to the provisions of Condition 4.9 (*Conditions to Early Redemption and Purchase of Notes*)) on any Interest Payment Date (if this Note is a Floating Rate Note), or at any time (if this Note is not a Floating Rate Note), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all (but not some only) of the Notes then outstanding at any time at their Early Redemption Amount as described in Conditions 4.2 (*Early Redemption of Zero Coupon Notes*) and 4.3 (*Early Redemption of Other Notes*) above together (if appropriate) with interest accrued to (but excluding) the date fixed for redemption, if the Issuer determines that an MREL Disqualification Event has occurred and is continuing.

As used in these Conditions:

"**BRRD**" is as defined in Condition 14 (*Statutory Loss Absorption Powers*);

"**BRRD II**" is as defined in Condition 14 (*Statutory Loss Absorption Powers*);

"**CRD IV Package**" means, taken together (i) the CRD IV Directive, (ii) the CRR Regulation, and (iii) the Future Capital Instruments Regulations;

"**CRD IV Directive**" means Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended or replaced from time to time (including by the CRD V Directive);

"**CRD V Directive**" means Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures, as amended or replaced from time to time;

“CRR Regulation” means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended or replaced from time to time (including by the CRR II Regulation);

“CRR II Regulation” means Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012, as amended or replaced from time to time;

“Future Capital Instruments Regulations” means any regulatory capital rules or regulations introduced after the Issue Date by the Competent Authority or which are otherwise applicable to the Issuer (on a solo or, if relevant, consolidated basis), which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer (on a consolidated basis) to the extent required by (i) the CRR Regulation or (ii) the CRD IV Directive;

“Group Entity” is as defined in Condition 14 (*Statutory Loss Absorption Powers*);

“Loss Absorption Power” is as defined in Condition 14 (*Statutory Loss Absorption Powers*);

“MREL Disqualification Event” means that at any time, all or part of the aggregate outstanding nominal amount of such Series of Senior or Notes or Senior Non-Preferred Notes is or will be excluded fully or partially from eligible liabilities available to meet the MREL Requirements, provided that: (a) the exclusion of a Series of Senior Notes or of Senior Non-Preferred Notes from the MREL Requirements due to the remaining maturity of such Senior Notes or Senior Non-Preferred Notes being less than any period prescribed thereunder, does not constitute an MREL Disqualification Event; (b) the exclusion of all or some of a Series of Senior Notes from the MREL Requirements due to there being insufficient headroom for such Senior Notes within a prescribed exception to the otherwise applicable general requirements for eligible liabilities does not constitute an MREL Disqualification Event; and (c) the exclusion of all or some of a Series of Senior Notes or Senior Non-Preferred Notes from MREL Requirements as a result of such Notes being purchased by or on behalf of the Issuer or as a result of a purchase which is funded directly or indirectly by the Issuer, does not constitute an MREL Disqualification Event;

“MREL Requirements” means the laws, regulations, requirements, guidelines, rules, standards and policies relating to minimum requirements for own funds and eligible liabilities and/or loss-absorbing capacity instruments applicable to the Issuer and/or the Group, from time to time, including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as regulatory technical standards) adopted by the European Commission and any regulations, requirements, guidelines, rules, standards and policies relating to

minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by the Republic of Italy, a relevant Competent Authority or a Relevant Resolution Authority from time to time (whether or not such requirements, guidelines or policies are applied generally or specifically to the Issuer and/or the Group), as any of the preceding laws, regulations, requirements, guidelines, rules, standards, policies or interpretations may be amended, supplemented, superseded or replaced from time to time;

"**Own Funds**" has the meaning given to such term (or any equivalent or successor term) in the Relevant Regulations;

"**Relevant Resolution Authority**" is as defined in Condition 14 (*Statutory Loss Absorption Powers*);

"**Resolution Power**" is as defined in Condition 14 (*Statutory Loss Absorption Powers*);

"**SRM Regulation**" is as defined in Condition 14 (*Statutory Loss Absorption Powers*); and

"**SRM II Regulation**" is as defined in Condition 14 (*Statutory Loss Absorption Powers*).

5. PAYMENTS AND TALONS

5.1 Modalities of payments

Payments of principal and interest in respect of the Notes shall, subject as mentioned below, be made against presentation and surrender of the Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 5.5 (*Unmatured Coupons and Unexchanged Talons*) or Coupons (in the case of interest, save as specified in Condition 5.5 (*Unmatured Coupons and Unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States or its possessions by transfer to an account denominated in the relevant currency with a Bank.

"**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

5.2 Payments in the United States

Notwithstanding the foregoing, if any Notes are denominated in US dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

5.3 Payments Subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or its agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 6 (*Taxation*). No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

5.4 Appointment of Agents

The Fiscal Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent or the Calculation Agent and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) one or more Calculation Agent(s) where the Conditions so require, (iii) such other agents as may be required by any stock exchange on which the Notes may be listed and (iv) a Paying Agent with a specified office in a European Union Member State other than Italy.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Notes denominated in US dollars in the circumstances described in paragraph 5.2 above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

5.5 Unmatured Coupons and Unexchanged Talons

- (a) Upon the due date for redemption of Notes which comprise Fixed Rate Notes, such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 7 (*Prescription*)).
- (b) Upon the due date for redemption of any Note comprising a Floating Rate Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

- (c) Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (d) Where any Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (e) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender, if appropriate) of the relevant Note. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note.

5.6 Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 7 (*Prescription*)).

5.7 Non-Business Days

If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph 5.7, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Financial Centres" hereon and:

- (a) (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (b) (in the case of a payment in Euro) which is a TARGET Business Day.

5.8 Definition of the Euro

References in these Conditions to the Euro are to the currency which was introduced at the start of the third stage of European Economic and Monetary Union pursuant to Article 109(4) of the Treaty on the Functioning of the European Union, as amended from time to time.

6. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Italy or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law or by the application or official interpretation thereof. In that event, the Issuer shall pay such additional amounts in respect of principal and interest in the case of Senior Notes or Senior Non-Preferred Notes (if permitted by the MREL Requirements), or interest only in the case of Subordinated Notes, as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required. The requirement to pay such additional amounts shall not apply:

- (a) in respect of any Note or Coupon presented for payment:
 - (i) by or on behalf of a Noteholder or Couponholder who is:
 - (A) entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption; or
 - (B) liable to such taxes or duties by reason of his having some connection with the Republic of Italy, other than the mere holding of the Note or Coupon; or
 - (ii) more than 30 days after the Relevant Date, except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or
- (b) in relation to any payment or deduction of any interest, premium or other proceeds of any Note or Coupon on account of imposta sostitutiva pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended from time to time; or
- (c) in respect of any Note or Coupon where such withholding or deduction is required pursuant to Italian Law Decree No. 512 of 30 September 1983, converted into Law No. 649 of 25 November 1983 as amended from time to time.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "**principal**" shall

be deemed to include any premium payable in respect of the Notes, all Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 4 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 3 (*Interest and other calculations*) or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

If the Issuer becomes subject to any taxing jurisdiction other than Italy, references in these Terms and Conditions for the Italian Law Notes to Italy shall be construed as references to Italy and/or such other jurisdiction. For the avoidance of doubt, the Issuer shall be entitled to withhold and deduct any amounts required to be deducted or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to (i) any regulations thereunder or official interpretations thereof, or (ii) an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof, or (iii) any law implementing such an intergovernmental agreement (any such withholding or deduction, a "**FATCA Withholding**"), and no person shall be required to pay any additional amounts in respect of a FATCA Withholding.

7. **PRESCRIPTION**

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

8. **EVENTS OF DEFAULT**

8.1 If the Issuer becomes subject to *Liquidazione Coatta Amministrativa* as defined in Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy (as amended from time to time) (the "**Event of Default**"), then any holder of a Note may, by written notice to the Issuer at the specified office of the Issuer or the Fiscal Agent, effective upon the date of receipt thereof by the Issuer or the Fiscal Agent, declare any Note held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

8.2 No remedy against the Issuer other than as specifically provided by this Condition 8 (*Events of Default*) shall be available to the Noteholders or Couponholders whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations in relation to the Notes or otherwise.

9. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

9.1 Meetings of Noteholders

The Agency Agreement for the Italian Law Notes and the provisions for the meetings of Noteholders attached as Annex 1 (*Provisions for the Meetings of Noteholders*) to these Conditions (the "**Provisions for the Meetings of Noteholders**") contain provisions for convening meetings of Noteholders to consider any matter affecting their interests (including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Agency Agreement for the Italian Law Notes). Any modification to the Conditions is subject (to the extent required by applicable laws and regulations) to the Issuer giving any notice required to be given to, and receiving any consent required from, or non-objection from, the Competent Authority with respect to any such modification. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amount on the Notes, (ii) to reduce or cancel the nominal amount of or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement for the Italian Law Notes and the Provisions for the Meetings of Noteholders provide that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several

documents in the same form, each signed by or on behalf of one or more Noteholders.

9.2 Modification

The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Agency Agreement for the Italian Law Notes that is in the sole opinion of the Issuer of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Agency Agreement for the Italian Law Notes), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Agency Agreement for the Italian Law Notes that is in the sole opinion of the Issuer not materially prejudicial to the interests of the Noteholders.

Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 12 (*Notices*). For the avoidance of doubt, any variation of these Conditions and the Agency Agreement for the Italian Law Notes to give effect to the Benchmark Amendments in accordance with Condition 3.6 (*Benchmark Discontinuation*) shall not require the consent or approval of Noteholders or Couponholders, subject (to the extent required) to the Issuer giving any notice required to be given to, and receiving any consent required from, or non-objection from, the Competent Authority.

9.3 Provisions for the Meetings of Noteholders

Provision for the Meetings of Noteholders are attached to, and form an integral part of, these Conditions. References in these Conditions to the "Provisions for the meetings of Noteholders" include such provisions as from time to time modified in accordance with the provisions contained therein and any agreement or other document expressed to be supplemental thereto.

10. REPLACEMENT OF NOTES, COUPONS AND TALONS

If a Note, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent in London or such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 11 and forming a single series with the Notes.

12. NOTICES

Notices to the holders of the Notes shall be deemed to be validly given if published (a) in a daily newspaper of general circulation in London (which is expected to be the Financial Times) and (b) if and for so long as the Notes are admitted to trading on, and listed on, the Official List of the Luxembourg Stock Exchange, on the Luxembourg Stock Exchange's website (*www.bourse.lu*). 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, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of the Notes in accordance with this Condition 12.

13. GOVERNING LAW AND JURISDICTION

13.1 Governing Law

The Agency Agreement for the Italian Law Notes, the Terms and Conditions for the Italian Law Notes, the Notes, the Coupons and the Talons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, Italian law.

13.2 Jurisdiction

The courts of Milan are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons ("**Proceedings**") may be brought in such courts.

14. STATUTORY LOSS ABSORPTION POWERS

By the acquisition of the Notes, each Noteholder acknowledges and agrees to be bound by the exercise of any Loss Absorption Power by the Relevant Resolution Authority that may result in the write-down or cancellation of all or a portion of the principal amount of, or distributions on, the Notes and/or the conversion of all or a portion of the principal amount of, or distributions on, the Notes into

ordinary shares or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes to give effect to the exercise by the Relevant Resolution Authority of such Loss Absorption Power. Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Loss Absorption Power by the Relevant Resolution Authority.

Upon the Issuer being informed and notified by the Relevant Resolution Authority of the actual exercise of the date from which the Loss Absorption Power is effective with respect to the Notes, the Issuer shall notify the Noteholders without delay. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Loss Absorption Power nor the effects on the Notes described in this Condition 14.

The exercise of the Loss Absorption Power by the Relevant Resolution Authority with respect to the Notes shall not constitute an Event of Default and the terms and conditions of the Notes shall continue to apply in relation to the residual principal amount of, or outstanding amount payable with respect to, the Notes subject to any modification of the amount of distributions payable to reflect the reduction of the principal amount, and any further modification of the terms that the Relevant Resolution Authority may decide in accordance with applicable laws and regulations relating to the resolution of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State.

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Loss Absorption Power to the Notes.

As used in these Conditions:

"BRRD" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time (including by BRRD II);

"BRRD II" means Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC;

"Group Entity" means the Issuer or any legal person that is part of the Group;

"Loss Absorption Power" means any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements, whether relating to the resolution or independent of any resolution action, of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State in effect and applicable in the relevant Member State to the Issuer or other Group Entities, including (but not limited to) any such laws, regulations, rules or requirements that are

implemented, adopted or enacted within the context of any European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of a credit institution, investment firm and/or any Group Entities can be reduced, cancelled and/or converted into shares or obligations of the obligor or any other person;

"Relevant Resolution Authority" means the Italian resolution authority, the Single Resolution Board (SRB) established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Resolution Power or Loss Absorption Power from time to time;

"Resolution Power" means any statutory write-down, transfer and/or conversion power existing from time to time under any laws regulations, rules or requirements relating to the resolution of the Issuer or any other entities of the Group, including but not limited to any laws, regulations, rules or requirements implementing the BRRD and/or the SRM Regulation;

"SRM Regulation" means Regulation (EU) No 806/2014 of the European Parliament and Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended or replaced from time to time (including by the SRM II Regulation); and

"SRM II Regulation" means Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms.

ANNEX 1 TO THE TERMS AND CONDITIONS FOR THE ITALIAN NOTES
PROVISIONS FOR THE MEETINGS OF NOTEHOLDERS

1. **DEFINITIONS**

In the Conditions, the following expressions have the following meanings:

"Block Voting Instruction" means, in relation to any Meeting, a document in the English language issued by a Paying Agent:

- (a) certifying that certain specified Notes (the "**deposited Notes**") have been deposited with such Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender to such Paying Agent, not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption), of the receipt for the deposited or blocked Notes and notification thereof by such Paying Agent to the Issuer;
- (b) certifying that the depositor of each deposited Note or a duly authorised person on its behalf has instructed the relevant Paying Agent that the votes attributable to such deposited Note 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 and (if in definitive form) the certificate numbers of the deposited 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 deposited Notes in accordance with such instructions;

"Chairman" means, in relation to any Meeting, the individual who takes the chair in accordance with paragraph 7 (*Chairman*);

"Extraordinary Resolution" means a resolution passed at a Meeting duly convened and held in accordance with this Schedule by a majority of not less than three quarters of the votes cast;

"Meeting" means a meeting of Noteholders (whether originally convened or resumed following an adjournment);

"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 Fiscal 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 at a Meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the Meeting when it is resumed;

"Relevant Fraction" means:

- (a) for all business other than voting on an Extraordinary Resolution, one tenth;
- (b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, one more than half; and
- (c) for voting on any Extraordinary Resolution relating to a Reserved Matter, three quarters;

provided, however, that, in the case of a Meeting which has resumed after adjournment for want of a quorum it means:

- (i) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate principal amount of the outstanding Notes represented or held by the Voters actually present at the Meeting; and
- (ii) for voting on any Extraordinary Resolution relating to a Reserved Matter, one quarter;

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

- (b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable;
- (d) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (e) to amend this definition;

"**Voter**" means, in relation to any Meeting, the bearer of a Voting Certificate, a Proxy or the bearer of a Definitive Note who produces such Definitive Note at the Meeting;

"**Voting Certificate**" means, in relation to any Meeting, a certificate in the English language issued by a Paying Agent and dated in which it is stated:

- (a) that certain specified Notes (the "**deposited Notes**") have been deposited with such Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
 - (i) the conclusion of the Meeting; and
 - (ii) the surrender of such certificate to such Paying Agent; and
- (b) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the deposited Notes;

"**Written Resolution**" means a resolution in writing signed by or on behalf of all holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the provisions of this Schedule, 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;

"**24 hours**" means a period of 24 hours including all or part of a day upon which banks are open for business in both the places where the relevant Meeting is to be held and in each of the places where the Paying Agents have their Specified Offices (disregarding for this purpose the day upon which such Meeting is to be held) and such period shall be extended by one period 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 2 consecutive periods of 24 hours.

2. **ISSUE OF VOTING CERTIFICATES AND BLOCK VOTING INSTRUCTIONS**

The holder of a Note may obtain a Voting Certificate from any Paying Agent or require any Paying Agent to issue a Block Voting Instruction by depositing such Note with such Paying Agent or arranging for such Note to be (to its satisfaction) held to its order or under its control or blocked in an account with a clearing system not later than 48 hours before the time fixed for the relevant Meeting. A Voting Certificate or Block Voting Instruction shall be valid until the release of the deposited 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 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.

3. **REFERENCES TO DEPOSIT/RELEASE OF NOTES**

Where Notes are represented by a Global Note or are held in definitive form within a clearing system, references to the deposit, or release, of Notes shall be construed in accordance with the usual practices (including blocking the relevant account) of such clearing system.

4. **VALIDITY OF BLOCK VOTING INSTRUCTIONS**

A Block Voting Instruction shall be valid only if it is deposited at the Specified Office of the Fiscal Agent, or at some other place approved by the Fiscal Agent, at least 24 hours before the time fixed for the relevant Meeting or the Chairman decides otherwise before the Meeting proceeds to business. If the Fiscal Agent 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 Fiscal Agent shall not be obliged to investigate the validity of any Block Voting Instruction or the authority of any Proxy.

5. **CONVENING OF MEETING**

The Issuer may convene a Meeting at any time, and shall be obliged to do so upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes.

6. **NOTICE**

At least 21 days notice (exclusive of the day on which the notice is given and of the day on which the relevant Meeting is to be held) specifying the date, time

and place of the Meeting shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer). The notice shall set out the full text of any resolutions to be proposed and shall state that the Notes may be deposited with, or to the order of, any Paying Agent for the purpose of obtaining Voting Certificates or appointing Proxies not later than 48 hours before the time fixed for the Meeting.

7. **CHAIRMAN**

An individual (who may, but need not, be a Noteholder) nominated in writing by the Issuer may take the chair at any Meeting but, if no such nomination is made or 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 may appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was the Chairman of the original Meeting.

8. **QUORUM**

The quorum at any Meeting shall be at least two Voters representing or holding not less than the Relevant Fraction of the aggregate principal amount of the outstanding Notes; *provided, however, that*, so long as at least the Relevant Fraction of the aggregate principal amount of the outstanding Notes is represented by a Global Note, a single Proxy representing the holder thereof shall be deemed to be two Voters for the purpose of forming a quorum.

9. **ADJOURNMENT FOR WANT OF QUORUM**

If within 15 minutes after the time fixed for any Meeting a quorum is not present, then:

- (a) in the case of a Meeting requested by Noteholders, it shall be dissolved; and
- (b) in the case of any other Meeting, it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and to such place as the Chairman determines; *provided, however, that*:
 - (i) the Meeting shall be dissolved if the Issuer so decides; and
 - (ii) no Meeting may be adjourned more than once for want of a quorum.

10. **ADJOURNED MEETING**

The Chairman may, with the consent of (and shall if directed by) any Meeting, adjourn such Meeting 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.

11. **NOTICE FOLLOWING ADJOURNMENT**

Paragraph 6 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for want of a quorum save that:

- (a) 10 days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and
- (b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

It shall not be necessary to give notice of the resumption of a Meeting which has been adjourned for any other reason.

12. **PARTICIPATION**

The following may attend and speak at a Meeting:

- (a) Voters;
- (b) representatives of the Issuer and the Fiscal Agent;
- (c) the financial advisers of the Issuer;
- (d) the legal counsel to the Issuer and the Fiscal Agent; and
- (e) any other person approved by the Meeting.

13. **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 before or at the time that the result is declared, the Chairman's declaration that on a show of hands a resolution has been passed, 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.

14. **POLL**

A demand for a poll shall be valid if it is made by the Chairman, the Issuer or one or more Voters representing or holding not less than one fiftieth of the aggregate principal amount of the outstanding 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 relevant Meeting for any other business as the Chairman directs.

15. **VOTES**

Every Voter shall have:

- (a) on a show of hands, one vote; and
- (b) on a poll, the number of votes obtained by dividing that fraction of the aggregate principal amount of the outstanding Note(s) represented or held by him by the lowest denomination of the Notes.

In the case of a voting tie the Chairman shall have a casting vote.

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 way.

16. **VALIDITY OF VOTES 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* the Fiscal Agent has not been notified in writing of such amendment or revocation by the time which is 48 hours before the time fixed for the relevant 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 resumption of such Meeting following an adjournment; *provided, however, that* no such appointment of a Proxy in relation to a Meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such Meeting when it is resumed. Any person appointed to vote at such a Meeting must be re-appointed under a Block Voting Instruction Proxy to vote at the Meeting when it is resumed.

17. **POWERS**

A Meeting shall have power (exercisable by Extraordinary Resolution), without prejudice to any other powers conferred on it or any other person:

- (a) to approve any Reserved Matter;
- (b) to approve any proposal by the Issuer for any modification, abrogation, variation or compromise of any of the Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;
- (c) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes;
- (d) to waive any breach or authorise any proposed breach by the Issuer of its obligations under or in respect of the Notes or any act or omission which might otherwise constitute an event of default under the Notes;
- (e) to authorise the Fiscal Agent or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (f) to give any other authorisation or approval which is required to be given by Extraordinary Resolution; and
- (g) to appoint any persons as a committee to represent the interests of the Noteholders and to confer upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

18. **EXTRAORDINARY RESOLUTION BINDS ALL HOLDERS**

An Extraordinary Resolution shall be binding upon all Noteholders and holders of Coupons and Talons whether or not present at such Meeting and each of the Noteholders shall be bound to give effect to it accordingly. Notice of the result of every vote on an Extraordinary Resolution shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer) within 14 days of the conclusion of the Meeting.

19. **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.

20. **WRITTEN RESOLUTION**

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer[']s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[']s/s'] target market assessment) and determining appropriate distribution channels.]

Final Terms dated []

CREDITO VALTELLINESE S.p.A.

Legal Entity Identifier (LEI): 549300BDV4C410CYAQ76

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the

€5,000,000,000

Euro Medium Term Note Programme

[The Notes will only be admitted to trading on an EEA regulated market (as defined in MiFID II), or a specific segment of an EEA regulated market, to which only qualified

investors (as defined in the Prospectus Regulation) can have access and shall not be offered or sold to non-qualified investors.]¹

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the [Terms and Conditions for the English Law Notes] [Terms and Conditions for the Italian Law Notes] (the "**Conditions**") set forth in the Base Prospectus dated 22 October 2019 [and the supplement[s] to the Base Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation. This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with such Base Prospectus [as so supplemented] in order to obtain all the relevant information.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s] to the Base Prospectus] [is/are] available for viewing at [address] and [website] and copies may be obtained from [address]. The Base Prospectus [and the supplement[s] to the Base Prospectus] and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms, will also be published on the website of the Issuer (<http://www.gruppocreval.com/Pagine/investor-relations-eng/EMTN-2019-ENG.aspx>).

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

(When completing any final terms, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)

1. (i) Series Number: []
- (ii) Tranche Number: []
(If fungible with an existing Series, name of that Series, including the date on which the Notes become fungible).
2. Specified Currency or Currencies: []

¹ Legend to be included for Notes with a minimum denomination of less than €100,000 (or equivalent in another currency) which will only be admitted to trading on a Member State regulated market, or a specific segment of a Member State regulated market, to which only qualified investors can have access.

3. Aggregate Nominal Amount:
- (i) Series: []
- (ii) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
5. (i) Specified Denominations: [] [and integral multiples of [] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above []]
- (No Notes may be issued under the Programme which have a minimum denomination of less than €100,000 (or its equivalent in other currencies))*
- (Senior Non-Preferred Notes must have a minimum denomination of €250,000 (or its equivalent in other currencies))*
- (Under current practices of Euroclear and Clearstream, Luxembourg, unless paragraph 24 (Form of Notes) below specifies that the Global Note is to be exchanged for Definitive Notes "in the limited circumstances described in the Permanent Global Note", Notes may only be issued in denominations which are integral multiples of the lowest Specified Denomination and may only be traded in such amounts, whether in global or definitive form.)*
- (ii) Calculation Amount: []
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.)*
6. (i) Issue Date: []
- (ii) Interest Commencement Date: []
7. Maturity Date: *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest*

to the relevant month and year]

[Unless otherwise permitted by current laws, regulations, directives and/or requirements applicable to the issue of Notes by the Issuer, Non-Preferred Senior Notes must have a maturity of not less than twelve months and Subordinated Notes must have a minimum maturity of five years.]

[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]

8. Interest Basis:

[[] per cent. Fixed Rate]

[Reset Notes]

*[EURIBOR/LIBOR] +/- [] per cent.
Floating Rate]*

[Floating Rate: CMS Linked Interest]

[Fixed-Floating Rate]

[Floating-Fixed Rate]

[Zero Coupon]

(further particulars specified below)

9. Change of Interest Basis:

[Applicable/Not Applicable]

(if applicable, specify the date when any fixed to floating rate or floating to fixed rate change occurs)

(if not applicable, delete the remaining subparagraphs of this paragraph)

(a) Switch Option:

[Applicable – [specify details of the change(s) in Interest Basis and the relevant Interest Periods to which the change(s) in Interest Basis applies]]/[Not Applicable]

(the Issuer must give notice of the exercise of the Switch Option to Noteholders in

accordance with Condition [12] (Notices) of the Terms and Conditions for the English Law Notes and Condition [12] (Notices) of the Terms and Conditions for the Italian Law Notes, as the case may be, on or prior to the relevant Switch Option Expiry Date)

- (b) Switch Option Expiry Date: []
- (c) Switch Option Effective Date: []
10. Put/Call Options: [Issuer Call]
[Issuer Call due to MREL Disqualification Event]
[(further particulars specified below)]
[Not Applicable]
11. Status of the Notes: [Senior/Senior Non-Preferred/Subordinated] Notes

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12. **Fixed Rate Note Provisions** [Applicable/Not Applicable/Applicable for the period from (and including) [] to (but excluding) []]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]

[Specify other in case of different Rate(s) of Interest in respect of different Interest Periods]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with the Business Day Convention] *(N.B. This will need to be amended in the case of any long or short coupons)*
- (iii) Business Day Convention: [Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ FRN Convention]/ [Not Applicable]
- (iv) Additional Business [Not Applicable/[]]

Centre(s):

- (v) Fixed Coupon Amount(s): [] per Calculation Amount
[Specify different Fixed Coupon Amounts if different Rates of Interest are specified as being applicable in respect of different Interest Periods]
- (vi) Day Count Fraction: [Actual/Actual(ICMA)]/
[Actual/365 (Sterling)]/
[Actual/ Actual(ISDA)]/
[Actual/365(Fixed)]/
[Actual/360]/
[30/360]/[30/360]/[Bond Basis]/
[30E/360]/[Eurobond Basis]/
[30E/360 (ISDA)]
- (vii) Broken Amount(s): [[] per Calculation Amount, payable
[on/in the Interest Payment Date falling in
[]]/[Not Applicable]
- (viii) Determination Dates: [] in each year / Not Applicable

13. **Reset Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Initial Rate of Interest: [] per cent. per annum payable in arrear from (and including) the Interest Commencement Date to (but excluding) the First Reset Date
- (ii) First Margin: [+/-][] per cent. per annum
- (iii) Subsequent Margin: [[+/-][] per cent. per annum]/[Not Applicable]
- (iv) Interest Payment Date(s): [] [and []] in each year up to and including the Maturity Date [until and excluding []]
- (v) Fixed Coupon Amount up to (but excluding) the First Reset Date: [[] per Calculation Amount]/[Not Applicable]
- (vi) Broken Amount(s): [[] per Calculation Amount, payable [on/in the Interest Payment Date falling in []]/[Not Applicable]

- (vii) First Reset Date: []
 - (viii) Second Reset Date: []/[Not Applicable]
 - (ix) Subsequent Reset Date(s): [] [and []]/[Not Applicable]
 - (x) Relevant Screen Page: []
 - (xi) Mid-Swap Rate: [Single Mid-Swap Rate/Mean Mid-Swap Rate]
 - (xii) Mid-Swap Maturity: []
 - (xiii) Reference Banks: []
 - (xiv) Day Count Fraction: [Actual/Actual(ICMA)]/
[Actual/365 (Sterling)]/
[Actual/ Actual(ISDA)]/
[Actual/365(Fixed)]/
[Actual/360]/
[30/360]/[30/360]/[Bond Basis]/
[30E/360]/[Eurobond Basis]/
[30E/360 (ISDA)]
 - (xv) Reset Determination Dates: [] in each year
 - (xvi) Business Day Convention: [Following Business Day Convention/
Modified Following Business Day Convention/
Preceding Business Day Convention/
FRN Convention]/
[Not Applicable]
 - (xvii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): [[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]/[Not Applicable]
 - (xviii) Mid-Swap Floating Leg Benchmark Rate: [EURIBOR/LIBOR]
14. **Floating Rate Note Provisions** [Applicable]/[Not Applicable]/(if a Change of Interest Basis applies): [Applicable for the period from (and including) [] to (but excluding) []]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): [Not Applicable]/[]

(Interest Period and Interest Payment Dates are alternatives. An Interest Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention. Otherwise, insert "Not Applicable")

- (ii) Interest Payment Dates: [Not Applicable]/[]
- (If the Business Day Convention is the FRN Convention, insert "Not Applicable")*
- (iii) First Interest Payment Date: []
- (iii) Interest Period Date: []
- (iv) Business Day Convention: [Following Business Day Convention/
Modified Following Business Day Convention/
Preceding Business Day Convention/
FRN Convention/
No adjustment]
- (v) Additional Business Centre(s): [Not Applicable/[]]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): *[[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]/[Not Applicable]*
- (viii) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [EURIBOR/LIBOR/CMS Rate]
- Relevant Screen Page: []
- (In the case of CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions)*
- Interest Determination Date(s): []
- (in the case of a CMS Rate where the Reference Currency is euro): [Second day on which the TARGET2 System is open*

prior to the start of each Interest Period]

(in the case of a CMS Rate where the Reference Currency is other than euro):
[Second [specify type of day] prior to the start of each Interest Period]

- Relevant Time: []
 - Relevant Financial Centre: []
 - [Reference Currency:] []
(only relevant where the CMS Rate is the Reference Rate)
 - [Designated Maturity:] []
(only relevant where the CMS Rate is the Reference Rate)
- (ix) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (In the case of a LIBOR or EURIBOR or CMS Rate based option, the first day of the Interest Period)*
- (N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*
- (x) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (xi) Margin(s): [+/-][] per cent. per annum
- (xii) Minimum Rate of Interest: [[] per cent. per annum/Not Applicable]
- (xiii) Maximum Rate of Interest: [[] per cent. per annum/Not Applicable]

- (xiv) Day Count Fraction: [Actual/Actual(ICMA)]/
[Actual/365 (Sterling)]/
[Actual/ Actual(ISDA)]/
[Actual/365(Fixed)]/
[Actual/360]/
[30/360]/[30/360]/[Bond Basis]/
[30E/360]/[Eurobond Basis]/
[30E/360 (ISDA)]
15. **Fixed-Floating Rate Note Provisions:** [Applicable/Not Applicable]
[[] per cent. Fixed Rate in respect of the Interest Period(s) ending on (but excluding) [], then calculated in accordance with paragraph 14 (*Floating Rate Note Provisions*) above.]
16. **Floating-Fixed Rate Note Provisions:** [Applicable/Not Applicable]
[[*Floating Rate*] in respect of the Interest Period(s) ending on (but excluding) [], then calculated in accordance with paragraph 12 (*Fixed Rate Note Provisions*) above.]
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) [Amortisation/ Accrual] Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Day Count Fraction: [Actual/Actual(ICMA)]/
[Actual/365 (Sterling)]/
[Actual/ Actual(ISDA)]/
[Actual/365(Fixed)]/
[Actual/360]/
[30/360]/[30/360]/[Bond Basis]/
[30E/360]/[Eurobond Basis]/
[30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

18. **Call Option** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

- (i) Optional Redemption Date(s) (Call): []
- [If the Notes are Subordinated Notes, the Optional Redemption Date (Call) must not be earlier than five years after the Issue Date.]*
- (ii) Optional Redemption Amount(s) (Call): [] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [[] per Calculation Amount/Not Applicable]
- (b) Maximum Redemption Amount: [[] per Calculation Amount/Not Applicable]
- (iv) Notice period (if other than as set out in the Conditions): [[]/Not Applicable]
19. **Issuer Call due to MREL Disqualification Event** [Applicable/Not Applicable]
- (Only applicable in relation to Notes which are Senior Notes or Senior Non-Preferred Notes)*
- (If not applicable, delete the remaining sub-paragraph)*
- (i) Notice period: []
20. **Redemption for regulatory reasons** [Condition [4.5] (*Redemption for Regulatory Reasons*) of the Terms and Conditions for the English Law Notes / Condition [4.5] (*Redemption for Regulatory Reasons*) of the Terms and Conditions for the Italian Law Notes is applicable/Not Applicable]
- (Insert "Not applicable" if the Notes are not Subordinated Notes.)*
- (i) Notice Period: []
21. **Final Redemption Amount** [] per Calculation Amount

22. **Early Redemption Amount**

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on redemption for regulatory reasons or on redemption due to MREL Disqualification Event or on an event of default or other early redemption: [[] per Calculation Amount / as specified in Condition [4.2/4.3] (*Early Redemption of Zero Coupon Notes / Early Redemption of Other Notes*) of the Terms and Conditions for the English Law Notes and Condition [4.2/4.3] (*Early Redemption of Zero Coupon Notes / Early Redemption of Other Notes*) of the Terms and Conditions for the Italian Law Notes]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
[Temporary Global Note exchangeable for Definitive Notes on [] days' notice.]
[Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
25. New Global Note: [Yes/No]
26. Additional Financial Centre(s): [Not Applicable/*give details. Note that this item relates to the place of payment, and not interest period end dates, to which items 12(iv) and 14(v) relate*]
27. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, insert as follows:*
One Talon in the event that more than 27 Coupons need to be attached to each Definitive Note. On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Paying Agent in exchange for a further Coupon sheet. Each Talon shall be deemed to mature in the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.]

28. Substitution or Variation of the Notes: [Not Applicable] / [Applicable [only] [in relation to Regulatory Event / MREL Disqualification Event] [and] / [in order to ensure the effectiveness and enforceability of Condition [15] (*Statutory Loss Absorption Powers*) of the Terms and Conditions for the English Law Notes.]]

(Only applicable in relation to English Law Notes)

(i) Notice period: []

Signed on behalf of the Issuer:

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Official List of the Luxembourg Stock Exchange/other (*specify*)/None]
- (ii) Admission to trading: [Application [has been/is expected to be] made for the Notes to be admitted to trading on [the regulated market of the Luxembourg Stock Exchange/other (*specify*)] with effect from [].]/[Not Applicable.]
- (Where documenting a fungible issue, need to indicate that original securities are already admitted to trading.)*
- [(iii) Estimate of total expenses related to admission to trading: []]

2. RATINGS

- Ratings: [The Notes to be issued have been rated] / [The following ratings reflect the ratings allocated to the Notes of the type being issued under the Programme generally]:
- [Moody's: []]
- [DBRS Ratings Limited: []]
- [[Other]: []]
- [The Notes are unrated]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
- (Insert the following where the relevant credit rating agency is established in the EEA:)*
- [[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and [is included in the list of registered credit rating agencies published on the

website of the European Securities and Markets Authority at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk> as being registered]/[is not registered] under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").]

(Insert the following where the relevant credit rating agency is not established in the EEA:)

*[[Insert legal name of particular credit rating agency entity providing rating] is not established in the EEA [but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EEA and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk> as being registered] / [but is certified] / [and is not certified under nor is the rating it has given to the Notes endorsed by a credit rating agency established in the EEA and registered] under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]*

[In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.]

(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Certain of the [Managers/Dealers] named below and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business. *[Add any other interests, including conflicting ones, that are material to the issue/offer, detailing the persons involved and the nature of the interest.]*

[Save as set out in the paragraph above,] so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

4. REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

(i) Reasons for the offer: [See “*Use of Proceeds*” under “*General Information*” in the Base Prospectus/*Give details*]

(See “Use of Proceeds” under “General Information” wording in Base Prospectus – if reasons for offer different from what is disclosed in the Base Prospectus, give details)

(ii) Estimated net proceeds: []

5. **YIELD**

Indication of yield: []/[Not Applicable]

The yield is calculated at the Issue Date on the basis of the Issue Price until the [Maturity Date / First Reset Date]. It is not an indication of future yield. [Since the Rate of Interest will be reset at the First Reset Date (unless the Issuer Call is exercised), an indication of yield up to the Maturity Date cannot be given.]

6. **HISTORIC INTEREST RATES**

[Details of historic [LIBOR/EURIBOR/CMS Rate] rates can be obtained from [Reuters].]/[Not Applicable]

7. **THIRD PARTY INFORMATION**

[[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.] To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information.]/[Not Applicable]

8. **OPERATIONAL INFORMATION**

ISIN Code: []

Common Code: []

CFI: [[], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

FISN:

[[], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

New Global Note intended to be held in a manner which would allow Eurosystem eligibility:

[Yes. Note that the designation "yes" means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* and the relevant identification number(s):

[Not Applicable/*give name(s), address(es) and number(s)*]

Delivery:

Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any):

[]/[Not Applicable]

9. **DISTRIBUTION**

- (i) Method of distribution: [Syndicated]/[Non-syndicated]
- (ii) If syndicated:
- (A) Names of Managers: [Not Applicable/give names]
- (B) Stabilising Manager (if any): [Not Applicable/give name]
- (iii) If non-syndicated, name of Dealer: [Not Applicable/give name]
- (iv) U.S. Selling restrictions: [Reg. S Compliance Category [1/2/3]; [TEFRA C/D/not applicable]]
- (v) Prohibition of Sales to EEA Retail Investors: [Applicable]/[Not Applicable]
(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)
- (vi) Prohibition of Sales to Belgian Customers: [Applicable]/[Not Applicable]
(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)

10. **AUTHORISATIONS**

- Date [Board] approval for issuance of Notes obtained: [] [and []], respectively/[Not Applicable]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions for the English Law Notes and in the Terms and Conditions for the Italian Law Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary (in the case of a CGN) or a common safekeeper (in the case of an NGN) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and (in the case of an NGN) effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the

surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions for the English Law Notes and the Terms and Conditions for the Italian Law Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have). Persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or

- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions for the English Law Notes and the Terms and Conditions for the Italian Law Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have). Persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or any other relevant clearing system.

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions for the English Law Notes and the Terms and Conditions for the Italian Law Notes as they apply to the Global Note. The following is an overview of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of the Fiscal Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that, in respect of a CGN, the same is noted in a schedule thereto and, in respect of an NGN, the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 4.6 (*Redemption at the Option of the Issuer*) of the Terms and Conditions for the English Law Notes and Condition 4.6 (*Redemption at the Option of the Issuer*) of the Terms and Conditions for the Italian Law Notes in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Terms and Conditions for the English Law Notes and the Terms and Conditions for the Italian Law Notes and the Notes to be redeemed will not be selected as provided in the Terms and Conditions for the English Law Notes and the Terms and Conditions for the Italian Law Notes but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg, at their discretion, as either a pool factor or a reduction in principal amount).

Notices: Notwithstanding Condition 12 (*Notices*) of the Terms and Conditions for the English Law Notes and Condition 12 (*Notices*) of the Terms and Conditions for the

Italian Law Notes, while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 12 (*Notices*) of the Terms and Conditions for the English Law Notes and Condition 12 (*Notices*) of the Terms and Conditions for the Italian Law Notes on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that so long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Payment Business Day: While all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository or safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, "**Payment Business Day**" means:

- (a) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

DESCRIPTION OF THE ISSUER

OVERVIEW AND HISTORY

Credito Valtellinese is a company limited by shares (società per azioni) incorporated and operating under the laws of Italy and was originally established in Sondrio on 12 July 1908 under the name of "Banca Piccolo Credito Valtellinese" by 60 founding shareholders. One of the first credit institutions to be established in the Valtellina region of Lombardy, it opened its first branch in the province of Sondrio in December 1908. Credito Valtellinese was formed to promote savings by local customers and provide banking services to support its customers' business activities. The Issuer previously operated as a co-operative company (società cooperativa) until 31 October 2016, when it was transformed into a company limited by shares (see "- Transformation into S.p.A." below).

The Issuer is registered at the Companies' Registry (Registro delle Imprese) of the Chamber of Commerce of Sondrio under registration number 00043260140. Its registered office is at Piazza Quadrivio 8, 23100 Sondrio, Italy and its telephone number is +39 0342 522111. Credito Valtellinese's network consists of 362 branches located mainly in the region of Lombardy which is one of the most industrialised areas of Italy. The corporate duration of Credito Valtellinese will last until 12 July 2058, which may be extended by a resolution passed at an extraordinary shareholders' meeting.

The Issuer's corporate objects, as set out in Article 2 of its by-laws, are the taking of savings deposits and the extension of credit, paying particular attention to the creation of value locally where it is present through its own distribution network and that of the Group and supporting the development of businesses, particularly small businesses and co-operatives. Credito Valtellinese is authorised to perform, in accordance with applicable law, any banking or financial services or transactions, as well as any transaction necessary for or incidental to the achievement of such objects. Credito Valtellinese has traditionally concentrated on a customer base of small and medium-sized businesses in Lombardy, offering corporate and retail banking.

Credito Valtellinese is the holding company of the Credito Valtellinese banking group, comprising Credito Valtellinese and its banking subsidiaries (the "**Credito Valtellinese Group**" or the "**Group**"). The Group offers a broad range of products in the banking and financial sectors including private banking (private consulting), corporate finance, remote banking, bank insurance and financial leasing, as well as technical services such as information technology and real estate management.

The Group laid the groundwork of its present structure in the early eighties, when Credito Valtellinese, a small local bank, outlined all necessary preconditions for the implementation of a business model – unprecedented, at that time – conceived as a "net-company", by taking over Technoleasing (turned later in Bancaperta, point of financial competence of the Group up to 2011), the establishment of companies as Bankadati, the information technology centre, Stelline, for the real estate property management, and Deltas, to preside the business plan as a whole.

Ever since, the history of the Group keeps pace with its growth, strengthening and gradual integration in areas marked by similar corporate culture.

The significant turning point dates back to 1996, with Credito Artigiano, historic private Milan – based bank, joining the Group. Years later the development increases in Sicily with Banca Popolare Santa Venera in Acireale, Cassa San Giacomo in Caltagirone and Banca Regionale Sant'Angelo: in 2002 Credito Siciliano originates from the merger of these three banks.

Then follows Banca dell'Artigianato e dell'Industria in Brescia and in 2008, celebrating year of Credito Valtellinese centenary, is the turn of Credito Piemontese and Carifano - Cassa di Risparmio di Fano, joined by two small banks from Latium, Banca Cattolica in Montefiascone and Credito del Lazio, formerly Banca della Ciociaria

The "2011-2014 Business Plan" represents a significant turning point, heading toward a phase of structural consolidation and simplification of the Group, preconditions necessary for a new period of development, following a path oriented to creating value over the medium term.

Thus, in 2011, the first organizational set-up of the company structure is attained with the merger of Bancaperta, Credito Piemontese and Banca dell'Artigianato e dell'Industria into the parent company, followed by incorporation of Banca Cattolica and Credito del Lazio into Credito Artigiano and the founding of the banking entity New Carifano.

In 2012 the organization project of the Group company structure is accomplished with the merger of Credito Artigiano into Credito Valtellinese, so that its operative network now directly covers almost entirely the country regions overseen by the Group, with the exception of Sicily, where Credito Siciliano is established, and Marche and Umbria, regions where Carifano is operative.

At the end of 2016 Carifano is incorporated in the parent Company, marking a further step of simplification of the Group structure.

With effect from 31 October 2016, following registration of the relevant resolutions at the local Companies' Registry of Sondrio, the Issuer transformed into a Joint Stock Company (Società per Azioni).

During the 2018 the process of restructuring and simplification of the Group completed through the incorporation of Credito Siciliano into Credito Valtellinese.

Share capital

As at 30 June 2019 Credito Valtellinese had an authorised and issued share capital of €1,916,782,887 consisting of 7.014.969.446 ordinary shares.

The shares of Credito Valtellinese have been listed on the Italian Stock Exchange since 1994.

Shareholders

As at 30 August 2019 among the main shareholders we find Altera Absolute Investments, DGFD SA, Algebris Limited, Hosking Partners LLP, Credit Agricole SA. No natural or legal persons exercise control over the Issuer for the purposes of the relevant legislation in Italy and, following the transformation of the Issuer into a

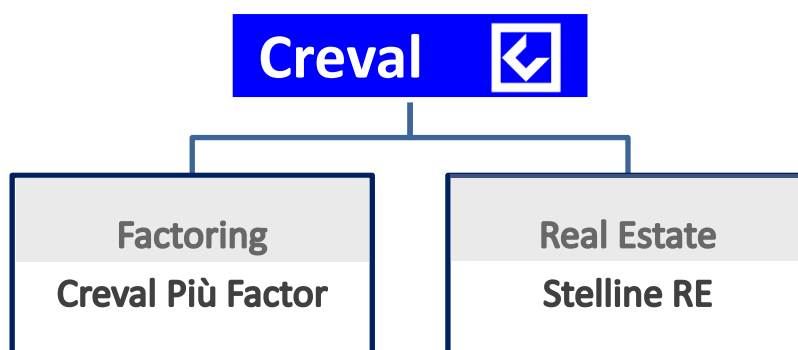
company limited by shares (società per azioni or S.p.A.), the "one shareholder, on vote" rule applicable to co-operative companies no longer applies to the Issuer.

GROUP STRUCTURE

Creval is a medium-size banking group, based in Sondrio - Northern Italy. The nationwide group network covers 11 of the 20 Italy's regions, through a network of 362 branches. Listed in the Italian Stock Exchange. The banking activity is mainly committed to households, SMEs, artisans, professionals and non-profit organizations: an intangible asset of around one million relationships, constantly increasing.

Credito Valtellinese Group's structure follows an organizational model based on the enhancement of the territorial roots into specific operational areas, on distinctive skills and specializations of other components, on alliances and commercial agreements with leading financial institutions.

In addition to the Parent Company Credito Valtellinese, the Group includes specialized companies and special purpose entities to support the banking business, with a view to synergies and economies of scale.



The Organisational Model of the Group defined as a “network company” model, assigns the reference market share to the territorial bank and the required operating support to the specialised finance and special-purpose companies. Therefore, it is based on the full enhancement of the distinctive skills of each member, with the purpose of achieving the maximum efficiency and competitiveness, on their functional and operational correlation, on the adoption in the corporate process management of the same rules and methods. This allows to overcome size restrictions and fully to benefit from the advantage of proximity with regard to the areas of choice, combining effectively specialisation and flexibility, production and distribution functions.

Over the past few years, the Issuer has implemented a reorganisation of the Group as part of a simplification of its corporate and organisational structure. The group is composed by:

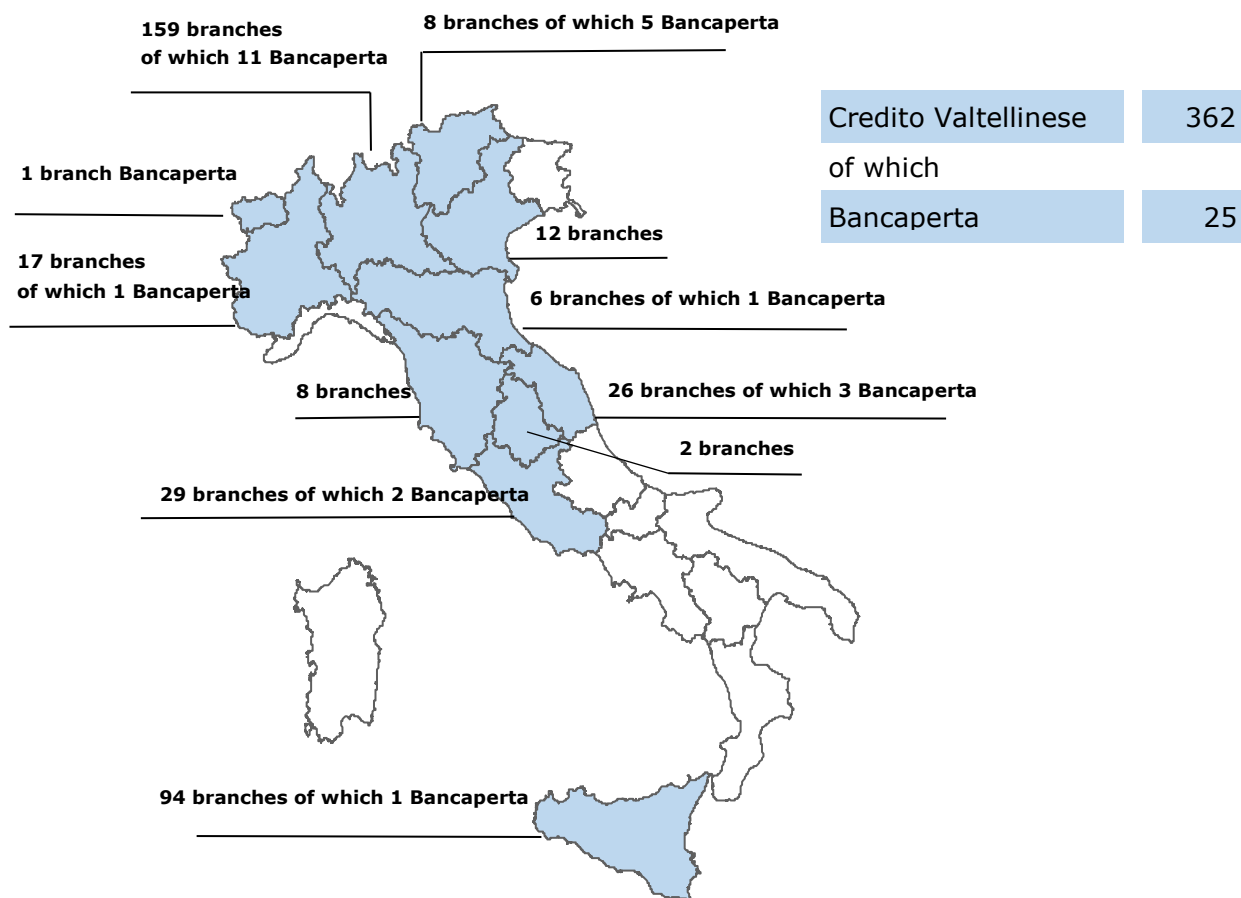
- Credito Valtellinese S.p.A., the Parent, covers 11 of the 20 Italy's regions, through a network of 362 branches most of which are in Lombardy, as well as in Aosta Valley, Piedmont, Veneto, Trentino Alto Adige, Emilia Romagna, Tuscany, Lazio, Marche, Umbria and Sicily.

- Creval PiùFactor S.p.A., group company exclusively dedicated to the activity of granting loans to the public pursuant to articles 106 and following of the D. Lgs. 1 September 1993, n. 385 (TUB)
- Stelling Real Estate S.p.A., R.E.o.Co. (Real Estate Owned Company), Group company exclusively dedicated to asset repossessing.

Branch network

There are 362 branches that at 30 June 2019 constitute the territorial network of the Credito Valtellinese Group.

During the last years, actions to reduce costs continued, in line with the objectives defined in the Business Plan on the rationalization of the sales network and the increase in operating efficiency. These interventions have enabled to reduce operating costs related to the maintenance of branches and to concentrate operations on structured branches, increasing the skills and level of service to corporate, retail and affluent customers, with a view to increase progressively the levels of cross selling, customer share of wallet and revenues generated by the customer base.

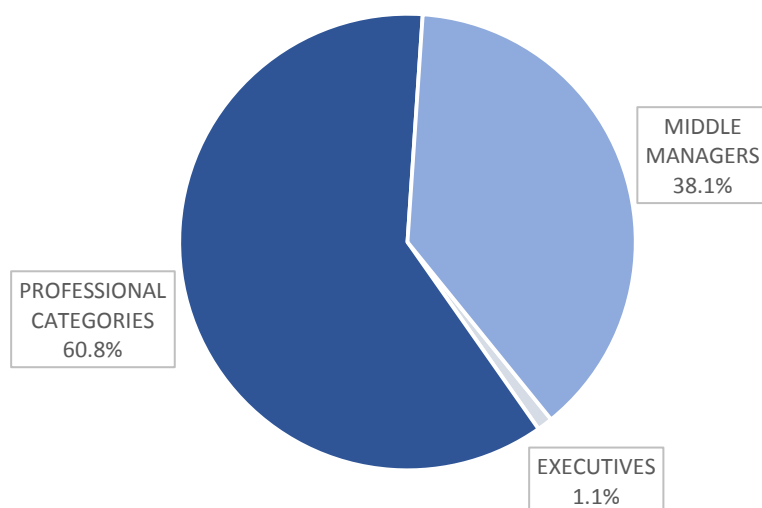


The personnel

At the end of June 2019, the registered workforce of the companies included in the consolidation scope of the Group consisted of 3,677 collaborators (compared to 3,678 resources at the end of 2018). These include 9 collaborators employed by companies or entities outside the Group, among them Fondazione Gruppo Credito Valtellinese and the Pension Fund for the Employees of the Credito Valtellinese Group.

In terms of professional categories, the total workforce of 3,677 can be broken down as follows:

- 39 executives;
- 1,402 middle managers;
- 2,236 workers in other professional categories.



Management

Credito Valtellinese adopts the traditional administration and control system referred to in paragraphs 2, 3 and 4 of Section VI-bis, Chapter V, Title V, Book V of the Civil Code, based on the presence of a Board of Directors and a Board of Statutory Auditors appointed by the Shareholders' Meeting.

The Shareholders' Meeting represents the universality of the Members. It is the decision-making body of the company, which is placed in an apical position with respect to supervision, management and control.

It is ordinary and / or extraordinary and has the powers attributed to it by law and by the articles of association.

The ordinary and extraordinary administration of the company is assigned to the Board of Directors appointed by the Shareholders' Meeting, after determining the number of its

members. It may delegate its powers to the Executive Committee and appoint Board Committees internally.

General Management

The current members of Credito Valtellinese's General Management are listed in the table below.

Name	Title
Luigi Lovaglio	CEO & Managing Director
Umberto Colli	Deputy General Manager Vicar
Vittorio Pellegatta	Deputy General Manager & Chief Lending Officer (CLO)
Enzo Rocca	Deputy General Manager & Head of Compliance and Anti-money Laundering Department
Fabio Salis	Chief Risk Officer (CRO)
Simona Orietti	Manager in charge of financial reporting

Board of Directors

The Company's Board of Directors consists of 15 members elected by the Shareholders' Meeting.

Members of the Board of Directors are elected for three years, except for more short duration established by the Shareholders' Meeting at the time of appointment. The Directors expire on the date of the Shareholders' Meeting called to approve the related financial statements at the last financial year of their office and are re-eligible.

Board Members must meet the requirements of honorability, professionalism, independence, competence and fairness established by law, as well as other requirements that may be required by the regulatory framework and regulations in force in order to guarantee the right and prudent management of the Bank.

Name	Title	Principal activities outside the company
Alessandro Trotter	Chairman	Statutory Auditor of Eurotlx SIM S.p.A.; Chairman of the Statutory Auditors of Rotolito S.p.A.; Statutory Auditor of Salini Impregilo S.p.A. Limited partner (<i>socio accomandante</i>) Alca sas
Stefano Caselli	Deputy	Management Board Member of

	Chairman		SPEED MI UP Board Member of SIAS S.p.A.; General Director of Real Estate SGR S.p.A.; Board Member of EPS Equita PEP SPAC 2 S.p.A.; Board Memeber of ICF Group S.p.A.;
Luigi Lovaglio	CEO Managing Director	& -----	
Livia Aliberti Amidani	Director		Statutory Auditor of Recordati S.p.A.; Board Member of Neodecortech S.p.A.;
Elena Beccalli	Director	-----	
Paola Bruno	Director		Board Member of Retelilt S.p.A.; Board Member of Alerion S.p.A.; Board Member of SEC S.p.A.;
Maria Giovanna Calloni	Director	-----	
Carlo Crosara	Director		Board Member e Deputy Chairman Neafidi soc. coop. per azioni
Anna Doro	Director		Stautory Auditor of Telecom S.p.A.
Fausto Galmarini	Director		Board Member of Hypo Alpe Adria Bank S.p.A.
Serena Gatteschi	Director		Stautory Auditor of UnoAerre S.p.A.; Stautory Auditor of Bertolotti S.p.A.; Stautory Auditor of Novart s.r.l.;
Stefano Gatti	Director	-----	
Jacob F. Kalma	Director	-----	
Teresa Naddeo	Director		Stautory Auditor of Salini Impregilo S.p.A.;
Massimiliano Scrocchi	Director	-----	

Board of Statutory Auditors

The Board of Statutory Auditors is signed by the Ordinary Shareholders' Meeting and consists of three statutory auditors and two alternate auditors, meeting the requisites prescribed by the law.

The Statutory Auditors remain in office for three financial years, expiring on the date of the Shareholders' Meeting convened for the approval of the financial statements for the third year of the office and are re-eligible.

Name	Title	Principal activities outside the company
Francesca Maurelli	Michela Chairman	Statutory Auditor of Azienda Multiservizi Energia Ambiente S.p.A. Sole Director of RESLOC IT S.r.l. Statutory Auditor of Acque Blu Fiorentine S.p.A. Sole Director of Vaim S.r.l. Sole Director of Ge.Fin. S.r.l. Sole Director of COSMO SPV S.r.l. Sole Director of CORALLO SPV S.r.l.
Paolo Cevolani	Standing Auditor	Chairman of the Statutory Auditors of Pastore & Lombardi S.p.A. Chairman of the Statutory Auditors of Giulio Hilbe S.p.A. Chairman of the Statutory Auditors of Hilbe S.p.A. Statutory Auditor of GP Sei S.r.l. Statutory Auditor of RTC S.p.A. Statutory Auditor of Thur srl Statutory Auditor of Uretek Solutions S.r.l. Statutory Auditor of Uretek Italia S.p.A. Statutory Auditor of Casa di Cura Villa Esperia S.p.A.
Alessandro Stradi	Standing Auditor	Chairman of the Statutory Auditors of Orefici Finance S.p.A. Board Member of Abaco Commercialisti Associati Consigliere DIGI S.r.l.
Simonetta Bissoli	Substitute Auditor	Chairman of the Statutory Auditors of CLU S.p.A.

Name	Title	Principal activities outside the company
Francesco Fallacara	Substitute Auditor	Chairman of the Statutory Auditors of Pirelli & C. S.p.A. Statutory Auditor of Ro.Co.Edil Romana Costruzioni Edilizie S.r.l. Managing Partner (<i>socio amministratore</i>) Patty società semplice Chairman of the Statutory Auditors of Maire Tecnimont S.p.A. Chairman of the Statutory Auditors of Fondazione Link Campus University Statutory Auditor of Hairfilm S.r.l. Statutory Auditor of Eniprogetti S.p.A.

Potential conflicts of interests

As far as Credito Valtellinese is aware, there are no potential conflicts of interest between the duties of its Directors, Statutory Auditors and members of the General Management to Credito Valtellinese and their private interests and other duties.

The members of the administrative, management and control bodies of the Issuer are required to implement the following provisions governing circumstances in which there exists a specific interest concerning the implementation of a transaction:

- Article 53 (Supervisory regulations) of the Consolidated Banking Act and the relevant implementing regulations issued by the Bank of Italy, with particular reference to the supervisory regulations relating to transactions with related parties;
- Article 136 (Duties of banking officers) of the Consolidated Banking Act which requires the adoption of a particular authorisation procedure where an officer, directly or indirectly, assumes obligations towards the bank in which such officer has an administrative, management or control function;
- Article 2391 ('Directors' interests) of the Italian Civil Code; and
- Article 2391-bis (Transactions with related parties) of the Italian Civil Code.

The Issuer and its corporate bodies have adopted internal measures and procedures to guarantee compliance with the above-mentioned provisions.

Litigation

A provision was made in the financial statements of the Bank and of the Group, appropriate and consistent with the policy for calculating the provisions adopted by the Group, in order to mitigate the potential economic losses resulting from the pending legal proceedings with regard to the Bank and the banks belonging to the Group.

As at 30 June 2019, there are 1,102 actions brought against the companies belonging to the Group for an overall amount of Euro 171 million, in respect of which a total loss of Euro 26 million is expected.

Details of the existing actions brought against the Bank are shown below:

Type of cases	No. Of cases	Relief sought (in millions of EUR)	Provision made (in millions of EUR)
Compound interests	259	32	7
Bankruptcy clawbacks	39	48	8
Investment services	33	23	2
Other	771	68	9
Total	1,102	171	26

There are also 391 out-of-court claims for which a total loss of approximately EUR 2.1 million is estimated.

The main information concerning the most significant actions brought against the Group is summarised below.

Gianfranco Ferrè in A.S.

In 2012, the receivership of Gianfranco Ferrè in A.S. started bankruptcy clawback proceedings against Credito Artigiano S.p.A., now incorporated in Credito Valtellinese S.p.A., pursuant to article 67 of the Italian Insolvency Law, with reference to the settlement remittances paid into the current account of the company quantified by the counterparty in Euro 10.4 million. The Court of Isernia rejected the requests made by the receivership in their entirety, considering that the subjective profile of the relevant action proposed by the receivership was non-existent. The receivership appealed against the first instance judgement and Creval appeared before the court.

Ministry of Economy and Finance

On 3 February 2014, a claim was notified to Credito Valtellinese by the Italian Ministry of Economy and Finance (“MEF”) in relation to the alleged non-payment by the Bank of interest due as a result of the exercise of the right to redeem the financial instruments issued pursuant to article 12 of Italian Law Decree no. 185 of 29 November 2008, amended and converted by Italian Law no. 2 of 28 January 2009 (known as Tremonti-bond). The MEF asked the Court of Rome to order the Bank to pay a total amount of Euro 16.86 million. In this regard, on 18 June 2013 the Bank informed the MEF of its intention not to pay the amount of Euro 16.86 million (corresponding to the interests accrued on a pro rata basis up to the redemption date and calculated in proportion to the interest paid on the immediately preceding interest payment date); the Bank claimed that such interest is not due on the basis of the applicable regulations and the relevant financial instruments prospectus. The Bank appeared before the Court claiming that, at the time of redemption of the financial instruments, there was no interest payment obligation as the latest consolidated financial statements available on the redemption date, or the 2012 financial statements, approved by the Board of Directors of the Bank on 19 March 2013, showed a total loss for the relevant year. The financial instruments were included among equity instruments and the related interests were paid through equity. Any further interest payments had to be recognised by offsetting equity. The Court of Rome, in its decision of 7 June 2019, fully rejected the requests of the MEF. However, the judgement has not yet become final.

Saba S.r.l.

The company initiated proceedings against Credito Siciliano S.p.A. alleging irregularities in the management by the bank of the loans disbursed to the company itself (with a special reference to a mortgage loan). The company claims that, as a result of these irregularities, it had undergone economic damages quantified in Euro 11.8 million. At the hearing of 12 March 2019, the Court decided the case and rejected almost in full the requests for investigation made by the company, admitting only the request with respect to the failure by the Bank to grant new finance.

Le Betulle S.p.A. (Marina di Archimede)

The lawsuit concerns a claim for damages of Euro 6.65 million related to the case of abusive lending. The claim has been brought jointly against Credito S.p.A., as assignee of Mediocreval and Credito Siciliano S.p.A., and the other banks participating in the pool which had financed the company Marina di Archimede S.p.A. for the construction of the marina of Siracusa, Italy, as well as against Rina Services S.p.A., which had been appointed as the entity responsible for verifying the work progress, and Rina Check. The construction project was never completed and the financed company, in default, was admitted to the pre-insolvency proceeding. The plaintiff, Le Betulle S.p.A., former creditor of the insolvent company Marina di Archimede S.p.A., contests the banks' unlawful performance of the loan agreement, which induced creditors to reasonably rely on the solvency of the financed party. The Court rejected all the requests for preliminary investigations and adjourned the case for the taking of evidence to 15 January 2020 without accepting any of the evidence requested by the plaintiff. At this stage, the risk of losing the case is considered to be remote.

Rating

The Issuer currently engages the following rating agencies for the purposes of rating its debt:

		Moody's		
Type of rating		Rating	Action	Outlook
Baseline Credit Assessment		b1	Upgrade	
Adjusted Baseline Credit Assessment		b1	Upgrade	
LT Bank Deposits		Ba3	Confirmed	Negative
ST Bank Deposits		NP	Confirmed	
Senior Unsecured MTN		(P)B2	Confirmed	
Subordinate MTN		(P)B2	Upgrade	
LT Counterparty Risk Rating		Ba2	Confirmed	
ST Counterparty		NP	Confirmed	

Risk Rating

LT Counterparty Risk Assessment	Ba1(cr)	Upgrade
ST Counterparty Risk Assessment	NP(cr)	Confirmed

DBRS

Type of rating	Rating	Action	Trend
Long-Term Issuer Rating	BB (high)	Upgrade	Stable
Long-Term Senior Debt	BB (high)	Upgrade	Stable
Long-Term Deposits	BBB (low)	Upgrade	Stable
Short-Term Issuer Rating	R-3	Upgrade	Stable
Short-Term Debt	R-3	Upgrade	Stable
Short-Term Deposits	R-2 (middle)	Upgrade	Stable
Senior Long-Term Notes - EUR 5 billion EMTN Programme	BB (high)	Upgrade	Stable
Senior Short-Term Notes - EUR 5 billion EMTN Programme	R-3	Upgrade	Stable
Mandatory Subordinated Debt (Tier 2) - EUR 5 billion EMTN Programme	BB (low)	Upgrade	Stable

External Auditors

The Issuer has appointed KPMG S.p.A. as its auditors for the financial years from 2012 to 2020.

CONSOLIDATED HIGHLIGHTS AND ALTERNATIVE PERFORMANCE INDICATORS

STATEMENT OF FINANCIAL POSITION DATA	30/06/2019	31/12/2018	Change
(in thousands of EUR)			
Loans and receivables with customers	19,757,148	21,413,093	-7.73%
Financial assets and liabilities at fair value	1,918,737	2,038,300	-5.87%
Non-current assets held for sale and disposal groups	86,099	75,548	13.97%
Total assets	25,024,165	26,472,669	-5.47%
Direct funding from customers	19,231,732	19,944,672	-3.57%
Indirect funding from customers	10,317,436	10,060,828	2.55%
of which:			
- Managed funds	7,315,191	7,059,571	3.62%
Total funding	29,549,168	30,005,500	-1.52%
Equity	1,613,669	1,566,242	3.03%
SOLVENCY RATIOS	30/06/2019	31/12/2018	
Common Equity Tier 1 capital / Risk-weighted assets (CET1 capital ratio)	18.5%	18.3%	
Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)	18.5%	18.3%	
Total own funds / Risk-weighted assets (Total capital ratio)	20.3%	20.2%	
FINANCIAL STATEMENT RATIOS	30/06/2019	31/12/2018	
Indirect funding from customers / Total funding	34.9%	33.5%	
Managed funds / Indirect funding from customers	70.9%	70.2%	
Direct funding from customers / Total liabilities and equity	76.9%	75.3%	
Loans and receivables with customers / Direct funding from customers	102.7%	107.4%	
Loans and receivables with customers / Total assets	79.0%	80.9%	

CREDIT RISK	30/06/2019	31/12/2018	Change
Net bad loans (in thousands of EUR)	161,439	204,422	-21.03%
Other net doubtful loans (in thousands of EUR)	632,963	666,761	-5.07%
Net non-performing loans (in thousands of EUR)	794,402	871,183	-8.81%
Net bad loans / Loans and receivables with customers	0.8%	1.0%	
Other net doubtful loans / Loans and receivables with customers	3.2%	3.1%	
Net non-performing loans / Loans and receivables with customers	4.0%	4.1%	

Loans and receivables with customers classified under Non-current assets held for sale and disposal groups are not included.

INCOME STATEMENT DATA	1st half of 2019	1st half of 2018	Change
(in thousands of EUR)			
Net interest income	178,573	178,879	-0.17%
Operating income	331,222	340,979	-2.86%
Operating costs	(234,012)	(306,956)	-23.76%
Net Operating profit	97,210	34,023	185.72%
Pre-tax profit from continuing operations	(3,700)	(28,232)	-86.89%
Post-tax profit (loss) from continuing operations	23,546	2,545	n.s.
Profit (Loss) for the year	23,546	824	n.s.

With reference to the financial highlights and alternative performance indicators represented above, the amounts used for their calculation, if not specified in the notes to the tables, are indicated in “Information on the main statement of financial position items and on consolidated income statement figures”. These indicators, prepared by the management, provide additional information to investors since they facilitate the understanding of statement of financial position and income statement, they should not be considered as a replacement of those required by IAS/IFRS, they are not always comparable with those provided by other banks and they are provided in accordance with the indications contained in Consob Communication no. 6064293 of 28 July 2006 and in ESMA's Recommendation on alternative performance indicators.

INFORMATION ON THE MAIN STATEMENT OF FINANCIAL POSITION ITEMS AND ON CONSOLIDATED INCOME STATEMENT FIGURES

The interim results are commented upon in summary format, drawn up on a consolidated basis, reclassified according to the presentation criteria considered most appropriate for presenting a fair view of the Group's operating performance.

The aggregates and reclassifications regarding items of the financial statements as envisaged in Bank of Italy Circular no. 262/05 as amended are detailed in the Notes to the financial statements.

The consolidated results include, as from 1 January 2019, the effects of the adoption of IFRS 16, which entails a different accounting of existing lease transactions from both an economic and a financial point of view. The comparison period, referring to 31 December 2018 and the first half of 2018, has not been restated. Therefore, some elements are not perfectly comparable as reported in the comments.

The reclassified consolidated statement of financial position is shown below.

ASSETS	30/06/2019	31/12/2018	Change
Cash and cash equivalents	168,203	200,153	-15.96%
Financial assets at fair value through profit or loss	202,800	235,378	-13.84%
Financial assets at fair value through other comprehensive income	1,874,934	1,937,531	-3.23%
Loans and receivables with banks	1,251,681	1,205,925	3.79%
Loans and receivables with customers	19,757,148	21,413,093	-7.73%
Equity investments	17,702	20,269	-12.66%
Property, equipment and investment property and intangible assets ⁽¹⁾	609,177	447,642	36.09%
Non-current assets held for sale and disposal groups	86,099	75,548	13.97%
Other assets ⁽²⁾	1,056,421	937,130	12.73%
Total assets	25,024,165	26,472,669	-5.47%

(1) Include the items "90. Property, equipment and investment property" and "100. Intangible assets"

(2) Include the items "110. Tax assets" and "130. Other assets"

LIABILITIES AND EQUITY	30/06/2019	31/12/2018	Change
Due to banks	3,232,949	4,096,231	-21.08%
Direct funding from customers ⁽¹⁾	19,231,732	19,944,672	-3.57%
Financial liabilities held for trading	63	64	-1.56%
Hedging derivatives	158,934	134,545	18.13%
Liabilities included in disposal groups classified as held for sale	2,347	2,271	3.35%
Other liabilities	539,498	491,739	9.71%
Provisions for specific purpose ⁽²⁾	244,953	236,885	3.41%
Equity attributable to non-controlling interests	20	20	-
Equity ⁽³⁾	1,613,669	1,566,242	3.03%
Total liabilities and equity	25,024,165	26,472,669	-5.47%

(1) Includes items "10. Financial liabilities at amortised cost: b) due to customers; c) securities issued"

(2) Includes items "60. Tax liabilities, "90. Post-employment benefits" and "100. Provisions for risks and charges"

(3) Includes items "120. Valuation reserves", "150. Reserves", "160. Share premium reserve", "170. Capital", "180. Treasury shares", and "200. Profit for the period".

Loans and receivables with customers

Net loans and receivables with customers, excluding loans represented by securities, amounted to EUR 14.6 billion, down by 6.7% compared to 31 December 2018, following the cancellation of reverse repurchase agreements (EUR 435.7 million at the end of 2018) and a commercial activity more focused on retail customers that led to an increase in loans to the latter of 0.9% and a decrease in exposures to corporate and institutional customers of 5.2%.

If loans represented by debt instruments (mainly government bonds) are included in the aggregate, total net loans amounted to EUR 19.8 billion, a decrease of 7.7% compared to the figure at the end of 2018, mainly as a result of the reduction of the securities portfolio.

(in thousands of EUR)	30/06/2019	31/12/2018	Change
Current accounts	2,035,320	2,185,395	-6.87%
Reverse repurchase agreements	-	435,673	-100.00%
Mortgages	9,928,733	9,808,860	1.22%
Credit cards, personal loans and salary-backed loans	143,194	189,104	-24.28%
Finance leases	302,926	323,328	-6.31%
Factoring	155,521	165,565	-6.07%
Other loans	1,247,076	1,681,911	-25.85%
Total net performing trade receivables	13,812,770	14,789,836	-6.61%
Debt instruments	5,149,976	5,752,074	-10.47%
Total net performing loans and receivables	18,962,746	20,541,910	-7.69%
Bad loans	161,439	204,422	-21.03%
Unlikely to pay	576,434	605,255	-4.76%
Past due non-performing loans	56,529	61,506	-8.09%
Total net non-performing loans and receivables	794,402	871,183	-8.81%
Total net loans and receivables	19,757,148	21,413,093	-7.73%

Within the aggregate, net non-performing loans totalled EUR 794.4 million, down 8.8% compared to 31 December 2018 (EUR 871 million).

In particular, bad loans amounted to EUR 161 million, down by 21% compared to 31 December 2018 (EUR 204 million); unlikely to pay reached EUR 576 million, down by 4.8% compared to 31 December 2018 (EUR 605 million); past due non-performing loans reached EUR 57 million, down by 8.1% compared to 31 December 2018 (EUR 62 million).

The Gross Non-performing loans ratio as at 30 June 2019 is equal to 9.2% (8.7% as at 31 December 2018). It has been significantly reduced from 27.3% as at 31 December 2016. Excluding the Government bonds classified in the loans and receivable with customers, the Gross Non-performing ratio is equal to 11.4% (11.0% as at 31 December 2018).

The Net Non-performing loans ratio as at 30 June 2019 is equal to 4.0% (4.1% as at 31 December 2018). It was 18.1% as at 31 December 2016. Excluding the Government bonds classified in the loans and receivable with customers, the Net Non-performing ratio is equal to 5.1% (5.2% as at 31 December 2018).

The coverage ratio of non-performing loans stood at 58.9%, a further strengthening compared to the figure of 55.9% at 31 December 2018. This increase is mainly related to the inclusion in the assessment of sales scenarios in line with the sale of NPL as envisaged in the 2019-2023 Business Plan.

In detail, the coverage of the individual categories of non-performing loans is as follows:

- bad loans at 81.4% (75.1% at 31 December 2018);
- unlikely to pay at 42.3% (44.1% at 31 December 2018);
- past-due non-performing loans at 11.5% (15.7% at 31 December 2018).

(in thousands of EUR)	30/06/2019				31/12/2018			
	Gross amount	Impairment losses	Carrying amount	% coverage	Gross amount	Impairment losses	Carrying amount	% coverage
Non-performing loans								
Bad loans	869,941	-708,502	161,439	81.4%	820,875	-616,453	204,422	75.1%
Unlikely to pay	999,094	-422,660	576,434	42.3%	1,082,291	-477,036	605,255	44.1%
Past due non-performing loans	63,872	-7,343	56,529	11.5%	72,952	-11,446	61,506	15.7%
Total non-performing loans	1,932,907	-1,138,505	794,402	58.9%	1,976,118	-1,104,935	871,183	55.9%
Performing loans - stage 1	17,560,954	-27,530	17,533,424	0.16%	19,008,566	-34,170	18,974,396	0.18%
Performing loans - stage 2	1,494,468	-65,146	1,429,322	4.36%	1,629,593	-62,079	1,567,514	3.81%
Total loans and receivables with customers	20,988,329	-1,231,181	19,757,148		22,614,277	-1,201,184	21,413,093	

The coverage ratio is calculated as the ratio between impairment losses and the gross amount

Loans and receivables with customers classified under Non-current assets held for sale and disposal groups are not included

Non-performing exposures include government bonds for a gross amount of EUR 4,088,838 thousand at 30 June 2019.

Non-performing exposures include government bonds for a gross amount of EUR 4,622,106 thousand at 31 December 2018.

The coverage for performing loans and receivables with customers (excluding government bonds) was 0.6%, in line with the figure at 31 December 2018.

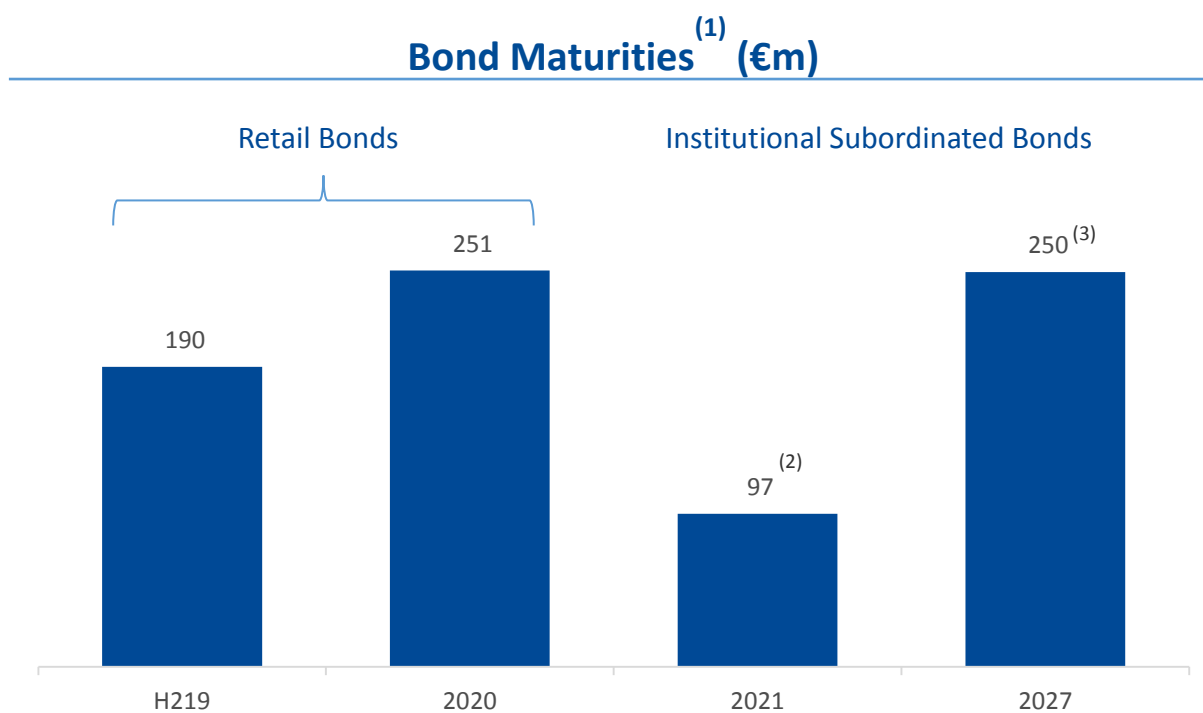
Funding from customers

Direct funding from customers, excluding repurchase agreements, amounted to EUR 17.3 billion, up 6.7% compared to 31 December 2018, driven by the increase in deposits (+10.2%) as a result of the positive performance of the commercial policy implemented during the half-year.

Total direct funding following the gradual reduction in repurchase agreements during the first half of this year (-48.9% from 31 December 2018), amounted to EUR 19.2 billion, down 3.6% compared to 31 December 2018.

(in thousands of EUR)	30/06/2019	31/12/2018	Change
Current accounts and sight deposits	12,840,573	12,880,570	-0.31%
Repurchase agreements	1,892,097	3,701,406	-48.88%
Term deposits	2,675,479	1,309,565	104.30%
Other	627,520	503,747	24.57%
Due to customers	18,035,669	18,395,288	-1.95%
Securities issued	1,196,063	1,549,384	-22.80%
Total direct funding from customers	19,231,732	19,944,672	-3.57%

The bond maturities profile as at 30 June 2019 is the following:



(1) Principal amounts. Managerial data. (2) Bullet. (3) Callable in 2022.

Indirect funding amounted to EUR 10.3 billion, up 2.6% compared to 31 December 2018, driven by the increase in managed funds, which amounted to EUR 7.3 billion (+3.6% since the beginning of the year). Assets under administration amounted to EUR 3.0 billion, in line with the figure at 31 December 2018.

(in thousands of EUR)	30/06/2019	31/12/2018	Change
Asset management	1,085,268	1,149,522	-5.59%
Mutual funds	3,344,872	3,174,308	5.37%
Insurance funds	2,885,051	2,735,741	5.46%
Total Managed funds	7,315,191	7,059,571	3.62%
Assets under administration	3,002,245	3,001,257	0.03%
Total indirect funding	10,317,436	10,060,828	2.55%

Financial assets and liabilities at fair value

Financial assets at fair value amounted to EUR 2.1 billion. Of these, EUR 1.9 billion were represented by Italian government bonds, mainly recognised in the portfolio of Financial assets at fair value through other comprehensive income. The valuation reserve on securities recognised as financial assets at fair value through other comprehensive income, recorded among equity items net of tax effects, was negative for EUR 4 million and almost entirely related to government bonds.

(in thousands of EUR)	30/06/2019	31/12/2018	Change
Financial assets and liabilities at fair value through profit or loss			
Debt instruments	2,586	13,520	-80.87%
Equity instruments and OEIC units	199,983	221,798	-9.84%
Derivative financial instruments with positive fair value	231	60	n.s.
Total assets	202,800	235,378	-13.84%
Derivative financial instruments with negative fair value	-63	-64	-1.56%
Total assets and liabilities	202,737	235,314	-13.84%
Financial assets at fair value through other comprehensive income			
Debt instruments	1,811,338	1,874,925	-3.39%
Equity instruments	63,596	62,606	1.58%
Total	1,874,934	1,937,531	-3.23%
Hedging derivatives	-158,934	-134,545	18.13%

Financial assets and liabilities at fair value **1,918,737** **2,038,300** **-5.87%**

Equity investments

The total carrying amount of equity investments at 30 June 2019, accounted at equity, was EUR 17.7 million.

The portfolio represents only equity investments in companies subject to joint control and to significant influence - companies in which Credito Valtellinese has a direct or indirect holding of at least 20% of voting rights, “potential” voting rights or, albeit with a lower percentage, has the power to influence financial and management policy through specific legal positions.

The main equity investments are summarised below.

	% equity investment	30/06/2019	31/12/2018
		Carrying amount (thousands of EUR)	
Generalfinance S.p.A.	46.81%	16,859	16,688
Creset - Crediti, Servizi e Tecnologie S.p.A.	40.00%	-	2,564
Global Broker S.p.A.	30.00%	436	612
Other		407	405
Total		17,702	20,269

The equity investment in Creset - Crediti, Servizi e Tecnologie S.p.A. at 30 June 2019 was reclassified to non-current assets and disposal groups following the exercise of the put option.

Equity attributable to the owners of the parent

The equity attributable to the owners of the parent at 30 June 2019 amounted to EUR 1,614 million compared to EUR 1,566 million at 31 December 2018.

The statement of reconciliation between the Parent's equity and profit (loss) for the period and the corresponding amounts resulting from the consolidated financial statements at the same date, is illustrated below.

(in thousands of EUR)	30/06/2019		31/12/2018	
	Equity	Of which: profit (loss) for the year	Equity	Of which: profit (loss) for the year
Balances as per parent financial statements	1,597,543	28,742	1,550,654	17,853
Investee results as per Separate financial statements:				
- consolidated on a line-by-line basis	(5,708)	(5,708)	4,649	4,649
- equity accounted	817	817	1,988	1,988
Differences compared to carrying amounts for:				
- companies consolidated on a line-by-line basis	20,922	-	10,652	15,507
- equity-accounted companies	1,522	-	259	-
Adjustment to dividends collected during the period:				
- on retained earnings	-	(853)	-	(6,961)
Other consolidation adjustments:				
- elimination of intra-group profit and loss	(655)	340	(981)	(444)
- other adjustments	(772)	208	(979)	(870)
Balances as per Consolidated financial statements	1,613,669	23,546	1,566,242	31,722

Own funds and capital ratios

Phased-in CET1 capital at 30 June 2019 amounted to EUR 1,822 million against risk-weighted assets of EUR 9,872 million. Total own funds amounted to EUR 2,007 million.

The bank's capital ratios show the following values:

- 18.5% for CET1 ratio
- 18.5% for Tier 1 ratio
- 20.3% for Total capital ratio

The ratios are well above the minimum SREP requirements that Creval will have to meet on the basis of the final measure received from the Bank of Italy at the end of the supervisory review process for the year 2019. These requirements must be met as from the reporting of own funds on 30 June 2019 and are equal to:

- 8.25% for CET1 ratio
- 9.75% for Tier 1 ratio
- 11.75% for Total Capital ratio

The fully loaded CET1 ratio (Excluding the transitional regime for the impact of the first-time adoption of IFRS 9) at 30 June 2019 was 14.0%, a further improvement on the figure as at 31 December 2018 (13.5%), and expressed a capital surplus compared to the minimum SREP 2019 requirement (equal to 8.25%), of ~575 basis points.

The leverage ratio on a phased in basis as at 30 June 2019 is equal to 6.98% (6.75% as at 31 December 2018).

(in thousands of EUR)	30/06/2019	31/12/2018
Common Equity Tier 1 capital (CET1)	1,821,902	1,862,128
Tier 1 Capital	1,821,902	1,862,128
Total Own Funds	2,007,289	2,055,556
Credit risk and counterparty risk	692,887	711,887
Credit valuation adjustment risk	943	968
Settlement risks	-	-
Market risks	4,401	7,924
Operational risk	91,493	91,493
Other calculation elements	-	-
Total capital requirements	789,724	812,272
Risk-weighted assets	9,871,553	10,153,395
Common equity tier 1 capital/Risk-weighted assets (CET1 capital ratio)	18.46%	18.34%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	18.46%	18.34%
Total own funds/Risk-weighted assets (Total capital ratio)	20.33%	20.25%

Income statement

The reclassified consolidated income statement is shown below.

ITEMS	1st half of 2019	1st half of 2018	Change
Net interest income	178,573	178,879	-0.17%
Net fee and commission income	123,807	139,422	-11.20%
Dividends and similar income	924	1,867	-50.51%
Profit of equity-accounted investments (1)	817	1,299	-37.11%
Net trading and hedging income and profit on sales/repurchases (2)	22,775	16,473	38.26%
Other operating net income (3)	4,326	3,039	42.35%
Operating income	331,222	340,979	-2.86%

Personnel expenses	(136,811)	(193,432)	-29.27%
Other administrative expenses (4)	(75,346)	(100,957)	-25.37%
Depreciations/amortisation and net impairment losses on property, equipment and investment property and intangible assets (5)	(21,855)	(12,567)	73.91%
Operating costs	(234,012)	(306,956)	-23.76%
Operating profit	97,210	34,023	185.72%
Impairment or reversal of impairment and modification gains (losses) (6)	(101,862)	22,202	n.s.
Profit (Losses) on sale/repurchase of financial assets at amortised cost (7)	6,292	(95,220)	n.s.
Net accruals to provisions for risks and charges	(10,551)	(4,575)	n.s.
Net gains (losses) on sales of investments and valuation differences on property and equipment at fair value (8)	5,211	(19)	n.s.
Badwill (9)	-	15,357	n.s.
Pre-tax loss from continuing operations	(3,700)	(28,232)	-86.89%
Income taxes	27,246	30,777	-11.47%
Post-tax profit from continuing operations	23,546	2,545	n.s.
Profit for the period attributable to non-controlling interests	-	(1,721)	n.s.
Profit for the period	23,546	824	n.s.

(1) Profit of equity-accounted investments include profit (losses) of equity-accounted investments included in item 250 "Net gains (losses) on equity investments"; the residual amount of that item is included in gains on sales of investments, together with item 280 "Net gains (losses) on sales of investments"

(2) Includes item "80. Profits (Losses) on trading", "90. Net hedging income (expense)", "100. Profits (losses) on sale or repurchase of: b) financial assets at fair value through other comprehensive income; c) financial liabilities" and "110. Profits (Losses) on other assets and liabilities at fair value through profit or loss: a) financial assets and liabilities designated at fair value; b) other financial assets mandatorily measured at fair value"

(3) Other income and costs correspond to item "230. Other operating net income" net of the following reclassifications

(4) Other administrative expenses include recoveries of taxes and other recoveries recognised in item "230. Other operating net income" (EUR 18,782 thousand in the first half of 2019 and EUR 21,686 thousand in the first half of 2018)

(5) Depreciation/amortisation and net impairment losses on property, equipment and investment property and intangible assets include items "210. Depreciation and net impairment losses on property, equipment and investment property", "220. Amortisation and net impairment losses on intangible assets" and the accumulated depreciation of costs incurred for leasehold improvements included in item "230. Other operating net income" (EUR 441 thousand in the first half of 2019 and EUR 500 thousand in the first half of 2018)

(6) Include items "130. Net impairment losses for credit risk relating to: a) financial assets at amortised cost; b) financial assets at fair value through other comprehensive income" and "140. Modification gains (losses) without derecognition"

(7) Includes item "100. Profit (Loss) on sale or repurchase of: a) financial assets at amortised cost"

(8) Includes the residual amount of item "250. Net gains (losses) on sales of investments" not included among profit (losses) of equity-accounted investments together with item "280. Net gains (losses) on sales of investments" and item "260. Net result of property, equipment and investment property and intangible assets at fair value", with the exception of the component relating to real estate inventories

(9) the badwill recognised in item "230. Other operating net income"

Net interest income came to EUR 178.6 million, substantially in line with the figure for the first half of 2018 (EUR 178.9 million), despite the negative impact of the recognition, as from 1 January 2019, of interest expense recorded on the present value representing the obligation to make lease payments following the first-time adoption of

IFRS 16. Within the aggregate, the contribution of the securities portfolio amounted to EUR 31.4 million.

In the second quarter of 2019, this figure amounted to EUR 87.3 million, a decrease compared to the previous quarter (EUR 91.3 million) due both to the decrease in repurchase agreements and to the increase in funding volumes in line with the strategy of the Plan.

Net fee and commission income in the second quarter of 2019 amounted to EUR 62.1 million, an increase compared to EUR 61.7 million in the previous quarter as a result of an increase in both commissions from traditional banking activities (+0.7%) and from the managed funds sector (+1.1%). In the first half of the year, the figure amounted to EUR 123.8 million, a decrease of 11.2% year on year, mainly as a result of a reduction in up-front commissions, which were particularly high in the first quarter of 2018.

Net trading and hedging income (expense) and profit (loss) on sales/repurchases amounted to EUR 22.8 million (of which EUR 21.4 million in the second quarter of 2019), up from EUR 16.5 million in the first half of 2018, mainly due to the capital gain from the valuation of the equity investment held in Nexi S.p.A., whose share was largely sold as part of the transaction that led to the listing of the company.

Operating income amounted to EUR 331.2 million, compared to EUR 341.0 million in the first half of 2018.

Personnel expenses amounted to EUR 136.8 million, down 29.3% compared to EUR 193.4 million in the first half of 2018, which included the cost of the early retirement plan implemented last year. In the second quarter of 2019, the figure was EUR 66.2 million compared with EUR 70.6 million in the previous quarter.

Other administrative expenses amounted to EUR 75.3 million, a decrease of 25.4% year on year as a result of both the application of IFRS 16 and cost savings related to efficiency measures. The figure for the second quarter of 2019 was EUR 35.9 million, compared with EUR 39.5 million in the previous quarter.

Contributions to the Resolution Fund in the first half of 2019 amounted to EUR 11.2 million, of which EUR 8.2 million recorded in the first quarter as ordinary contributions and EUR 3 million in the second quarter as extraordinary contributions.

Depreciation/amortisation and net impairment losses on property, equipment and investment property and intangible assets amounted to EUR 21.9 million, up from EUR 12.6 million in the first half of 2018, due to the recognition of depreciation charges relating to the right to use resulting from the application of IFRS 16.

Total operating costs stood at EUR 234 million down sharply from EUR 307 million in the same period of 2018. The cost income ratio, calculated as the ratio of operating costs to operating income excluding non-recurring items (costs related to the implementation of the "Solidarity Fund" of EUR 63.6 million and personnel costs of EUR 2.3 million related to key management personnel with whom the employment relationship was terminated), was 70.0%.

The operating profit came to EUR 97.2 million, up from EUR 34 million in the first half of 2018.

Net impairment losses for credit risk amounted to EUR 101.9 million and include extraordinary adjustments aimed at strengthening hedges for the sale of NPL as envisaged in the 2019-2023 Business Plan.

The item Profit (loss) on sale/repurchase of financial assets at amortised cost was a positive value of EUR 6.3 million and mainly referring to the sale of government bonds during the first half of the year. The figure is compared with a loss of EUR 95.2 million in the corresponding period of last year relating to the sale of non-performing loans in the first half of 2018.

Accruals to provisions for risks and changes totalled EUR 10.6 million, compared with EUR 4.6 million in the first half of 2018.

Net gains on sales of investments amounted to EUR 5.2 million compared with a loss of EUR 19 thousand in the same period of the previous year.

The pre-tax loss from continuing operations amounted to EUR 3.7 million.

Income taxes for the period were positive for EUR 27.2 million, mainly due to the recognition of DTA in relation to the partial reassessment of deferred tax assets on previous tax losses not recognised.

The net profit for the year reached EUR 23.5 million compared to EUR 0.8 million in the first half of 2018.

ROA stood at 0.19%.

RECENT DEVELOPMENTS

The most important events that characterised the management of the Group from 30 June 2019 and that, if necessary, were the subject-matter of specific disclosures to markets are mentioned below.

2019-2023 Business plan “Sustainable Growth”

At 18 June 2019 the Board of Directors of Credito Valtellinese approved the new 2019 – 2023 Business Plan:

“Sustainable Growth”.

Through this Plan, Creval intends to strengthen its role as a solid Commercial Bank, with a low risk profile, set on sustaining the growth of its target territories by focusing on households and small and medium enterprises. The Plan, aimed at creating value for the Bank’s stakeholders, has the key goal to generate an attractive sustainable growth and profitability for the Bank’s stakeholders.

The Group’s new strategy is based on two clear pillars:

- Revamp of the commercial platform, aiming at strengthening Creval’s role as the reference point in its target territory, through a business model and a product offering centered on Retail and SME clients, a nimble and efficient organizational structure and a proactive (active and preventive) risk management.

- Decisive actions on legacy issues, through actions aimed at significantly reducing the NPL stock and the weight of the securities portfolio.

BANKING RESOLUTION UNDER THE EU BANK RECOVERY AND RESOLUTION DIRECTIVE (BRRD)

CreVal – as a bank - is subject to the Directive 2014/59/EU, that is the so-called Bank Recovery and Resolution Directive (BRRD), as implemented in the Italian legal framework.

In particular, the BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 and 181/2015 (together, the “**BRRD Decrees**”), both of which were published in the Italian Official Gazette on 16 November 2015.

According to these provisions of law, in the event that the following conditions are met, the relevant bank shall be put under resolution: (i) the resolution Authority (in Italy, the Bank of Italy, which operates in cooperation with the EU resolution authority, the Single Resolution Board) has determined that the bank is failing or is likely to fail; (ii) there is no reasonable prospect that any alternative private sector measures would prevent the failure of the institution within a reasonable timeframe; and (iii) a resolution action is necessary in the public interest (that is, it is necessary for the achievement of and is proportionate to one or more of the resolution objectives referred to in Article 31 of the BRRD and winding up of the bank under normal insolvency proceedings would not meet those resolution objectives to the same extent). In this context, an institution is considered as failing or likely to fail, alternatively, when: (a) it is, or is likely in the near future to be, in breach of the capital requirements necessary to maintain its authorization to carry out banking activities; (b) its assets are, or are likely in the near future to be, less than its liabilities; (c) it is, or is likely in the near future to be, unable to pay its debts or other liabilities as they fall due; or (d) it requires extraordinary public financial support in order to recover (except in limited circumstances).

Upon the opening of a resolution procedure, the resolution authorities are entrusted with the power to apply, on a stand-alone basis or in combination, the following tools:

- the sale of business, through which the resolution authority may transfer to a purchaser, on commercial terms (except for the case in which the application of commercial terms may affect the effectiveness of the sale of the business tool or impose a material threat to financial stability): (a) the shares of the bank under resolution; and (b) all or any assets, rights and liabilities of the latter;
- incorporation of a so-called “bridge institution”, through which the resolution authority may transfer to the bridge institution (an entity created for this purpose that is wholly or partially in public control): (a) the shares of the bank under resolution and (b) all or any assets, rights and liabilities of the latter;
- the asset separation, through which the resolution authority may transfer assets, rights or liabilities of a bank or of a bridge institution (e.g., impaired assets, such as non-performing exposures) to one or more asset management vehicles with a view to maximizing their value through the sale or orderly winding down; and

- bail-in, through which the resolution Authority may, jointly or severally, (a) write-down the bank's Common Equity Tier 1 ("CET1"), Additional Tier 1 ("AT1") and Tier 2 ("T2") instruments; (b) write-down the eligible liabilities, including bonds (with certain exceptions); (c) convert eligible liabilities into equity (shares or other instrument of ownership).

As to the application of bail-in, the resolution Authority must take into account the ranking of the bank's creditors according to the ordinary insolvency procedures, as the BRRD (and the corresponding Italian implementing rules) stipulates that, under resolution, no creditor may incur losses greater than he would have incurred under normal insolvency proceedings (the so called "no creditor worse off" principle).

Thus, in general terms, the ranking of the persons which may be subject to bail-in – from the lowest to the highest – is the following:

- holders of Common Equity Tier 1 instruments;
- holders of Additional Tier 1 instruments;
- holders of Tier 2 instruments, including subordinated notes;
- holders of senior non-preferred notes;
- holders of senior notes;
- depositors qualifying as large firms; and
- depositors qualifying as natural persons or SMEs.

The deposits within 100,000 Euros are protected by the Italian Deposit Guarantee Schemes.

The non-preferred senior notes (*notes intending to qualify as strumenti di debito chirografario di secondo livello* of the Issuer, as defined under Article 12-bis of the Italian Consolidated Banking Act) are a new category of instrument introduced in Italy by the Italian Law No. 205/2017, implementing Directive (EU) 2017/2399. They constitute direct, unconditional, unsecured and non-preferred obligations, ranking junior to senior notes (or equivalent instruments), *pari passu* without any preferences among themselves, and in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-bis, letter c-bis of the Italian Consolidated Banking Act.

Without prejudice to the above, the resolution authority may, in specified exceptional circumstances, partially or fully exclude certain further liabilities from the application of the bail-in tool.

Furthermore, under resolution, the resolution authorities have relevant ancillary power aimed at ensuring a smooth resolution of the bank. In particular, they are entitled to amend or alter the maturity of certain debt instruments (such as senior notes, non-preferred senior notes and subordinated notes) issued by the bank under resolution or to amend the amount of interest payable under such instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

In general terms, the resolution authority is also entitled to cancel or modify the terms of any contract to which the bank under resolution is a party, to suspend the bank's contractual obligations or to substitute a recipient as a party.

On the other hand, the application of a resolution measure shall not, *per se* (i.e., provided that the bank continues to perform its obligations under the relevant agreements), make it possible to: (i) exercise any termination, suspension, modification, netting or set-off rights; (ii) obtain possession, exercise control or enforce any security over any property of the bank in relation to an agreement which includes cross-default provisions; or (iii) affect any contractual rights of the bank in relation to an agreement which includes cross-default provisions.

In this regard, it should be noted that, in any case, the BRRD Decrees introduced strict limitations on the possibility to exercise the rights of set-off normally available under Italian insolvency laws, in case of resolution.

As to the financing of the resolution action, the resources may be provided by the national Resolution Funds and the Single Resolution Funds. However, in accordance with the burden-sharing principle, the intervention of such funds is only admitted where a contribution to loss absorption and recapitalization equal to an amount not less than 8% of the total liabilities (including own funds) of the bank under resolution, measured at the time of the resolution action, has been made by the shareholders and the holders of other instruments of ownership, the holders of relevant capital instruments and other eligible liabilities through write down, conversion or otherwise. In any case, the contribution of the resolution funds shall not exceed 5% of the total liabilities including own funds of the bank under resolution, measured at the time of the resolution action.

OVERVIEW OF FINANCIAL INFORMATION OF THE ISSUER

The audited annual consolidated financial statements of the Issuer as at and for the years ended 31 December 2018 and 2017 and the Condensed Interim Consolidated Report at 30 June 2019, together with the accompanying notes and auditors' reports, are incorporated by reference in this Base Prospectus. See "*Information Incorporated by Reference*".

The audited annual consolidated financial statements of the Issuer have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and as implemented under the Bank of Italy's instructions contained in Circular 262 of 22 December 2005 and related transitional regulations in Italy.

The unaudited interim consolidated results of the Issuer contained in the Condensed Interim Consolidated Report at 30 June 2019 referred to above and incorporated by reference in this Base Prospectus have been prepared on a voluntary basis and are unaudited.

The following tables present:

- (1) audited annual consolidated statement of financial position and income statement information of the Issuer as at and for the year ended 31 December 2018, together with comparative figures as at and for the year ended 31 December 2017; and
- (2) unaudited interim consolidated statement of financial position and income statement information of the Issuer as at and for the six-month period ended 30 June 2019, together with comparative figures as at 31 December 2018 (for balance sheet information) and for the six-month period ended 30 June 2019 (for income statement information).

All of the financial information set out below derives from, should be read in conjunction with, and is qualified in its entirety by reference to, the full annual financial statements of the Issuer and the Condensed Interim Consolidated Report at 30 June 2019, together with the accompanying notes and auditors' reports, all of which are incorporated by reference in this Base Prospectus.

TAXATION

The following is a general overview of certain tax consequences of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This section is based upon Italian tax laws and/or practice in force as at the date of this Base Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuer will not update this section to reflect changes in law and, if any such change occurs, the information in this section could be superseded.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences 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.

Italian Taxation

Tax treatment of Notes issued by the Issuer

Legislative Decree No. 239 of 1 April 1996 (“**Decree No. 239**”) sets out the applicable regime regarding the tax treatment of interest, premium and other income, including the difference between the redemption amount and the issue price (hereinafter collectively referred to as “**Interest**”) from certain securities issued by, *inter alia*, Italian resident banks. The provisions of Decree No. 239 only apply to Notes issued by the Issuer which qualify as *obbligazioni* (bonds) or *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (“**Decree No. 917**”). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not less than that therein indicated and (ii) attribute to the holders no direct or indirect right to control or participate in the management of the Issuer. The tax regime set forth by Decree No. 239 also applies to Interest from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

Italian Resident Noteholders

Where an Italian resident Noteholder is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito regime* – see under “Capital gains tax” below);
- (b) a non-commercial partnership;
- (c) a private or public institution other than companies, and trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
- (d) an investor exempt from Italian corporate income taxation,

Interest relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as “*imposta sostitutiva*”, levied at the rate of 26 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and the relevant Interest must be included in their relevant income tax return. As a consequence, the Interest will be subject to ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest relating to the Notes if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the “**Finance Act 2017**”) and in Article 1(210-215) of Law No. 145 of 30 December 2018 (the “**Finance Act 2019**”) as implemented by the Ministerial Decree of 30 April 2019.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*. It must, however, be included in the relevant Noteholder’s income tax return and is therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to IRAP (the regional tax on productive activities (“**IRAP**”))).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, payments of Interest in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, and Italian real estate SICAFs (together, the “**Real Estate Funds**”) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a Real Estate Fund. However, a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders/shareholders of the Real Estate Fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF (“*Società di investimento a capitale fisso*”) or a SICAV (“*Società di investimento a capitale variabile*”) established in Italy (together, the “**Fund**”) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the relevant Notes are held by an authorised intermediary, Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a withholding tax of 26 per cent. will apply, in certain

circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Tax**").

Where an Italian resident Noteholders is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017 and in Article 1 (210-215) of Finance Act 2019 as implemented by the Ministerial Decree of 30 April 2019.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**"), stock brokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and (b) intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *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 or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying Interest to a Noteholder or, absent that, by the Issuer.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident, without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is:

- (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended and supplemented by Ministerial Decree of 23 March 2017 and possibly further amended by future decrees issued pursuant to Article 11(4)(c) of Decree No. 239 (the "**White List**"); or
- (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- (c) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or

- (d) an "institutional investor", whether or not subject to tax, which is established in a State included in the White List, even if it does not possess the status of a taxpayer in its own country of residence.

In order to ensure gross payment, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected must be the beneficial owners of the payments of Interest and must:

- (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and
- (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. This statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. to Interest paid to Noteholders who do not qualify for the exemption.

Noteholders who are subject to the substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant Noteholder.

Tax treatment of Notes qualifying as atypical securities (titoli atipici)

Interest payments relating to atypical securities are subject to 26 per cent. withholding tax.

Atypical securities are securities that do not fall within the category of (a) shares (*azioni*) and securities similar to shares (*titoli similari alle azioni*) and of (b) bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*).

Where the Noteholder is (i) a non-Italian resident person, (ii) an Italian resident individual not holding the Notes for the purpose of carrying out a business activity, (iii) an Italian resident non-commercial partnership, (iv) an Italian resident non-commercial private or public institution, (v) a Fund, (vi) an Italian Real Estate Fund, (vii) a Pension Fund, or (viii) an Italian resident investor exempt from Italian corporate income taxation, such withholding tax is a final withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the 26 withholding tax, on Interest relating to the Notes qualifying as

atypical securities if such Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017 and in Article 1(210-215) of Finance Act 2019 as implemented by the Ministerial Decree of 30 April 2019.

Where the Noteholder is (a) an Italian resident individual carrying out a business activity to which the Notes are effectively connected, or (b) an Italian resident corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected), such withholding tax is an advance withholding tax.

In case of a non-Italian resident Noteholder without a permanent establishment in Italy to which the Notes are effectively connected, the above mentioned withholding tax rate may be reduced (generally to 10 per cent.) or eliminated under certain applicable tax treaties entered into by Italy, subject to timely filing of the required documentation.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the rate of 26 per cent.

The Noteholders may set off any losses with their gains.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below:

- Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident Noteholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident Noteholders. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.
- As an alternative to the tax declaration regime, Italian resident Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised

on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:

- (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and
- (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder.

The depository must account for the *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholders or using funds provided by the Noteholders for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a sale or redemption or certain other transfer of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholders are not required to declare the capital gains in the annual tax return.

- In the "risparmio gestito" regime, any capital gains realised by Italian resident individuals Noteholders under (i) to (iii) above who have entrusted the management of their financial assets (including the Notes) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year-end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholders are not required to declare the capital gains realised in the annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017 and in Article 1(210-215) of Finance Act 2019 as implemented by the Ministerial Decree of 30 April 2019.

Any capital gains realised by a Noteholder who is a Fund will neither be subject to *imposta sostitutiva* on capital gains, nor to any other income tax in the hands of the relevant Noteholders; the Collective Investment Fund Tax will be levied on proceeds distributed by the Fund or received by certain categories of unitholders upon redemption or disposal of the units.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5

December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017 and in Article 1(210-215) of Finance Act 2019 as implemented by the Ministerial Decree of 30 April 2019.

Real Estate Funds are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the Real Estate Fund. However, a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders/shareholders of the Real Estate Fund.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes traded on regulated markets are not subject to the *imposta sostitutiva*. The exemption applies provided that the non-Italian resident Noteholders file in due course with the authorised financial intermediary an appropriate affidavit (*autocertificazione*) stating that the Noteholder is not resident in Italy for tax purposes.

Capital gains realised by non-Italian resident Noteholders, without a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary is:

- (a) resident in a State included in the White List; or
- (b) an international entity or body set up in accordance with international agreements which have entered into force in Italy;
- (c) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or
- (d) an "institutional investor", whether or not subject to tax, which is established in a State included in the White List.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders, without a permanent establishment in Italy to which the Notes are effectively connected, from the sale or redemption of Notes issued by an Italian resident issuer and not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. However, Noteholders may benefit from an applicable tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the resident tax country of the recipient.

Inheritance and gift taxes

Transfers of any valuable asset (including the Notes or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or gift exceeding, for each beneficiary, Euro 1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or gift exceeding, for each beneficiary, Euro 100,000; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, Euro 1,500,000.

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 200.00 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

Stamp Duty

Pursuant to Article 13 of the tariff attached to Presidential Decree No. 642 of 26 October 1972 (“**Decree No. 642**”), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty applies at a rate of 0.20 per cent.; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held. The stamp duty cannot exceed Euro 14,000.00 if the Noteholder is not an individual.

The statement is deemed to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release nor the drafting of the statement. In case of reporting periods less than 12 months, the stamp duty is payable on a pro-rata basis.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on 24 May 2012, the stamp duty applies to any investor who is a client - regardless of the fiscal residence of the investor - (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on securities deposited abroad

According to the provisions set forth by Law No. 214 of 22 December 2011, as amended and supplemented, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent. In this

case the above mentioned stamp duty provided for by Article 13 of the tariff attached to Decree No. 642 does not apply.

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Financial assets held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries pursuant to an administration agreement. In this case, the above mentioned stamp duty provided for by Article 13 of the tariff attached to Decree No. 642 does apply.

Tax Monitoring

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax the amount of investments (including the Notes) directly or indirectly held abroad. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Notes deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through the intervention of qualified Italian financial intermediaries, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a Euro 15,000 threshold throughout the year.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such

as Notes, such withholding tax would not apply prior the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under "Terms and Conditions—Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of BofA Securities Europe SA, Mediobanca - Banca di Credito Finanziario S.p.A., Merrill Lynch International, and UniCredit Bank AG and any additional dealer appointed under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**") or to purchasers procured by one of more Dealers. The arrangements under which the Issuer may agree from time to time to sell Notes and the relevant Dealer(s) may agree to purchase or procure purchasers of Notes, or use reasonable endeavours to procure purchasers of Notes, are set out in an amended and restated Dealer Agreement dated 22 October 2019 (the "**Dealer Agreement**") and made between the Issuer and the Dealers.

Any agreement for the sale and purchase of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase.

The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

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 United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting

forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or are the subject of the offering contemplated by a Drawdown Prospectus) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), and
- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

- (b) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a base prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a base prospectus pursuant to Article 23 of the Prospectus Regulation.

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 for the Notes

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, that:

- (a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention by the Issuer of Section 19 of the FSMA;

- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- a. to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the "**PD Regulation**") and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Italian CONSOB regulations; or
- b. in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the PD Regulation, Article 34-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must:

- (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") (in each case as amended from time to time); and
- (ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France this Base Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus or any Final Terms or related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

GENERAL INFORMATION

Approval, listing and admission to trading

This Base Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Regulation by the CSSF in its capacity as competent authority in Luxembourg for the purposes of the Prospectus Regulation.

Application has been made for Notes issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange. However, Notes may be issued pursuant to the Programme which will not be listed on the Official List or admitted to trading on the regulated market of the Luxembourg Stock Exchange or any other stock exchange and/or quotation system or which will be listed or admitted to trading on such stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

Authorisations

The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer dated 10 December 2002. The 2019 update of the Programme was authorised by the Board of Directors of the Issuer on 6 August 2019.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

Use of proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer to meet part of its general financing requirements.

Rating agencies

DBRS and Moody's are established in the EEA and registered under the CRA Regulation, and are included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at: <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>.

Auditors

The Issuer has appointed KPMG S.p.A. as its auditors for the financial years from 2012 to 2020. KPMG S.p.A. are registered under No. 13 in the special register (*albo speciale*) maintained by CONSOB and set out under Article 161 of Legislative Decree No. 58 of 24 February 1998 (as amended) and under No. 70623 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*) in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992. KPMG S.p.A. is also a member of Assirevi (*Associazione Nazionale Revisori Contabili*).

No significant/material adverse change

Since 30 June 2019 (being the last day of the financial period in respect of which the most recent published interim financial statements of the Issuer have been prepared), there has been no significant change in the financial or trading position of the Group and the Issuer and since 31 December 2018 (being the last day of the financial period in respect of which the most recent audited financial statements of the Issuer have been prepared), there has been no material adverse change in the prospects of the Issuer.

Litigation

Except as disclosed in this Base Prospectus under the paragraph headed “*Litigation*” within the “*Description of the Issuer*” section and in the sections: (i) “*Condensed Interim Consolidated Financial Statements*” of the “*Condensed Interim Consolidated Report at 30 June 2019*” incorporated by reference, (ii) “*Accounting policies and explanatory notes*” of the “*Annual consolidated financial statements 2018*” incorporated by reference, and (iii) “*Accounting policies and explanatory notes*” of the “*Annual consolidated financial statements 2017*” incorporated by reference, neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which, according to the information currently available, may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or the Group.

Material contracts

The Issuer has not signed material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in any group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to holders of the financial instruments to be issued.

Documents available for inspection

For so long as the Programme remains in effect or any Notes shall be outstanding, electronic copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent, namely:

- (a) this Base Prospectus and any future base prospectuses, offering circulars, information memoranda and supplements to this Base Prospectus and any other documents containing information incorporated herein or therein by reference;

- (b) a certified copy of the constitutive documents of the Issuer;
- (c) the Agency Agreement for the English Law Notes;
- (d) the Agency Agreement for the Italian Law Notes;
- (e) the Deed of Covenant, in respect of English Law Notes only;
- (f) the Programme Manual (which contains the forms of the Notes in global and definitive form).
- (g) any Final Terms relating to Notes which are listed on any stock exchange save that Final Terms relating to Notes which are neither admitted to trading on a regulated market in the European Economic Area or offered in the European Economic Area in circumstances where a base prospectus is required to be published under the Prospectus Regulation will only be available for inspection by the relevant Noteholders and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity); and
- (h) the Issuer's audited consolidated financial statements as at and for the years ended 31 December 2018 and 2017 and the Condensed Interim Consolidated Report at 30 June 2019, together with the accompanying notes and auditors' reports.

Interests of natural and legal persons involved in the issue/offer

Certain of the Dealers and their affiliates (including parent companies) have engaged, and may in the future engage, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates (including parent companies) may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates (including parent companies) that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates (including parent companies) would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates (including parent companies) may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The relevant Final Terms will specify any other interests of natural and legal persons involved in each issue/offer of Notes under the Programme.

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

THE ISSUER

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Paris
France

**Mediobanca - Banca di Credito
Finanziario S.p.A.**

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20121 Milan
Italy

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
United Kingdom

UniCredit Bank AG

Arabellastrasse 12
81925 Munich
Germany

FISCAL AGENT AND LUXEMBOURG LISTING AGENT

Banque Internationale à Luxembourg, SA

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LEGAL ADVISERS

To the Issuer as to English and Italian law:

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