



**ICCREA Banca S.p.A.**

*(incorporated with limited liability as a società per azioni under the laws of the Republic of Italy)*

**€3,000,000,000**

**Euro Medium Term Note Programme**

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "CSSF") in its capacity as competent authority in Luxembourg to approve this document as a base prospectus under the *loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005 which implements Directive 2003/71/EC, and amendments thereto (including Directive 2010/73/EU, to the extent implemented in a Member State of the European Economic Area) (the "**Prospectus Directive**") in Luxembourg. Application has been made by ICCREA Banca S.p.A. (the "**Issuer**") for notes ("**Notes**") issued under the €3,000,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof to be listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. 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.

As more fully set out in "Taxation", payments of interest, premium and other income on Notes qualifying as bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) are subject in principle to a substitutive tax (referred to as the *imposta sostitutiva*), in certain circumstances. *Imposta sostitutiva* is levied at the rate of 26 per cent. In order to obtain exemption from the *imposta sostitutiva* in respect of payments of interest, premium or other income relating to the Notes, each Noteholder not resident in the Republic of Italy is generally required to certify, *inter alia*, that such Noteholder is eligible for the exemption, as more fully set out in "Taxation".

Pursuant to the Programme, the Issuer may from time to time issue Notes in bearer form denominated in any currency agreed between the Issuer and one or more of the dealers named on page 16 and any additional dealer appointed under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**"). Notes admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will not have a denomination of less than €100,000 (or its equivalent in other currencies calculated as described herein). The aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €3,000,000,000 (or its equivalent in other currencies calculated as described herein). The CSSF gives no undertaking as to the economic or financial opportuneness of the transaction or the quality and solvency of the Issuer in line with the provisions of article 7 (7) of the Luxembourg Prospectus Law.

*Investing in Notes issued under the Programme involves certain risks. The risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.*

*Arranger*

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

*Dealers*

|   |  |
|---|--|
| <b>Banca IMI</b>  | <b>Barclays</b>  |
| <b>BNP PARIBAS</b>                                      | <b>Citigroup</b>   |
| <b>Commerzbank</b>                                      | <b>Crédit Agricole CIB</b>                                 |
| <b>Credit Suisse</b>                                    | <b>DZ BANK AG</b>  |
| <b>HSBC</b>   | <b>ICCREA Banca S.p.A.</b>                                 |
| <b>MEDIOBANCA – Banca di Credito Finanziario S.p.A.</b> | <b>MPS Capital Services</b>                                |
| <b>Natixis</b>  | <b>NatWest Markets</b>                                     |
| <b>Nomura</b>   | <b>Rabobank</b>  |
| <b>Raiffeisen Bank International AG</b>                 | <b>Société Générale Corporate &amp; Investment Banking</b> |
|   | <b>UniCredit Bank</b>                                      |

The date of this Base Prospectus 14 December 2017

## IMPORTANT NOTICES

This document constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

The Issuer accepts responsibility for the information contained in this document and, to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer has confirmed to the Dealers that this Base Prospectus (including for this purpose, each relevant Final Terms) contains all information which the Issuer believes to be (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, expectations or intentions expressed herein are honestly held or made and are not misleading in any material respect; that there are no other facts in relation to the information contained or incorporated by reference in this Base Prospectus the omission of which would, in the context of the Programme and the issue, offering and sale of the Notes, make any statement therein, or opinions or intentions expressed therein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

This Base Prospectus should be read and construed together with any supplements hereto and with any other documents 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).

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 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 supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise), business, prospects or general affairs of the Issuer or any of its subsidiaries since the date thereof or, if later, the date upon which this Base Prospectus has been most recently supplemented 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.

This Base Prospectus may only be used for the purposes for which it has been published. 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**".

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 none of them should 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), business, prospects or general affairs of the Issuer and its subsidiaries.

**IMPORTANT – EEA RETAIL INVESTORS** If the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, 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 ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), 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 Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (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 may 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 such 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 at the time of 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 a Tranche of Notes is a manufacturer in respect of that Tranche, 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 €3,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated 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 as defined under "**Subscription and Sale**".

Notes issued pursuant to the Programme may be rated or unrated. Where a Tranche of Notes is rated, its rating will not necessarily be the same as any rating applicable to the Programme. Details of the rating, if any, attributable to a Tranche of Notes will be specified in the relevant Final Terms. 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. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EU) No. 1060/2009 as amended (the "**CRA Regulation**") will be disclosed in the relevant Final Terms. 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 European Union and Registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the Regulation) unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation.

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 (the "**EEA**"); references to a "**Condition**" are to the correspondingly numbered provision set forth in "**Terms and Conditions of the Notes**"; references to "€", "**EUR**" or "**euro**" are to the 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 "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to the lawful currency for the time being of the United States; 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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising 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 relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## **MARKET INFORMATION AND STATISTICS**

Unless otherwise indicated, information and statistics presented in this Base Prospectus regarding the market share of the Issuer are either derived from, or are based upon, the Issuer's analysis of data obtained from public sources. Although these sources are believed by the Issuer to be reliable, the Issuer has not independently verified such information, but the Issuer takes responsibility for the correct reproduction of such information.

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## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. 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. Factors which the Issuer believes are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer 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.*

*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" and "Terms and Conditions of the 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**

#### ***General***

An actual or perceived deterioration in the financial condition of the Issuer or its results of operations could have a negative impact on the ability of the Issuer to comply with its obligations under the Notes, and consequently could have an adverse effect which may harm the price or value of an investment in the Notes.

#### ***The Issuer's financial performance is affected by the general economic conditions, in particular in the Republic of Italy and Europe***

Adverse changes or a general deterioration in the Italian, European or global economic conditions, or arising from systemic risks in the financial systems, could affect the recoverability and value of the Issuer's assets and require an increase in the Issuer's provision for bad and doubtful loans and other provisions.

The Issuer is not a retail bank and its core institutional role is to provide key financial and credit services to the network of Banche di Credito Cooperativo ("**BCC**").

The BCCs' asset quality is exposed to domestic economic weakness through the composition of their loan portfolio, mainly to small enterprises and artisans. Sustained loan growth in the past few years, coupled with high loan portfolio concentration in the real estate sector for some BCCs, makes their credit risk vulnerable to the domestic economic environment.

#### ***The Issuer is subject to capital requirements that could limit its operations***

The Issuer is subject to capital adequacy guidelines adopted by the Bank of Italy for a bank or a bank holding company, which provide for a minimum ratio of total capital to risk adjusted assets both on a consolidated basis and on a non-consolidated basis expressed as a percentage.

At least half of the total capital must be maintained in the form of Tier I capital. The Issuer's failure to maintain its ratios may result in administrative actions or sanctions against it which may impact the Issuer's ability to fulfil its obligations under the Notes.

### ***Market risk***

The market risk involved in the Issuer's business activities lies in the risk of possible losses arising from changes in the market due to fluctuating or changing interest rates, foreign exchange rates, share prices and prices in general. This risk encompasses both trading book and banking book positions. Positions of risk are the result either of business positions taken for or in respect of customers, or of a deliberate assumption of such positions.

### ***Global market conditions***

Since the second half of 2007, disruption in the global credit markets has created increasingly difficult conditions in the financial markets. These conditions have resulted in decreased liquidity and greater volatility in global financial markets, and continue to affect the functioning of financial markets and to impact the global economy.

Several governments, international and supranational organisations and monetary authorities have recently put in place a number of actions to increase liquidity in financial markets, in order to boost global GDP growth and mitigate the possibility of default by certain European countries on their sovereign debt obligations. It remains difficult to predict the effect of these measures on the economy and on the financial system. As a result, the Issuer's ability to access the capital and financial markets and to refinance debt to meet the financial requirements of the Issuer may be adversely impacted and costs of financing may significantly increase. This could materially and adversely affect the business, results of operations and financial condition of the Issuer, with a consequent adverse effect on the market value of the Notes and the Issuer's ability to meet its obligations under the Notes.

### ***Risks arising from the sovereign debt crisis***

The Issuer is affected by disruptions and volatility in the global financial markets including, in recent years, the sovereign debt crisis in the Eurozone. Credit quality has generally declined, as reflected by downgrades suffered by several countries in the Euro-zone, including Italy, since the beginning of the sovereign debt crisis in May 2010. The large sovereign debts and fiscal deficits in European countries have raised concerns regarding the financial condition of Euro-zone financial institutions and their exposure to such countries. These concerns may have an impact on Euro-zone banks' funding.

In particular, the Issuer's credit ratings are potentially exposed to the risk of reductions in the sovereign credit rating of Italy. On the basis of the methodologies used by rating agencies, further downgrades of Italy's credit rating may have a potential knock-on effect on the credit rating of Italian issuers such as the Issuer and make it more likely that the credit rating of Notes issued under the Programme are downgraded.

### ***Default risk***

Deterioration in the financial condition of the Issuer may have a material adverse effect on the Issuer resulting in the non-performance, in whole or in part, of the Issuer's obligations under the Notes.

The current crisis in the international finance markets and its unforeseeable global effects may have a material adverse effect on the Issuer resulting in the non-performance, in whole or in part, of the Issuer's obligations under the Notes.

### ***Historical Information***

The historical, financial and other information set out in the section headed "*Iccrea Banca S.p.A.*" represents the historical experience of the Issuer. There can be no assurance that the future experience and performance of the Issuer will be similar to the past experience described in this Base Prospectus.

### ***Changes in regulatory framework and accounting policies***

The Issuer is subject to extensive regulation and supervision by the Bank of Italy, CONSOB, the European Central Bank (the "**ECB**") and the European System of Central Banks. Starting from 3 November 2014, the Issuer is also subject to the supervision of the ECB which, pursuant to rules establishing a single supervisory mechanism (the "**Single Supervisory Mechanism**" or "**SSM**"), has the duty to, among other things, guarantee the uniform application of the rules of the Euro currency area.

The banking laws to which the Issuer is subject govern the activities in which banks and banking foundations (*fondazioni bancarie*) may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. 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 that will affect the Issuer including proposed regulatory initiatives that could significantly alter the Issuer's capital requirements, as described below.

In the wake of the global financial crisis that began in 2008, the Basel Committee on Banking Supervision (the "**Basel Committee**") approved, in the fourth quarter of 2010, revised global regulatory standards (the "**Basel III**") on bank capital adequacy and liquidity, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards. Basel III adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019. Minimum common equity tier 1 (the "**CET1**") will be increased from broadly 2% of risk-weighted assets to 7.0%. The 7.0% includes a "capital conservation buffer" of 2.5% to ensure that banks maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. An additional "countercyclical buffer requirement" of 0-2.5% will be implemented according to national circumstances. The countercyclical buffer requirement will apply in periods of excess lending growth in the economy and can vary for each jurisdiction.

The Basel III agreements provide for the introduction of a Liquidity Coverage Ratio ("**LCR**"), in order to establish and maintain a liquidity buffer which will permit the bank to survive for 30 days in the event of serious stress, and a Net Stable Funding Ratio ("**NSFR**"), with a time period of more than one year, introduced to ensure that the assets and liabilities have a sustainable expiry structure. In the case of LCR, within the CRR framework, the LCR Delegated Act (Commission Delegated Regulation (EU) 2015/61 technically specifies the calculation rules of the LCR and provides that it is to be phased in gradually, from 60%

commencing on 1 October 2015 to 100% from 1 January 2018), In the case of NSFR, although the proposal of the Basel Committee foresaw that the 100% level is to be met as of 1 January 2018 without any phase in, the CRR does not provide for the regulatory limit on structural liquidity. On 17 December 2015, the European Banking Authority published its report recommending the introduction of the NSFR in the EU in order to ensure stable funding structures and outlining its impact assessment and proposed calibration.

The Basel III framework has been implemented in the EU through new banking regulations adopted on 26 June 2013: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**") and 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**"). Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will largely be fully effective by 2019 and some minor transitional provisions provide for the phase-in until 2024) but it is possible that in practice implementation under national laws may be delayed until after such date. Furthermore, on 14 March 2016 the ECB adopted Regulation (EU) 2016/445 on the exercise of options and discretions. Depending on the manner in which these options or discretions were so far exercised by the national competent authorities and on the manner the SSM will exercise such options or discretions in the future, additional or lower capital requirements may be required.

In November 2016, the European Commission announced the EU Banking Reform which proposed a binding 3% Leverage Ratio and a binding detailed Net Stable Funding Ratio which will require credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints. In particular, under the proposal, the binding 3% Leverage Ratio is added to the own funds requirements in the CRR which institutions must meet in addition to/in parallel with their risk-based requirements, and will apply to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments.

In addition, it should be noted that, on 13 April 2017, the ECB published a guideline and a recommendation addressed to national competent authorities ("**NCA**s") concerning the exercise of options and national discretions available in European Union law that affect banks which are directly supervised by NCAs (i.e. less significant institutions). Both documents are intended to further harmonise the way banks are supervised by NCAs in the 19 countries to which the SSM (as defined below) applies. The aim is to ensure a level playing field and the smooth functioning of the euro area banking system as a whole.

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular No. 285, dated 17 December 2013, the "**Prudential Regulations for Banks**"), which came into force on 1 January 2014, implementing CRD IV and setting out additional local prudential rules concerning matters not harmonised at an EU level. As of 1 January 2014, Italian banks are required to comply with a minimum CET1 capital ratio of 4.5%, Tier I Capital ratio of 6% and Total Capital Ratio of 8%. These minimum ratios are complemented by the following capital buffers, to be met with CET1 capital:

- Capital conservation buffer: is set at 2.5% of risk weighted assets and applies from 1 January 2014 (pursuant to Part I, Title II, Chapter I, Section II of Prudential Regulations for Banks);

- Counter-cyclical capital buffer: is set by the relevant competent authority between 0% - 2.5% (but may be set higher than 2.5% where the competent authority considers that the conditions in the member state justify this), with gradual introduction from 1 January 2016, and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive (pursuant to Article 130 of the CRD IV Directive);

In addition to the above listed capital buffers, under Article 133 of the CRD IV Directive the relevant competent authority has the option to introduce a systemic risk buffer which must be at least 1% of CET1 capital.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV Directive).

As part of the CRD IV transitional arrangements, regulatory capital recognition of outstanding instruments which qualified as CET1, Additional Tier 1 and Tier II capital instruments under the framework which CRD IV has replaced (CRD III) that no longer meet the minimum criteria under CRD IV will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition is capped at 80% in 2014, with this cap decreasing by 10% in each subsequent year.

The new liquidity requirements introduced under CRD IV will also be phased in: the Liquidity coverage ratio, as discussed above, applies as from 1 January 2015 and will gradually be phased in and the European Commission intends to develop the net stable funding ratio with the aim of introducing it from 1 January 2018.

CRD IV may also introduce a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution's assets are in line with its capital. Institutions are required to disclose their leverage ratio from 1 January 2015. Full implementation and European harmonisation, however, is not expected until 1 January 2018 following the European Commission's review in 2016 of whether or not the ratio should be introduced. There is therefore uncertainty as to regulatory requirements with which the Issuer will be required to comply.

***EU reform of "benchmarks" (including LIBOR, EURIBOR and other interest rate index and equity, commodity and foreign exchange rate indices)***

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "benchmarks" in particular in accordance with the IOSCO Benchmark Principles or the Benchmarks Regulation, each as defined below (as applicable, the "**Benchmarks**"), are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such Benchmarks to perform differently than in the past, or 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 a Benchmark.

Key international reforms of Benchmarks include IOSCO's proposed Principles for Financial Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the EU's Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as

benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the "**Benchmarks Regulation**").

The IOSCO Benchmark Principles aim to create an overarching framework of principles for Benchmarks to be used in financial markets, specifically covering governance and accountability, as well as the quality and transparency of Benchmark design and methodologies. A review published in February 2015 on the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation will apply from 1 January 2018, except that the regime for "critical" benchmarks' has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the "**Market Abuse Regulation**") have applied from 3 July 2016. The Benchmarks Regulation would apply to "contributors", "administrators" and "users of" Benchmarks in the EU, and would, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of Benchmarks and (ii) ban the use of Benchmarks of unauthorised administrators. The scope of the Benchmarks Regulation is wide and, in addition to applying to so-called "critical benchmark" indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on any listed Notes linked to an index based on a Benchmark, including in any of the following circumstances: (i) an index which is a Benchmark may not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular Benchmark and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted, redeemed or otherwise impacted; (ii) the methodology or other terms of the Benchmark related to a series of Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing or increasing the rate or level of the Benchmark or of affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Notes, including Calculation Agent determination of the rate or level in its discretion.

Any of the international, national or other reforms (or proposals for reform) 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 effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks or lead to the disappearance

of certain Benchmarks. The disappearance of a Benchmark or changes in the manner of administration of a Benchmark could result in adjustment to the terms and conditions, early redemption, discretionary valuation by the Calculation Agent, delisting (if listed) or other consequence in relation to Notes linked to such Benchmark. Any such consequence could have a material adverse effect on the value of and return on any such Notes.

### ***Risks relating to the Bank Recovery and Resolution Directive***

The directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force on 2 July 2014.

The BRRD is designed to provide authorities with a credible set of tools to intervene at the earliest possible moment and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority (the "**Relevant Resolution Authority**") considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe and (c) intervention through resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the institution to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims including Senior Notes and Subordinated Notes into shares or other instruments of ownership (i.e. shares, other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the "**General Bail-In Tool**"), which equity could also be subject to any future application of the BRRD.

The BRRD also provides for a Member State as a last resort, after having assessed the above resolution tools (including the General Bail-In Tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirement of the EU state aid framework and the BRRD.

An institution will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

In addition to the General Bail-In Tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments such as Subordinated Notes at the point of non-viability and before any resolution action is taken ("**Non-Viability Loss Absorption**"). Any shares issued to holders of Subordinated Notes upon any such conversion into equity capital instruments may also be subject to any future application of the BRRD.

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/converted or extraordinary public support is to be provided, and without such support the appropriate authority determines that the institution would no longer be viable and, where the institution forms part of a group, the group as a whole could be subject to write-down.

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of certain debt instruments and other eligible liabilities, such as the Senior Notes or the Subordinated Notes, issued by an institution under resolution or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for those secured liabilities which are subject to Article 44(2) of the BRRD.

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 (*Gazzetta Ufficiale*) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing "**Italian Banking Act**" (Legislative Decree No. 385 of 1 September 1993, as amended) and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on the date of publication on the Italian Official Gazette (i.e., 16 November 2015), save that: (i) the General Bail-In Tool has applied since 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and small and medium-sized companies will apply starting from 1 January 2019.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the General Bail-In Tool and (ii) the BRRD provides, at Article 44(3), that the resolution authority may partially or fully exclude certain further liabilities from the application of the General Bail-In Tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Accordingly, holders of Senior Notes and Subordinated Notes of a Series may be subject to write-down/conversion upon an application of the General Bail-In Tool while other Series of Senior Notes or, as appropriate, Subordinated Notes (or, in each case, other *pari passu* ranking liabilities) are partially or fully excluded from such application of the General Bail-In Tool. Further, although the BRRD provides a safeguard in respect of shareholders and creditors upon application of resolution tools, Article 75 of the BRRD sets out that such protection is limited to the incurrence by shareholders or, as appropriate, creditors, of greater losses as a result of the application of the relevant tool than they would have incurred in a winding up under normal insolvency proceedings. It is therefore possible not only that, in circumstances in which Senior Notes or Subordinated Notes have been partially or fully written-down/converted into equity capital instruments on an application

of the General Bail-In Tool, the claims of other holders of junior or *pari passu* liabilities may have been excluded from the application of the General Bail-In Tool and therefore the holders of such claims may receive a treatment which is more favourable than that received by holders of Senior Notes or Subordinated Notes, but also that the safeguard referred to above does not apply to ensure equal (or better) treatment compared to the holders of such fully or partially excluded claims because the safeguard is not intended to address such possible unequal treatment but rather to ensure that shareholders or creditors do not incur greater losses in a bail-in (or other application of a resolution tool) than they would have received in a winding up under normal insolvency proceedings.

Also, in respect of Senior Notes, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such 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. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to liquidation proceedings (and therefore the hierarchy which will apply in order to assess claims pursuant to the safeguard provided for in Article 75 of the BRRD as described above), by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and small and medium sized enterprises will benefit from priority over senior unsecured liabilities, though with a ranking which is lower than that provided for deposits of individuals and small and medium sized enterprises exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which under the national insolvency regime currently in force in Italy rank *pari passu* with Senior Notes, will rank higher than Senior Notes in normal insolvency proceedings and therefore that, on application of the General Bail-In Tool, such creditors will be written-down/converted into equity capital instruments only after Senior Notes. Therefore, the safeguard set out in Article 75 of the BRRD (referred to above) would not provide any protection since, as noted above, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

Legislative Decree No. 181/2015 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary. Since each holder of Subordinated Notes and, in circumstances where the waiver is selected (as applicable in the relevant Final Terms), the Senior Notes will have expressly waived any rights of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Senior Notes or Subordinated Notes, it is clear that the statutory right of set-off available under Italian insolvency laws will likewise not apply.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of Senior Notes and Subordinated Notes may be subject to write-down/conversion into equity capital instruments 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 or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of holders of the Notes, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

The BRRD also requires institutions to maintain at all times a sufficient aggregate amount of own funds and "eligible liabilities", expressed as a percentage of the total liabilities and own funds of the institution (known as the "minimum requirement for own funds and eligible liabilities" or "**MREL**"), with a view to facilitating effective resolution of institutions and minimising to the greatest extent possible the need for interventions by taxpayers. "Eligible liabilities" (or bail-inable liabilities) are those liabilities and other instruments that are not excluded by the BRRD from the scope of the bail-in tool. The resolution authority of an institution, after consultation with the relevant competent authority, will set the MREL for the institution based on the criteria to be identified by the EBA in its regulatory technical standards. In particular, the resolution authority may determine that part of the MREL is to be met through "contractual bail-in instruments". The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union) or to the Single Resolution Board (the "**SRB**") for banks being part of the Banking Union. The EBA has issued final draft regulatory technical standards which further define the way in which resolution authorities/the SRB shall calculate MREL.

On 23 November 2016, the European Commission presented the EU Banking Reform which introduced a number of proposed amendments to the BRRD. In particular, it proposed that the MREL – which should be expressed as a percentage of the total risk exposure amount and of the leverage ratio exposure measure of the relevant institution – should be determined by the resolution authorities at an amount to allow banks to absorb losses expected in resolution and recapitalise the bank post-resolution. In addition, it is proposed that resolution authorities may require institutions to meet higher levels of MREL in order to cover losses in resolution that are higher than those expected under a standard resolution scenario and to ensure a sufficient market confidence in the entity post-resolution. The EU Banking Reform also introduces an external MREL requirement and an internal MREL requirement to apply to entities belonging to a banking group, in line with the approach underlying the "TLAC" ("total loss-absorbing capacity" standard, as issued by the Financial Stability Board.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Once the BRRD is fully implemented, holders of Senior Notes and Subordinated Notes may be subject to write-down/conversion into equity capital instruments 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.

### ***Risks related to forthcoming regulatory changes***

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and CRD IV, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future

regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments EU Directive and Markets in Financial Instruments EU Regulation which entered into force on 2 July 2014 with implementation required at Member States level as from January 2018 subject to certain transitional arrangements. The Basel Committee on Banking Supervision ("**BCBS**") has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course.

Moreover, the BCBS has embarked on a very significant risk-weighted assets ("**RWA**") variability agenda. This includes the Fundamental Review of the Trading Book, revised standardised approaches (credit, market, operational risk) and a consultation paper on a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance. The new setup will have a revolutionary impact on risk modelling: directly on the exposures assessed via standardised approach, but also indirectly on internal ratings based approach ("**IRB**"), due to the introduction of capital floors that, according to the new framework, will be calculated basing on the revised standardised approach. In addition, as mentioned, the European Commission intends to develop the net stable funding ratio with the aim of introducing it from 1 January 2018.

As regards accounting rules relevant for the Issuer, on 24 July 2014 the International Accounting Standards Board published IFRS 9 relating to "Financial Instruments", which is set to replace IAS 39 from 1 January 2018, except that for a selective early adoption. IFRS 9 has been approved by Commission Regulation (EC) No. 2067/2016 published in the Official Gazette of the EU on 29 November 2016. IFRS 9 amends and complements the rules on the classification and measurement of financial instruments; introduces a new impairment model based on "expected credit losses" (the current model is based on provisions for "incurred losses"); and introduces new rules on general hedge accounting.

The application of IFRS 9 and the new approach based on "expected credit losses" could result in substantial additional impairment charges for the Issuer and add volatility to its regulatory capital ratios, and will result in additional costs to the Issuer relating to the implementation of such rules. The economic, financial and capital adequacy related effects of the implementation of IFRS 9 are not quantifiable, and investors should be aware that implementation of the IFRS 9 may have a material adverse effect on the business, financial condition and/or results of operations of the Issuer.

### ***Risk connected to the consolidated loss recognized at the end of the 2016 financial year***

The Group's result as at 31 December 2016, consisting in a loss of Euro 24 million as compared to the profit of Euro 42.4 million in 2015, is due to the occurrence of some extraordinary negative events. These include:

- a contribution to the National Resolution Fund (as required under the BRRD) for a total of Euro 69.4 million. Such contribution includes Euro 23 million of ordinary contribution for the year 2016 and Euro 46 million following two additional extraordinary quota calls by the Bank of Italy with a communication dated 29 December 2016;
- a contribution to the solidarity fund for a total of Euro 26 million, in light of 93 employees voluntarily adhering to the solidarity agreement reached within the Iccrea Banking Group and which, together with other labour cost cutting measures, will allow a reduction of the Group's operating costs;

- the write-off for Euro 9.7 million of the participation stake in the Atlas Fund (*Fondo Atlante*), following the reduction by approximately 30% of the fair value of the shares of Banca Popolare di Vicenza S.p.A and Veneto Banca S.p.A.. In this context, the 2017-2019 Strategic Plan approved at the beginning of 2017 places particular emphasis on a more efficient allocation of the Group's capital resources and an improvement of its profitability.

In this respect, the performance of the management in the first half of 2017 confirms the objectives of such plan and is positive with a consolidated net income of Euro 8.9 million, although such result has been affected by some extraordinary events, including:

- a contribution to the National Resolution Fund for a total of Euro 23.2 million, referring to the quota for the full financial year 2017;
- the write-off for Euro 22.5 million of the participation stake in the Atlas Funds (amounting to a reduction by approximately 80% of the nominal value) following the total write-off of the shares of Banca Popolare di Vicenza S.p.A and Veneto Banca S.p.A..

***Risk related to the European Central Bank inspections at Iccrea Banca and the outcomes of the Supervisory Review and Evaluation Process (SREP)***

In the course of the 2016 financial year, the ECB, in the context of ordinary auditing activities and specific analysis of risk management and risk propensity, has carried out multiple discussions with the technical and governance structure divisions of the Iccrea Banking Group, whose final outcome was expressed through the "*Decision on Capital Requirements*" at the end of the Supervisory Review and Evaluation Process ("**SREP**").

As part of the decision on capital requirements, the ECB requested: (i) presentation of an operational plan detailing the determinations, strategies and interventions that the Iccrea Banking Group intends to adopt in respect of the management of non-performing loans (NPLs), also setting out the quantitative targets for reduction of NPLs, both gross and net of any provisions, and (ii) provide quarterly and standardized information on the dynamics and composition of the non-performing loan portfolio and the associated risks. It should also be noted that the ECB recently carried out inspections at Iccrea Banca concerning, *inter alia*, the management of credit risk. In particular, the European Supervisory Authority inspection focused on the robustness and quality of the operations, and the operational, methodological and IT systems supporting such operations. The findings of such audit activity, involving Iccrea Banca as a Parent Company and all other banking companies of the Iccrea Banking Group, were formally communicated by the ECB on 30 March 2017. In summary, it emerged that the Iccrea Banking Group will need to adopt, at consolidated level, a policy regulating the different phases of credit management and a continuous credit risk monitoring system which can detect in advance any changes in such credit risk and allow a timely reclassification of debt exposures in case of deterioration of the related risk profile of the relevant debt exposure.

In accordance with the requirements of the Supervisory Body, Iccrea Banca prepared and sent to the ECB on 27 April 2017 a plan setting out interventions and initiatives already undertaken and / or planned in relation to each of the above mentioned recommendations from the ECB as resulting from the analysis of the credit risk management. Lastly, the ECB carried out on-site inspection with regard to financial risks which ended in June 2017; no indications and / or findings have been received yet.

## ***Risks arising from the reform of the Cooperative Credit Banks (BCC) and increased competition***

The Issuer is part of a banking group made up, principally, of cooperative credit banks ("BCCs").

In February 2016, Law Decree No. 18 of 14 February 2016 was published in the Official Gazette of the Italian Republic (as subsequently converted into law with amendments by Law no. 49/2016) (the "**BCC Reform Law**") introducing a series of important reforming measures for Italy's cooperative credit banks. As described in the risk factor below, the Iccrea Banking Group has recently undergone a corporate reorganisation pursuant to the BCC Reform Law. For further information, please see the section "*Description of the Issuer*".

The BCC Reform Law requires each BCC (as an alternative to becoming a company limited by shares (*società per azioni*) and meeting certain other requirements) to be part of a cooperative banking group whose parent company has net assets (*patrimonio netto*) of at least €1 billion as a prerequisite for obtaining authorisation from the Bank of Italy to carry out banking in the form of a cooperative credit bank.

The parent company manages and coordinates the activities of the group pursuant to agreements called "cohesion contracts" (*contratti di coesione*). These contracts will, among other things, discipline the powers of the parent company and provide for a joint and several guarantee committing reciprocally any participating BCC, both vertically (as between each BCC and the parent company) and horizontally (as between each BCC in the group).

The joint and several guarantee will have the dual purpose of: (i) jointly guaranteeing the obligations of any BCC in the group in its dealings with a third party (external guarantee) and (ii) providing financial support mechanisms for the solvency and liquidity of the participants in the group (intra-group financial support mechanism).

The purpose of the intra-group financial support mechanism is to mobilise capital and liquidity within the group in order to be compliant with the regulatory requirements and to satisfy the demands of the Bank of Italy avoiding the need to resort to crisis management procedures. Pursuant to the BCC Reform Law, the majority of the parent company's capital must be held by the BCCs belonging to the group. The remainder of its share capital may be held by equivalent entities (e.g. European banking cooperative groups and foundations (*fondazioni*)) or via the capital markets. In the case of the Issuer, as at the date of this Base Prospectus, 97.35 per cent. of its shares are held by the BCC and the Casse Raiffeisen. The remaining portion is owned by the local federation (*federazione locale*) of the BCC and by other entities permitted by the BCC Reform Law. For further information, please see "*Description of the Issuer*".

The parent company may subscribe "financing shares" (*azioni di finanziamento*) issued by a BCC in its group pursuant to Article 2526 of the Civil Code and therefore help to strengthen the capital structure of the BCC generally, as well as in situations where the BCC is insufficiently capitalised or subject to extraordinary administration (*amministrazione straordinaria*).

Prospective Noteholders should be aware that, as at the date of this Base Prospectus, the provisions of the BCC Reform Law and the implementing regulations of the Bank of Italy in Circular No. 285 of 17 December 2013 (as amended on 2 November 2016) have been very recently introduced and have not been tested in any case law or by established market practice.

Accordingly, it is not possible to predict with certainty the full impact of this legislative reform on the Issuer and its business. While senior management of the Issuer believes the above described corporate reorganisation to be a positive development for the Group, no guarantee can be given regarding its potential impact on the Group's results of operations, business and financial condition and, consequently, on the market value of the Notes and the Issuer's ability to meet its obligations under the Notes.

The reforms described above are part of an ongoing process of consolidation of the Italian banking sector brought about, in part, from the implementation of European Directives aiming to liberalise and deregulate the banking sector in the European Union, and in particular in Italy, significantly increasing competitive pressure. In the event that the Group is not able to respond to such competition by, among other things, providing innovative and profitable products and services to meet the needs of clients, the Group could lose market share in the sectors in which it operates. In addition, as a result of such competition, the Group may fail to maintain or increase business volumes and profit levels that have been achieved in the past, resulting in adverse effects on the Group's results of operations, business and financial condition.

***Risk arising from the reorganisation and rationalisation of the Iccrea Banking Group pursuant to the BCC Reform Law***

On 1 June 2016 the Bank of Italy authorised pursuant to Article 57 of the TUB the reverse merger by incorporation of ICCREA Holding S.p.A. into the Issuer. This reverse merger was carried out to allow the members of the group to comply with provisions of the BCC Reform Law. The Issuer had prior to such merger and as at the date of this Base Prospectus has net assets (*patrimonio netto*) in excess of € 1.5 billion and, accordingly, meets the required threshold contained in the BCC Reform Law. Such reorganisation was approved by the board of directors of the Issuer on 26 February 2016, by the shareholders in an Extraordinary General Meeting of the Issuer held on 12 July 2016 and formalised by a merger deed between the Issuer and ICCREA Holding S.p.A. dated 15 September 2016. As a consequence of such merger, effective as of 1 October 2016, the Issuer is now the parent company of the Group. The reverse merger was carried out in order to strengthen the Iccrea Banking Group as a whole and in particular from a corporate and regulatory standpoint, but is not anticipated to have any direct impact on the business of the Issuer.

Furthermore, Iccrea Banca S.p.A. has sent to the Bank of Italy on 18 January 2017 its application for the role of parent company of the cooperative banking group, supplementing the same with a certification of all the necessary requirements.

Subsequently, in order to ensure the full achievement of the objectives outlined by the reform of the Cooperative Credit Banks, and also considering the innovation degree and complexity of incorporating the Cooperative Banking Group, Iccrea Banca has presented its incorporation project to the supervisory authorities and to the BCCs in specifically held meetings with the local federations of the BCC, as well as defined a schedule of project activities currently underway by means of the establishment of macro work areas which in turn are organized in specific committees, project management teams and relevant working groups in which the BCCs are meaningfully represented, together with professionals representing the federations of the BCCs at both local and national level as well as delegated technical structures.

As reported by President Giulio Magagni and by the General Manager Leonardo Rubattu in the press release issued by Iccrea Banca on 15 June 2017, "*The cooperative banking group Iccrea Banca has received today membership applications from 162 Cooperative Credit Banks.*"

*Overall, the 162 BCCs backing the cooperative banking group Iccrea Banca own Euro 10.5 billion of own funds (representing 57% of the total equity of Cooperative Credit) and Euro 125.7 billion of assets (60% of the total BCC credit system). Additionally, the Iccrea project will be able to rely on a network of 2,593 branches (which account for 60% of the BCC branches in Italy). While senior management of the Issuer considers the above described reorganisation to be a positive development for the Group, no guarantee can be given regarding its potential impact on the Group's results of operations, business and financial condition and, consequently, on the market value of the Notes and the Issuer's ability to meet its obligations under the Notes."*

## **Risks relating to the Notes**

*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 stand-alone 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.

## **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:

### *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 be expected to 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.

### *Redemption for tax reasons*

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 the Republic 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 Conditions. 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.

### *Redemption for regulatory reasons*

If the relevant Final Terms specify that Condition 9(c) (*Redemption for regulatory reasons*) is applicable, the Issuer may also, at its option, redeem Subordinated Notes following a Regulatory Event in accordance with Condition 9(c) (*Redemption for regulatory reasons*). To the extent required by the Applicable Banking Regulations, any redemption of the Subordinated Notes shall be subject to the prior approval of the Bank of Italy, as further set out in Condition 9(f) (*Redemption of Subordinated Notes*).

### *CMS Linked Interest Notes*

The Issuer may issue Notes with interest determined by reference to the CMS Rate (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.

### *Fixed Rate Notes*

Investment in Fixed Rate Notes involves the risks that substantial changes in market interest rates adversely affect the value of the Fixed Rate Notes.

### *Floating Rate Notes*

Where the reference rate used to calculate the applicable interest rate turns negative, the interest rate will be below the margin, if any, or may be zero. Accordingly, where the rate of interest is equal to zero, the holders of such Floating Rate Notes may not be entitled to interest payments for certain or all interest periods.

### *Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts 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. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

### *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.

### *Waiver of set-off*

If waiver of set-off rights is specified as applicable in the applicable Final Terms, each holder of a Senior 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 Senior Note.

As specified in Condition 5 (*Status and Special Provisions of Subordinated Notes*), each holder of a Subordinated Note unconditionally and irrevocably waives 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 Subordinated Note.

### *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, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Subordinated Notes.

In addition, in case of application of the bail-in tool and of activation of the point of non-viability mechanism provided for by the BRRD (as defined above), the Subordinated Notes may be written down, up to zero, or converted to equity. Please see further "*Changes in regulatory framework and accounting policies*" above.

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of unsubordinated, unsecured creditors (including depositors) of the Issuer. 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 5 (*Status and Special Provisions of Subordinated Notes*).

### *Regulatory classification of the 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 Bank of Italy 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 applicable Final Terms) have the right to redeem the Notes in accordance with Condition 9(c) (*Redemption for regulatory reasons*), subject to the prior approval of the Bank of Italy. 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.

## ***Risks related to Notes generally***

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

### *Taxation*

The tax regime in the Republic of Italy and in any other relevant jurisdiction (including, without limitation, the jurisdiction in which each Noteholder is resident for tax purposes) may be relevant to the acquiring, holding and disposing of Notes and the receiving of payments of interest, principal and/or other income under the Notes. Prospective investors in the Notes should consult their own tax advisers as to which countries' tax laws could be relevant and the consequences of such actions under the tax laws of those countries.

### *Change of law*

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus, other than subordination and certain other provisions relating to Subordinated Notes, which are based on Italian law. 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 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 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.

### *Delisting of the Notes*

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 and Notes issued under the Programme may also be admitted to trading, listing and/or quotation by any other listing authority, stock exchange or quotation system (each, a "**listing**"), as specified in the relevant Final Terms. Such Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made as to the liquidity of

the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder's ability to resell the Notes on the secondary market.

#### *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) and (ii) an amount which is greater than €100,000 (or its equivalent) but which is an integral multiple of a smaller amount (such as €1,000). Where this occurs, Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case, a holder who as a result of trading such amounts, holds a principal amount of less than the minimum denomination of €100,000 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 €100,000.

#### *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. 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*

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;
- (iii) notwithstanding the above, an adverse change in a credit rating could adversely affect the trading price for the Notes; and
- (iv) tranches of Notes issued under the Programme may be rated or unrated and, where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme.

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.

### *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 advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### *Risks associated with the economic context and consequences of Great Britain's exit from the European Union (Brexit)*

On 23 June 2016, a referendum took place in the United Kingdom on its membership of the European Union. At the end of such referendum the majority voted to exit from the European Union ("**Brexit**").

On 29 March 2017 the United Kingdom notified the European Council of its intention to withdraw from the European Union within the meaning and for the purposes of Article 50(2) of the Treaty on European Union. Article 50(2) requires that, in the light of the guidelines

provided by the European Council, the European Union shall negotiate and conclude an agreement with the United Kingdom, setting out the arrangements for its withdrawal from the European Union, taking account of the framework for its future relationship with the European Union. Article 50 requires that such agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union and concluded on behalf of the European Union by the European Council, acting by a qualified majority, after obtaining the consent of the European Parliament. Under Article 50(3) of the Treaty, the EU Treaties shall cease to apply to United Kingdom from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in Article 50(2), unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period. Absent such extension, and subject to the terms of any withdrawal agreement, the United Kingdom shall withdraw from the European Union no later than 29 March 2019.

The consequences of Brexit are uncertain in particular (but without limitation), with respect to the application of the European Union integration process to the United Kingdom, the relationship between the United Kingdom and the European Union, and the impact of Brexit on economies, European businesses and the European Single Market.

### *Conflicts of Interest*

The Issuer may act as Calculation Agent or 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 a 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.

## GENERAL DESCRIPTION OF THE PROGRAMME

*This section is a general description of the Programme, as provided under Article 22.5(3) of Regulation (EC) 809/2004. This description does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in the Base Prospectus have the same meaning in this description.*

- Issuer:** ICCREA Banca S.p.A.
- Arranger:** Mediobanca - Banca di Credito Finanziario S.p.A.
- Dealers:** Banca IMI S.p.A., Barclays Bank PLC, BNP PARIBAS, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Coöperatieve Rabobank U.A., Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, HSBC Bank plc, ICCREA Banca S.p.A., Mediobanca - Banca di Credito Finanziario S.p.A., MPS Capital Services S.p.A., Natixis, Nomura International plc, Raiffeisen Bank International AG, Société Générale, The Royal Bank of Scotland plc (trading as NatWest Markets), and 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.
- The Issuer may from time to time terminate the appointment of any Dealer under the Programme, or appoint additional Dealers either in respect of one or more Tranches or generally in respect of the Programme.
- Fiscal Agent and Luxembourg Paying Agent:** BNP Paribas Securities Services, Luxembourg Branch
- Luxembourg Listing Agent:** BNP Paribas Securities Services, Luxembourg Branch
- Listing, Approval and Admission to Trading:** Application has been made to the CSSF to approve this document as a base prospectus in compliance with the Prospectus Directive. Application has also been made for Notes issued under the Programme to be listed on the Official List of and admitted to trading on the regulated market 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 each Series as specified in the Final Terms. Notes may also be issued which are neither listed nor admitted to trading on any market.

|                                  |   |
|----------------------------------|---|
| <b>Clearing Systems:</b>         | 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.  |
| <b>Initial Programme Amount:</b> | Up to €3,000,000,000 (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.   |
| <b>Issuance in Series:</b>       | Notes may be issued on a syndicated or non-syndicated basis and 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. The Notes of each Tranche will all be subject to identical terms in all respects, save that a Tranche may comprise Notes of different denominations.  |
| <b>Final Terms:</b>              | <p>Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, completes the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus.</p> <p>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 "<b>Form of Final Terms</b>", in such case a drawdown prospectus will be made available and will describe the effect of the agreement in relation to such Notes.</p>  |
| <b>Forms of Notes:</b>           | 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 specified in the relevant Final Terms as a Classic Global Note (each a " <b>Classic Global Note</b> " or " <b>CGN</b> ") 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 (each a " <b>New Global Note</b> " or " <b>NGN</b> ") will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. New Global Notes are intended to be held in a manner which would |

allow Eurosystem eligibility, such eligibility depending upon satisfaction of the Eurosystem eligibility criteria.

Notes that are not listed on the Official List of the Luxembourg Stock Exchange may also be deposited with any other clearing system or may be delivered outside any clearing system *provided that* the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer.

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 and a Receipt for Instalment Notes.

**Currencies:**

Notes may be denominated in euro, U.S. dollars or Sterling 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.

(i) Status of the Senior Notes:

Senior Notes constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer which will rank at all times *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for any such obligations as may be preferred by mandatory provisions of law. See Condition 4 (*Status of Senior Notes*).

(ii) Status of the Subordinated Notes:

Subordinated Notes all constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any

preference among themselves, all as described in Condition 5 (*Status and Special Provisions of Subordinated Notes*) and the relevant Final Terms.

In the event of a winding up, dissolution, liquidation or insolvency (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer, the payment obligations of the Issuer in respect of principal and interest under Subordinated Notes and any related Receipts and Coupons will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors and any holder of Senior Notes) of the Issuer (B) but at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes and (C) in priority to the claims of shareholders of the Issuer, all as described in Condition 5 (*Status and Special Provisions of Subordinated Notes*).

**Issue Price:**

Notes may be issued at any price, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

**Maturity Period:**

Any Maturity Period or, in the case of Subordinated Notes, with 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 Bank of Italy'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 Period 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 FSMA by the Issuer.

Interest, premium and other income arising from Notes issued after 1 January 2012 are subject to Decree 239 provisions (see section "*Taxation*"). The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such withholding.

**Redemption:**

Subject to any purchase and cancellation, early redemption or repayment or redemption of Instalment Notes, Notes will be redeemed at par as specified in the relevant Final Terms.

To the extent required by the Applicable Banking Regulations, the redemption at maturity of Subordinated Notes shall be subject to the prior approval of the Bank of Italy. If such approval is not given on or prior to the relevant redemption date, the Issuer will re-apply to the Bank of Italy for its consent to such redemption forthwith. The Issuer will use its best endeavours to maintain the required regulatory capital and to obtain such approval.

The applicable Final Terms may provide that the Notes may be redeemed in two or more instalments in such amounts and on such dates as may be indicated in such Final Terms.

**Optional Redemption:**

Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or (where the Notes are Senior Notes) the Noteholders to the extent (if at all) specified in the relevant Final Terms and subject to all relevant legal and regulatory requirements. In the case of Subordinated Notes, early redemption may occur only with the prior approval of the Bank of Italy.

**Tax or Regulatory Redemption:**

Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons as described in Condition 9(b) (*Redemption for tax reasons*), or in the case of Subordinated Notes, for regulatory reasons as described in Condition 9(c) (*Redemption for regulatory reasons*).

**Interest:**

Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.

**Fixed Rate Notes:** Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

**Floating Rate Notes:** Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc.; or
- (ii) by reference to LIBOR, EURIBOR or ECB Interest Rate as adjusted for any applicable margin.

Interest periods will be specified in the relevant Final Terms.

**CMS Linked Interest Notes:** Payments of interest in respect of CMS Linked Interest Notes will be calculated by reference to the CMS Rate as may be specified in the relevant Final Terms.

**Zero Coupon Notes:** Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.

**Interest Periods and Interest Rates:** The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

**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 admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, where the Notes are denominated in a currency other than euro, the equivalent amount in such other currency). If the Final Terms so specify, and for so long as the Notes are represented by the Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, Notes may be issued in denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000.

**Cross Default:**

The Senior Notes will have the benefit of a cross default as described in Condition 12(a) (*Events of Default of Senior Notes*).

The Subordinated Notes will not contain any cross default provision.

**Taxation:**

All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will (subject to certain exceptions as provided in Condition 11 (*Taxation*)) 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 or deduction been required.

However, as more fully set out in Condition 11 (*Taxation*), the Issuer will not be liable to pay any additional amounts to Noteholders with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented, on account of Italian substitute tax (*imposta sostitutiva*), as defined therein in relation to interest or premium payable on, or other income deriving from, any Notes. See "*Taxation*" below.

**Governing Law:**

English law, including all non-contractual obligations arising from or connected therewith, except for Conditions 5 (*Status and Special Provisions of Subordinated Notes*), 9(f) (*Redemption of Subordinated Notes*) and 12(b) (*Events of Default of Subordinated Notes*) and any non-contractual obligations arising from

or connected therewith, which are governed by, and shall be construed in accordance with, Italian law.

**Enforcement of Notes in Global Form:** In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 14 December 2017 a copy of which will be available for inspection at the specified office of the Fiscal Agent.

**Ratings:** Notes issued pursuant to the Programme may be rated or unrated. Where a Tranche of Notes is rated, its rating will not necessarily be the same as any rating applicable to the Programme. Details of the rating, if any, attributable to a Tranche of Notes will be specified in the relevant Final Terms. **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.**

Whether or not each credit rating applied for in relation to relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. 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.

**Selling Restrictions:** There are certain restrictions on the offer, sale and transfer of the Notes. For a description of such 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, the United Kingdom, the Republic of Italy and Japan, see "*Subscription and Sale*" below.

**Risk Factors:** There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below and include risks relating to competition and other operating and general banking risks, such as credit risk and interest rate risk. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the

Programme and include risks related to the structure of a particular issue of Notes and risks common to the Notes generally.

## DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the documents incorporated by reference, described below, which form part of this Base Prospectus:

- the unaudited non-consolidated interim financial statements in respect of the Issuer as at and for the six months ended 30 June 2017;
- the audited non-consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2016;
- the audited non-consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2015;
- the unaudited consolidated interim financial statements as at and for the six months ended 30 June 2017;
- the audited consolidated annual financial statements as at and for the year ended 31 December 2016, and
- the Terms and Conditions of the base prospectus in respect of the Issuer's Euro Medium Term Note Programme dated 19 December 2016 (the "**2016 Base Prospectus**"),

save that any statement contained in the documents incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall be deemed, except as so modified or superseded, not to constitute a part of this Base Prospectus.

The audited non-consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2015, the audited consolidated annual financial statements the Issuer as at and for the year ended 31 December 2016, the audited non-consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2016, the unaudited non-consolidated interim financial statements in respect of the Issuer as at and for the six months ended 30 June 2017 and the unaudited consolidated half-yearly financial statements of the Issuer as at and for the six months ended 30 June 2017 have been prepared in accordance with international accounting standards IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) and shall be deemed to be incorporated in, and to form part of, this Base Prospectus, together (where applicable) with the accompanying notes and auditor's reports, save that any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded to the extent that a statement contained in any document subsequently incorporated by reference by way of supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement.

Information contained in the documents incorporated by reference other than the information listed in the cross-reference list below is for information purposes only. Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purposes only and is not required by the relevant annexes of the Commission Regulation 809/2004/EC.

The Issuer will, at the specified offices of the Paying Agent, provide, free of charge, upon oral or written request, a copy of this Base Prospectus (or any document incorporated by reference in this Base Prospectus). Written or oral requests for such documents should be directed to the specified office of any of the Paying Agents or to the specified office of the Listing Agent in Luxembourg. In addition such documents will be available, without charge, on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

### **Cross-reference lists**

The following table shows where the information required under Annex IX, paragraph 11.1 of Commission Regulation (EC) No. 809/2004 can be found in the above-mentioned financial statements incorporated by reference in this Base Prospectus.

| <b>Audited Non-Consolidated Annual Financial Statements of the Issuer</b> |               |               |
|---|---------------|---------------|
|   | <b>2016</b>   | <b>2015</b>   |
| Balance sheet   | Page 59       | Page 59       |
| Statement of income   | Page 60       | Page 60       |
| Statement of changes in shareholders' equity                              | Pages 62-63   | Pages 62-63   |
| Statement of cash flow  | Pages 64-65   | Pages 64-65   |
| Accounting policies   | Pages 67-102  | Pages 69-99   |
| Explanatory notes   | Pages 67-261  | Pages 67-246  |
| Auditor's report  | Pages 311-313 | Pages 259-261 |

  

| <b>Audited Consolidated Annual Financial Statements of the Issuer as at and for the year ended 31 December 2016</b> |               |
|---|---------------|
|   | <b>2016</b>   |
| Consolidated balance sheet  | Page 38       |
| Consolidated statement of income  | Page 39       |
| Statement of changes in consolidated shareholders' equity   | Pages 41-42   |
| Statement of consolidated cash flow   | Page 43       |
| Accounting policies   | Pages 47-85   |
| Explanatory notes   | Pages 47-295  |
| Auditor's report  | Pages 297-299 |

  

| <b>Unaudited Non-Consolidated Interim Financial Statements of the Issuer as at and for the six months ended 30 June 2017</b> |                     |
|--|---------------------|
|  | <b>30 June 2017</b> |
| Balance sheet  | Page 35             |
| Statement of income  | Page 36             |
| Statement of changes in shareholders' equity   | Pages 38-39         |
| Statement of cash flow   | Pages 40-41         |
| Accounting policies  | Pages 43-76         |
| Explanatory notes  | Pages 43-196        |
| Auditor's report   | Page 199            |

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**Unaudited Consolidated Interim Financial Statements of the Issuer as at and for the six months ended  
30 June 2017**

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|  | <b>30 June 2017</b> |
|--|---------------------|
| Balance sheet                                | Page 32             |
| Statement of income                          | Page 34             |
| Statement of changes in shareholders' equity | Pages 35-36         |
| Statement of cash flow                       | Page 37             |
| Accounting policies                          | Pages 41-80         |
| Explanatory notes                            | Pages 39-224        |
| Auditor's report                             | Pages 225-227       |

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**2016 Base Prospectus**

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|                                   |             |
|-----------------------------------|-------------|
| Terms and Conditions of the Notes | Pages 35-69 |
|-----------------------------------|-------------|

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For the purposes of Article 28.4 of Regulation (EC) 809/2004 (as amended), only the Terms and Conditions of the Notes of the 2016 Base Prospectus are incorporated by reference in this Base Prospectus and any non-incorporated parts of the 2016 Base Prospectus are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

## FURTHER PROSPECTUSES AND SUPPLEMENTS

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 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 pursuant to Article 16 of the Prospectus Directive or publish a replacement Base 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 5.3 of the Prospectus Directive, by a registration document containing the necessary information relating to the Issuer, a securities note containing the necessary information relating to the relevant Notes and, if necessary, 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 (a "**Temporary Global Note**"), without Coupons or Receipts, or a permanent global note (a "**Permanent Global Note**"), without Coupons or Receipts, 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 a 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 depositary or a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, *société anonyme*, Luxembourg ("**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.

On 13 June 2006 the ECB announced that Notes in NGN form are in compliance with the "**Standards for the use of EU securities settlement systems in ESCB credit operations**" of the central banking system for the euro (the "**Eurosystem**"), *provided that* certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and the debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

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 §1.163-5(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 without Coupons or Receipts (as defined herein), interests in which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without Coupons or Receipts, 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 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 Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**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 (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 12 (*Events of Default*) 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, Talons and Receipts 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.

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the 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 (i) a minimum denomination of €100,000, plus (ii) 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 Notes. 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, without Coupons or Receipts, interests in 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, without Coupons or Receipts, interests in 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, Talons and Receipts (as defined herein) 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 the 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, without Coupons or Receipts, interests in 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 (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 12 (*Events of Default*) occurs.

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the 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 (i) a minimum denomination of €100,000, plus (ii) 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 Notes. 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, Talons and Receipts 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. Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 18 (*Notices*).

### **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 of the 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 "*Summary of Provisions relating to the Notes while in Global Form*" below.

### **Legend concerning United States persons**

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons, Talons and Receipts 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, Talon or Receipt will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon, Talon or Receipt 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 OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. 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 "Summary of Provisions relating to the Notes while in Global Form" below. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

### 1. INTRODUCTION

- (a) *Programme:* ICCREA Banca S.p.A. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €3,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 14 December 2017 (the "**Agency Agreement**") between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (d) *The Notes:* All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.
- (e) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**"), the holders of related principal receipts for the payment of instalments of principal (other than the final instalment) (the "**Receiptholders**" and the "**Receipts**", respectively) and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) and, where applicable, talons for further Coupons ("**Talons**") are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

## 2. DEFINITIONS AND INTERPRETATION

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the Republic of Italy including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and including, for the avoidance of doubt, as at the Issue Date the rules contained in, or implementing, CRD IV);

"**Bank of Italy**" means the Bank of Italy and/or any competent authority which at a future date carries out the functions which the Bank of Italy performs as at the Issue Date;

"**Broken Amount**" has the meaning given in the relevant Final Terms;

"**Business Day**" means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

- (iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s);

"**Calculation Amount**" has the meaning given to it in the relevant Final Terms;

"**CMS Rate**" shall mean the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page as at the Specified Time on the Interest Determination Date in question, all as determined by the Calculation Agent;

"**CMS Reference Banks**" means (i) where the Reference Currency is Euro, the principal office of five major banks in the Euro-zone inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five major banks in the London inter-bank market, (iii) where the Reference Currency is U.S. dollars, the principal New York City office of five major banks in the New York City 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;

"**Consolidated Banking Law**" means Legislative Decree No. 385 of 1 September 1993, as amended or supplemented from time to time;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**CRD IV**" means the CRD IV Directive, the CRR and any CRD IV Implementing Measures;

"**CRD IV Directive**" means the Directive 2013/36 of the European Parliament and of the Council of 26 June 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;

"**CRD IV Implementing Measures**" means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Bank of Italy, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a standalone basis) or the Issuer together with its consolidated Subsidiaries (on a consolidated basis) and which prescribe the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Issuer (on a standalone or consolidated basis);

"**CRR**" means 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 amending Regulation No. 648/2012;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (a) if "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if "**Actual/Actual (ICMA)**" is so specified, means:
  - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual

number of days in such Regular Period and (2) the number of Regular Periods in any year;

- (c) If "**Actual/365 (Fixed)**" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (d) If "**Actual/360**" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (e) If "**30/360**", "**360/360**" or "**Bond Basis**" is specified, the number of days in the Calculation Period in respect of which payment is being made 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

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

"**D<sub>2</sub>**" 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 **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30; and

- (f) If "**30E/360**" or "**Eurobond Basis**" is specified, the number of days in the Calculation Period in respect of which payment is being made 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:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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 D<sub>2</sub> will be 30.

- (g) If "**30E/360 (ISDA)**" is specified, the number of days in the Calculation Period in respect of which payment is being made 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:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" 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 D<sub>1</sub> will be 30; and

"D<sub>2</sub>" 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 Termination Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30,

*provided, however, that* in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

**"Deed of Covenant"** means the deed of covenant dated 14 December 2017 relating to the Notes executed by the Issuer;

**"Designated Maturity"** has the meaning given in the relevant Final Terms;

**"Early Redemption Amount (Regulatory Event)"** means in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Early Redemption Amount (Tax)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Early Termination Amount"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

**"ECB"** means the European Central Bank;

**"ECB Interest Rate"** means the European banking interest rate determined by the Governing Council of the ECB and used in Eurosystem refinancing operations. The ECB Interest Rate is published by the ECB and is available on its website;

**"EURIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (being, as of the date of this Base Prospectus, Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

**"Extraordinary Resolution"** has the meaning given in the Agency Agreement;

**"Final Redemption Amount"** means:

- (i) in respect of any Note that is not an Instalment Note, its principal amount, subject to any purchase, cancellation, early redemption or repayment; and
- (ii) in respect of any Instalment Note, the final Instalment Amount;

**"Fixed Coupon Amount"** has the meaning given in the relevant Final Terms;

**"Guarantee"** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

- (iii) any indemnity against the consequences of a default in the payment and such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

**"Indebtedness"** means any indebtedness of any Person for money borrowed or raised;

**"Instalment Amount"** means the amount of each instalment of the Instalment Notes;

**"Instalment Date"** means the date on which each Instalment Amount is repayable;

**"Instalment Notes"** means Notes, any part of the principal amount of which is repayable by an Instalment Amount;

**"Interest Amount"** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**"Interest Determination Date"** has the meaning given in the relevant Final Terms;

**"Interest Payment Date"** means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Definitions"** means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**"Issue Date"** has the meaning given in the relevant Final Terms;

"**Issue Price**" has the meaning given in the relevant Final Terms;

"**Legislative Decree No. 385**" means Italian Legislative Decree No. 385 of 1 September 1993, as amended from time to time;

"**LIBOR**" means, in respect of any specified currency and any specified period, the London inter-bank offered rate for that currency and period displayed on the appropriate page (being, as of the date of this Base Prospectus, Reuters screen page LIBOR01 or LIBOR02) on the information service which publishes that rate;

"**Liquidazione Coatta Amministrativa**" means *Liquidazione Coatta Amministrativa* as described in Articles 80 to 94 of the Consolidated Banking Law;

"**Margin**" has the meaning given in the relevant Final Terms;

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maturity Period**" means the period from and including the Issue Date to but excluding the Maturity Date;

"**Maximum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Minimum Capital**" means the minimum amount of capital of the Issuer, as provided for by the Bank of Italy from time to time for the purposes of obtaining or maintaining the authorisation of the Bank of Italy to carry on banking activities, as certified in writing by two directors of the Issuer;

"**Minimum Redemption Amount**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Date (Call)**" has the meaning given in the relevant Final Terms;

"**Optional Redemption Date (Put)**" has the meaning given in the relevant Final Terms;

"**Participating Member State**" means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

"**Payment Business Day**" means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

- (B) in the case of payment by transfer to an account, 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
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, 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;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency *provided, however, that:*

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Prudential Regulations for Banks"** means 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 and supplemented from time to time, including any successor regulations;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Rate of Interest"** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Instalment Amount, the Early Redemption Amount (Tax), Early Redemption Amount (Regulatory Event), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a

redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"**Reference Currency**" has the meaning given in the relevant Final Terms;

"**Reference Price**" has the meaning given in the relevant Final Terms;

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

"**Regular Period**" means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"**Regulatory Event**" is deemed to have occurred if there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion, in whole or, to the extent permitted by the Applicable Banking Regulations, in part, from Tier II Capital of the Issuer and, in case the Regulatory Event has occurred within five years of the issue of the relevant Subordinated Notes, both of the following conditions are met: (i) the Relevant Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date;

"**Relevant Authority**" means the Bank of Italy or other governmental authority in Italy (or other country in which the Issuer is then domiciled having the responsibility of making such decisions);

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount

payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

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

**"Relevant Screen Page"** means the page, section or other part of a particular information service (including, without limitation, the Reuters Money 3000 Service) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**"Relevant Swap Rate"** means:

- (i) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed for floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR EURIBOR Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Reference Currency is Sterling, the mid-market semi annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed for floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP LIBOR BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP LIBOR BBA with a designated maturity of three months;
- (iii) where the Reference Currency is U.S. dollars, the mid-market semi annual swap rate determined on the basis of the mean of the bid and offered rates for the semi annual fixed leg, calculated on a 30/360 day count basis, of a fixed for floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD LIBOR BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and

- (iv) where the Reference Currency is any other currency or if the Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the applicable Final Terms;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Representative Amount**" means an amount that is representative for a single transaction in the relevant market at the relevant time;

"**Reserved Matter**" shall have the meaning given to it in the Agency Agreement and includes, *inter alia*, any proposal 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, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**Reset Date**" has the meaning given in the relevant Final Terms;

"**Senior Note**" means a Note specified in the relevant Final Terms as being unsubordinated or not specified as being subordinated;

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Subordinated Notes**" means Notes intended to qualify as Tier II Capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Prudential Regulations for Banks and Article 63 of the CRR;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any Person (the "**second Person**") in which:

- (i) the majority of the votes capable of being voted in an ordinary shareholders' meeting is held, directly or indirectly, by the first Person; or
- (ii) the first Person holds, directly or indirectly, a sufficient number of votes to give the first Person a dominant influence (*influenza dominante*) in an ordinary shareholders' meeting of the second Person,

as provided by Article 2359, paragraph 1, No.1 and 2 of the Italian Civil Code;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system or any successor thereto which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 System is open for the settlement of payments in euro;

"**Tier II Capital**" has the meaning given to it by (i) the Relevant Authority from time to time or (ii) any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union from time to time, as applicable;

"**Treaty**" means the Treaty on the functioning of the European Union, as amended; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any Instalment Amounts, any additional amounts in respect of principal which may be payable under Condition 11 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "**outstanding**" shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "**not applicable**" then such expression is not applicable to the Notes;
- (viii) any reference herein to Notes shall, unless the context otherwise requires, be deemed to include a reference to Receipts in respect of any Instalment Notes and any reference herein to Noteholders shall, unless the context otherwise requires, be deemed to include a reference to Receiptholders in respect of any Instalment Notes.

### 3. **FORM, DENOMINATION AND TITLE**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. If the Notes are Instalment Notes in definitive form, they will be issued with Receipts attached. In the case of a Series of

Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes, the Coupons and the Receipts will pass by delivery. The holder of any Note, Coupon or Receipt shall (except as otherwise required by law) 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 other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

#### 4. STATUS OF SENIOR NOTES

- (a) *Application:* this Condition 4 (*Status of Senior Notes*) is applicable only to Senior Notes.
- (b) *Status:* The Notes and any related Receipts or Coupons constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without preference among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, (save for such obligations as may be preferred by provisions of law that are both mandatory and of general application).
- (c) *Waiver of set-off rights:* If waiver of set-off rights is specified as applicable in the applicable Final Terms, each holder of a Senior Note unconditionally and irrevocably waives 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 Senior Note.

#### 5. STATUS AND SPECIAL PROVISIONS OF SUBORDINATED NOTES

- (a) *Application:* This Condition 5 (*Status and Special Provisions of Subordinated Notes*) is applicable only to Subordinated Notes.
- (b) *Status of Subordinated Notes:* Subordinated Notes and any related Receipts or Coupons constitute direct, unsecured and subordinated obligations of the Issuer and, subject to the provisions of this Condition 5, will at all times rank *pari passu* without any preference among themselves. In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.
- (c) *Winding up, etc.:* In the event of the winding up, dissolution, liquidation or insolvency (including, *inter alia*, *Liquidazione Coatta Amministrativa* of the Issuer), the payment obligations of the Issuer under each Series of Subordinated Notes, and the relative Receipts or Coupons as the case may be, will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors and any holder of Senior Notes and their respective Receipts or Coupons) of the Issuer but (B) at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes and (C) in priority to the claims of shareholders of the Issuer.
- (d) *Waiver:* Each holder of a Subordinated Note is deemed unconditionally and irrevocably to have waived 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 Subordinated Note.

## 6. FIXED RATE NOTE PROVISIONS

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if: (i) the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable; or (ii) if a Change of Interest Basis is specified in the relevant Final Terms as being applicable, in respect of those periods for which the Fixed Rate Note Provisions are stated to apply.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is 7 days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where the Specified Denomination of a Fixed Rate Note comprises more than one Calculation Amount, the Amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

## 7. FLOATING RATE AND CMS LINKED INTEREST NOTE PROVISIONS

- (a) *Application:* This Condition 7 (*Floating Rate and CMS Linked Interest Note Provisions*) is applicable to the Notes only if: (i) the Floating Rate Note Provisions or CMS Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable; or (ii) if a Change of Interest Basis is specified in the relevant Final Terms as being applicable, in respect of those periods for which the Floating Rate Note Provisions are stated to apply.

- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is 7 days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination for Floating Rate Notes other than CMS Linked Interest Notes:* 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 not 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 on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
    - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
    - (B) determine the arithmetic mean of such quotations; and
  - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate

or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *Screen Rate Determination for Floating Rate Notes which are CMS Linked Interest Notes:* 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.

- (e) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate

(LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

- (f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified currency (half a sub-unit being rounded upwards). For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where the Specified Denomination of a Floating Rate Note or CMS Linked Interest Note comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.
- (h) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (i) *Notifications, etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Floating Rate and CMS Linked Interest Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders, the Receiptholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## 8. ZERO COUPON NOTE PROVISIONS

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
- (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is 7 days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## 8A. CHANGE OF INTEREST BASIS

If Change of Interest Basis is specified as applicable in the applicable Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 6 (*Fixed Rate Note Provisions*) or Condition 7 (*Floating Rate and CMS Linked Interest Note Provisions*), each applicable only for the relevant periods specified in the applicable Final Terms.

If Change of Interest Basis is specified as applicable in the applicable Final Terms, and Issuer's Switch Option is also specified as applicable in the applicable Final Terms, the Issuer may, on one or more occasions, as specified in the applicable Final Terms, at its option (any such option, a "**Switch Option**"), having given notice to the Noteholders in accordance with Condition 18 (*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 applicable Final Terms with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the applicable 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 applicable 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 applicable Final Terms provided that any date specified in the applicable 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 18 (*Notices*) prior to the relevant Switch Option Expiry Date.

9. **REDEMPTION AND PURCHASE**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Conditions 9(f) (*Redemption of Subordinated Notes*) and 10 (*Payments*).
- (b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer (but subject, in the case of Subordinated Notes, to the prior approval of the Bank of Italy) in whole, but not in part:
- (i) at any time (if, neither the Floating Rate Note Provisions nor CMS Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or CMS Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

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 (*Tax*), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*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 (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes;
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and
- (C) in the case of Subordinated Notes only if the circumstances under points (A) and (B) above have occurred within five years of the issue of the relevant Subordinated Notes, the Issuer demonstrates to the satisfaction of the Relevant Authority that such change is material and was not reasonably foreseeable at the Issue Date,

*provided, however, 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 if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by a legal representative of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

(c) *Redemption for regulatory reasons:*

- (i) *Application:* This Condition 9(c) applies only if (A) the Notes are specified in the relevant Final Terms as being Subordinated Notes; and (B) Condition 9(c) is specified in the relevant Final Terms as being applicable.
- (ii) *Redemption:* If, at any time the Issuer determines that a Regulatory Event has occurred, the Notes may be redeemed at the option of the Issuer (subject to Condition 9(f) (*Redemption of Subordinated Notes*) below), in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor a CMS Linked Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note or a CMS Linked Interest Note), on giving not less than 15 nor more than 30 days' notice to the Fiscal Agent and, in accordance with Condition 18 (*Notices*) to the Noteholders.

Prior to the publication of any notice of redemption pursuant to this Condition 9(c), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describe the facts leading thereto, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 9(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(c), at the Early Redemption Amount (Regulatory Event) described in the relevant Final Terms, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

- (d) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may (subject, in the case of Subordinated Notes, to prior approval of the Bank of Italy) be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- (e) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(d) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to

compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 9(d) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or less than the minimum so specified.

- (f) *Redemption of Subordinated Notes*: Subordinated Notes shall have a minimum Maturity Period of five years, as provided under the Prudential Regulations for Banks.

Notwithstanding the foregoing provisions of this Condition 9: (i) to the extent required by the Applicable Banking Regulations, the redemption of any series of Subordinated Notes at their Maturity Date shall be subject to the prior approval of the Bank of Italy; and/or (ii) the early redemption of any series of Subordinated Notes shall always be subject to the prior approval of the Bank of Italy. Failure to redeem any such Notes where such consent has not been granted shall not constitute a default of the Issuer for any purpose.

Amounts that would otherwise be payable on the due date will continue to bear interest until whichever is the earlier of (i) the day on which all sums due in respect of such Subordinated Notes up to that day are received by or on behalf of the Noteholders and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of such Subordinated Notes up to such seventh day.

- (g) *Redemption at the option of Noteholders*:

- (i) *Application*: This Condition 9(g) (*Redemption at the option of Noteholders*) is applicable only to Senior Notes and if the Put Option is specified in the relevant Final Terms as being applicable.
- (ii) *Put Options*: The Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(g), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons and any unmatured Receipts relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(g), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the

relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(g), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- (h) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 9(a) (*Scheduled redemption*) to (g) (*Redemption at the option of Noteholders*).
- (i) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the relevant Final Terms for the purposes of this Condition 9(i) or, if none is so specified, a Day Count Fraction of 30E/360.

- (j) *Purchase*: The Issuer or any of its Subsidiaries may (but, in the case of Subordinated Notes and subject (if required) to consent thereto having been obtained from the Bank of Italy and in compliance with Applicable Banking Regulations) at any time purchase Notes in the open market or otherwise and at any price provided that all unmatured Coupons appertaining thereto are purchased therewith.
- (k) *Cancellation*: All Notes which are so redeemed or purchased and subsequently surrendered for cancellation by the Issuer or any of its Subsidiaries and any unmatured Coupons and Receipts attached to or surrendered with them shall be cancelled and may not be reissued or resold.
- (l) *Instalments*: Unless previously redeemed, or purchased and cancelled (all as more fully described in this Condition 9), each Instalment Note will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms. In the case of such Notes in definitive form, all instalments (other than the final instalment) will be paid against surrender of the relevant Receipt (which must be presented with the Instalment Note to which it appertains) and in the case of the final instalment against surrender of the relevant Note.

## 10. PAYMENTS

- (a) *Principal*: Payments of principal shall be made only against:
  - (i) presentation and (*provided that* payment is made in full) surrender of Notes;

- (ii) in respect of any Instalment Amount which becomes due on an Instalment Date, presentation and (*provided that* payment is made in full) surrender of the appropriate Receipts,

at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).

- (b) *Interest*: Payments of interest shall, subject to Condition 10(h) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in 10(a) (*Principal*) above.
- (c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons*: If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

- (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 10(f) is applicable or that the Floating Rate Note Provisions or CMS Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(c) (*Redemption for regulatory reasons*), Condition 9(d) (*Redemption at the option of the Issuer*), Condition 9(g) (*Redemption at the option of Noteholders*) or Condition 12 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted under Condition 10(c) (*Payments in New York City*)).
- (i) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) attached to the Notes, the Talon attached to such Note may be exchanged at the Specified Office of the Fiscal Agent for further Coupons, as the case may be (including, if appropriate, a further Talon) but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*Prescription*). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

- (j) *Unmatured Receipts Void*: If the relevant Final Terms specifies that this Condition 10(j) is applicable or that the Instalment Note provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(c) (*Redemption for regulatory reasons*), Condition 9(d) (*Redemption at the option of the Issuer*), Condition 9(g) (*Redemption at the option of Noteholders*) or Condition 12 (*Events of Default*), all unmatured Receipts relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

## 11. TAXATION

- (a) *Withholding and deduction*: All payments of principal (if applicable) and interest in respect of the Notes and the Coupons by or on behalf of the Issuer 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 political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law.
- (b) *Gross up*: In the event that such withholding or deduction of taxes, duties, assessments, or governmental charges is required by law (as referred to in Condition 11(a)), the Issuer shall pay such additional amounts necessary for the net amounts received by the Noteholders and Couponholders after such withholding or deduction to equal the respective amounts of principal and interest, in the case of Senior Notes, or interest only, in the case of Subordinated Notes, which would otherwise have been receivable in respect of the Notes or Coupons in the absence of such withholding or deduction; except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:
- (i) in the Republic of Italy;
  - (ii) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Italy other than the mere holding of such Note or Coupon; or
  - (iii) by a non-Italian resident entity or individual which is resident for tax purposes in a country which does not allow for a satisfactory exchange of information with the Italian tax authorities; or
  - (iv) by an Italian resident, to the extent that interest is paid to an Italian individual or an Italian legal entity not carrying on a business (including, but not limited to (A) partnerships, de facto partnerships not carrying on a business and professional associations, (B) public and private resident entities, other than companies, not carrying on a business, and (C) certain other Persons exempt from corporate income tax) or to such other Italian individual engaged in an entrepreneurial activity to which the Notes are connected or resident entities which have been or may be identified by Legislative Decree No. 239 of 1 April 1996 and related regulations of implementation which have been or may subsequently be enacted ("**Decree 239**") ; or

- (v) in all circumstances in which the requirements and procedures set forth in Decree 239 have not been met or complied with except where such requirements and procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or
  - (vi) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days.
- (c) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to in the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

## 12. EVENTS OF DEFAULT

- (a) *Events of Default of Senior Notes:* This Condition 12(a) is applicable only to Notes specified in the relevant Final Terms as Senior Notes. If any of the following events occurs:

- (i) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes within 3 Business Days of the due date for payment thereof or fails to pay any interest in respect of the Notes within 7 Business Days of the due date for payment thereof;
- (ii) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Agency Agreement and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer (and copied to the Fiscal Agent) or to the Specified Office of the Fiscal Agent;
- (iii) *Cross-default of Issuer or Subsidiary:*
  - (A) any Indebtedness of the Issuer or any of its Subsidiaries is not paid when due or (as the case may be) within any applicable grace period;
  - (B) any Indebtedness of the Issuer or any of its Subsidiaries becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or such Subsidiary of the Issuer; or
  - (C) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

*provided that* the amount of Indebtedness referred to in sub-paragraph (A) and/or sub-paragraph (B) above and/or the amount payable under any Guarantee referred to in sub-paragraph (C) above individually or in the aggregate exceeds €25,000,000 (or its equivalent in any other currency or currencies);

- (iv) *Unsatisfied judgment:* one or more judgment(s) or order(s) for the payment of any amount exceeding €25,000,000 is rendered against the Issuer or any of its

Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment;

- (v) *Security enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Subsidiaries over a material part of the property, undertaking, assets or revenues of the Issuer or any such Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar officer);
- (vi) *Enforcement proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, undertaking, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 120 days;
- (vii) *Insolvency etc*: (A) the Issuer or any of its Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (B) an administrator or liquidator of the Issuer or any of its Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Subsidiaries is appointed (or application for any such appointment is made), (C) the Issuer or any of its Subsidiaries takes any action for a readjustment or deferment of any of its obligations in the nature of a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (D) the Issuer or any of its Subsidiaries becomes subject to an order for *liquidazione coatta amministrativa* pursuant to Article 80 et. Seq. of the Consolidated Banking Law or *amministrazione straordinaria* pursuant to Article 70 et seq. of the Consolidated Banking Law (within the meaning ascribed to those expressions by the laws of the Republic of Italy) or similar proceedings in any other jurisdiction;
- (viii) *Winding-up etc*: (A) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Subsidiaries or (B) the Issuer or any of its Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Subsidiary, whereby the undertaking and the assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries;
- (ix) *Analogous event*: any event occurs which under the laws of the Republic of Italy has an analogous effect to any of the events referred to in paragraphs (iv) to (viii) above;
- (x) *Failure to take action etc*: any action, condition or thing including, without limitation, the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, or order, at any time required to be taken, fulfilled or done in order (A) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes, the Agency Agreement and the Deed of Covenant (B) to

ensure that those obligations are legal, valid, binding and enforceable and (C) to make the Notes, the Coupons, the Agency Agreement and the Deed of Covenant admissible in evidence in the courts of the Republic of Italy is not taken, fulfilled or done; or

- (xi) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, the Agency Agreement or the Deed of Covenant,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer (copied to the Fiscal Agent) or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality unless prior to such date all Events of Default in respect of all Notes that are outstanding have been cured.

- (b) *Events of Default of Subordinated Notes*: This Condition 12(b) is applicable only to Notes specified in the relevant Final Terms as Subordinated Notes. If any of the following events occurs:

- (i) *Winding-up etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or on terms previously approved by Extraordinary Resolution); or
- (ii) *Analogous event*: any event occurs which under the laws of the Republic of Italy has an analogous effect to any of the events referred to in paragraph (i) (Winding up, etc.) above,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

### 13. **PRESCRIPTION**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

### 14. **REPLACEMENT OF NOTES, COUPONS AND RECEIPTS**

If any Note, Coupon or Receipt is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange

and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Receipts must be surrendered before replacements will be issued.

## 15. AGENTS

In acting under the Agency Agreement and in connection with Notes, Coupons and Receipts, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any holder of any Note, Coupon or Receipt.

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent or Calculation Agent and additional or successor paying agents; *provided, however, that:*

- (a) the Issuer shall at all times maintain a Fiscal Agent; and
- (b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) the Issuer shall at all times maintain a Paying Agent outside the Republic of Italy; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system the rules of which require the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by the rules of such listing authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

## 16. MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. 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.

- (b) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

## 17. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the Issue Price, the Issue Date and/or the first payment of interest) so as to form a single series with the Notes.

## 18. NOTICES

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders and Receiptholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

## 19. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes, the Coupons or any Receipt or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## 20. **ROUNDING**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

## 21. **GOVERNING LAW AND JURISDICTION**

- (a) *Governing law*: The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law, except for Conditions 5 (*Status and Special Provisions of Subordinated Notes*), 9(f) (*Redemption of Subordinated Notes*) and 12(b) (*Events of Default of Subordinated Notes*) which are governed by and shall be construed in accordance with Italian law.
- (b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity.
- (c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England*: Condition 21(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 21 (*Governing Law and Jurisdiction*) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Process agent*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Wilmington Trust SP Services (London) Limited at Third Floor, 1 King's Arms Yard, London EC2R 7AF, United Kingdom, or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with the procedures set out in the Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled

to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings outside England pursuant to paragraph (d) above.

## 22. CONTRACTUAL RECOGNITION OF BAIL-IN POWERS

By the acquisition of the Notes, each Noteholder acknowledges and agrees to be bound by the exercise of any Bail-in 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 Bail-in 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 Bail-in Power by the Relevant Resolution Authority.

Upon the Issuer being informed or notified by the Relevant Resolution Authority of the actual exercise of the date from which the Bail-in 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 Bail-in Power nor the effects on the Notes described in this clause.

The exercise of the Bail-in 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 Bail-in Power to the Notes.

As used in this Condition:

**"Bail-in Power"** means any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution 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.

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

**"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 Bail-in 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.

## FORM OF FINAL TERMS

*The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly 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[, from 1 January 2018,] to be offered, sold or otherwise made available to and[, with effect from such date,] 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 ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), 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 Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (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 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**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer'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 manufacturers' target market assessment) and determining appropriate distribution channels.]

Final Terms dated [●]

### **ICCREA Banca S.p.A.**

Issue of [currency] [amount] [description] Notes

under the €3,000,000,000

### **Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 14 December 2017 [and the supplement to the Base Prospectus dated [insert date] [delete if not applicable],] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms

contain the final terms of the Notes and must be read in conjunction with such Base Prospectus [as so supplemented]. 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. The Base Prospectus [and the supplement to the Base Prospectus] [is/are] available for viewing at [address] and [website] and copies may be obtained from [address].] 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 Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).]

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under the 2016 Base Prospectus]*

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the "**Conditions**") set forth in the base prospectus dated 19 December 2016 (the "**2016 Base Prospectus**"). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"), and must be read in conjunction with the Base Prospectus dated 14 December 2017 (the "**2017 Base Prospectus**") [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the 2016 Base Prospectus.

Full information on the Issuer and the Notes described herein is only available on the basis of the combination of these Final Terms, the 2017 Base Prospectus and the 2016 Base Prospectus. The 2017 Base Prospectus and the 2016 Base Prospectus are available for viewing at [address] and [website] and on the website of the Luxembourg Stock Exchange and copies may be obtained from [address]. The 2017 Base Prospectus and the 2016 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 Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).]

*(Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions 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 Prospectus under Article 16 of the Prospectus Directive).*

1. [(i)] [Series Number:] [●]
- [(ii)] [Tranche Number:] [●]
- [(iii)] Date on which the Notes become fungible: [Not Applicable]/[The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below [which is expected to be on or about [●].]

2. **Specified Currency or Currencies:** [●]  
 (Condition 2(a) (*Definitions and Interpretation – Definitions – "Specified Currency"*))
3. **Aggregate Nominal Amount:** [●]  
 [(i) [Series:]] [●]  
 [(ii) [Tranche:]] [●]
4. **Issue Price:** [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] (*in the case of fungible issues only, if applicable*)  
 (Condition 2(a) (*Definitions and Interpretation – Definitions – "Issue Price"*))
5. (i) **Specified denominations:** [●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●].]  
 (Condition 2(a) (*Definitions and Interpretation – Definitions – "Specified Denominations"*))
- (The minimum denomination of Notes admitted to trading on a regulated market within the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount of such currency).)*
- (Notes including Notes denominated in Sterling, in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or, whose issue otherwise, constitutes a contravention of Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).)*
- (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*  
 (Condition 2(a) (*Definitions and Interpretation –*

*Definitions – "Calculation in the case of two or more Specified Amount")* *Denominations.)*

6. [(i)] **Issue Date:** [●]

*(Condition 2(a) (Definitions and Interpretation – Definitions – "Issue Date"))*

[(ii)] **Interest Commencement Date** [Issue Date]/[Not Applicable]/ [●]  
(if different from the Issue Date):

*(Condition 2(a) (Definitions and Interpretation – Definitions – "Interest Commencement Date"))*

7. **Maturity Date:** *(Specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant*

*month and year)*  
*(Condition 2(a) (Definitions and Interpretation – Definitions – "Maturity Date"))*

*(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]

*(Condition 6 (Fixed Rate Note Provisions) / Condition 7 (Floating Rate and CMS Linked Interest Note Provisions) and Condition 8 (Zero Coupon Note Provisions))* [[●] per cent. Fixed Rate from [●] to [●], then [●] per cent. Fixed Rate from [●] to [●]]  
[[EURIBOR]/[LIBOR]/[ECB Interest Rate] +/- [ ] per cent. per annum Floating Rate]

[Floating Rate: CMS Linked Interest]

[Zero Coupon]

(further particulars specified below)

9. **Redemption/Payment Basis:** [Redemption at par]/[Redemption at par in Instalment Amounts]
10. **Change of Interest Basis:** [Applicable / Not Applicable]
- (Condition 8A (*Change of Interest Basis*)) (if applicable, specify the date when any fixed to floating rate or vice-versa change occurs or cross refer to paragraphs 13 and 14 (as appropriate) below and identify there)
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (N.B. To be completed in addition to paragraphs 13 and 14 (as appropriate) if any fixed to floating or fixed reset rate change occurs)
- (i) Reset Date(s): [●]
- (ii) Switch Options: [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]
- (N.B. The Issuer must give notice of the exercise of the Switch Option to Noteholders in accordance with Condition 17 on or prior to the relevant Switch Option Expiry Date)
- (iii) Switch Option Expiry Date: [●]
11. **Put/Call Options:** [Investor Put]
- (Condition 9(g) (*Redemption and Purchase – Redemption at the option of Noteholders*)) or (Condition 9(d) [(further particulars specified in paragraph (*Redemption and Purchase – Redemption at the option of the Issuer*) and Condition 9(e) (*Redemption and Purchase – Partial redemption*))] [16]/[17]/[18]/[19]/[20] below)
- [Issuer Call]
12. (i) **Status of the Notes:** [Senior Notes]/[Subordinated Notes]
- (Condition 4 (*Status of Senior Notes*) or Condition 5 (*Status and Special Provisions of Subordinated Notes*))

- (ii) (In respect of Senior Notes only):

[Waiver of set-off rights:]

[Applicable/Not Applicable]

### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. **Fixed Rate Note Provisions:** [Applicable/Not Applicable/(if a Change of Interest Basis applies): Applicable for the period starting from [and including] [●] ending on [but excluding] [●]]  
(Condition 6 (Fixed Rate Note Provisions))

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Rate(s) of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]  
(Condition 6(b) (Fixed Rate Note Provisions – Accrual of interest))

- (ii) Interest Payment Date(s): [●] in each year up to and including the Maturity Date  
(Condition 2(a) (Definitions and Interpretation – Definitions – "Interest Payment Date"))

- (iii) Fixed Coupon Amount(s): [[●] per Calculation Amount]  
(Condition 2(a) (Definitions and Interpretation – Definitions – "Fixed Coupon Amount") (Specify different Fixed Coupon Amounts if different Rates of Interest are specified as being applicable in respect of different Interest Periods.))

/

*(for Instalment Notes only:)* [See column "Fixed Coupon Amount per Note of a denomination of the Calculation Amount" in the Appendix to the Final Terms for details of the Fixed Coupon Amount per Note of a denomination of the Calculation Amount payable on each Interest Payment Date]

- (iv) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] / [Not Applicable]  
(Condition 2(a) (Definitions and Interpretation –

*Definitions* – "Broken Amount")

- (v) Day Count Fraction: [Actual/Actual (ICMA)]/[Actual/365]/[Actual/Actual (ISDA)]/[Actual/365 – (Fixed)]/[Actual/360]/[30/360]/[30/360]/[Eurobond basis] (*Condition 2(a) (Definitions and Interpretation – Definitions – "Day Count Fraction")*)

14. **Floating Rate Note Provisions:** [Applicable/Not Applicable/(if a Change of Interest Basis applies): Applicable for the period starting from [and including] [●] ending on [but excluding] [●]] (*Condition 7 (Floating Rate and CMS Linked Interest Note Provisions)*)

(If not applicable, delete the remaining subparagraphs of this paragraph.)

- (i) Interest Payment Dates: [●] (*Condition 2(a) (Definitions and Interpretation – Definitions – "Interest Payment Date")*)

- (ii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] (*Condition 2(a) (Definitions and Interpretation – Definitions – "Business Day Convention")*)

- (iii) Specified Period: [Not Applicable]/ [●] (*Condition 2(a) (Definitions and Interpretation – Definitions – "Specified Period")*)

- (iv) Additional Business Centre(s): [Not Applicable/[●]] (*Condition 2(a) (Definitions and Interpretation – Definitions – "Additional Business Centre(s)")*)

- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]

(Condition 7 (*Floating Rate and CMS Linked Interest Note Provisions*))

- (vi) Party responsible for [[Name] shall be the Calculation Agent] (*no need calculating the Rate(s) of to specify if the Fiscal Agent is to perform this Interest and Interest function*) Amount(s) (if not the Fiscal Agent):

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Calculation Agent"*))

- (vii) Screen Rate Determination:

(Condition 7 (*Floating Rate and CMS Linked Interest Note Provisions*))

- Reference Rate: [LIBOR/EURIBOR/ECB Interest Rate/CMS Rate]

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Reference Rate"*))

- Reference Banks: [Not Applicable]/ [●]

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Reference Banks"*))

- 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]  
(Condition 2(a) (*Definitions and Interpretation – Definitions – "Interest Determination Date"*))

(*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 Screen Page: [For example, Reuters page EURIBOR01]

(Condition 2(a) (*Definitions and Interpretation – relevant screen page and any applicable Definitions – "Relevant Screen headings and captions Page"*))

- Relevant Time: [For example, 11.00 a.m.[London/Brussels] time]

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Relevant Time"*))

- Relevant Financial Centre: (For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro))

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Relevant Financial Centre"*))

- [Reference Currency:] [●]

(only relevant where the CMS Rate is the Reference Rate)

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Reference Currency"*))

- [Designated Maturity:] [●]

(only relevant where the CMS Rate is the Reference Rate)

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Designated Maturity"*))

(viii) ISDA Determination:

(Condition 7(e) (*Floating Rate and CMS Linked Interest Note Provisions – ISDA Determination*))

- Floating Rate Option: [●]

- Designated Maturity: [●]

- Reset Date: [●]

*(In the case of a LIBOR or EURIBOR or ECB Interest Rate or CMS Rate based option, the first day of the Interest Period)*

(ix) Margin(s): [ +/- ] [●] per cent. per annum

*(Condition 2(a) (Definitions and Interpretation – Definitions – "Margin"))*

(x) Minimum Rate of Interest: [Not Applicable/[●] per cent. per annum]

*(Condition 7(f) (Floating Rate and CMS Linked Interest Note Provisions – Maximum or Minimum Rate of Interest))*

(xi) Maximum Rate of Interest: [Not Applicable/[●] per cent. per annum]

*(Condition 7(f) (Floating Rate and CMS Linked Interest Note Provisions – Maximum or Minimum Rate of Interest))*

(xii) Day Count Fraction: [Actual/Actual (ICMA)]/

*(Condition 2(a) (Definitions and Interpretation – Definitions – "Day Count Fraction"))* [Actual/365]/  
[Actual/Actual (ISDA)]/

[Actual/365 (Fixed)]/

[Actual/360]/[30/360]/[30/360]/[Eurobond basis]

**15. Zero Coupon Note Provisions:** [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Accrual Yield: [●] per cent. per annum

*(Condition 2(a) (Definitions and Interpretation – Definitions – "Accrual Yield"))*

- (ii) Reference Price: [●]

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Reference Price"*))

## PROVISIONS RELATING TO REDEMPTION

16. **Call Option:** [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s) [●]  
(Call):

Condition 9(d) (*Redemption and Purchase – Redemption at the option of the Issuer*) and Condition 9(e) (*Redemption and Purchase – Partial redemption*)

- (ii) Optional Redemption [●] per Calculation Amount Amount(s) (Call):

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Optional Redemption Amount (Call)"*))

- (iii) If redeemable in part:

- (a) Minimum Redemption [●]  
Amount:

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Minimum Redemption Amount"*))

- (b) Maximum [●]  
Redemption Amount:

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Maximum Redemption Amount"*))

- (iv) Notice period (if other than as [●]  
set out in the Conditions):

Condition 9(d) (*Redemption and Purchase – Redemption at the option of the Issuer*) and  
Condition 9(e) (*Redemption and Purchase – Partial redemption*)

**17. Regulatory Call:** [Condition 9(c) is applicable/Not Applicable]

(Condition 9(c) (*Redemption and Purchase – Redemption for regulatory reasons*)) (Only applicable for Subordinated Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph)

**18. Put Options:** [Applicable/Not Applicable]

(Condition 9(g) (*Redemption and Purchase – Redemption at the option of Noteholders*)) (Applicable only to Senior Notes/if not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s) [●]  
(Put):

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Optional Redemption Date (Put)"*))

- (ii) Optional Redemption [●] per Calculation Amount  
Amount(s) (Put):

(Condition 2(a) (*Definitions and Interpretation – Definitions – "Optional Redemption Amount (Put)"*))

- (iii) Notice period (if other than as [●]  
set out in the Conditions):

(Condition 9(g) (*Redemption and Purchase – Redemption at the option of Noteholders*))

**19. Final Redemption Amount:** [[●] per Calculation Amount] / (for Instalment Notes only:) [Notes will be redeemed by payment of Instalment Amounts on each Interest Payment Date in accordance with the Appendix to the Final Terms hereto and in the amount set

out therein. Upon payment of each Instalment Amount, the outstanding principal amount of each Note shall be reduced by the relevant Instalment Amount for all purposes.

The Final Redemption Amount will be the final Instalment Amount as set out in the Appendix to the Final Terms hereto.]

**20. Early Redemption Amount:**

Early Redemption Amount(s) payable [Not Applicable]/ [●]/(for Instalment Notes only:) [The Early Redemption Amount will be, on redemption for taxation reasons or on event of default:

(Condition 2(a) (Definitions Interpretation – Definitions – "Early Redemption Amount (Tax)" and "Early Redemption Amount (Regulatory Event)")

in respect of each Note, the principal amount of the Notes outstanding following the payment of any Instalment Amounts paid by the Issuer prior to the relevant date for redemption, as set out in the Appendix to the Final Terms hereto.]

*(If the Early Redemption Amount (Tax), Early Redemption Amount (Regulatory Event) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or Early Redemption Amount (Regulatory Event) and/or the Early Termination Amount if different from the principal amount of the Notes.)*

**21. Instalment Notes:**

[Applicable]/[Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) Instalment Amount(s)

The amounts set out in the table in the Appendix to the Final Terms.

Notes will be redeemed by payment of the Instalment Amounts on each Interest Payment Date in accordance with the Appendix to the Final Terms hereto and in the amount set out therein. Upon payment of each Instalment Amount, the outstanding principal amount of each Note shall be reduced by the relevant Instalment Amount for all purposes.

(ii) Instalment Date(s):

Each Interest Payment Date as set out in the Appendix to the Final Terms.

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

22. **Form of Notes:** [Temporary Global Note exchangeable for Definitive Notes on [30] days' notice.]

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [30] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]

[Permanent Global Note exchangeable for Definitive Notes on [30] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].

*(In relation to any Notes issued with a denomination of €100,000 (or equivalent) and integral multiples of €1,000 (or equivalent), the Permanent Global Note representing such Notes shall only be exchangeable to Definitive Notes in the limited circumstances of (1) closure of the ICSDs; and (2) default of the Issuer.)*

23. **New Global Note Form:** [Applicable/Not Applicable]

24. **Additional Financial Centre(s) or other special provisions relating to Payment Business Days:** [Not Applicable/[●].]  
*(Note that this paragraph relates to the place of payment)*

25. **Talons for future Coupons or Receipts to be attached to Definitive Notes** (and dates on which such Talons mature): [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupons are left.]

### **THIRD PARTY INFORMATION**

[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 [(specify source)], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Luxembourg/(*specify*)/None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on [●] with effect from [●].]/[Not Applicable.] (*Where documenting a fungible issue need to indicate that original securities are already admitted to trading.*)
- (iii) [Estimated total expenses of admission to trading: [●]]

### 2. RATINGS

- Ratings:** [The Notes to be issued have been rated:
- [Fitch: [●]]
- [S&P: [●]]
- [[Other]: [●]]]
- (Insert where the issue has been specifically rated)*
- [The following ratings reflect the ratings allocated to the Notes of the type being issued under the Programme generally:
- [Fitch: [●]]
- [S&P: [●]]
- [[Other]: [●]]]
- (Insert where the issue has not been specifically rated)*
- (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 <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> as being registered]/[has applied for registration although notification of the corresponding registration decision has not yet been provided by the relevant competent authority]/[is neither registered nor has it applied for registration] 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 <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> 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/OFFER**

[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save for any fees payable to the [[Joint Lead] Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer." ] *(Amend as appropriate if there are other interests).*

**[4. *Fixed Rate Notes only*] YIELD**

**Indication of yield:** [Not Applicable]

[•]

Calculated as *(include details of method of calculation in summary form)* on the Issue Date.]

**[5. *Floating Rate Notes and CMS Index Linked Interest Notes only*] HISTORIC INTEREST RATES**

[Not Applicable]

[Details of historic [LIBOR/EURIBOR/ECB Interest Rate/CMS Rate] rates can be obtained from [Reuters].]

**6. OPERATIONAL INFORMATION**

(i) ISIN: [•]

(ii) Common Code: [•]

(iii) New Global Note intended to be held in a manner which would allow Eurosystem eligibility [Yes. Note that the designation "yes" simply 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 the

ECB being satisfied that Eurosystem eligibility criteria have been met.] /

[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.]]

- (iv) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme, Luxembourg and the relevant identification number(s) and addresses: [Not Applicable/[●] (*give name(s), number(s) and addresses*)]
- (v) Delivery: Delivery [against/free of] payment
- (vi) Names and addresses of additional Paying Agent(s) (if any): [●]

## 7. DISTRIBUTION

8. **Method of distribution:** [Syndicated/Non-syndicated]

- (i) If syndicated, names of Managers: [Not Applicable/[●] (*give names, addresses and underwriting commitments*)

*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*

- (ii) Date of Subscription Agreement: [●]

(iii) Stabilising Manager(s) (if [Not Applicable/[●] (give name)] any):

9. **If non-syndicated, name of Dealer:** [Not Applicable/[●] (give name and address)]

10. **US Selling Restrictions:** [Reg. S Compliance Category 2]  
[TEFRA [C]/[D]] / [TEFRA not applicable]

#### **PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

11. Prohibition of sales to EEA Retail [Applicable] / [Not applicable] Investors:

*(If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*

(for Instalment Notes only:)

**[APPENDIX TO THE FINAL TERMS]**

| <b>Instalment Date</b> | <b>Aggregate Nominal Amount outstanding at each date prior to the scheduled redemption of Instalment Amount</b><br><i>(in [Specified Currency])</i> | <b>Instalment Amount</b><br><i>(in [Specified Currency])</i> | <b>Principal Amount outstanding following payment of Instalment Amount</b><br><i>(in [Specified Currency])</i> | <b>Aggregate of Interest payable on each Interest Payment Date and on the Maturity Date in respect of the last payment</b><br><i>(in [Specified Currency])</i> | <b>Instalment Amount per Note of a denomination of</b><br><i>[Calculation Amount]</i><br><i>(in [Specified Currency])</i> | <b>Fixed Coupon Amount per Note of a denomination of</b><br><i>[Calculation Amount]</i><br><i>(in [Specified Currency])</i> |
|------------------------|---|--|--|--|---|---|
| [•]                    | [•]   | [•]  | [•]  | [•]  | [•]   | [•]   |
| [•]                    | [•]   | [•]  | [•]  | [•]  | [•]   | [•]   |

*[To be completed in respect of each Instalment Note]*

## **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 of the 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 depository or a common depository (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 depository or common depository 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, Talons and Receipts 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. (Luxembourg 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. (Luxembourg time) on the forty-fifth 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 of the 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. (Luxembourg time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such forty-fifth day (in the case of (b) above) or at 5.00 p.m. (Luxembourg 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 under a deed of covenant dated 14 December 2017 (the "**Deed of Covenant**") executed by the Issuer). 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 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.

Definitive Notes will not be printed in respect of an amount of Notes which are less than the Minimum Denomination.

Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 18 (*Notices*).

In addition to the requirements and procedures set out in this section, any exchange of Temporary Global Notes will be subject to the requirements and procedures set out under "*Form of the Notes*".

### **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, where applicable, with Coupons, Talons and Receipts 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 at the Specified Office 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. (Luxembourg time) on the forty-fifth 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 of the 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. (Luxembourg time) on such forty-fifth day (in the case of (a) above) or at 5.00 p.m. (Luxembourg 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 under the Deed of Covenant). 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 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 Clearstream, Luxembourg and/or any other relevant clearing system.

Definitive Notes will not be printed in respect of an amount of Notes which are less than the Minimum Denomination.

Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 18 (*Notices*).

In addition to the requirements and procedures set out in this section, any exchange of Permanent Global Notes will be subject to the requirements and procedures set out under "*Form of the Notes*".

### **Conditions applicable to Global Notes**

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary 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 any Paying 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 payment is noted on a schedule thereto and, in respect of an NGN, the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

- *Exercise of put option:* In order to exercise the option contained in Condition 9(g) (*Redemption at the option of Noteholders*), the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and Put Option Notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.
- *Partial exercise of call option:* In connection with an exercise of the option contained in Condition 9(d) (*Redemption at the option of the Issuer*) 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 Conditions and the Notes to be redeemed will not be selected as provided in the Conditions 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 18 (*Notices*), 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 depositary or a common depositary 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 18 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; except that for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is also a requirement of applicable laws or regulations, such notices shall also 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](http://www.bourse.lu)).
- *Payment Business Day:* Notwithstanding the definition of "Payment Business Day" in Condition 2(a) (*Definitions*), 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 depositary or a common depositary 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

### General

#### *Introduction*

The issuer, ICCREA Banca S.p.A. (the "**Issuer**") is a bank incorporated in Italy as a limited liability company (*società per azioni*) and is the parent company (the "**Parent Company**") of the Iccrea Banking Group (*Gruppo Bancario Iccrea*) (the "**Group**").

As at the date of this Base Prospectus, 97.057 per cent. of the Issuer's shares are held by cooperative banks (the "**BCCs**") and the Casse Raiffeisen. The remaining portion is owned by the local federation (*federazione locale*) of the BCC and by other entities permitted by the BCC Reform Law. The full legal name of the Issuer is "Iccrea Banca S.p.A. – Istituto Centrale del Credito Cooperativo", and its abbreviated form is "Iccrea Banca S.p.A.".

The Issuer is registered in the companies register of Rome under number 04774801007, tax code and VAT number 04774801007, and with the register of banks held by the Bank of Italy under number 20016. The Issuer's business authorisation is valid until 31 December 2050, with the possibility of this term being extended by an extraordinary shareholders' meeting under article 2 of the Articles of Association.

The Issuer's registered office is located at Via Lucrezia Romana 41/47, 00178 Rome (Italy) and its telephone number is +39 06 7207.1.

Within the Group, the Issuer has shareholdings in the following companies: Iccrea BancaImpresa S.p.A. (99.333%), BCC Factoring S.p.A. (99.333%), BCC Lease S.p.A. (99.333%), BCC Risparmio & Previdenza S.G.R.p.A. (75.641%), BCC CreditoConsumo S.p.A. (96%), BCC Banca per lo Sviluppo della Cooperazione di Credito S.p.A. (68.073%), BCC Gestione Crediti S.p.A. (55%), BCC Solutions S.p.A. (100%) and BCC Beni Immobili S.r.l. (100%).

Outside the Group, the Issuer has a controlling shareholding of 95% in Ventis S.r.l., of 59.405% in BCC Retail s.c.a.r.l., of 100% in BCC Sistemi Informatici S.p.A., and of 55% in FDR Gestione Crediti S.p.A..

With reference to its associates, the Issuer holds a relevant participation of 49.567% in BCC Assicurazioni S.p.A., of 49.567% in BCC Vita S.p.A., of 37.5% in M-Facility S.p.A., of 26.050% in Accademia BCC Soc.Cons.p.A. and of 25% in Hi-MTF Sim S.p.A..

As regards the recent corporate events of the Iccrea Banking Group, Iccrea Holding S.p.A. (the former parent company) and the Issuer have formalised a reverse merger between the two companies. The final stage of this complex process took place in Rome with the signing of the deed of merger between the two companies. As a result of this merger, which became operational on 1 October 2016, the Issuer is now the Parent Company of the Group, in line with European practices relating to banking groups monitored by the European Central Bank (the "**ECB**"), and Iccrea Holding S.p.A. is no longer in existence.

As a consequence of the above, the Issuer will replace Iccrea Holding S.p.A. as a member of the UNICO Banking Group and in every working group where Iccrea Holding S.p.A. was previously involved.

The merger allows the Iccrea Banking Group to play a leading role in the context of the recently adopted legislative reform of the Cooperative Credit System, including raising its chances as candidate for the establishment of the unified group of Cooperative Credit.

The Bank of Italy, by order of 1 June 2016 pursuant to art. 57 of the Banking Act, authorized the reverse merger by incorporation of the parent Iccrea Holding S.p.A. into its subsidiary, the Issuer. The merger, approved on 12 July 2016 by an extraordinary meeting of the Issuer and Iccrea Holding S.p.A., is part of the process of restructuring and strengthening of the Group and flows into the broader context of the reform of the Cooperative Credit System (as implemented by Law Decree 14 February 2016 no. 18, published in the Official Gazette – general series no. 37 of 15 February 2016 and converted into law with amendments by the Law no. 49/2016).

The Issuer, as Parent Company, will act in the management and coordination of the new Iccrea Banking Group, ensuring the business continuity of activities. The Parent Company will therefore carry out, as part of its general functions, the following activities:

- management and coordination of the Group through definition of business strategies and monitoring its results;
- intragroup services relating to the standard centralised functions (such as management and administration of human resources, legal and compliance, etc.)
- banking and financial services already provided by the Issuer, which consist mainly in providing finance, access to payment systems and electronic money.

The merger was effective on 1 October 2016 while effects relating to accounting treatment are effective as from 1 January 2016.

#### *Shareholdings in the Issuer*

As at the date of this Base Prospectus, shares in the Issuer are held by approximately 330 shareholders. The table below shows the shareholdings in excess of 2 per cent. of the entire share capital.

| <b>Shareholders of Iccrea Banca</b>                | <b>% of share capital held</b> |
|--|--------------------------------|
| BCC DI ROMA SCARL                                  | 4.947                          |
| CASSA CENTRALE BANCA DEL NORD-EST SCARL            | 2.778                          |
| CREDITO COOPERATIVO RAVENNATE, FORLIVESE E IMOLESE | 2.622                          |
| EMIL BANCA CREDITO COOPERATIVO                     | 2.516                          |
| BCC ALBA, LANGHE, ROERO E DEL CANAVESE             | 2.382                          |
| BANCA DI CREDITO COOPERATIVO DI MILANO             | 2.351                          |
| C.R.A. DI CANTÚ SCARL                              | 2.225                          |

#### *The Group's internal structure*

A diagram setting out the structure of the Group as at the date of this Base Prospectus is set out below.

# Iccrea Banking Group

| Iccrea Banca SpA   |   |  |                    |
|--|---|--|--------------------|
| Iccrea Banca Impresa SpA<br>BCC Factoring SpA<br>BCC Lease SpA | Banca Sviluppo SpA<br>BCC Credito Consumo SpA<br>BCC Risparmio & Previdenza<br>SGR  | BCC Solutions SpA<br>BCC Beni Immobili Srl<br>BCC Gestione Crediti SpA | BANKING GROUP      |
|  | BCC Retail Scarl<br>Ventis Srl  | BCC Sistemi Informatici SpA FDR<br>Gestione Crediti SpA                | OTHER SUBSIDIARIES |
|  | BCC Vita SpA (Gruppo Cattolica assicurazioni)<br>BCC Assicurazioni SpA (Gruppo Cattolica assicurazioni)<br>M-Facility SpA | Accademia BCC Scpa Hi-MTF Sim SpA                                      | ASSOCIATES         |
| CORPORATE  | RETAIL  | INSTITUTIONAL  |                    |

## History and Development

The origins of the Issuer and its current corporate structure can be traced to the 1960's. "Istituto di Credito delle Casse Rurali e Artigiane" (Credit Institution of Rural and Artisan Banks) (the "Credit Institution") was incorporated on 30 November 1963 with approximately 190 rural banks signing its charter.

In the early years of its business activities, the Credit Institution provided services to a growing number of banks. During the early seventies the number of client banks (the BCCs) and rural banks ("CR") to which the Credit Institution was providing services, continued to expand, resulting in the establishment of separate departments providing banking services in order better to serve the companies within the group.

In 1975, the *Fondo Centrale di Garanzia* was also established. This was one of the first examples in Italy of a funding system providing key financial and credit services to a network of banking institutions.

Twenty years after its establishment, and following high growth in the agricultural banking system, the role of the Credit Institution was becoming increasingly important.

In 1985, the *Sezione Speciale per il Credito alla Cooperazione* at BNL (the department of Banca Nazionale del Lavoro specialising in lending to rural business cooperatives) authorised the Credit Institution to provide finance to rural banks which could then grant loans to various cooperatives.

In the same year, the Credit Institution increased its share capital to 80 billion Italian liras and established the *Società Coogestioni*, which issued the *Fondo Aureo* (golden fund) on the market.

In 1992, the Credit Institution became a member of the UNICO Banking Group, which resulted in an expansion of its presence in the European market.

In 1995, the Issuer was established, and the banking activities of the Credit Institution were transferred to the Issuer.

On 1 July 1995, the Issuer became an official member of the UNICO Banking Group.

In 1997, the Issuer joined the newly-established *Fondo di Garanzia dei Depositanti del Credito Cooperativo* and a year later it had become active in a number of the divisions of the Milan stock exchange (including shares, bonds and derivatives) also becoming a primary dealer on the wholesale market for Government bonds.

On 29 July 1999, by an extraordinary resolution of the shareholders, the name of Iccrea S.p.A. was changed to "ICCREA BANCA – *Istituto Centrale del Credito Cooperativo* – joint-stock company" with effect from 1 January 2000.

In 2000, the Group launched a complex and strategic reorganisation of its banking businesses/operations with the aim of bringing the Issuer closer to the credit cooperative banks and their markets.

In 2000, the share capital of the Issuer was 420 billion Italian liras and on 22 September 2000 the Board of Directors agreed to the conversion of the above mentioned share capital to euro 216,913,200.

On 1 October 2016 the Issuer and the ex-parent company Iccrea Holding S.p.A. formalised the reverse merger between the two companies. As a result of this merger, the Issuer is now the Parent Company of the Group, in line with European practices relating to banking groups monitored by the ECB.

Furthermore, Iccrea Banca S.p.A. has sent to the Bank of Italy on 18 January 2017 its application for the role of parent company of the cooperative banking group, supplementing the same with a certification of all the necessary requirements.

### ***Strategy***

In order to assess the management prospects of the Issuer, it is useful to refer to the strategic guidelines issued by the Issuer as the Parent Company of the whole Iccrea Banking Group.

With reference to its strategic guidelines, the objectives are defined by the Issuer for the three-year period 2017-2019 (the "**Plan**") in order to support the BCCs through the offer of specific products and services, as set out below, taking into consideration legislative provisions in respect of the Cooperative Credit Banks reform contained in Law Decree 14 February 2016 no. 18 as converted into law with amendments by Law no. 49/2016.

This reform provides for the BCCs to adhere to a cooperative banking group that has as a parent company a holding with assets of no less than 1 billion euro. In this context the Issuer, following the merger, has a share capital (*capitale sociale*) of more than 1 billion euro (more specifically of euro 1,151,045,403.55,) and it will be able to perform the role of Parent Company, in this way providing management and control activities for the BCCs in accordance with agreements called "cohesion contracts".

The offer of products and services concerns:

- specialised loan products (e.g., leasing, extraordinary finance products, foreign, factoring, hire and debt collection);
- specific products and services (payment systems, payment cards, finance, equity intermediation, etc.);
- support finance products (e.g., ordinary credit, consumer credit and residential mortgages);
- financial and insurance products; and
- administrative services.

The key objectives of the Plan provide for:

- a focus on providing support to the BCCs in the development of their market of reference through exploitation of market share established by the BCCs and by their "elective" customers both current and potential (expansion of the customer base on their territories) and increased customer loyalty;
- the full application of the new service model (from supplier to partner) through the capacity of the Group to make its products/services/expertise available directly to the single BCC branch (i.e., integration of the Group in the distribution chain of the BCCs) and achievement of greater penetration with the customers of the Group offer (cross selling between companies of the Group). In this context the Issuer will also continue to review its service model, in line with the Parent Company, towards a consolidation of its role as a lasting, permanent partner and away from the old concept of the "product factory";
- capital adequacy, supervision of liquidity in line with the service role held by the Group, and joint management of the risks;
- containment of the costs through the search for economies of scale, rationalisation and simplification of the organisational and company structure; and
- conclusion of partnerships.

In addition, as part of the Plan, the Issuer has prioritised the completion or consolidation of ongoing project initiatives and is focusing on a list of new projects selected in accordance with the reform of the Cooperative Credit Banks under Law no. 49/2016.

### ***Overview of business activities***

The Issuer's corporate purpose is to: *"...render the activity of Cooperative Credit Banks (Banche di Credito Cooperativo, BCCs) / Rural and Artisan Banks (Casse Rurali e Artigiane, CRAs) more comprehensive, strong and effective... supporting and enhancing the action of BCCs/CRAs through the performance of credit, technical intermediation and financial assistance functions..."* (article 1.3 and article 4.1 lett. g) of the Issuer's Articles of Association).

The Issuer's primary purpose is to support and strengthen the banking businesses of the BCCs through all forms of lending, technical and financial assistance in accordance with the procedures set out in the relevant bank's articles of association as well as through other initiatives aimed at facilitating the interests of the BCCs.

The BCCs are local and rural banks that provide banking services in a defined and limited geographical area and mainly to their shareholders. Currently there are 313 (154 as pre-adherent to the Gruppo bancario Cooperativo) BCCs active in the Italian market, spread across the Republic of Italy in approximately 2,654 Italian municipalities. Many of them are clients of the Issuer.

As set out in the abovementioned articles 1.3 and 4.1 lett. g) of the Articles of Association of the Issuer, the corporate purpose of the Issuer includes the collection of savings, lending and factoring. The Issuer may carry out subject to and in compliance with applicable banking regulations financial transactions and services, as well as any transactions which may be instrumental to, or in any case related to, the fulfilment of its corporate purpose.

The Issuer may, subject to and in accordance with existing laws and regulations, issue bonds, hold equity interests in other companies (including majority interest holdings in companies which carry out business activities) provided that these contribute towards the fulfilment of the Issuer's corporate purpose.

The Issuer prepares a regular management report, in accordance with a specific "data model", reporting on the results obtained by the individual business areas into which the Issuer's activities are subdivided.

These individual business areas are described as follows:

- finance and credit;
- payment systems; and
- corporate centre (includes institutional services, central governance, support functions and agency service).

This break-down of the business functions reflects the operating responsibilities based on the Issuer's organisational structure; the business areas are made up of an aggregation of units and business lines which have similar characteristics with regard to the type of products and services provided and regulatory requirements with which the Issuer needs to comply in conducting its business.

The table below sets out a summary of the financial highlights of the Income Statement of the Issuer for the first half year ended 30 June 2017 and for the years ended 31 December 2016 and 31 December 2015, divided by business area.

| Item/Business area                      | Finance and Credit        |        |        | Payment Services          |         |         | Corporate Centre          |         |         | Aggregate                 |         |         |
|---|---------------------------|--------|--------|---------------------------|---------|---------|---------------------------|---------|---------|---------------------------|---------|---------|
|   | 1 <sup>st</sup> half 2017 | 2016   | 2015   | 1 <sup>st</sup> half 2017 | 2016    | 2015    | 1 <sup>st</sup> half 2017 | 2016    | 2015    | 1 <sup>st</sup> half 2017 | 2016    | 2015    |
|   | Thousands of euro         |        |        |                           |         |         |                           |         |         |                           |         |         |
| Net interest income <sup>(1)</sup>      | 14,143                    | 52,134 | 83,300 | (361)                     | (517)   | 437     | (104)                     | (1,394) | (1,049) | 13,678                    | 50,222  | 82,688  |
| Net income from services <sup>(2)</sup> | 25,395                    | 57,705 | 56,472 | 51,254                    | 120,085 | 115,205 | 45,325                    | 98,649  | 23,307  | 134,990                   | 276,439 | 194,984 |

|  |               |                |                |               |                |                |                 |                 |                 |                |                |                |
|--|---------------|----------------|----------------|---------------|----------------|----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|
| <b>Total revenue</b> <sup>(3)</sup>                            | <b>39,538</b> | <b>109,839</b> | <b>139,772</b> | <b>50,893</b> | <b>119,568</b> | <b>115,642</b> | <b>45,221</b>   | <b>97,255</b>   | <b>22,258</b>   | <b>148,668</b> | <b>326,661</b> | <b>277,672</b> |
| Administrative expenses <sup>(4)</sup>                         | 20,867        | 43,557         | 39,486         | 44,970        | 113,370        | 93,065         | 60,672          | 146,955         | 114,894         | 126,508        | 303,882        | 247,444        |
| Net adjustment of property and equipment and intangible assets | 1,197         | 2,687          | 1,667          | 1,358         | 3,562          | 3,546          | 1,240           | 2,402           | 4,516           | 3,795          | 8,651          | 9,729          |
| <b>Total operating costs</b> <sup>(5)</sup>                    | <b>21,860</b> | <b>46,243</b>  | <b>41,153</b>  | <b>39,795</b> | <b>116,932</b> | <b>96,611</b>  | <b>55,631</b>   | <b>149,357</b>  | <b>119,410</b>  | <b>130,303</b> | <b>312,532</b> | <b>257,173</b> |
| <b>Gross operating profit/(Loss)</b> <sup>(6)</sup>            | <b>17,678</b> | <b>63,595</b>  | <b>98,619</b>  | <b>11,098</b> | <b>2,636</b>   | <b>19,031</b>  | <b>(10,410)</b> | <b>(52,103)</b> | <b>(97,152)</b> | <b>18,141</b>  | <b>12,169</b>  | <b>20,499</b>  |

- (1) Net Interest Income means the sum of the following items: Net interest income (Income Statement Item 30) and Profit (Loss) after tax on non-current assets in the process of being sold off (Income Statement Item 280).
- (2) Net Income From Services means the sum of the following items: Net Fees and Commission income (Income Statement Item 60), Dividends and similar income (Income Statement Item 70), Net Gain (loss) on trading activities (Income Statement Item 80), Net Gain (Loss) on the hedging activities (Income Statement Item 90), Net Gain (Loss) on the disposal or repurchase (Income Statement Item 100), Net Gain (Loss) on financial assets and liabilities designated at fair value through profit or loss (Income Statement Item 110) and Other operating income/expenses (Income Statement Item 190).
- (3) Total revenue means the aggregate of net interest income and net income from services.
- (4) Administrative expenses means the Income Statement item 150 which include the personnel expenses and the other administrative expense.
- (5) Total operating costs means the sum of the following items: Administrative expenses (Income Statement Item 150), Net adjustment of property and equipment (Income Statement Item 170) and Net adjustment of intangible assets (Income Statement Item 180).
- (6) Gross operating profit/(Loss) means the item 250 of the Income Statement "Profit (loss) before tax on continuing operations" net of item 130 of the Income Statement "Net losses/recoveries on impairment" and of item 160 of the Income Statement "Net provisions for risks and charges".

The table below sets out a summary of the financial highlights of the Balance Sheet of the Issuer as at 30 June 2017, 31 December 2016 and 31 December 2015, divided by business area. In particular, the table shows the main Balance Sheet aggregates relating to the utilisation of and deposits made by customers and banks. The Balance Sheet values are those as at the end of the period. Liabilities include capital, reserves and the period result.

| Item/Business area                      | Finance and Credit        |               |               | Payment Services          |            |            | Corporate Centre          |              |            | Aggregate                 |               |               |
|---|---------------------------|---------------|---------------|---------------------------|------------|------------|---------------------------|--------------|------------|---------------------------|---------------|---------------|
|   | 1 <sup>st</sup> half 2017 | 2016          | 2015          | 1 <sup>st</sup> half 2017 | 2016       | 2015       | 1 <sup>st</sup> half 2017 | 2016         | 2015       | 1 <sup>st</sup> half 2017 | 2016          | 2015          |
| Millions of euro                        |                           |               |               |                           |            |            |                           |              |            |                           |               |               |
| Assets with customers                   | 3,152                     | 4,182         | 4,047         | 0                         | 0          | 0          | 89                        | 98           | 91         | 3,241                     | 4,280         | 4,138         |
| Assets with banks                       | 30,266                    | 30,999        | 31,970        | 0                         | 0          | 0          | 0                         | 0            | 0          | 30,266                    | 30,999        | 31,970        |
| Financial assets and equity investments | 8,036                     | 7,221         | 9,258         | 28                        | 26         | 28         | 1,905                     | 1,870        | 395        | 9,969                     | 9,117         | 9,681         |
| <b>Total assets</b>                     | <b>42,402</b>             | <b>42,402</b> | <b>45,275</b> | <b>26</b>                 | <b>26</b>  | <b>28</b>  | <b>1,968</b>              | <b>1,968</b> | <b>487</b> | <b>43,476</b>             | <b>44,396</b> | <b>45,789</b> |
| Liabilities with customers              | 13,479                    | 23,798        | 25,545        | 523                       | 630        | 465        | 11                        | 16           | 19         | 14,013                    | 24,444        | 26,030        |
| Liabilities with banks                  | 21,712                    | 13,265        | 13,670        | -                         | 0          | 0          | 0                         | 0            | 0          | 21,712                    | 13,265        | 13,670        |
| Other financial liabilities             | 5,784                     | 4,787         | 5,396         | 3                         | 0          | 9          | 1,964                     | 1,900        | 684        | 7,751                     | 6,687         | 6,089         |
| <b>Total Liabilities</b>                | <b>40,975</b>             | <b>41,850</b> | <b>44,611</b> | <b>526</b>                | <b>630</b> | <b>475</b> | <b>1,975</b>              | <b>1,916</b> | <b>703</b> | <b>43,476</b>             | <b>44,396</b> | <b>45,789</b> |

## ***Business Units***

The Issuer's activities within each business area described under "***Overview of business activities***" above are split into units which comprise (i) activities that the Issuer carries out on its own account, and (ii) services that it provides to the BCCs in accordance with its corporate purpose. Below is a description of the units within each business area summarising the scope of each such unit's activity.

## ***Finance and Credit***

The finance and loan business area operates in different sectors supporting the operational needs of the BCCs and maintaining in the meantime a low risk level.

### *Proprietary Finance & Trading*

The "*U.O. Finanza Proprietaria e Trading*" manages the activities of the Issuer in relation to the trading book and provides a mechanism for identifying borrowing requirements at individual and consolidated levels. This involves monitoring and overseeing management of risks relating to interest rates, foreign exchange and liquidity of the banking book.

The business unit, in the current structure, is given the following tasks and responsibilities:

- (a) market making in respect of the multilateral trading system including Hi-Mtf Sim S.p.A., EuroTLX and MOT;
- (b) management of portfolios owned by the Issuer, including certain assets held through unlisted derivative financial instruments;
- (c) trading of government securities on regulated markets, multilateral trading systems and/or outside the market;
- (d) activities carried out in order to identify the financial needs of the Issuer and those of other companies within the Group and to formulate proposals for the management of risks related to interest rates, foreign exchange and liquidity, and in order to determinate investment proposals for holding proprietary assets; and
- (e) funding through the issuance of bonds on domestic and international markets.

### *Treasury and Exchange – "U.O. Tesoreria e Cambi"*

The "*U.O. Tesoreria e Cambi*" operates in the monetary, foreign exchange and precious metals markets providing management of funding received by the BCCs and the relevant structures of the Issuer, by ensuring at the Issuer and the Group consolidated levels the supervision of funding requirements in respect of short term commitments and the management of liquidity in respect of short term and foreign exchange requirements.

In 2016 and in the first half of 2017, the "*U.O. Tesoreria e Cambi*" given the strong liquidity position of the Bank, the banking group and the mutual banks as a whole, expanded its transactions in collateralised markets, which offered, particularly at the start of 2017, lower funding rates than the ECB.

This opportunity was used in a variety of ways to improve the profitability of the sector as set out below:

- the participation in important ECB initiatives to support lending comprised targeted longer-term refinancing operations (TLTRO II) with the formation of a new TLTRO group by the Issuer. The new TLTRO Group's membership includes 136 banks. The amount of the four transactions totalled euro 14 billion; and
- the offering on demand to the mutual banks of fixed-rate market transactions for periods exceeding 12 months.

The key initiatives which were undertaken to improve the structure's potential and the services offered to the banks included:

- the completion in the first half of 2017 of the ABACO project for the use of bank loans in operations with the ECB, including in the new mechanisms recently introduced by the Bank of Italy "pools of homogeneous loans" consisting of commercial and residential mortgage loans;
- the installation of a new, integrated, treasury dashboard that:
  - (1) manages Target 2 and T2S settlements in accordance with new system standards;
  - (2) monitors the indicators for the management of the inter-day liquidity as envisaged under the Basel III rules; and
  - (3) provides more efficient tools for managing the liquidity with regard to the Issuer treasury operations, improving coordination of information from the IT systems and treasury departments of the mutual banks; and
  - (4) With effect from 2 May 2016, U.O. Liquidity Management was set up within the "*U.O. Tesoreria e Cambi*" to manage and monitor the treasury processes related to the settlement systems (TARGET2 and ancillary systems, T2S, CLS, BI-COMP, EBA), the management of collateral and of the relevant accounts, in order to ensure and optimize at individual and Group level the availability of cash and collateral.

#### *Institutional Sales – "U.O. Institutional Sales"*

The "*U.O. Institutional Sales*" provides on behalf of the BCCs, other client banks, the companies within the Group and the internal structures of the Issuer, certain financial investment services including: execution of orders on behalf of clients, transmission of orders and placement services.

In the first half of 2017, the U.O. Institutional Sales continued to develop its own investment service offer model on the basis of the continuous evolution of its customers' needs. This action is focussed on:

- identification of new operative demands of the BCCs and their customers;
- innovation of supporting operations for technological devices; and
- developing a best execution model.

In the first half of 2017, the main activities carried out by the "*U.O. Institutional Sale*" have been carried out:

- in the primary market, where the Issuer registered a turnover of euro 2.6 billion, compared to euro 1.6 billion in the same period of 2016. Also in this case the participation in the placement of the eleventh issue of the BTP Italia made a decisive contribution with the Issuer by supporting and assisting the mutual banks during the entire placement phase;

- in volumes traded, where the Issuer also confirmed its third-place ranking, with market share of 8.95%, in total volumes trade for third parties on the three bond markets as a whole (MOT, EuroTLX, and Hi-MTF);
- in the placement services, where the Issuer through master distribution agreement (MDSs) signed with leading counterparties acts as placement agent in the promotion of the financial instruments issued by these banks or by supranational entities. During the first half of the year, the following bond offerings took place:
  - 1 bonds issued by Société Générale;
  - 2 bonds issued by BNP Paribas;
  - 1 bonds issued by the EIB (European Investment Bank);
  - 6 bonds issued by the World Bank.

For these activities, the Issuer received placement fees paid by the issuers, and 80% of these fees were passed on to the mutual banks and other banks.

### *Securitisations*

This unit is charged with developing, in coordination with other operational units of the Bank and / or the Iccrea Banking Group companies, the structured finance activities, such as the transfer and securitisation of performing and non-performing loans with regard to the BCCs, the other Banks and Iccrea Banking Group companies, ensuring the implementation of the related up-front and on-going activities.

As part of its overall service activity to the cooperative banking system, the Issuer has structured and managed several securitisation transactions originated by BCCs and other companies within the Group.

The main activities performed since the second half of 2016 are the following:

- the structuring of a multi-originator non-recourse assignment of non-performing loans portfolios: in particular, as of December 2016, the sale of a portfolio backed by both residential and commercial mortgage and by unsecured credits was completed. Total portfolio amounted about 370 million euro in terms of Gross Book Value. In terms of participants, 28 banks, 4 Iccrea Banking Group companies and the mutual banks Deposit Guarantee Fund took part to the transaction.
- At present, the Issuer is structuring a multi-originator sale of an unsecured non-performing loans portfolio, to which 15 banks, 1 Iccrea Banking Group company and the mutual banks Deposit Guarantee Fund are participating. The total portfolio amounts to about 130 million euro;
- the winding up of some of the existing transactions, the portfolio of which reached the clean up call target amount. In particular, in order to increase the cost efficiency of these securitisations and reduce the overall funding costs, 3 transactions have been closed since December 2016 (Credico Finance 4, Credico Finance 5 and Credico Finance 11). Part of the repurchased assets may be used in the new structured finance transactions;
- for each of the 9 outstanding public securitisations, the collection and the creation of a loan by loan database to be posted on the European Datawarehouse website (EDW), as

required by the ECB in order to grant the eligibility of the senior notes as collateral in Eurosystem credit operations. Subsequent monitoring and implementation of data quality improvement strategies, in order to achieve the highest quality market standards;

- the structuring of a new securitization backed by a non-performing loans portfolio of about 500 million euro, composed for 2/3 by first lien mortgages and for the remaining 1/3 by second liens or unsecured claims; as of today, about 22 mutual banks are currently participating to the transaction. The notes will be issued following the standard provisions under the Italian securitisation law (Law n. 130/1999) and the Class A Notes will have the characteristics required to be eligible to benefit from the government guarantee scheme (*Garanzia sulla Cartolarizzazione delle Sofferenze* or GACS guarantee) pursuant to the law n. 49 of 8 April 2016.

#### *Finance and Middle Office Technical Secretariat*

The Finance and Middle Office Technical Secretariat oversaw and handled the development of the Finance business, while also providing middle-office services.

In providing support to the Finance units and, more specifically, with respect to the funding requirements of the Iccrea Banking Group, the unit in 2016 and in the first half of 2017 was involved in:

- the adoption of an Italian issue program amounting to a total of euro 1,500 million, structured around 7 issue programs for which the Issuer may carry out bond issues in Euros and other currencies at fixed rates, zero coupon, fixed rates with step-ups, variable rates with floors and caps as appropriate, mixed-rates, including bonds indexed to the performance of a financial index and call option with possible floors and caps;
- negotiating and signing a specific Amendment to the Credit Support Annex (entitled "*Amendment to CSA*") with all the counterparties with which the Issuer has previously entered into a Credit Support Annex in order to be compliant with the new Variation Margin Requirements of the Commission Delegated Regulation (EU) 2251/2016 supplementing Regulation 648/2012. By signing this Amendment to CSA, the Issuer undertakes that all the over the counter derivative transactions entered into from the 1st March 2017 (effective date of the relevant Regulation) will be collateralized in accordance with the new European rules;
- the preparation and constant updating of the interim reporting required by supervisory authorities and an analysis of their various proposals for regulatory change, with particular reference to the consultations concerning CONSOB recommendations regarding:
  - key information to be provided to retail customers in the distribution of financial products;
  - the distribution of financial products using a multilateral trading facility;
  - the inclusion of specific important information for investors in the offer documentation related to financial instruments intended for retail customers;

- the measures implementing MiFID II and MiFIR concerning the change in the definition of "dealing on own account", which, if not transposed, could subject intermediaries to their own obligations for the investment services, even when not carried out in relation to customers;

As part of its collateral management activities, the Finance and Middle Office Technical Secretariat continued its work on the project to optimize risk weighted assets (RWA). For operations involving unlisted financial derivatives, the project involved the adoption of risk mitigation techniques, specifically set-off arrangements in transactions with the mutual banks, which led to an 80% reduction in the associated capital requirement.

In order to support the mutual banks more effectively, including with regard to regulatory and capital matters, a special web portal (*Portale Derivati*) was developed, with around 150 participating banks. Users can access the various areas of the portal to comply with the reconciliation and margining requirements.

With regard to margining, around 180 collateralisation agreements have been entered into, making available daily margining for positions in OTC derivatives. On 30 June 2017, the Bank acquired cash collateral for positions with the mutual banks in the amount of euro 61 million and securities as collateral in the amount of euro 25 million.

On 30 June 2017, the Issuer acquired security of around euro 64 million and granted security of about euro 223 million under margining contracts entered into with international counterparties within the framework of the ISDA Master Agreement and, for bilateral collateralization operations, the General Master Repurchase Agreement (GMRA).

Within the scope of middle-office activities, the unit also supported the various business lines with reports and analysis of statistics and other historical data and with the parameterization and valuation of certain derivative financial instruments. The unit also generated information on the Bank's own positions in securities, analyses of past and future earnings on our assets and information concerning the main risk/return factors.

#### *U.O. Financial Solutions*

The Financial Solutions unit, included in the Finance Area, has the task of providing on behalf of the Finance the coordination and monitoring services for the implementation projects relating to the IT systems. It develops financial solutions for the operational management of the risks for the Issuer and the BCCs.

#### *U.O. ALM and Consulting*

The U.O. ALM and Consulting is responsible for supporting the BCCs in analysing their operational balance and in identifying their needs for financial solutions and products, proposing financial solutions in order to optimise the management of risk/yield. This unit operates from outside the Finance Department.

#### *Loans and receivables*

The "*U.O. Loans and receivables*" provides services in relation to the processing of loans in Euros, foreign exchange and special loans for clients (institutional, large corporate, retail customers and employees of the Issuer). It also provides additional services such as development, pricing, management and monitoring of loans.

In 2016 and in the first half of 2017, the focus was on providing services to the BCCs and CRs and to companies within the Group through a policy of developing services obtaining the trust of very important large corporates.

In the first half of 2017, the Issuer continued to support mutual banks in challenging circumstances, including coordinated actions with other members of the mutual bank industry aimed at providing assistance in resolving crises.

### *Correspondent Banking*

Correspondent Banking mainly concentrated on two lines: the relationships network and the management of reputational risk. In 2017, the Group has been in contact with more than 150 counterparties in order to enhance the business activity. These counterparties are mainly based in countries which are important for Italian exports, namely India, Turkey, Algeria, Russia, Morocco, Bangladesh.

In the first half of 2017, within the context of this revitalisation activity of the network, Correspondent Banking also started a review action of the conditions of the accounts with the banks in order to improve their efficiency and profitability in the field of international payments, in particular outside the EU.

The Correspondent Banking unit has acquired considerable experience in providing direct assistance to the mutual banks in finding solutions to problems arising with foreign banks and in setting up transactions with their customers.

This has reinforced the Issuer's role as a partner of the mutual banks in finding solutions to problems arising with foreign banks and in setting up transactions with their customers.

With regard to international payments, in addition to the rationalization of accounts, the unit, with the help of the Payment Systems unit, entered into an agreement with Wells Fargo for a cash letter in US dollars that will enable the Bank to continue supporting mutual bank customers in this business, whereas many Italian banks have been forced to stop providing the service.

Thanks to an agreement with Société Générale in Paris, the Issuer has completed the range of international payment services offered by providing mutual banks with a product that makes it possible to make payments in over 100 currencies that had not been served by the Issuer until now.

### *Payment Systems*

#### Collection and Payment – "*U.O. Incassi e Pagamenti*"

The "*U.O. Incassi e Pagamenti*" manages products and services offered by the Issuer in relation to domestic and international payment systems, with the exception of documented operations connected to the import/export of goods. This unit manages the current account reports with ordinary retail clients, companies, the BCCs, Movement companies/entities and employees. It carries out the custody and management of cash, securities and assets whether owned or under administration. It supervises the formalities connected with the paperwork in the clearing process.

In the traditional payments sector, operations of the Collections and Payments Service are aimed at improving the quality of the services offered by BCCs, with the aim of meeting the needs of the same facilitating their increased market penetration. The activity enables the participating mutual banks to implement the exchange and settlement of payments/collections with banks in Europe and beyond, minimizing the costs that the individual banks would incur to conduct these transactions (connections, technological infrastructure, procedures, etc.), and at the level of regulatory compliance (participation in working groups sponsored by ABI, Bank of Italy CIPA, Target, etc.), while taking full advantage of the mutual bank circuit.

#### *E-bank service – "Servizio E-bank"*

The "*Servizio E-bank*" promotes and develops matters regarding domestic and international payment systems and connected services offered to clients.

This service oversees research, exploration, verification of the validity and applicability of new products, both from the technical and managerial points of view.

The E-bank service has the responsibility of proposing, creating or contributing to the creation of suitable products/services which, in line with the central management development plan, meet – and when possible anticipate – the needs of clients. This service collaborates externally with institutional and trade entities (ABI, CIPA, etc.) and acts closely with the commercial units.

E-money services have developed through a phase of significant evolution which has brought them to hold even more prominent positions in the banking sector, both domestically and internationally.

The needs of the banking and finance sector today especially concern the integration of systems, internationalisation, insourcing, safety, conflicts and management of fraud.

Some notable factors impacting on the regulatory, procedural, and technological development of the sector have been promoted by different bodies and such initiatives are known as SEPA (Single euro Payment Area), EAPS (euro Alliance of Payment Schemes), and PSD (Payment Services Directive), aimed at unifying, regulating, and rationalising business, without leaving behind customer protection in terms of information and transparency, and adapting systems to each relevant local market.

To satisfy the new requirements relating to the issue of affiliation cards, important requirements are necessary on all e-money service products, including authorisations to issue, which require a differentiated parameter system as well as a specific management of the new safety/authentication components.

The emergence of further opportunities related to retail and new delivery channels (mobile, Internet) need to be considered, in that they claim their own space in the world of electronic payments. In sharing these principles and accepting these indications, the Issuer is aligned with regulatory and market developments, also taking advantage of a specific cooperation in the implementation of systems and applications.

By identifying the Issuer as a single issuer and acquirer for the entire BCC and CR industry, the Issuer simplifies and rationalises the operating chain of e-money services, reinforces the

quality and security of the catalogue of products/services, and provides a combined and centralised management of relationships with institutions, suppliers, and business partners.

### *Corporate Centre*

#### *Institutional Services*

The Institutional Services unit is responsible for the coordination and development of post-trading activities related to operations in the bank's Finance segment, particularly as concerns both management of the portfolio of the Issuer and the investment services provided to customers in accordance with Legislative Decree 24 February 1998, No. 58, as amended from time to time. The unit coordinates activities related to the custody and administration of financial services (in accordance with Legislative Decree 24 February 1998, No. 58, as amended from time to time) and other back-office activities as the settlement agent for the Bank's customers. More specifically, the Issuer's Securities Services product is focused on offering customers a single custodian, as a partner capable of delivering the entire value chain of securities administrative and settlement services and on providing a high degree of flexibility in service delivery so that it can also handle non-standardized models, customizing products and services based upon customer needs.

#### *Institutional Services – "U.O. Ancillary services and finance database management"*

The Ancillary Services and Finance Database Management unit handles the administration of financial instruments in connection with operations of both the Bank and our key customers, while also following the related tax aspects.

The Ancillary Services and Finance Database Management unit provides support for the mutual banks' activities with the following services:

- the financial instruments database service (A.T.C.I.) for the accurate recordation of new issues and continuous updating of variable data;
- the management of administrative activities relating to securities held in custody;
- administrative support for activities connected with the management of the "collateral pool" mechanism facilitating access to collateralized financing operations, in particular with the ECB through the treasury desk;
- the listing service for mutual bank issues in the "order driven" segment of the HI-MTF market aimed at giving them the liquidity conditions provided for under Consob regulations;
- the issuers service, which offers administrative support for mutual bank issues;
- the management of activities connected with the distribution of investment funds, particularly regarding the activities of the payment entity and the Italian offering entity (Bank of Italy regulation of May 8, 2012, CONSOB Regulation No. 11971 of 14 May 1999 and CONSOB Regulation No. 16190 of 29 October 2007 (in each case, as amended from time to time)) for foreign funds, the implementation and management of a specially developed software (*piattaforma FINV*) to manage the distribution of units in collective investment undertakings, covered by the BCC Risparmio & Previdenza

offering system, the operations of agent banks (S.T. circular 59/2011) and clearing, order routing and custody activities relating to the foreign fund operations of institutional customers. The results achieved in the period confirmed the positive trend seen in recent years, with a significant increase in volumes in the retail segment (about euro 500 million);

- the management of the pricing service for financial instruments, with a focus on issues by the mutual banks;
- services concerning compliance with transparency and the monitoring of possible market abuse;
- support for mutual banks and their customers in complying with the European Market Infrastructure Regulation (EMIR) (the "**EMIR Regulation**") for derivatives traded over the counter (OTC);
- assistance provided to mutual banks concerning compliance with the obligations of US tax legislation and with FACTA in particular, for which the mutual banks ongoing, specialist support in meeting the obligations introduced during the year.

#### *Institutional Services – "U.O. Back Office and Custody"*

The Bank's Post-Trading activities were designed to provide complete, integrated support to satisfy the entire range of needs for administrative and securities settlement services, thereby providing appropriate solutions to the needs of the mutual banks, of the Issuer Finance unit, and of the Group. The Back Office and Custody unit continued efforts to execute projects connected with the changes required by the EMIR Regulation in relation to OTC derivatives. In the second half of the year, work began on the second phase of the project involving the securities settlement platform of the ECB, Target2 Securities, as a direct participant. As well as consolidating the work begun in the first wave, development began on solutions to strengthen the role of the Issuer as a service hub between the market and the mutual banks, thereby enabling mutual banks to ensure business continuity with minimal impact on their organization and costs.

In the pursuit of service efficiency and cost containment, we continued interacting with the custodians in order to determine the optimal solutions for taking advantage of opportunities and meeting the operational needs of the market and of the Finance unit, while seeking to reduce the rates we are charged.

#### *Deposits*

The Issuer's deposits primarily consist of interbank deposits. As at 30 June 2017, interbank deposits amounted to euro 21,712 million with an increase of 63.7 per cent. as at 31 December 2016 (an increase of euro 8.447 million); within the inter-bank deposits of this aggregate, CB and CR deposits increased by 1.0 per cent. (from euro 5,963.7 million as at 31 December 2016 to euro 6,020.5 million as at 30 June 2017) with an increase of 114.9 per cent. in due to other banks (from euro 7,301.3 million as at 31 December 2016 to euro 15,691.8 million as at 30 June 2017). In the first half of 2017, funding from ordinary customers decreased (euro 14,012 million as at 30 June 2017 compared to euro 24,444 million as at 31 December 2016).

The following tables show the aggregate and breakdown of amounts due to banks as at 30 June 2017 and 31 December 2016:

| DUE TO BANKS             | As at                    | As at             | Change           | Change       |
|--------------------------|--------------------------|-------------------|------------------|--------------|
|                          | 30 June 2017             | 31 December 2016  |                  |              |
|                          | <i>Thousands of euro</i> |                   | %                |              |
| CB-RBs                   | 6,020,566                | 5,963,742         | 56,824           | 1.0%         |
| Other Credit institution | 15,691,840               | 7,301,357         | 8,390,483        | 114.9%       |
| <b>TOTAL</b>             | <b>21,712,406</b>        | <b>13,265,100</b> | <b>8,447,307</b> | <b>63.7%</b> |

| BREAKDOWN OF AMOUNTS<br>DUE TO BANKS | As at                    | As at             | Change           | Change       |
|--------------------------------------|--------------------------|-------------------|------------------|--------------|
|                                      | 30 June 2017             | 31 December 2016  |                  |              |
|                                      | <i>Thousands of euro</i> |                   | %                |              |
| Due to central banks                 | 14,400,000               | 5,500,000         | 8,900,000        | 161.8%       |
| Current accounts and demand deposits | 4,453,976                | 4,018,089         | 435,887          | 10.8%        |
| Fixed-term deposits                  | 2,730,811                | 3,310,672         | -579,861         | -17.5%       |
| Loans                                | 125,945                  | 433,206           | -307,261         | -70.9%       |
| Other payables                       | 1,674                    | 3,133             | -1,459           | -46.6%       |
| <b>Total amounts due to banks</b>    | <b>21,712,406</b>        | <b>13,265,099</b> | <b>8,447,306</b> | <b>63.7%</b> |

The following table shows the breakdown of amounts due to customers as at 30 June 2017 and 31 December 2016:

| BREAKDOWN OF AMOUNTS<br>DUE TO CUSTOMERS | As at                    | As at             | Change             | Change        |
|--|--------------------------|-------------------|--------------------|---------------|
|  | 30 June 2017             | 31 December 2016  |                    |               |
|  | <i>Thousands of euro</i> |                   | %                  |               |
| Current Accounts and demand deposits     | 265,014                  | 276,011           | -10,997            | -4.0%         |
| Fixed-term deposits                      | 0                        | 2,223             | -2,223             | -100.0%       |
| Loans                                    | 12,503,564               | 23,535,189        | -11,031,625        | -47.1%        |
| Other payables                           | 1,243,937                | 631,199           | 612,738            | 97%           |
| <b>Total amounts due to customers</b>    | <b>14,012,515</b>        | <b>24,444,622</b> | <b>-10,432,107</b> | <b>-42.7%</b> |

### *Lending activities*

The Issuer's lending activity is primarily with banks (i.e., the aggregate of Loans to banks of euro 30,265.9 million, the aggregate of Loans to customers of euro 3,152.1 million). Within the aggregate of amounts due from banks (euro 30,265.9 million as at 30 June 2017), those due from BCCs (or CBs) and CRs decreased by 3 per cent. during the first half of 2017 (from euro 20,109.6 million as at 31 December 2016 to euro 19,511.5 million as at 30 June 2017) while the receivables from other credit institutions decreased by 1.2 per cent. (from euro 10,889.7 million as at 31 December 2016 to euro 10,754.4 million as at 30 June 2017).

In 2017, loans to ordinary customers decreased by 24.6 per cent., from euro 4,181.8 million as at 31 December 2016 to euro 3,152.1 million as at 30 June 2017.

The following table shows the aggregate and breakdown of amounts due from banks as at 30 June 2017 and 31 December 2016:

| <b>DUE FROM BANKS</b>     | <b>As at<br/>30 June 2017</b> | <b>As at<br/>31 December 2016</b> | <b>Change</b>   | <b>Change</b> |
|---------------------------|-------------------------------|-----------------------------------|-----------------|---------------|
|                           | <i>Thousands of euro</i>      |                                   | <i>%</i>        |               |
| Mutual banks              | 19,511,502                    | 20,109,664                        | -598,162        | -3.0%         |
| Other credit institutions | 10,754,483                    | 10,889,777                        | -135,294        | -1.2%         |
| <b>Total</b>              | <b>30,265,985</b>             | <b>30,999,441</b>                 | <b>-733,456</b> | <b>-2.4%</b>  |

The following table shows the breakdown of amounts due from banks as at 30 June 2017 and 31 December 2016:

| <b>BREAKDOWN OF AMOUNTS<br/>DUE FROM BANKS</b>  | <b>As at<br/>30 June 2017</b> | <b>As at<br/>31 December 2016</b> | <b>Change</b>     | <b>Change</b> |
|---|-------------------------------|-----------------------------------|-------------------|---------------|
|   | <i>Thousands of euro</i>      |                                   | <i>%</i>          |               |
| Due from Central Banks:<br>- Obligatory Reserve | 1,084,557                     | 152,719                           | 931,838           | 610.1%        |
| <b>Due from Banks</b>                           | <b>29,181,429</b>             | <b>30,846,723</b>                 | <b>-1,665,294</b> | <b>5.4%</b>   |
| - Current accounts and demand deposits          | 590,740                       | 568,552                           | 22,188            | 3.9%          |
| - Time deposits                                 | 78,653                        | 98,880                            | 20,227            | 20.5%         |
| - Other   | 23,352,685                    | 25,452,422                        | 2,099,737         | -8.2%         |
| - Debt securities                               | 5,159,351                     | 4,726,869                         | 432,482           | 9.1%          |
| <b>Total Due from Banks</b>                     | <b>30,265,986</b>             | <b>30,999,442</b>                 | <b>733,456</b>    | <b>-2.4%</b>  |

The following table shows the breakdown of loans to customers as at 30 June 2017 and 31 December 2016:

| <b>BREAKDOWN OF LOANS<br/>TO CUSTOMERS</b> | <b>As at<br/>30 June 2017</b> | <b>As at<br/>31 December 2016</b> | <b>Change</b>     | <b>Change</b> |
|--|-------------------------------|-----------------------------------|-------------------|---------------|
|  | <i>Thousands of euro</i>      |                                   | <i>%</i>          |               |
| Current accounts                           | 166,059                       | 184,754                           | -18,695           | -10.1%        |
| Medium/long-term loans                     | 101,946                       | 109,948                           | -8,002            | -7.3%         |
| Repurchase agreements                      | 415,976                       | 921,560                           | -505,584          | -54.9%        |
| Other transactions                         | 2,439,559                     | 2,939,139                         | -499,580          | -17.0%        |
| Debt securities                            | 8,184                         | 6,492                             | 1,692             | 26.6%         |
| Impaired assets                            | 20,389                        | 19,955                            | 434               | 2.2%          |
| <b>Total loans to customers</b>            | <b>3,152,113</b>              | <b>4,181,848</b>                  | <b>-1,029,735</b> | <b>-24.6%</b> |

## **Risks and related hedging policies**

The Group places particular emphasis on its risk protection and control systems. It aims to meet the highest standard of governance in performing its risk and control management functions and to apply well-established risk management practices. Risk management means striving to ensure that the Group uses its risk capacity in the most efficient way in relation to the achievement of a stable and sustainable generation of value, protecting financial solidity and allowing for adequate management of portfolios of assets and liabilities.

In accordance with its role of second level bank in the cooperative network in Italy and focusing on its lending activity, the Issuer is specialized in:

- (a) supporting the BCCs in the agricultural sector;
- (b) developing relations with companies, within the BCCs area, which have a strong international approach;
- (c) being the main key centre for subsidised loans for the BCCs;
- (d) funding the needs of the BCCs by, for example, granting overdrafts, ceilings and maximum operational limits;
- (e) developing, with the cooperative community, loans pooled with the BCCs to the members of Confcooperative; and
- (f) the expansion of business activity with large corporate entities, consistent with the development of relations between these companies, the BCCs and the payment and electronic money services offered by the Issuer.

### ***Credit Risk Management***

#### *Monitoring*

In order to maintain the quality of its loan portfolio, the Issuer has a policy of careful evaluation of creditworthiness and the constant monitoring of its loan positions.

#### *Lending risk*

A centralised department establishes the procedures for evaluating the types of risks arising from each loan granted by the Issuer. The department also monitors the overall risk, verifies capital adequacy and evaluates the performance of lending activities in terms of risk/return. In addition, the process of debt recovery is supervised centrally and the debt recovery activities of the Issuer are coordinated.

#### *Bad Debts*

In accordance with the Bank of Italy's system of classification, the Issuer divides its loans into separate categories including, amongst others, (i) "substandard loans" for borrowers which are experiencing financial or economic difficulties that are likely to be temporary ("*inadempienze probabili*") and (ii) "bad loans" for borrowers against whom insolvency or similar proceedings have been instituted ("*sofferenze*").

The Issuer's loan portfolio is monitored on regular basis to review the prospects of recovery and estimated losses and the Issuer makes specific provisions tied to the expected loss on each non-performing loan, problem loan or, if deemed necessary, on certain performing loans.

As at 30 June 2017, the amount of net bad loans was euro 18,933,000 decreasing from euro 18,479,000 as at 31 December 2016.

The following table sets out the breakdown of the Issuer's bad loans (*sofferenze*) as at 30 June 2017 and 31 December 2016:

| <b>BAD LOANS</b> | <b>As at 30 June 2017</b> | <b>As at 31 December 2016</b> |
|------------------|---------------------------|-------------------------------|
|                  | <i>Thousands of euro</i>  |                               |
| Gross bad loans  | 52,024                    | 54,932                        |
| Adjustments      | 33,091                    | 36,453                        |
| Net bad loans    | 18,933                    | 18,479                        |

The following table sets out the breakdown of the Issuer's substandard loans (*inadempienze probabili*) as at 30 June 2017 and 31 December 2016:

| <b>SUBSTANDARD LOANS</b> | <b>As at 30 June 2017</b> | <b>As at 31 December 2016</b> |
|--------------------------|---------------------------|-------------------------------|
|                          | <i>Thousands of euro</i>  |                               |
| Gross substandard loans  | 1,617                     | 1,510                         |
| Adjustments              | 162                       | 110                           |
| Net substandard loans    | 1,455                     | 1,400                         |

As at 30 June 2017, net substandard loans amounted to euro 1,455 thousand and the sum of net bad loans plus net substandard loans amounted to euro 20,388 thousand.

### ***Funding***

The total amount of funds borrowed by the Issuer as at 30 June 2017 was euro 5,207,664,241 which represented an increase of euro 1,005,756,598 compared to euro 4,207,516,587 in 2016.

### ***Capital Ratios***

The Bank of Italy has adopted risk-based capital ratios pursuant to EU capital adequacy directives. Current capital requirements in force in Italy are similar to those provided by the international framework for capital measurement and capital standards of banking institutions as set out by the Basel Committee on Banking Regulations and Supervisory Practices. Capital ratios consist of core (Tier I) and supplemental (Tier II) capital requirements relating to the Issuer's assets and certain off-balance sheet items weighted according to risks ("risk-weighted assets").

In accordance with Bank of Italy regulations, the Issuer is required to maintain a total capital ratio (that is, the ratio of total capital to total risk-weighted assets) of at least eight per cent.

The Issuer's capital ratios as at 30 June 2017 and 31 December 2016, which are set out in the table below, exceed the minimum levels prescribed by the Bank of Italy.

| <b>CAPITAL RATIOS</b>   | <b>As at 30 June 2017</b> | <b>As at 31 December 2016</b> |
|-------------------------|---------------------------|-------------------------------|
|                         | <i>Thousands of euro</i>  |                               |
| Tier I Capital          | 1,555,622                 | 1,554,590                     |
| Tier II Capital         | 131,834                   | 133,607                       |
| Elements to be deducted | 0                         | 0                             |
| <b>Total Capital</b>    | <b>1,687,456</b>          | <b>1,688,197</b>              |
| Credit Risk             | 249,417                   | 242,033                       |

|                            |                |                |
|----------------------------|----------------|----------------|
| Market Risk                | 20,373         | 20,364         |
| Operation Risk             | 36,177         | 36,177         |
| <b>Total requirements</b>  | <b>311,215</b> | <b>305,182</b> |
| Risk weighted assets       | 3,890,192      | 3,814,776      |
| <b>Tier I Ratio</b>        | <b>39.99%</b>  | <b>40.75%</b>  |
| <b>Total Capital Ratio</b> | <b>43.38%</b>  | <b>44.25%</b>  |

## Organisational Structure

The members of the Board of Directors, Management Board, and Board of Auditors of the Issuer as of the date of this Base Prospectus are listed hereunder, together with details of their positions and any principal activities carried out in other companies where these may overlap with the office held in the context of the Issuer.

### Board of Directors

| Name               | Responsibilities within The Issuer                          | Principal activity outside The Issuer   |
|--------------------|---|---|
| Magagni Giulio     | Chairman ( <i>Presidente</i> )                              | Chairman of BCC Solutions S.p.A.;<br>Chairman of Emilbanca C.C.;<br>Director and member of the Executive Board of ABI;<br>Director of Federazione Italiana CRA-BCC<br>Director of Fondo di Garanzia Obbligazionisti del CC;<br>Director of Fondo di Garanzia Istituzionale del C.C.;<br>Director of Confcooperative;<br>Director of Fondazione Internazionale Tertio Millennio.   |
| Maino Giuseppe     | Substitute Vice Chairman ( <i>Vice Presidente Vicario</i> ) | Chairman of BCC Retail S.C.A.R.L.;<br>Chairman of Banca di Milano C.C.;<br>Vice Chairman of Federazione Lombarda delle BCC;<br>Director of Federazione Italiana CRA-BCC.  |
| Liberati Francesco | Vice Chairman ( <i>Vice Presidente</i> )                    | Chairman of BCC di Roma;<br>Chairman of Federazione delle BCC del Lazio-Umbria-Sardegna;<br>Chairman of Fondazione BCC Roma;<br>Director of FondoSviluppo S.p.A.;<br>Chairman Fondazione Enzo Badioli;<br>Director of ABI;<br>Director of Federazione Italiana CRA-BCC;<br>Director of Fondo di Garanzia degli Obbligazionisti del C.C.;<br>Director of Fondo di Garanzia Istituzionale del CC;<br>Director of Fondo di Garanzia dei Depositanti. |
| Alfieri Lucio      | Director ( <i>Consigliere</i> )                             | Chairman of BCC Comuni Cilentani;<br>Chairman of Federazione Campania delle BCC;<br>Director of Federazione Italiana CRA-BCC;<br>Director of Fondo di Garanzia Obbligazionisti del C.C.;<br>Director of Fondo di Garanzia Istituzionale del C.C.;<br>Director of A&M Immobiliare S.r.L.;<br>Director of M&A S.r.L..   |

| <b>Name</b>            | <b>Responsibilities within The Issuer</b> | <b>Principal activity outside The Issuer</b>   |
|------------------------|---|--|
| Azzi Alessandro        | Director ( <i>Consigliere</i> )           | Chairman of BCC del Garda – Colli Morenici;<br>Chairman of Fondazione Internazionale Tertio Millennio;<br>Chairman of Fondo di Garanzia Obbligazionisti del CC;<br>Chairman of EBIS (Ente Bresciano per l'Istruzione Superiore);<br>Chairman of Federazione Lombarda delle BCC;<br>Director of Fondo di Garanzia Istituzionale del CC;<br>Director of Ecra Srl;<br>Director of ABI;<br>Director of Confcooperative;<br>Director of Università Cattolica del Sacro Cuore di Milano;<br>Director of Fondazione Enzo Badioli, FeBAF – Federazione Banche, Assicurazioni e Finanza, director of Fondazione Policlinico Universitario A. Gemelli;<br>Board member of AIRC;<br>Sole administrator Caslano S.r.L... |
| Carri Francesco        | Director ( <i>Consigliere</i> )           | Substitute Vice Chairman Terre Etrusche e di Maremma Credito Cooperativo S.C.;<br>Chairman of Coopermondo Ass. per la coop. int. allo sviluppo ONG;<br>Chairman of Board of Statutory Auditors IBF Servizi SpA;<br>Director of Federazione Toscana BCC s.c.r.l., Director of Tertio Millennio Onlus;<br>Auditor of ISMEA;<br>Judicial commissioner and bankruptcy curator for 6 companies.   |
| Colombo Annibale       | Director ( <i>Consigliere</i> )           | Chairman of BCC Carate Brianza s.c;<br>director of Federazione Lombarda delle BCC s.c;<br>director of Camera di Commercio Monza e Brianza.   |
| Ferrarini Franco       | Director ( <i>Consigliere</i> )           | Vice Chairman of Valpolicella Benaco Banca C.C.;<br>Vice Chairman of Fondazione Internazionale Tertio Millennio;<br>Director of Federazione Veneta delle BCC.<br>Director of Infrastrutture CIS Srl;<br>Associate partner La Pertica SAS.  |
| Feruglio Carlo Antonio | Director ( <i>Consigliere</i> )           | Chairman of BCC di Staranzano e Villesse;<br>director of Federazione delle BCC del Friuli – Venezia Giulia,<br>director of BCC Sviluppo Territorio FVG.  |
| Moretti Mara           | Director ( <i>Consigliere</i> )           | Director of Banca Valdichiana C.C. di Chiusi e Montepulciano.  |
| Porro Angelo           | Director ( <i>Consigliere</i> )           | Chairman of CRA di Cantù BCC S.C.;<br>Director of Federazione Lombarda delle BCC S.C.;<br>Director of Ecra S.r.l.<br>Director of Comonext S.C.P.A.;  |

| Name               | Responsibilities within The Issuer | Principal activity outside The Issuer   |
|--------------------|------------------------------------|---|
| Ricci Secondo      | Director ( <i>Consigliere</i> )    | <p>Director of Confcooperative Insubria;<br/>           Director of Fondazione Provinciale Comunità Comasca Onlus.</p>  |
| Saporito Salvatore | Director ( <i>Consigliere</i> )    | <p>Chairman of BCC Ravennate Forlivese e Imolese S.C.;<br/>           Vice Chairman of Federazione delle BCC dell'Emilia-Romagna SC;<br/>           Director of Cedecra Informatica Bancaria Srl; Director of Dallevigne S.p.A.;<br/>           Director of Fondazione G. Dalle Fabbriche; Director of Confcooperative;<br/>           Director of Confcooperative Emilia Romagna; Director of Confcooperative – Unione Provinciale di Ravenna;<br/>           Director of Istituto Diocesano per il sostentamento del Clero Diocesi Faenza e Modigliana.</p>   |
| Stra Pierpaolo     | Director ( <i>Consigliere</i> )    | <p>Chairman of BCC G. Toniolo di San Cataldo s.c.r.l.;<br/>           Chairman of Federazione Siciliana delle BCC s.c.r.l.;<br/>           Director Federazione Italiana delle CRA-BCC</p> <p>Vice Chairman of Banca d'Alba – Langhe – Roero e del Canavese Scarl;<br/>           Chairman of the Board of Statutory Auditors of Egea Produzioni e Teleriscaldamento;<br/>           Chairman of the Board of Statutory Auditors of Telenergia SRL;<br/>           Chairman of the Board of Statutory Auditors of SIR Color S.r.L.;<br/>           Chairman of the Board of Statutory Auditors of Tecnoedil S.p.A.;<br/>           Chairman of the Board of Statutory Auditors of Valenza Rete Gas S.p.A.;<br/>           Auditor of Essex Italia SpA, Agecontrol S.p.A.;<br/>           Auditor of Alta Langhe Servizi S.p.A.;<br/>           Auditor of Carmagnola Energia S.r.L.;<br/>           Auditor of Contec S.r.L.;<br/>           Auditor of Egea Commerciale S.r.L.;<br/>           Auditor of FTS S.p.A.;<br/>           Auditor of Langhe Roero Leader Soc. Cons. a r.l.;<br/>           Auditor of Mollo S.r.L.;<br/>           Auditor of Sep Soc. Energetica Piossasco S.p.A.;<br/>           Auditor of Tanaro Power S.r.L.;<br/>           Auditor of Valbormida Energia S.p.A.;<br/>           Sole Auditor of Unico Stirano S.r.L.;<br/>           Auditor of Associazione Premio Bottari Lattes Grinzane;<br/>           Auditor of Fondazione Bottari Lattes;<br/>           Director of Fondazione Banca d'Alba Onlus;<br/>           Director of Fondazione Banca del Canavese; Substitute Auditor for 8 companies in these sectors:<br/>           Commerce/Buildings/Management/Electric Energy.</p> |
| Toson Leonardo     | Director ( <i>Consigliere</i> )    | <p>Chairman of Banca Patavina;<br/>           Director of Federazione Veneta delle BCC S.C;<br/>           Administrator of CCIAA Padova.</p>   |

The board of directors of the Issuer is composed of 15 members, including the Chairman appointed by the Shareholders' Meeting and a Vice Chairman with vicarious functions appointed by the board of directors recommended by the President.

The Extraordinary Meeting of the Issuer, held on 12 July 2016, renewed the members of the board of directors for the 2016-2018 financial years who will remain charging until the Shareholders' Meeting called to approve the financial statements 2018.

### **Management Board**

| <b>Name</b>      | <b>Responsibilities within The Issuer</b>           | <b>Principal activity outside Iccrea Banca S.p.A.</b>   |
|------------------|---|---|
| Rubattu Leonardo | Managing Director<br>( <i>Direttore Generale</i> )  | Director of Satispay S.p.A.;<br>Director of Iccrea BancaImpresa S.p.A.;<br>Director of BCC Solutions S.p.A.;<br>Director Consorzio CBI;<br>Director and member of the Executive Board of ABI;<br>Director of BCC Risparmio e Previdenza SGR pA;<br>Director of BCC Sistemi Informatici SpA;<br>Director of Fonto Temporaneo C.C.. |
| Bocuzzi Giovanni | Vice Managing Director<br>( <i>Vice Direttore</i> ) | Director BCC Gestione Crediti S.p.A.;<br>Director BCC CreditoConsumo S.p.A.;<br>Director Iccrea BancaImpresa S.p.A.;<br>Director BCC Solutions S.p.A.;<br>Director Banca Sviluppo S.p.A.  |

The members of the Management Board were appointed on 16 March 2011 as regards the Managing Director (*Direttore Generale*) and on 4 October 2016 as regards the Vice Managing Director (*Vice Direttore Generale*).

### **Board of Statutory Auditors**

| <b>Name</b>   | <b>Responsibilities within The Issuer</b> | <b>Principal activity outside The Issuer</b>  |
|---------------|---|---|
| Gaspari Luigi | Chairman ( <i>Presidente</i> )            | Chairman of the Board of Statutory Auditors of the BCC Solutions S.p.A.;<br>Chairman of the Board of Statutory Auditors of Risparmio e Previdenza S.G.R.p.A.;<br>Chairman of the Board of Statutory Auditors of BCC Sistemi Informatici S.p.A.;<br>Chairman of the Board of Statutory Auditors of Selex ES S.p.A.;<br>Chairman of the Board of Statutory Auditors of Carocci Editore Spa;<br>Director of Fabbrica Immobiliare S.G.R.p.A.; Auditor of Federlus Factoring S.p.A.;<br>Auditor of BCC Gestione Crediti – Soc. Finanziaria per la Gestione dei Crediti S.p.A.;<br>Auditor of Enerlive S.r.L.;<br>Auditor of Maicor Wind S.r.L.;<br>Liquidator of Profit Investment Sim S.p.A.; |

| Name              | Responsibilities within The Issuer              | Principal activity outside The Issuer   |
|-------------------|---|---|
| Rondina Romualdo  | Auditor ( <i>Sindaco effettivo</i> )            | Liquidator RMJ S.G.R.p.A. in <i>liquidazione coatta amministrativa</i> ;<br>Liquidator of Banca di Girgenti S.p.A. in <i>liquidazione coatta amministrativa</i> ;<br>Liquidator of ISVEIMER S.p.A. in <i>liquidazione</i> ;<br>Substitute Auditor of Iccrea BancaImpresa S.p.A..  |
| Sbarbati Fernando | Auditor ( <i>Sindaco effettivo</i> )            | Chairman of BCC di Fano S.C.;<br>Chairman of the Board of Statutory Auditors of Federazione Marchigiana delle BCC;<br>Auditor of BCC Solutions S.p.A.;<br>Managing partners of SED. di Mencarini Paolo & Rondina;<br>Substitute Auditor of BCC Gestione Crediti S.p.A.;<br>Substitute Auditor of Federlus Factoring SpA.  |
| Andriolo Riccardo | Substitute auditor ( <i>Sindaco supplente</i> ) | Chairman of the Board of the Statutory Auditors of Iccrea BancaImpresa S.p.A.;<br>Chairman of the Board of the Statutory Auditors of CreditoConsumo S.p.A.;<br>Chairman of the Board of the Statutory Auditors of Feudi di S. Gregorio Soc. Agricola S.p.A.; Chairman of the Board of the Statutory Auditors of Smart P@per S.p.A.;<br>Auditor of Federlus Factoring SpA;<br>Auditor of BCC Sistemi Informatici S.Cons.p.A.;<br>Auditor of BCC Solutions S.p.A.;<br>Auditor of BCC Beni Immobili S.r.l.;<br>Auditor of BCC Gestione Crediti S.p.A.;<br>Auditor Sat Lavori S. Cons.R.L.;<br>Auditor of Leonardo Energia S.Cons.R.L.; Auditor of Autostrade dell'Atlantico S.p.A.; Auditor of Bologna e Fiera Parking S.p.A.; Auditor of Augustawestland S.p.A.;<br>Auditor of Enel Produzione S.p.A.;<br>Auditor of Enel Green Power Solar Energy S.r.L.;<br>Auditor of HSE24 S.p.A.;<br>Substitute Auditor of Banca Sviluppo S.p.A.;<br>Substitute Auditor of BCC Lease S.p.A.. |
| Andriolo Riccardo | Substitute auditor ( <i>Sindaco supplente</i> ) | Auditor of ICCREA BancaImpresa S.p.A.;<br>Auditor of Nuova Cassa di Risparmio di Ferrara S.p.A.;<br>Auditor of SDI Automazione industriale S.p.A.;<br>Auditor of DF LABS S.p.A.;<br>Auditor of BCC Risparmio e Previdenza Sgrpa; Sole Auditor of BCC Retail S.c.ar.l.;<br>Special Commissioner of Prisma SGR S.p.A. in <i>amministrazione straordinaria</i> ;<br>Chairman of the Supervisory Board of TANK SGR S.p.A. in <i>liquidazione coatta amministrativa</i> ;<br>Chairman of the Supervisory Board of IMEL. EU S.p.A. in <i>liquidazione coatta amministrativa</i> ;<br>Substitute Auditor of BCC Factoring S.p.A.;<br>Substitute Auditor of BCC Creditoconsumo S.p.A..  |

| <b>Name</b>         | <b>Responsibilities within The Issuer</b>       | <b>Principal activity outside The Issuer</b>  |
|---------------------|---|---|
| Fellegara Annamaria | Substitute auditor ( <i>Sindaco supplente</i> ) | Auditor of Iccrea BancaImpresa S.p.A.;<br>Auditor of Bcc Lease S.p.A.;<br>Auditor of Iren S.p.A.;<br>Auditor of Servizi Italia S.p.A.;<br>Auditor of Aeroporto Marconi S.p.A.;<br>Auditor of C-Global Services S.p.A.;<br>Auditor of Docugest S.p.A.;<br>Auditor of Iren Ambiente S.p.A.;<br>Auditor of Iren Energia S.p.A.;<br>Auditor Lift Tek Elecar S.p.A.;<br>Sole Auditor of Unico Samko S.r.L.;<br>Substitute Auditor of Bcc Risparmio & Previdenza S.G.R.p.A.;<br>Substitute Auditor of Bcc Sistemi Informatici S.p.A.;<br>Substitute Auditor of BCC Factoring S.p.A.;<br>Substitute Auditor of Exor S.p.A. |

The Extraordinary Meeting of Iccrea Banca, held on 12 July 2016, renewed the members of the Board of Statutory Auditors for the 2016-2018 financial years.

The members of the Board of Directors, the Management Board and the Board of Statutory Auditors are all domiciled for the purpose of their appointment at the registered office of the Issuer at Via Lucrezia Romana 41/47, 00178 Rome.

### ***Conflicts of Interest***

The members of the Board of Directors, Management Board, and Board of Statutory Auditors of the Issuer hold identical offices in other companies, and this situation may lead to conflicts of interest.

The Issuer manages conflicts of interest in accordance with article 2391 of the Italian Civil Code and article 136 of the Consolidated Banking Law.

The Issuer granted direct loans to certain directors for the total amount euro 443,000 as at 30 June 2017. Those loans have been made in compliance with the provisions of article 136 of the Consolidated Banking Law and the implementing regulations issued by the Bank of Italy.

For further information please refer to Part H "Transactions with related parties" of the unaudited non-consolidated half-yearly financial statements of the Issuer as at and for the six months ended 30 June 2017, incorporated by reference in this Base Prospectus.

### **Financial Statements**

The Issuer prepares annual financial statements and interim financial statement and, as the Parent Company, following the merger with ICCREA Holding S.p.A., prepares the consolidated financial statements.

### **Auditors**

The Issuer's annual financial statements as at 31 December 2016 and 31 December 2015 and the annual consolidated financial statements of the Iccrea Banking Group as at 31 December 2016 have been audited, without qualification and in accordance with generally accepted standards in the Republic of Italy, by Ernst & Young S.p.A.. The audit reports of Ernst & Young S.p.A. are available to the public and incorporated by reference herein.

Ernst & Young S.p.A. is authorized and regulated by the Italian Ministry of Economy and Finance (MEF) and registered on the special register of auditing firms held by the MEF and is also a member of the ASSIREVI – *Associazione Nazionale Revisori Contabili*. The business address of Ernst & Young S.p.A. is Via Po, 32, 00198 Rome, Italy.

### **Legal and Arbitration Proceedings**

As of the date of this Base Prospectus, the Issuer is involved in certain administrative, legal and arbitration proceedings relating to its ordinary business activities.

Although the outcome of these proceedings is difficult to forecast, the Issuer does not believe that they will have a significant effect on the financial situation or profitability of the Issuer or the Group.

In any case, based on an assessment of the possible risk of these litigations, the Issuer has made a provision to the Risks and Charges account (Item 160 of the income statement) for the amount of euro 214,016 which it considers adequate to cover the amounts that could become due in relation to these litigations.

## TAXATION

*The statements herein regarding taxation are based on the laws in force as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.*

### Republic of Italy

#### 1. Tax treatment of Notes which qualify as "*obbligazioni*" (bonds) or "*titoli similari alle obbligazioni*" (securities similar to bonds)

Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree 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 notes falling within the category of bonds ("*obbligazioni*") or debentures similar to bonds ("*titoli similari alle obbligazioni*") issued, *inter alia*, by Italian banks.

##### 1.1 *Italian resident Noteholders*

Where the 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 non-commercial private or public institution; or
- (d) an investor exempt from Italian corporate income taxation,

interest, premium and other income 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.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in the Republic of 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*. They must, however, be included in the relevant Noteholder's income tax return and are 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).

Under the regime provided by law-decree No. 351 of September 25, 2001 converted into law with amendments by law No. 410 of November 23, 2001, as clarified by the Agenzia delle Entrate through Circular No. 47/E of August 8, 2003, payments of interests in respect of the Notes made to Italian resident real estate investment funds established pursuant to article 37 of Legislative Decree 24 February 1998, No. 58 and article 14-bis of Law 1 January 1994, No. 86, are not subject to *imposta sostitutiva*. The taxation of the real estate fund has been repeatedly amended by Law Decree No. 78 of 31 May 2010 as converted, with amendments, into Law No. 122 of 30 July 2010 and by Law Decree No. 70 of 13 May 2011 as converted, with amendments, into Law No. 160 of 12 July 2011. Such new legislations have not affected the taxation of the Notes as described above.

Where the holder of the Notes is an Italian resident investment fund, interest payments relating to the Notes are not subject to *imposta sostitutiva* (nor to any Italian income in general). Under the tax regime applicable until 30 June 2011, Italian resident investment funds are subject to a 12.5 per cent. annual substitute tax on the year-end accrued appreciation of the managed assets. Such increase includes interest accrued on the Notes which, in turn, are not subject to the *imposta sostitutiva* provided that the Notes are deposited with an authorised intermediary. A new legislation affecting the taxation of the Italian resident investment funds has been enacted by Law Decree No. 225 of 29 December 2010 as converted, with amendments, into Law No. 10 of 26 February 2011 which came into force as of 1 July 2011. The new regime is based on incomes being taxed at the time they are realized by the investors of the funds and no longer on the year-end management result. Such reform has not affected the taxation regime of the interest payments relating to the Notes which continues not to be subject to *imposta sostitutiva* stated by Decree 239.

Where an Italian resident Noteholder 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.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in the Republic of Italy or be a permanent establishment in the Republic of 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.

## 1.2 *Non-Italian resident Noteholders*

Where the Noteholder is a non-Italian resident without a permanent establishment in the Republic of 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 the Republic of Italy (the "**White List States**") as listed, pursuant to Article 11, paragraph 4, of Decree 239, in the Ministerial Decree of 4 September 1996, as amended from time to time. Pursuant to Article 1-*bis* of Ministerial Decree of 4 September 1996, the Ministry of Economy and Finance holds the right to test the actual compliance of each country included in the list with the exchange of information obligation and, in case of reiterated violations, to remove from the list the uncooperative countries; or
- (b) an international body or entity set up in accordance with international agreements which have entered into force in the Republic of 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 country which allows for a satisfactory exchange of information with the Republic of Italy.

In order to ensure gross payment, non-Italian resident Noteholders without a permanent establishment in the Republic of 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 the Republic of 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 the Republic of 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.

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.

However, Noteholders who are subject to the substitute tax might be eligible for a total or partial relief under any applicable tax treaty.

## 2. 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 an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realised from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the rate of 26 per cent. Noteholders may set off any losses with their gains.

In respect of the application of *imposta sostitutiva* on capital gains, taxpayers may opt for one of the three regimes described below:

- (a) Under the "tax declaration" regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, 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 individual Noteholder holding the Notes. 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.
- (b) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity 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, 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 Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, which may be deducted from capital gains subsequently realised, 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 Noteholder is not required to declare the capital gains in the annual tax return.

- (c) Under the "asset management" regime (the "*risparmio gestito*" regime), any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity 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 Noteholder is not required to declare the capital gains realised in the annual tax return.

Under the tax regime applicable until 30 June 2011, any capital gains realised by a Noteholder who is an Italian resident investment fund must be included in the appreciation of the managed asset to be subject to 12.5 per cent. substitute tax. A new legislation affecting the taxation of the Italian resident investment funds has been enacted by Law Decree No. 225 of 29 December 2010 as converted, with amendments, into Law No. 10 of 26 February 2011 coming into force as of July, 1st 2011. The new regime is based on incomes being taxed at the time they are realized by the investors of the funds and no longer on the year-end management result.

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.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected from the sale or redemption of Notes issued by an Italian resident issuer and 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 the Republic of Italy for tax purposes.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected from the sale or redemption of Notes issued by an Italian resident issuer not traded on regulated markets are not subject to the *imposta sostitutiva*, *provided that* the effective beneficiary is:

- (a) resident in a White List State;
- (b) an international entity or body set up in accordance with international agreements which have entered into force in the Republic of 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 country which allows for a satisfactory exchange of information with the Republic of Italy.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders without a permanent establishment in the Republic of 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 may be subject to the *imposta sostitutiva* at the current rate of 26 per cent. However, Noteholders may benefit from an applicable tax treaty with the Republic of 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.

### 3. Inheritance and gift taxes

Transfers of any valuable asset (including shares, 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 €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 €100,000; and
- (c) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

### 4. Transfer tax

Contracts relating to the transfer of securities are subject to a €200 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.

### 5. Stamp duty

Article 13, paragraph 2 *ter*, of the First Part of the Tariff attached to Presidential Decree No. 642 of 26 October 1972 ("**Stamp Duty Law**"), as amended by Law Decree No. 201 of 6 December 2011, converted into Law No. 214 of 22 December 2011, and by Law No. 147 of 27 December 2013 introduces a stamp duty on the value of the financial products and/or financial instruments included in the statement sent to clients as of 1 January 2012 ("**Statement Duty**"). The statement is deemed to be sent to the clients on an annual basis, irrespective of any legal or contractual obligation to do so. The Statement Duty is levied at the rate 0.2 percent (but in any case not exceeding €14,000 only for entities other than individuals). According to a literal interpretation of the amended Article 13, the Statement Duty seems to be applicable to the value of the Notes included in any statement sent to the clients, as the Notes are to be characterised for tax purposes as "financial instruments".

## **The Proposed Financial Transaction 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 the Notes (including secondary market transactions) in certain circumstances.

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 the 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 the Notes are advised to seek their own professional advice in relation to the FTT.

## **U.S. Foreign Account Tax Compliance Act**

Pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended, which sections are commonly referred to as the U.S. Foreign Account Tax Compliance Act ("**FATCA**"), certain issuers of debt instruments and financial intermediaries may be required to withhold U.S. tax on payments on such debt instruments. However, FATCA withholding (x) on the Notes currently does not apply pursuant to an intergovernmental agreement between the United States and the Republic of Italy, and (y) on debt obligations generating foreign source interest (such as the Notes) will apply no earlier than 1 January 2019. Furthermore, in accordance with a grandfathering rule, even if the payments on the Notes are otherwise potentially subject to FATCA withholding, the Notes, so long as they are characterized as indebtedness for U.S. federal income tax purposes, should only become subject to FATCA withholding if the Notes are materially modified after the date that is six months after the date final Treasury regulations defining the term "*foreign passthru payment*" are published. No such final Treasury regulations have been published yet. In the event any withholding under FATCA is required with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount. The scope of these rules remains unclear and potentially subject to material changes. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated on or about the date hereof (the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement 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 or 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 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 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 commencement of the offering of Notes comprising any 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.

### **Public offer selling restriction under the Prospectus Directive**

Prior to 1 January 2018, and from that date if the Final Terms (or Drawdown Prospectus, as the case may be) 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 which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and

including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the 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 Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (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 Directive), 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 3(2) of the Prospectus Directive.

**provided that** no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### **Selling restrictions addressing additional United Kingdom Securities Laws**

Each Dealer has represented, warranted and agreed 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 Financial Services and Markets Act 2000 (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 the 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 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Consolidated Finance Act**") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Consolidated Finance Act and Article 34-ter of Regulation No. 11971.

Any 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 will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation. 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 be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Consolidated Finance Act, CONSOB Regulation No. 16190 of 29 October 2007 and the Consolidated Banking Act (in each case as amended from time to time);
- (b) in compliance with Article 129 of the Consolidated Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

### **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.

### **Prohibition of Sales to EEA Retail Investors**

From 1 January 2018, unless the Final Terms (or, as the case may be, Drawdown Prospectus) 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 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 2002/92/EC as amended, 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 Directive; 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 the Notes.

### **General**

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any 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 possess, distribute or publish this Base Prospectus or any Final Terms or any related 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 any change(s), or any 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 preceding 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**

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

Application has been made to the CSSF to approve this Base Prospectus as a base prospectus for the purposes of the Prospectus Directive and the relevant implementing measures in Luxembourg. Application has been made for Notes issued under the Programme to be listed on the official list of the Luxembourg Stock Exchange 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 of the Luxembourg Stock Exchange or admitted to trading on the Luxembourg Stock Exchange or any other stock exchange or which will be listed on or admitted to trading on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

### **Authorisations**

The update of the Programme was authorised by the Board of Directors of the Issuer on 23 November 2017. 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.

### **Use of proceeds**

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer for general funding purposes. If, in respect of any particular issue, a particular use of proceeds is identified, this will be specified in the applicable Final Terms.

### **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 Tranche will be specified in the relevant Final Terms. 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.

The address of Euroclear is 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.

### **Litigation**

The Issuer, and the Issuer's subsidiaries have not been involved in any governmental, legal, arbitration or administrative proceedings in the 12 months preceding the date of this document, relating to claims or amounts which may have, or have had in the recent past, a significant

effect on the Issuer's financial position or profitability and, so far as the Issuer is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

### **No material adverse change**

Since 31 December 2016 (being the last day of the financial period in respect of which the most recent published annual financial statements of the Issuer have been prepared), there has been no material adverse change in the financial condition or prospects of the Issuer or its subsidiaries.

### **No significant change**

Since 30 June 2017 (being the last day of the financial period in respect of which the most recent published financial statements of the Issuer have been prepared), there has been no significant change in the financial or trading position of the Issuer and its group.

### **Auditors**

The Issuer's annual financial statements as at 31 December 2016 and 31 December 2015 and the annual consolidated financial statements of the Iccrea Banking Group as at 31 December 2016 have been audited without qualification by Ernst & Young S.p.A. with its registered office at Via Po, 32, 00198 Rome, Italy, independent accountants.

Ernst & Young S.p.A. is authorized and regulated by the Italian Ministry of Economy and Finance ("MEF") and registered on the special register of auditing firms held by the MEF.

### **Material Contracts**

The Issuer has not entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Noteholders.

### **Rating Agencies**

Each of Fitch Ratings Italia S.p.A. and Standard & Poor's Credit Market Services Italy S.r.l. is established in the EEA and registered under the CRA Regulation, and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.

### **Minimum denomination**

Where Notes issued under the Programme are admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Notes will not have a denomination of less than €100,000 (or, where the Notes are issued in a currency other than euro, the equivalent amount in such other currency).

### **Documents on display**

For so long as the Programme remains in effect or any Notes are outstanding, electronic copies of the following documents may be inspected (and, in the case of (e) and (f) below, are available for collection) during normal business hours at the specified office of the Fiscal Agent, namely:

- (a) the Agency Agreement;
- (b) the Deed of Covenant;
- (c) the Dealer Agreement;
- (d) the Programme Manual (being a manual signed for the purposes of identification by the Issuer and the Fiscal Agent, containing suggested forms and operating procedures for the Programme, including the forms of the Notes in global and definitive form);
- (e) 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 Directive 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);
- (f) this Base Prospectus and any supplement to this Base Prospectus and any other document incorporated by reference herein or therein;
- (g) the By-laws of the Issuer;
- (h) the most recent publicly available audited annual non-consolidated financial statements of the Issuer;
- (i) the most recently available unaudited interim non-consolidated financial information of the Issuer;
- (j) the audited non-consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2015;
- (k) the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2016;
- (l) the audited non-consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2016;
- (m) the unaudited consolidated half-yearly financial statements in respect of the Issuer as at and for the six months ended 30 June 2017;
- (n) the unaudited non-consolidated interim financial statements in respect of the Issuer as at and for the six months ended 30 June 2017; and
- (o) the Terms and Conditions of the base prospectus in respect of the 2016 Base Prospectus.

**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 financing, investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates 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 the Issuer's affiliates. Certain of the Dealers or their affiliates 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 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 positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates 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. For the purposes of this paragraph the term "affiliates" also includes the parent company.

**REGISTERED OFFICE OF THE ISSUER**

**ICCREA Banca S.p.A**  
Via Lucrezia Romana 41/47  
00178 Rome  
Italy

**ARRANGER**

**Mediobanca – Banca di Credito Finanziario S.p.A.**  
Piazzetta E.Cuccia, 1  
20121 Milan  
Italy

**DEALERS**

**Banca IMI S.p.A.**  
Largo Mattioli, 3  
20121 Milan  
Italy

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

**BNP PARIBAS**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**Citigroup Global Markets Limited**  
Citigroup Centre, Canada Square,  
Canary Wharf,  
London E14 5LB  
United Kingdom

**Commerzbank Aktiengesellschaft**  
Kaiserstrasse 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Federal Republic of Germany

**Coöperatieve Rabobank U.A.**  
Croeselaan 18  
3521 CB Utrecht  
The Netherlands

**Crédit Agricole Corporate and  
Investment Bank**  
12, Place des Etats-Unis, CS 70052  
92547 Montrouge Cedex  
France

**Credit Suisse Securities (Europe) Limited**  
One Cabot Square  
London E14 4QJ  
United Kingdom

**DZ BANK AG Deutsche Zentral-  
Genossenschaftsbank, Frankfurt am Main**  
Platz der Republik  
D-60325 Frankfurt am Main  
Germany

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**ICCREA Banca S.p.A**  
Via Lucrezia Romana 41/47  
00178 Rome  
Italy

**Mediobanca – Banca di Credito  
Finanziario S.p.A.**  
Piazzetta E.Cuccia, 1  
20121 Milan  
Italy

**MPS Capital Services S.p.A.**

Via Leone Pancaldo 4  
50127 Florence  
Italy

**Nomura International plc**

1 Angel Lane  
London EC4R 3AB  
United Kingdom

**Société Générale**

29 Boulevard Haussmann  
75009 Paris  
France

**Natixis**

30 Avenue Pierre Mendès-France  
75013 Paris  
France

**Raiffeisen Bank International AG**

Am Stadtpark 9  
A-1030 Vienna  
Austria

**The Royal Bank of Scotland plc (trading  
as NatWest Markets)**

250 Bishopsgate  
London EC2M 4AA  
United Kingdom

**UniCredit Bank AG**

Arabellastrasse 12  
81925 Munich  
Germany

**PRINCIPAL PAYING AGENT, FISCAL AGENT AND LISTING AGENT**

**BNP Paribas Securities Services, Luxembourg Branch**

60 avenue J.F. Kennedy  
1855 Luxembourg  
Luxembourg

**LEGAL ADVISERS**

*To the Dealers  
as to English and Italian law*

**Clifford Chance Studio Legale Associato**

Piazzetta M. Bossi, 3  
20121 Milan  
Italy

*To the Issuer  
as to English and Italian law*

**Orrick, Herrington & Sutcliffe**

Piazza della Croce Rossa, 2  
00161 Rome  
Italy

**AUDITORS TO THE ISSUER**

**Ernst & Young S.p.A.**

Via Po, 32  
00198 Rome  
Italy