BASE PROSPECTUS

BANCO BPM S.P.A.

(incorporated as a joint stock company (società per azioni) in the Republic of Italy)

€25,000,000,000
Euro Medium Term Note Programme

This base prospectus (the "**Base Prospectus**") constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended or superseded (the "**Prospectus Directive**"). Under this €25,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), BANCO BPM S.p.A. (the "**Issuer**" or the "**Bank**" or "**Banco BPM**") may from time to time issue non-equity securities in the meaning of Article 22 paragraph 6(4) of Commission Regulation (EC) No. 809/2004 of 29 April 2004, as amended, which may be governed by English law (the "**English Law Notes**") or Italian law (the "**Italian Law Notes**" and together with the English Law Notes, the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €25,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein. In the event of such increase, a supplement to this Base Prospectus will be prepared by the Issuer, which shall be approved by the CSSF in accordance with Article 13 of the *loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005, as amended (the "**Luxembourg Prospectus Law**").

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Description of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Notes being subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Amounts payable under the Notes may be calculated by reference to EURIBOR, or to LIBOR, in each case as specified in the relevant Final Terms. As at the date of this Base Prospectus, EURIBOR is provided and administered by the European Money Markets Institute ("**EMMI**"), and LIBOR is provided and administered by ICE Benchmark Administration Limited ("**ICE**"). At the date of this Base Prospectus, ICE and EMMI are both authorised as benchmark administrators, and included on, the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**").

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

The Base Prospectus has been approved by the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**") which is the Luxembourg competent authority for the purpose of the Prospectus Directive and Luxembourg Prospectus Law as a base prospectus issued in compliance with the Prospectus Directive and the Luxembourg Prospectus Law for the purpose of giving information with regard to the issue of Notes issued under the Programme during the period of twelve months following the date hereof. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. References in this Base Prospectus to Notes being listed (and all related references) shall mean that such notes have been admitted to trading on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*) and have been "listed" on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market (the "**Regulated Market**") is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the English Law Notes*" or "*Terms and Conditions of the Italian Law Notes*") of Notes will be set out in the relevant final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**"). With respect to Notes to be listed on the Luxembourg Stock Exchange, the Final Terms or Drawdown Prospectus, as the case may be, will be filed with the CSSF. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. By approving the Base Prospectus, 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.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

As at the date of this Base Prospectus, payments of interest and other proceeds in respect of the Notes may be subject to withholding or deduction for or on account of Italian substitute tax (*imposta sostitutiva*), in accordance with Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented from time to time, and any related regulations. Upon the occurrence of any withholding or deduction for or on account of *imposta sostitutiva* from any payments under the Notes, neither the Issuer nor any other person shall have any obligation to pay any additional amount(s) to any holder of the Notes. For further details see the section entitled "*Taxation – Italian taxation*".

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

MIFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

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

ARRANGER
Citigroup

DEALERS

Banca Akros S.p.A. - Gruppo Banco BPM
Barclays
BofA Merrill Lynch
Crédit Agricole CIB
Deutsche Bank
HSBC
Mediobanca
Société Générale Corporate & Investment Banking

Banca IMI
BNP PARIBAS
Citigroup
Credit Suisse
Goldman Sachs International
J.P. Morgan Securities plc
Nomura
UBS Investment Bank

The date of this Base Prospectus is 12 July 2019.

RESPONSIBILITY STATEMENT

The Issuer (the "Responsible Person") accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject as provided in the relevant Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the relevant Final Terms as the relevant Dealer or the Managers, as the case may be.

Copies of Final Terms will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below) and, in the case of listed Notes, will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below) and with any supplements hereto. This Base Prospectus shall be read and construed on the basis that such documents are incorporated in and form part of this Base Prospectus.

Neither the Dealers nor the Trustee nor any of their respective affiliates have authorised this Base Prospectus or any part thereof nor independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee or any of their respective affiliates as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer, the Dealers or the Trustee 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 must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group (as defined herein). Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Issuer and the Group during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes

in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act except in certain transactions exempt from the registration requirements of the Securities Act. See "*Subscription and Sale*".

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Trustee which would permit a public offering of any Notes outside the European Economic Area or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and the Republic of Italy) and Japan. See "*Subscription and Sale*".

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by the relevant Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for 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, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

This Base Prospectus includes forward-looking statements. These include statements relating to, among other things, the future financial performance of the Issuer and the Group, plans and expectations regarding developments in the business, growth and profitability of the Group and general industry and business conditions applicable to the Group. The Issuer has based these forward-looking statements on its current expectations, assumptions, estimates and projections about future events. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results, performance or achievements of the Group or those of its industry to be materially different from or worse than these forward-looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments except to the extent required by law.

All references in this document to: "Euro", "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended; "U.S. dollars", "U.S.$" and "$" refer to United States dollars being the currency of the United States of America; "Sterling" refers to the currency of the United Kingdom; "yen" refers to the currency of Japan; and references to the "Banco BPM Group" or the "Group" are to BANCO BPM S.p.A. and its subsidiaries.

STABILISATION

In connection with the issue of any Tranche of Notes, 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 or, as the case may be, Drawdown Prospectus 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. Such stabilising shall be conducted in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilising shall, as against the Issuer, be for the account of the Stabilising Manager(s) and the Lead Manager(s).

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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. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer 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 the "Terms and Conditions of the English Law Notes" and "Terms and Conditions of the Italian Law Notes" below or elsewhere in this Base Prospectus have the same meaning in this section.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Risks related to the impact of global macro-economic factors, the Euro Area sovereign debt crisis and the national and international political climate on the performance of the Issuer and of the Banco BPM Group

Risks related to the impact of global macro-economic factors

The performance of the Banco BPM Group is influenced by: Italian and EU-wide macroeconomic conditions, the conditions of the financial markets in general, and in particular, by the stability and trends in the economies of those geographical areas in which Banco BPM conducts its activity. The earning capacity and solvency of the Banco BPM Group are affected, *inter alia*, by factors such as investor perception, long-term and short-term interest rate fluctuations, exchange rates, liquidity of financial markets, availability and costs of funding, sustainability of sovereign debt, family incomes and consumer spending, unemployment levels, inflation and property prices. Adverse changes in these factors, especially during times of economic and financial crisis, could result in potential losses, an increase in the Issuer's and/or the Banco BPM Group's borrowing costs, or a reduction in value of its assets, with possible negative effects on the business, financial condition and/or results of operations of the Issuer and/or the Banco BPM Group.

Overall, 2017 was characterized by a global economic recovery. In the favourable international and European scenario, Italy recorded a period of economic recovery, increasing its GDP compared to previous recent years. Although still wide, the gap with the best performing economies of the Eurozone was reduced in 2017.

Subsequently, an inconclusive general election in Italy in March 2018 led to a prolonged period of negotiation among the rival parties and the Italian president and a coalition government was finally formed at the beginning of June 2018. This resulted in market instability and the economic implications of the policies of the new Italian government remain uncertain.

In addition, a number of uncertainties remain in the current macroeconomic environment, namely: (a) trends in the economy and the prospects of recovery and consolidation of the economies of countries like the US and China, which have shown consistent growth in recent years; (b) the outcome of the commercial dispute between the US and China, which could have an effect on international trade and therefore global production; (c) future development of the European Central Bank's ("**ECB**") monetary policy in the Euro area, the Federal Reserve System, and in the Dollar area, and the policies implemented by other countries aimed at promoting competitive devaluations of their currencies; (d) the sustainability of the sovereign debt of certain countries and related recurring tensions on the financial markets; and (e) the consequences and potential lingering uncertainties caused by the Brexit vote.

All of these factors, in particular in times of economic and financial crisis, could result in potential losses,

an increase in the Issuer's and/or the Banco BPM Group's borrowing costs, or a reduction in value of its assets, with possible negative effects on the business, financial conditions and/or results of operations of the Issuer and/or the Banco BPM Group.

Risks related to the crisis of the Euro Area sovereign debt

The global financial crisis contributed to and accelerated the worsening of public debt problems in European Union countries with large public debts and budget deficits, causing the most damage to banks that had greater exposure to domestic sovereign debt and a revaluation of sovereigns' credit risk. As a consequence, in several euro-area countries yield spreads on government bonds with respect to the German Bund widened markedly and domestic banks' funding capacity was affected, especially in the wholesale segment. The repercussions of the global economic slowdown and market turmoil were particularly severe in Italy.

From autumn 2011, the ECB implemented important measures to support the European economy and financial stability, including: the SMP (Securities Market Programme) that entails the purchase of government securities by the ECB itself; the provision of liquidity to banks through the purchase of covered bonds, and provisions of loans to banks.

In September 2012, the ECB Council approved the plan for secondary market purchases by the ECB of Eurozone sovereign debt securities with a maturity of between one and three years and without setting any quantitative limit (so-called Outright Monetary Transactions). The plan was to be complemented by the ESM's (European Stability Mechanism) measures on the primary market upon the imposition of conditions (in the form of macroeconomic adjustments or preventive financial assistance, being the so-called Enhanced Conditions Credit Line or ECCL).

On 5 June 2014, the ECB announced its decision to conduct a series of Targeted Longer-Term Refinancing Operations (TLTROs) over a period of two years, aimed at improving and supporting bank lending to the euro area non-financial private sector.

On 22 January 2015, the ECB launched its Expanded Asset Purchase Programme (more commonly known as Quantitative Easing), under which the ECB began purchasing euro-denominated, investment-grade securities issued by euro area governments and European institutions up to Euro 60 billion each month. The programme was intended to be carried out until September 2016, and in any case until there were signs of a sustained adjustment in the path of inflation or deflation that is consistent with the aim of achieving inflation rates approaching 2%.

On 10 March 2016, with a view to further facilitating access to funding in the EU and achieving inflation rates of 2%, the ECB announced an increase of the monthly average amount of security purchases under "Quantitative Easing" programme, from Euro 60 billion to Euro 80 billion, expanding the asset purchase to the bonds issued by non-financial entities with high credit ratings, which was reduced back to Euro 60 billion from April 2017.

As part of the liquidity support action, the ECB introduced a new series of Targeted Longer-Term Refinancing Operations (TLTRO-II) with even more favourable terms: counterparties had access to financing for up to 30 per cent of the stock of loans eligible as at 31 January 2016 and interest rates applicable to the transactions were those that applied to the Eurosystem's main refinancing transactions at the time of each such transaction and for its entire duration.

On 13 December 2018, the Governing Council of the ECB decided to end the net purchases under the Quantitative Easing programme in December 2018, but announced that it "*intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the Asset Purchase Programme for an extended period of time past the date when it starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation* ".

On 7 March 2019, the Governing Council of the ECB decided to launch a new series of quarterly targeted longer-term refinancing operations ("**TLTRO-III**"), starting in September 2019 and ending in March 2021, each with a maturity of two years. Under TLTRO-III, financial institutions will be entitled to borrow up to 30% of the stock of eligible loans as at 28 February 2019 at a rate indexed to the interest rate on the main refinancing operations over the life of each operation. According to the ECB's press release announcing

this measure, these new operations will help to preserve favourable bank lending conditions and the smooth transmission of monetary policy.

In recent years Italy has witnessed various downgrades of its sovereign rating and a fluctuating trend in the 10-year BTP/Bund spread. In 2012, the negative estimates for growth in Italy had an adverse impact on Italian public debt with a downgrade of the rating assigned to Italy and an increase in the 10-year BTP/Bund spread. This crisis continued into 2013.

As a result of moderate improvements in political and economic conditions in Italy there was a gradual decrease of Italian Government and corporate bond risk premia in the period between 2014 and 2017. This trend was interrupted in May 2018 after the inconclusive general elections of March 2018, during the negotiations to form a coalition government, as financial markets feared the stability of any government appointed and the critical positions of the involved parties towards the European Commission policies. After three months of negotiation, the Five Star Movement and the Northern League – who have in the past expressed opposition to the Euro - received approval to form the new government. This period of uncertainty led to an increase in the BTP/Bund spread to 288 basis points at the end of May 2018 with an unprecedented widening of up to 120 basis points on the 2-4 year tenors, a segment that was pricing in the redenomination risk.

A narrowing of the spread in the short-term segment of the sovereign curve occurred only in December 2018 when agreement was reached with the European Commission on the contents of the budget package. The 10-year spread, which had stopped at 280 basis points in May 2018 (from 120 basis points in January 2018), reached 320 basis points in mid-November 2018, before returning to 255 basis points at the end of 2018. Certain material improvement in the Italian sovereign market, then led the 10-year spread to below 250 basis points in March 2019, this also because of the postponement of monetary policy normalisation and the prospect of a new liquidity injection through the TLTRO-III.

Nonetheless, in Italy, a climate of uncertainty continues to prevail and this has brought the 10-year spread to rise again to over 250 basis points, following the European Parliament elections.

The Group is exposed to Italian government bonds. Consequently, the Issuer is particularly exposed to any adverse changes and fluctuations in the market for Italian government securities, the political situation and the sovereign debt rating. A decrease in the market price for Italian government bonds could negatively affect the value of its assets and therefore have an adverse effect on the Group's business, results of operations, financial condition and cash flows. In addition, if the credit ratings of Italy and other relevant countries deteriorate, the Issuer may be required to revise the risk weighting attributed to these assets for the calculation of risk-weighted assets ("**RWA**"), which could have an adverse effect on the Issuer's capital ratios. The Issuer may also be required to revise the discount criteria applied by counterparties in refinancing transactions, such as in the ECB's TLTRO refinancing transactions, resulting in an increase in the collateral required or a reduction in the liquidity obtained in relation to such collateral.

In addition, the lingering uncertainties arising from geopolitical tensions, including the Brexit vote and the withdrawal of the UK from the European Union, could have a material adverse effect on the economies of the EU Member States in general, and the Italian economy in particular, with a consequential upsurge of the sovereign debt crisis.

Although in recent years the fiscal and macroeconomic imbalances that contributed to the Euro Area sovereign's debt crisis have been reduced in several countries, there are still concerns about the possible dissolution of the European Monetary Union, or the exit of individual countries from the monetary union (with a possible return to local currencies), fostered, among other factors, by the electoral surge of anti- EU parties across the euro area. Any scenario of this kind would generate unpredictable consequences.

All the factors described above, and particularly any re-emergence or further deterioration of the sovereign debt crisis, could result in potential losses to the Issuer and/or the Banco BPM Group, an increase in its borrowing costs, and/or a reduction in the value of its assets, with possible negative effects on the economic and financial situation of the Issuer and/or of the Banco BPM Group.

Risks related to Italian economic conditions and political instability

The dynamics described in the previous paragraphs and the consequent effects on the Banco BPM Group's activities are influenced by the international and Italian socioeconomic context and its impact on financial

markets.

The Banco BPM Group primarily operates in Italy and in particular in Northern Italy. As of 31 December 2018, 1,380 of the overall 1,804 branches of the Banco BPM Group are located in Northern Italy, with Lombardy, Piedmont and Veneto being the three regions with the highest number of branches (663, 209 and 212, respectively).

The business of the Banco BPM Group is particularly sensitive to adverse macroeconomic conditions in Italy and in particular in Northern Italy. Any adverse economic condition in Italy could have a material adverse effect on the business, results of operation or financial condition of the Banco BPM Group.

A return to declining or stagnating GDP, increasing or stagnating unemployment and poor conditions in the capital markets in Italy could decrease consumer confidence and investment, and result in higher rates of loan impairment and/or NPLs and default and insolvency, and cause an overall reduction in demand for the Group's services. Any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

One of the elements creating economic uncertainty is the political situation in Italy. An inconclusive general election in Italy in March 2018 led to a prolonged period of negotiation among the rival parties and the Italian President and a coalition government was finally formed at the beginning of June 2018. Italy's government submitted to the European Commission its draft 2019 budget that includes plans to increase spending. The EC rejected the proposed budget for 2019 and requested the Italian government to review it. At the end of December 2018, after a period marked by tensions between the European Commission and Italy's government, an agreement was reached on the basis of a lower deficit. Since then, however, the European Commission has made the first step towards an infringement procedure against Italy for excessive debt, relating in particular to projections for the year 2020, and served a warning letter on the Italian government on 29 May 2019.

The economic implications of the policies of the new Italian government remain uncertain. Political instability, if material, could negatively affect the country's economic recovery, and changes to economic policies, including the risk of a showdown with the European Commission, and/or political instability could have a material adverse effect on the Group's business, results of operations and financial condition.

Risks related to the United Kingdom leaving the European Union

On 23 June 2016, the UK held a referendum on the country's membership of the European Union ("**Brexit**"). The results of Brexit showed that the majority of people who participated, voted to leave the European Union. The referendum does not directly bind the government to specific actions.

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 Union shall negotiate and conclude an agreement with the United Kingdom, setting out the arrangements for its withdrawal from the European Union (the "**Withdrawal Agreement**"), taking account of the framework for its future relationship with the Union. Article 50 requires that such Withdrawal 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 Union by the 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.

The United Kingdom planned to withdraw from the European Union no later than 29 March 2019, however such departure was delayed as the Parliament of the United Kingdom have so far not agreed to the Withdrawal Agreement. As a result, the new deadline for the exit of the United Kingdom from the European Union is 31 October 2019. However, such exit could be delayed once again if all European countries, including the United Kingdom, were to agree to a further extension.

The outcomes of the negotiations around Brexit and the consequences of Brexit itself are still uncertain, with respect to the European Union integration process, the relationship between the United Kingdom and the European Union, and the impact on economies and European businesses. Accordingly, there can be no

assurance that the Banco BPM Group's results of operations, business and financial condition will not be affected by market developments such as changes in the exchange rate of the British Pound versus the Euro, and higher financial market volatility in general due to increased uncertainty.

Risks related to competition in the banking and finance sector

The Issuer and the other companies of the Banco BPM Group operate in a highly competitive market, with particular reference to the geographical areas where the activity is mainly concentrated (in particular, Northern Italy).

The Italian market is currently in the process of consolidation and is characterized by significant competitive pressures, due partly to: (i) the implementation of European Union directives regarding the liberalization of the banking sector, which incentivized competition in the traditional banking sector and led to a progressive reduction in the margin between lender and borrower interest rates; (ii) changes to certain Italian tax and banking laws; and (iii) the introduction of services with a strong technological innovative component.

Competitive pressure may be generated by consumer demand for new services as well as technological demands with the consequent necessity to make investments, or as a result of competitors' specific actions.

In the event that the Banco BPM Group is not able to respond to increasing competitive pressure by, for example, offering profitable and innovative services, or products that meet client demands, the Banco BPM Group could lose its market share in a number of business sectors and/or fail to increase or maintain the volumes of business and/or profit margins that it has achieved in the past (with reference to the banks participating in the merger between Banca Popolare di Milano S.c.a r.l. ("**BPM**") and Banco Popolare Società Cooperativa ("**Banco Popolare**") (the "**Merger**")). This loss may have possible adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Risks relating to the Issuer's business

Credit risk

The business, economic and financial solidity of the Banco BPM Group, as well as its profits, depend, among other things, on its customers complying with their payment obligations and on the credit rating of its customers.

Credit risk is the risk that debtors may not fulfil their obligations or that their credit rating may suffer a deterioration (such debtors include the counterparties of financial transactions involving OTC (over the counter) derivatives traded outside of regulated markets) or that the Banco BPM Group's companies grant credit that they would not otherwise have granted, or would have granted upon different terms, on the basis of information that is untruthful, incomplete or inaccurate.

A number of factors affect a bank's credit risk in relation to individual credit exposures or for its entire loan book. These include the trend in general economic conditions or those in specific sectors, changes in the rating of individual counterparties, deterioration in the competitive position of counterparties, poor management on the part of firms or counterparties given lines of credit, and other external factors, also of a legal and regulatory nature.

Asset quality is measured by means of various indicators, including historic data of bad loans as a percentage of loans to customers. At a macroeconomic level, good asset quality is an important prerequisite for the due performance of the financial sector in general and permits individual banks to operate with a high level of efficiency.

Risk management methodologies, assessments and processes used by the Banco BPM Group to identify, measure, evaluate, monitor, prevent and mitigate any risks to which the Banco BPM Group is or might be exposed, are intended to guarantee adequate capital resources and an adequate liquidity profile of the Banco BPM Group, but might not be sufficient to protect the Group against, for example, unexpected changes in the creditworthiness of a counterparty.

The deterioration of the creditworthiness of major customers and, more generally, any defaults or repayment irregularities, the launch of bankruptcy proceedings by counterparties, the reduction of the economic value of guarantees received and/or the inability to execute the said guarantees successfully

and/or in a timely manner, as well as any errors in assessing customers' creditworthiness, could have a material negative effect on the business, financial condition and/or results of operations of the Issuer and/or the Banco BPM Group.

Risks connected to the deterioration of credit quality

The Banco BPM Group is subject to credit risk. The Banco BPM Group's policies for managing and controlling the quality of the loan portfolio, and the associated risks, are based on rules of sound and prudent management. The policies are implemented through the processes of distributing, managing and monitoring credit risks that varied according to the circumstances of the market, business sector and characteristics of each borrower. The loan portfolio is closely monitored on a continuous basis in order to promptly identify any signs of imbalance and to take corrective measures aimed at preventing any deterioration.

The recent crisis in the financial markets and the global economic slowdown have reduced and may further reduce the disposable income of households, as well as the profitability of companies and/or adversely affect the ability of bank customers to honour their commitments, resulting in a significant deterioration in credit quality in the areas of activity of the Issuer.

The coverage of the non-performing exposures of the Banco BPM Group as at 31 December 2018 was equal to 43.1%. The coverage of the bad loans of the Banco BPM Group as at 31 December 2018 was equal to 59.6%.

Banco BPM Group's net non-performing loans, as of 31 December 2018, amounted to Euro 6,727 million, with a decrease of Euro 6,300 million or 48.4%, as compared to 31 December 2017, and represented 6.5% of Banco BPM Group's total net loans.

Even though the Banco BPM Group periodically makes provisions to cover potential losses, on the basis of its experience and statistics, the Banco BPM Group may have to increase these provisions further should there be a rise in bad loans or an increasing number of the Banco BPM Group's debtors subject to insolvency proceedings (including bankruptcy or creditors' composition). In addition, provisioning may have to increase on the basis of the Proposed NPLs Regulation, once implemented. In this regard, any significant increase in the provisions for non-performing exposures, change in the estimates of credit risk, or any losses that exceed the level of the provisions already made, could have a negative impact on the business, financial condition and/or results of operations of the Issuer and/or the Banco BPM Group.

Risks related to the disposal of non-performing loans

In light of the Merger and the fact that the combined entity resulting from the Merger was one of the largest banking groups in Italy as at 31 December 2016, based on revenues, assets and net income, the ECB highlighted the need for the Banco BPM Group to accelerate the reduction of non-performing loans including, for the avoidance of doubt, loans classified in its financial statements as bad loans, unlikely to pay ("**UTP**") and past due (together, "**NPLs**"), and requested the preparation of a clear action plan for reducing NPLs and increasing the average coverage ratios of NPLs. In compliance with the requirements of the ECB, the Strategic Plan (as defined below) included the details of a plan to reduce the holding of NPLs by the end of 2020 by way of disposals for an approximate aggregate amount of Euro 8 billion. The Issuer proposed a revised target to the ECB in 2018, highlighting an acceleration in the NPLs disposal plan, with a new objective of Euro 13 billion of disposals by the end of 2020. As at the date of this Base Prospectus, the target has been reached and approximately Euro 17.2 billion of the NPLs have now been sold.

It is possible that additional disposals will take place. Further, in accordance with the terms and results of the disposals undertaken to reduce the number of NPLs, the Issuer can give no assurance that no further adjustments to the income statement in respect of the value of the loans will be made, on account of the difference between the value at which the NPLs are recorded in the balance sheet of banks, and the price which investors specialised in "distressed debt" management are prepared to pay for the acquisition of the same, in view of the returns that such investors consider achievable. Such adjustments may have a material negative impact on the finances, assets and business of the Banco BPM Group.

Liquidity and Funding risks

Liquidity risk is the risk that the Issuer may not have the cash resources to be able to meet its payment obligations, scheduled or unscheduled, when due. "Funding Liquidity Risk" refers to the risk that the Issuer

is not able to meet its scheduled or unscheduled payment obligations in an efficient manner due to its inability to access funding sources, without prejudicing its banking activities and/or financial condition. "Market Liquidity Risk" refers to the risk that the Issuer is only able to realise its assets at a loss as a result of the market conditions and/or timing requirements. Having access to adequate liquidity and long-term funding, in any form, to run its core activity is crucial for Banco BPM to achieve its strategic objectives. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

Starting in 2007, the international economic environment has been subject to long periods of high volatility, extraordinary uncertainty and instability in the financial markets. This was initially caused by the default of certain financial institutions and then by the sovereign debt crisis in certain countries, including Italy. During these periods, this state of uncertainty and volatility has led to considerable difficulties in finding liquidity on the wholesale market, a contraction in inter-bank loans and a significant increase in the cost of funding in the retail markets, worsened by the growing distrust towards European bank operators, substantially limiting access to credit by operators.

A deterioration of market conditions, further loss of investors' confidence in financial markets, an increase in speculation about the solvency or credit standing of the financial institutions present in the market (including that of the Issuer), or that of the country where they are based, can adversely impact the ability of banks to obtain funding in future. The inability of Banco BPM or any Banco BPM Group legal entity to access the debt market (Funding Liquidity Risk) or sell its assets (Market Liquidity Risk) would, in turn, adversely affect the Banco BPM Group's ability to achieve its objectives.

In addition, the Banco BPM Group is exposed to government debt securities, in particular Italian government debt securities. Any further reduction in the credit rating assigned to Italy (which has already been the subject of a number of downgrades by the principal rating agencies in recent years) may adversely affect the value of such debt securities and as a result could impact the extent to which the Issuer can use, inter alia, Italian government debt securities as collateral for the European Central Bank (ECB) refinancing transactions which could have an adverse effect on the Banco BPM Group's liquidity.

The Banco BPM Group constantly monitors its own liquidity and funding risks. There can, however, be no assurance that any negative developments in the conditions of the markets, in the general economic environment and/or in the Issuer's credit standing, combined with the need to align the Issuer's liquidity and funding position to regulatory requirements, would not have a negative impact on the business, financial condition and/or results of operations of the Issuer and/or the Banco BPM Group.

Other Financial risks

The Banco BPM Group is exposed to market risk, being the risk that the value of a financial asset or liability could vary because of changes of market factors, such as share prices, interest rates, exchange rates and their volatilities, as well as changes in the credit spreads of the relevant issuer. To the extent that any of the instruments and strategies used by the Banco BPM Group to hedge or otherwise manage its exposure to counterparty or market risks are not effective, the Banco BPM Group may not be able to effectively mitigate its risk exposure in particular market conditions, or against particular types of risk. The Banco BPM Group's trading revenues and interest rate risk exposure depend on its ability to identify properly, and mark to market, changes in the value of financial instruments caused by movements in market prices or interest rates. The Banco BPM Group's financial results also depend on how effectively the Banco BPM Group determines and assesses the cost of credit and manages its own counterparty risk and market risk concentration.

(a) Risks related to interest rates

The Banco BPM Group's performance is influenced by interest rate trends and fluctuations, mainly in the European markets, which in turn are caused by different factors beyond the control of the Banco BPM Group, such as monetary policies, general trends in the national and international economy and the political conditions of Italy.

The performance of the Banco BPM Group's banking and financing operations depends upon the management and sensitivity of their interest rate exposure, *i.e*. the effect of changes in interest rates in the relevant markets on the interest margin and economic value of the Banco BPM Group. Any mismatch between the interest income accrued by the Banco BPM Group and the interest expense incurred (in the absence of protection taken out to cover this mismatch) could have material adverse effects on the Banco

BPM Group's and/or the Issuer's business, financial condition or results of operations (such as an increase of the cost of funding that is more marked than any increase in the yield from assets or the reduction in the yield from assets that is not matched by a decrease in the cost of funding).

The Banco BPM Group has specific policies and procedures to identify, monitor and manage these types of risk. However, it is not possible to rule out that unexpected variations of market interest rates may have a negative impact on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

(b) Risks related to the performance of financial markets

The Banco BPM Group's results depend in part on the performance of financial markets. In particular, the unfavourable development of the financial markets in recent years has affected: (i) the placement of products relating to assets under management and assets under administration, with resulting adverse effects on the amounts of placement commissions received; (ii) management commissions due to the reduced value of assets (direct effect) and redemptions resulting from unsatisfactory performance (indirect effect); (iii) the operations of the *Investment Banking* line of business, in particular with respect to placement of financial products and customer dealing, with adverse effects on the amount of commissions received; and (iv) results from the management of the banking and trading portfolios.

The Banco BPM Group has specific policies and procedures in place to identify, monitor and manage these types of risk. However, the volatility and possible insufficient liquidity of the markets, as well as the change of investor preferences towards different kinds of products and/or services, may have an adverse effect on the business, financial condition and results of operations of the Issuer and/or of the Banco BPM Group.

(c) Counterparty risk

In the conduct of its operations, the Banco BPM Group is exposed to counterparty risk. Counterparty risk is the risk that a counterparty of a transaction (including operations in derivatives and repurchase agreements) involving particular financial instruments may default before the transaction is settled. The Banco BPM Group trades derivative contracts with a wide variety of underlying assets and instruments, including interest rates, exchange rates, equity indices, commodities and loans, with counterparties from the financial services sector, commercial banks, government entities, financial and insurance firms, investment banks, funds and other institutional clients as well as with non-institutional clients.

Transactions in derivatives and repurchase transactions expose the Banco BPM Group to the risk that the counterparty defaults or becomes insolvent before settlement or expiry of the transaction, where the Issuer or other Banco BPM Group company has an outstanding claim against such counterparty, in addition to market risks and operational risks.

Such risks, which were accentuated as a result of the financial crisis and the consequent volatility in financial markets, could result in further adverse effects, if collateral provided to the Issuer or other companies of the Banco BPM Group cannot be realised or liquidated according to the envisaged timetable, in a manner, or to an extent, sufficient to cover the exposure to the counterparty.

The Banco BPM Group has specific policies and procedures for identifying, monitoring and managing these types of risk. Any breach by the counterparties of the obligations they assume under derivative or repurchase contracts they have made with the Issuer or other companies of the Banco BPM Group, and/or the realisation or liquidation of such collateral as they have provided that delivers a lower value than expected, may result in adverse effects on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Operational risk

Operational risk is defined as the risk of suffering losses due to inadequacy or failure of processes, human resources and internal systems, or as a result of external events. Operational risk includes legal risk, which is the risk of losses deriving from breaches of laws or regulations, contractual, out-of-contract liabilities or other disputes, ICT (Information and Communication Technology) risk and model risk. Strategic and reputational risks are not included. The Banco BPM Group has procedures in place to mitigate and monitor operational risks in order to limit the adverse consequences arising from such risks. These risks are managed and supervised by the Issuer and by other Banco BPM Group legal entities through a structured series of processes, functions and resources for the identification, measurement, valuation and control of risks that

are characteristic of the Banco BPM Group's activities.

Nonetheless, the Banco BPM Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks (especially those due to potential exogenous factors such as external frauds), including risks that the Banco BPM Group fails to identify or anticipate.

Risks related to the Strategic Plan

On 16 May 2016, the management board of BPM and the board of directors of Banco Popolare approved the strategic plan of the Banco BPM Group (the "**Strategic Plan**"), containing the strategic guidelines and economic, financial and capital objectives of the group resulting from the Merger for the period of 2016-2019.

The Strategic Plan contains objectives of Banco BPM through to 2019 prepared on the basis of macroeconomic projections and strategic actions that need to be implemented. Since the Strategic Plan was prepared, the Issuer has proposed a revised and increased target for NPL disposals to the ECB.

The Strategic Plan is based on numerous assumptions and hypotheses, some of which relate to events not fully under the control of the board of directors and management of Banco BPM. In particular, the Strategic Plan contains a set of assumptions, estimates and predictions that are based on the occurrence of future events and actions to be taken by, inter alia, the board of directors of Banco BPM, in the period from 2016 to 2019, which include, among other things, hypothetical assumptions of different natures subject to risks and uncertainties arising from the current economic environment, relating to future events and actions of directors and the management of the Issuer that may not necessarily occur, events, actions, and other assumptions including those related to the performance of the main economic and financial variables or other factors that affect their development over which the directors and management of Banco BPM do not have, or have limited, control. The Strategic Plan further assumes the achievement of expected synergies and the absence of unexpected costs and liabilities arising from the Merger. These assumptions may or may not occur to an extent and may occur at times different from those projected. Furthermore, events may occur which are unpredictable at the time of approval of the Strategic Plan.

Given that the assumptions underlying the Strategic Plan are inherently affected by subjective assessments, hypotheses and discretionary judgments, should one or more of the underlying assumptions fail to materialise (or materialise only in part) or should the actions taken and choices made by management in the implementation of the Strategic Plan produce effects different from those expected, the targets set forth in the Strategic Plan may not be met (or may be met only partially) and the actual results of the Banco BPM Group may differ, possibly significantly, from the estimated results of the Banco BPM Group envisaged in the Strategic Plan with a consequential negative impact on the business, financial conditions and/or results of operations of Banco BPM and/or the Banco BPM Group.

As of the date of this Base Prospectus, a significant number of Strategic Plan projects have been completed, including the IT systems integration, the merger of BPM S.p.A. into the parent company, the reorganisation of the distribution network, the cost optimisation, the overall derisking with a significant portfolio disposal, the rationalisation of the product factories in the asset management / bancassurance business and the reorganisation of private / investment banking activities. Finally, the NPL platform sale and the consumer credit factories reorganisation are expected to be finalised during 2019, while there is a focus on projects aiming at the Digital Omnichannel Transformation and the Retail and Corporate growth.

Considering the completion of most actions aiming at the reorganization and rationalization, the Group will approve a new strategic plan by the end of 2019.

Risks Related to Sanctions

The Banco BPM Group has clients and partners located in a number of different jurisdictions. The Group is therefore required to comply with sanctions regimes in the jurisdictions in which it operates. In particular, the Group must comply or may in the future be required to comply with economic sanctions imposed by the United Nations, the European Union and the United States on certain countries, in each case to the extent applicable, and these regimes are subject to change, which cannot be predicted. Such sanctions may limit the ability of the Group to continue to transact with clients or to maintain commercial relations with counterparties which may fall under economic sanctions and/or counterparties that are located in sanctioned

countries.

As of the date of this Base Prospectus, the Group has limited commercial relationships with certain counterparties located in sanctioned countries, but these are carried out in compliance with applicable laws and regulations. In addition and on the basis of advice obtained from an independent third party consultant, the Group is upgrading certain procedures to enhance and monitor compliance with sanctions in the various countries in which it operates. However, were the counterparties of the Group, or the Group itself, to be affected by sanctions investigations and/or by sanctions, the investigation costs, remediation required and/or payment or other legal liability incurred could potentially negatively affect Banco BPM's net assets and net results. Such an adverse outcome could have a material adverse effect on the Group's reputation and business, results of operations or financial condition.

Risks related to legal proceedings

The Banco BPM Group is subject to litigation in the ordinary course of its business, including civil and administrative legal proceedings, as well as several arbitration and tax proceedings. Negative outcomes in such proceedings or in any investigation by the supervisory authority may create liabilities which reduce the Issuer's ability to meet its obligations.

Given the complexity of the relevant circumstances and corporate transactions underlying these proceedings, together with the issues relating to the interpretation of applicable law, it is inherently difficult to estimate the potential liability to which the Banco BPM Group may be exposed when such proceedings are decided.

The Issuer considers that it has made appropriate provision in its consolidated financial statements to cover the possible losses that could arise from legal proceedings or other pending disputes, also taking into account indications provided by external legal counsel.

As of the date of this Base Prospectus, with regard to the diamonds sales activity carried out by a specialized third party company, the Intermarket Diamond Business (the "**IDB**"), through the banking channel, on 30 October 2017 an administrative sanction was imposed by the Antitrust Authority (AGCM) on IDB and the reporting banks, including Banco BPM, for allegedly incorrect commercial practice under the Consumer Code. The Bank filed an appeal against the AGCM's decision, which has been rejected by the Regional Administrative Court (TAR); Banco BPM appealed the TAR ruling which appeal is now pending before the Supreme Administrative Court (*Consiglio di Stato*).

A criminal investigation is also pending with regard to the diamonds sales activity involving IDB and the various reporting banks, including Banco BPM. The criminal offences under investigation are alleged fraud and related self-laundering, obstacle to the supervisory authorities' functions and corruption among private parties. The inquiry involves also managers and former managers of Banco BPM Group (including the former General Manager) and the Bank itself and its subsidiary Banca Aletti for administrative offence pursuant to Legislative Decree 231/2001.

The Banco BPM Group is managing the clients' complaints and litigation arising from such reporting activity through a dedicated task force and the provisions set forth in the Consolidated 2018 Annual Report.

For further information please see further the paragraph in this Base Prospectus headed "*Legal Proceedings of the Group- Ongoing Legal and Administrative Proceedings - Proceedings related to the diamonds reporting activities*" and the paragraph headed "*Other events during the year – Complaints about disputes and investigations relating to the reporting to the company Intermarket Diamond Business S.p.A. of customers interested in the purchase of diamonds made in previous years*" in the Group Report on Operations in Banco BPM's consolidated financial statements as at and for the year ended 31 December 2018, incorporated by reference in this Base Prospectus.

There can be no assurance that legal proceedings which are not included in these provisions would not give rise to additional liabilities in the future, nor that the amounts already set aside in these provisions will be sufficient to fully cover the possible losses deriving from these proceedings if the outcome is worse than expected. This could have a material adverse effect on the business, financial condition or results of operations of the Issuer and/or of the Banco BPM Group. The Banco BPM Group is furthermore subject, in the course of its ordinary activities, to inspections by the supervisory authority that could require organisational interventions or the strengthening of internal functions which are aimed at addressing

weaknesses that have been identified during inspections which might, furthermore, result in sanction proceedings being brought against officers of the Issuer.

Risks relating to the real estate market

The Banco BPM Group is exposed to the real estate sector, as it is a lender to companies in the real estate sector and to real estate investment funds, whose cash flows are mainly, or exclusively, backed by proceeds deriving from the construction, lease and/or sale of real estate.

The "real estate sector" includes loans to construction and real estate companies/economic groups, to real estate investment funds and to private individuals (in the form of mortgage loans or finance leases to buy a house), together with loans to companies categorised within this sector but whose core business is not real estate (*indotto immobiliare*) as well as to companies in the public infrastructure construction sector.

The real estate sector has been particularly affected by the economic and financial crisis resulting in a fall in asset prices as well as in the number of transactions, accompanied by an increase in the cost of funding and greater difficulties in obtaining access to credit. Consequently, companies operating in the real estate sector have experienced a decrease in transactions both in terms of volumes and margins, an increase in financial expenses, as well as greater difficulties in refinancing their debt. Continuing stagnation of the Italian economy in those geographic areas where the Banco BPM Group operates, an increase in unemployment and reduced earnings of customers in the real estate sector could increase the bankruptcy rate of both individual and corporate borrowers of the Banco BPM Group, resulting in defaults in the payment of lease and/or mortgage instalments.

In this scenario, falling prices in the real estate market could adversely affect the Banco BPM Group, both directly as a result of the impact on customers operating in this sector, and indirectly as a result of the fall in the value of real estate properties posted as collateral for loans granted by the Banco BPM Group.

The Banco BPM Group has put procedures in place to handle and monitor the risk of default by the borrowers and is supported, where appropriate, by external and internal experts to evaluate any real estate projects and any exposure to the real estate sector is subject to increased capital requirements imposed by the Bank of Italy or the ECB. Notwithstanding the foregoing, any further deterioration of the real estate market conditions or of the economic and financial conditions in general and/or fall in the value of real estate properties placed as collateral could adversely affect the debt servicing ability of the Banco BPM Group's borrowers and, in turn, have a negative adverse impact on the business, financial conditions and/or results of operations of the Issuer and/or of the Banco BPM Group.

Catastrophic events, terrorist attacks and similar events

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

Risks relating to European and Italian banking regulations

Risks related to inspections by the ECB and other Supervisory Authorities

The Banco BPM Group is subject to enquiries and inspections by the ECB in its capacity as the Bank's supervisory authority and other supervisory authorities in the ordinary course of its business. The outcomes of any such enquiries and inspections may lead to organisational interventions and the Banco BPM Group may be required to implement certain measures aimed at rectifying any shortcomings detected during such enquiries and inspections. A supervisory authority may also take a range of disciplinary actions against the representatives of the Issuer with administrative, management or control functions.

Compliance with any measures required by a supervisory authority may require the Banco BPM Group to take actions which have, and any sanction imposed by a supervisory authority may have, a potentially negative effect on the Group's business, financial condition or results of operations.

Risks related to regulatory changes in the banking and financial sectors and to the changes of the other

laws applicable to the Banco BPM Group

The Banco BPM Group, as with all banking groups, is subject to extensive regulations and to the supervision (being for regulatory, information or inspection purposes, as the case may be) by the Bank of Italy, CONSOB and IVASS with respect to its bancassurance operations. As of and from 3 November 2014, the Banco BPM Group 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.

In particular, the Banco BPM Group is subject to the laws and regulations applicable to companies with financial instruments listed on regulated markets, the rules governing banking services (aimed to maintain the stability and the solidity of the banks as well as to limit their risk exposure) and financial services (that govern, among other things, the sale and placement of financial instruments as well as marketing operations). Supervisory authorities have broad administrative powers over many aspects of the financial services business, including liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, transparency, record keeping, and marketing and selling practices.

Following the crisis of the financial markets in the last several years, the Basel Committee on Banking Supervision approved a number of capital adequacy and liquidity requirements ("**Basel III**"), aimed at strengthening the existing capital rules, including raising the quality of CET1 capital in a harmonised manner, introducing also requirements for Additional Tier 1 ("**AT1**") and Tier 2 capital instruments.

At a European level, the Basel III rules have been implemented through two separate legislative instruments: Directive 2013/36/EU of 26 June 2013 (the "**CRD IV**") and Regulation (EU) No. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**" and, together with the CRD IV, the "**CRD IV Package**"), whose provisions are directly binding and applicable in each member state. The CRD IV and the CRR were approved by the European Council on 20 July 2013 and entered into force on 1 January 2014. Furthermore, on 14 March 2016 the ECB adopted Regulation (EU) No. 2016/445 on the exercise of options and discretions available in Union law, published on 24 March 2016 and the ECB Guide on options and discretions available in Union law (the "**ECB Guide**"). This regulation specifies certain of the options and discretions conferred on competent authorities under Union law concerning prudential requirements for credit institutions that the ECB is exercising. It shall apply exclusively with regard to those credit institutions classified as "significant" in accordance with Article 6(4) of Regulation (EU) No 1024/2013, and Part IV and Article 147(1) of Regulation (EU) No 468/2014. Depending on the manner in which these options or discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise such options or discretions in the future, additional or lower capital requirements may be required. Moreover, on 10 August 2016, the ECB published an addendum to the ECB Guide which addresses eight options and discretions and complements the existing ECB Guide and Regulation (EU) No. 2016/445.

In addition, on 13 April 2017, the ECB published a guideline and a recommendation addressed to national competent authorities (the "**NCAs**") concerning the exercise of options and national discretions available in European Union law that affect banks directly supervised by NCAs (*i.e.* the so called "less significant institutions"). Both documents are intended to further harmonise the way banks are supervised by the NCAs. The aim is to ensure a level playing field and the smooth functioning of the Euro area banking system as a whole.

In Italy, the Bank of Italy published the supervisory regulations on banks with circular No. 285 of 17 December 2013 ("**Circular No. 285**"), which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules. The Government implemented the CRD IV with Legislative Decree No. 72 of 12 May 2015, which entered into force on 27 June 2015.

With respect to capital requirements, Italian banks are currently required to comply with: (a) a CET1 capital ratio of 4.5%; (b) a Tier 1 capital ratio of 6.0%; and (c) a Total Capital Ratio of 8.0%. These minimum ratios are complemented by the following capital buffers to be met with CET1 capital:

1. *capital conservation buffer*: the capital conservation buffer applies to the Issuer pursuant to Circular No. 285 and, starting from 1 January 2019, is equal to 2.5% of risk-weighted assets ("**RWAs**");

2. *counter-cyclical capital buffer*: set by the relevant competent authority between 0% and 2.5% (but may be set higher than 2.5% where the competent authority considers that the conditions in the Member State justify it), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive. The counter-cyclical capital buffer for the second quarter of 2019 was set by the Bank of Italy at 0%;

3. *capital buffers for global systemically important institutions ("G-SIIs"): set as an "additional loss absorbency" buffer ranging from 1.0% to 3.5% determined according to specific indicators (e.g.* size, interconnectedness, substitutability of the services provided, global cross-border activity and complexity), and has become fully effective starting from 1 January 2019, which does not apply to the Banco BPM Group; and

4. *capital buffers for other systemically important institutions at domestic level ("**O-SIIs**")*: up to 2.0% as set by the relevant competent authority and must be reviewed at least annually, to compensate for the higher risk that such banks represent to the domestic financial system. On 30 November 2017 the Bank of Italy identified the Banco BPM Group as an O-SII. Banco BPM Group is required to reach gradually a reserve equal to 0.25% with linear increments between 1 January 2019 and 1 January 2022.

In addition, to the above-listed capital buffers, under Article 133 of the CRD IV, each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital for the financial sector or one or more subsets of that sector in order to prevent and mitigate long-term non-cyclical systemic or macroprudential risks not otherwise covered by the CRD IV Package, in the sense of a risk of disruption in the financial system with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. As at the date of this Base Prospectus, no provision has been taken on the systemic risk buffer in Italy.

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 CRD IV).

In addition, supervisors, pursuant to the CRD IV Package, may require institutions to maintain capital to cover other risks (so called Pillar 2 capital requirements). The combined buffer represents an additional layer of capital which banks need to hold to counter systemic, macro-prudential and other risks not covered by idiosyncratic Pillar 1 and Pillar 2 minimum capital requirements.

On 8 February 2019, the ECB notified Banco BPM of its final decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis, based on the outcome of the annual Supervisory Review and Evaluation Process ("**SREP**") conducted in compliance with Article 4(1)(f) of Regulation (EU) No. 1024/2013. The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. Therefore, in compliance with Article 16(2)(a) of Regulation (EU) No. 1024/2013 which confers on the ECB the power to require supervised banks to hold own funds in excess of the minimum capital requirements laid down by current regulations, a requirement of 2.50% was introduced to be added to the minimum capital requirements. Taking into account this additional capital requirement, the Banco BPM Group is required to meet, for 2019, the following capital ratios at consolidated level: (i) CET1 ratio of 9.31%; (ii) Tier 1 ratio of 10.81%; (iii) Total Capital ratio of 12.81%; and (iv) Total SREP Capital requirement of 10.25%. The Banco BPM Group satisfied these prudential ratios at 31 December 2018, with a CET1 ratio of 12.1%, a Tier 1 ratio of 12.3% and a Total Capital ratio of 14.7%, in each case at phase-in level. However, there can be no assurance that the total capital requirements imposed on the Issuer or the Group from time to time may not be higher than the levels of capital available at such time. Also, there can be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further own funds requirements on the Issuer or the Group.

Further, the Basel III agreements provided for (i) the introduction of a Liquidity Coverage Ratio or ("**LCR**"), which expresses the ratio between the amount of available assets readily monetizable, 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 (as of 1 January 2018, the indicator is subject to a minimum regulatory requirement of 100 per cent) and (ii) 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. The Commission

Delegated Regulation (EU) No. 2015/61, adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015, specifies the calculation rules of the LCR, while the relevant provisions concerning NSFR are included in the amendments to the CRR comprised in the EU Banking Reform referred to below.

In November 2016, the European Commission announced a comprehensive package of reforms to amend the CRD IV Package and also the BRRD and the SRM Regulation to further strengthen the resilience of EU banks (the "**EU Banking Reform**"). In December 2018, the European Parliament and the Council of the European Union reached a provisional political agreement on the proposed amendments to the CRD IV, the CRR, the BRRD and the SRM Regulation comprised in the EU Banking Reform. The final text of the EU Banking Reform was published in the Official Journal of the European Union on 7 June 2019 and entered into force 20 days thereafter, on 27 June 2019.

Many of the changes to the CRR are directly applicable to the Banco BPM Group from that date, with the remainder to apply in phases beginning in December 2020. The majority of the CRD IV amendments and the amendments to the BRRD will need to be transposed into Italian law within 18 months before taking effect, while the SRM Regulation will also apply from December 2020.

The EU Banking Reform includes, among other things, a binding 3% leverage ratio and a binding detailed NSFR (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, the binding 3% leverage ratio is added to the own funds requirements set forth in Article 92(1) of the CRR. The leverage ratio requirement is a parallel requirement to the risk-based own funds requirements, and will apply - from June 2021 - to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments. Institutions should be able to use any CET1 capital that they use to meet their leverage-related requirements to also meet their risk-based own funds requirements, including the combined buffer requirement.

In addition, under the new Article 92(a) to the CRR, each institution that is a G-SII is expected to be required to comply with, commencing 1 January 2022, a leverage ratio buffer requirement (equal to 50% of the G-SII buffer referred to above) above the minimum leverage ratio. Failure by a G-SII to meet this leverage ratio buffer requirement will result in application of the restrictions on distribution provisions by reference to the Leverage ratio related Maximum Distributable Amount ("**L-MDA**"). The EU Banking Reform furthermore amends Article 131(5) of the CRD IV by increasing the O-SII buffer to up to 3% of the total risk exposure amount, and requires the Commission to investigate whether a leverage ratio buffer is appropriate also for O-SII. The 3% leverage ratio, the G-SII leverage ratio buffer requirement and the NSFR introduced by the EU Banking Reform are consistent with the corresponding requirements agreed upon at international level by the Basel Committee on Banking Supervision (the "**Basel Committee**").

The strengthening of capital adequacy requirements, the restrictions on liquidity and the increase in ratios applicable to the Banco BPM Group on the basis of the EU Banking Reform and other laws or regulations that may be adopted in the future could adversely affect the Banco BPM Group's business, results of operations, cash flow and financial position, as well as the possibility of distributing dividends to the shareholders. In particular, problems could arise when subordinated bonds which are no longer eligible for regulatory capital purposes reach maturity, as they will have to be replaced by alternative funding sources that comply with the new rules. This could make it harder to comply with the new minimum capital requirements, at least with respect to the combined buffer requirement (and any other relevant buffer requirement applicable to the Issuer from time to time), potentially limiting the Banco BPM Group's ability to distribute dividends.

Moreover, supervisory authorities have the power to bring administrative or judicial proceedings against the Banco BPM Group, which could result, among other things, in suspension or revocation of the licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action. Such proceedings could have adverse effects on the Issuer's and the Banco BPM Group's business, financial condition or results of operations.

The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any

action under it could materially affect the value of the Notes

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

The BRRD provides the competent authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so that it can ensure the continuity of the institution's critical financial and economic functions, whilst 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 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) a resolution action is in the public interest: (i) sale of business - which enables resolution authorities to direct the sale of the firm 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 firm 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 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 General Bail-In Tool.

The BRRD also provides for a Member State as a last resort, after having assessed and made use of 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. In particular, a single resolution fund financed by bank contributions at a national level is being established and Regulation (EU) No. 806/2014 establishes the modalities for the use of the fund and the general criteria to determine contributions to the fund.

An institution will be considered to be 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 other 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 application of the General Bail-In Tool.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution and/or its group meets the conditions for resolution (but no resolution action has yet been taken) or that the institution and/or its group 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 the appropriate authority determines that without such support the institution would no longer be viable.

In the context of these resolution tools, the resolution authorities also have the power – with reference to subordinated debt instruments and other eligible liabilities issued by an institution under resolution – to amend or alter the maturity of such debt instruments and other eligible liabilities 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 of 16 November 2015 and 181/2015 (together, the "**BRRD Decrees**"), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015.

With respect to the BRRD Decrees, Legislative Decree No. 180 of 16 November 2015 sets forth provisions regulating resolution plans, the commencement and closing of resolution procedures, the adoption of resolution measures, crisis management related to cross-border groups, powers and functions of the national resolution authority and also the regulation of the national resolution fund. On the other hand, Legislative Decree No. 181 of 16 November 2015 introduces certain amendments to the Italian Banking Act and the Financial Services Act, by introducing provisions regulating recovery plans, intra-group financial support, early intervention measures and changes to creditor hierarchy. Moreover, this decree also amends certain provisions regulating the extraordinary administration procedure (*amministrazione straordinaria*), in order to make them compliant with the European regulation. The regulation on the liquidation procedures applied to banks (*liquidazione coatta amministrativa*) are also amended in compliance with the new regulatory framework and certain new market standard practices.

On 1 June 2016, the Commission Delegated Regulation (EU) No. 2016/860 of 4 February 2016 ("**Delegated Regulation (EU) 2016/860**") specifying further the circumstances where exclusion from the application of write-down or conversion powers is necessary under Article 44(3) of BRRD was published on the Official Journal of the European Union. In particular this regulation lays down rules specifying further the exceptional circumstances provided for in Article 44(3) of BRRD, where the resolution authority may exclude, or partially exclude, certain liabilities from the application of the write down or conversion powers where the General Bail-In Tool is applied. The Delegated Regulation (EU) No. 2016/860 entered into force on 21 June 2016.

Also, 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 (the "**Deposit Guarantee Schemes Directive**") have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors. 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 of 16 November 2015 has amended the bail-in creditor hierarchy in the case of admission of Italian banks and investment firms to resolution, 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 SMEs benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. Article 108 of the BRRD has been further amended further to proposals by the European Commission to introduce a harmonised national insolvency ranking of unsecured debt instruments to facilitate credit institutions' issuance of such loss absorbing debt instruments, by creating, inter alia, a new asset class of "non-preferred" senior debt instruments with a lower rank than ordinary senior unsecured debt instruments in insolvency. In such perspective, Article 108 of the BRRD aims at enhancing the implementation of the bail-in tool and at facilitating the application of the "minimum requirement for own funds and eligible liabilities" requirement concerning the loss absorption and recapitalisation capacity of credit institutions and investment firms described further below. The amendment to Article 108 has been 'fast tracked' through the adoption of Directive (EU) No. 2017/2399 of 12 December 2017 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy which was published in the Official Journal of the EU on 27 December 2017. Italian Law No. 205/2017, approved by the Italian Parliament on 27 December 2017, contains the implementing provisions pertaining to "non-preferred" senior debt instruments.

Pursuant to Article 44 (2) of the BRRD, as implemented by Article 49 of Legislative Decree No. 180 of 16 November 2015, resolution authorities shall not exercise the write down or conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledges, lien or collateral which it is secured. 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, in 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. The safeguard set out in Article 75 of the BRRD would not provide any protection since 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 rather than to address any such possible unequal treatment.

Legislative Decree No. 181/2015 of 16 November 2015 has also introduced strict limitations on the exercise of the statutory rights of set-off which are normally available under insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary. 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, netting, counterclaim, abatement or other similar remedies which it might otherwise have had, under the laws of any jurisdiction, in respect of such Senior Notes or Subordinated Notes. Similarly, it is clear that the statutory right of set-off available under Italian insolvency laws will not apply.

The powers set out in the BRRD impact credit institutions and investment firms and how they 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 legislative decree to implement the revised Deposit Guarantee Schemes Directive in Italy – namely, Legislative Decree No. 30 of 15 February 2016 – has been published in the Italian Official Gazette No. 56 of 8 March 2016. The Decree came into force on 9 March 2016, except for Article 1 comma 3, let. A), which came into force on 1 July 2018. Amongst other things, the Decree amends the Italian Banking Act and: (i) establishes that the maximum amount of reimbursement to depositors is EUR 100,000 (this level of coverage has been harmonised by the Directive and is applicable to all deposit guarantee schemes); (ii) lays down the minimum financial budget that national guarantee schemes should have; (iii) details intervention methods of the national deposit guarantee scheme; and (iv) harmonises the methods of reimbursement to depositors in case of insolvency of a credit institution.

In addition to the capital requirements under the CRD IV Package, the BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of minimum requirement for own funds and eligible liabilities (the "**MREL**"). The aim is that the minimum amount should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding and to ensure adequate capitalisation to continue exercising critical functions post resolution. 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 subject to supervision by the ECB) or to the Single Resolution Board (the "**SRB**") (for banks subject to direct supervision of the ECB). Commission Delegated Regulation (EU) 2016/1450 supplementing the BRRD specifies the criteria which further define the way in which resolution authorities or the SRB shall calculate MREL and provides that an appropriate transitional period to reach the final MREL requirement may be determined.

The Financial Stability Board published the "Total Loss-Absorbing Capacity (TLAC) Term Sheet" on 9 November 2015, applicable to G-SIBs (referred to as G-SIIs in the European Union framework). The EU Banking Reform has introduced amendments aimed at implementing and integrating the TLAC requirements into the general MREL rules, thereby avoiding duplication from the application of two parallel requirements and ensuring that both the TLAC and MREL requirements are met with largely similar instruments. The resolution authorities will also be able, on the basis of bank-specific assessments, to require that G-SIIs comply with an institution-specific supplementary MREL requirement (a 'Pillar 2' add-on requirement).

Under the amendments to the BRRD introduced by the EU Banking Reform, where an entity fails to meet its combined buffer requirement when considered in addition to its minimum requirement for own funds and eligible liabilities, resolution authorities have the power to prohibit certain discretionary payments in excess of the Maximum Distributable Amount related to the minimum requirement for own funds eligible

liabilities (the "**M-MDA**"). The Relevant Authority may furthermore exercise its supervisory powers under Article 104 of the CRD IV in case of breach of the minimum requirement for own funds and eligible liabilities.

The powers set out in the BRRD and the application of the MREL requirement will impact the management of credit institutions and investment firms as well as, in certain circumstances, the rights of creditors, including holders of Notes issued under the Programme. The implementation of the BRRD may, therefore, have a negative effect on the Notes held by a Noteholder and on the Issuer's financial condition.

Risks related to recent and forthcoming regulatory and accounting changes

In addition to the own funds and eligible liabilities and liquidity requirements introduced by Basel III, the CRD IV, the BRRD and the EU Banking Reform, 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. A new framework for European securitisation (implemented through Regulation (EU) 2017/2042 and Regulation (EU) 2017/2401) has introduced the long awaited rules for issuing simple, transparent and standardised transactions and replaced the provisions of the CRR relating to the regulatory capital treatment of securitisation exposures held by EU credit institutions and investment firms. Moreover, the Basel Committee has embarked on a very significant RWAs variability agenda. This includes the "Fundamental Review of the Trading Book", revised standardised approaches (*e.g.* credit, market, operational risk), constraint to the use of internal models, as well as the introduction of a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance. The new setup will have a significant impact on risk modelling. From a credit risk perspective, an impact is expected both on capital held against the exposures assessed via standardised approach and on those evaluated via an internal ratings based approach ("**IRB**"), due to the introduction of capital floors that, according to the new framework, will be calculated based on the revised standardised approach. Implementation of these new rules on risk models will take effect from 1 January 2022.

Following the publication of the EU Banking Reform proposals, on 7 December 2017 the Basel Committee endorsed the outstanding Basel III post-crisis regulatory reforms. The reforms, which include revisions to the measurement of the leverage ratio and a leverage ratio buffer for global systemically important banks (G-SIBs), which takes the form of a Tier 1 capital buffer set at 50% of a G-SIB's risk weighted capital buffer, will take effect from 1 January 2022 and will be phased in over five years. These are being introduced in the EU through the amendments to the CRR contained in the EU Banking Reform.

In addition, the EU Banking Reform changes the rules for calculating the capital requirements for market risks against the trading book positions set out in the CRR. The proposal seeks to transpose the work done by the Basel Committee with the Fundamental Review of the Trading Book into EU law by establishing clearer and more easily enforceable rules on the scope of application to prevent regulatory arbitrage; improving risk capture, making requirements proportionate to reflect more accurately the actual risks to which banks are exposed; and strengthening the conditions to use internal models to enhance consistency and risk-weight comparability across banks. The new rules include a phase-in period.

There can be no assurance that the implementation of the new capital requirements, standards and recommendations described above will not require the Issuer to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Issuer's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect Issuer's return on equity and other financial performance indicators.

The Issuer is exposed to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from International Accounting Standards as endorsed and adopted in Europe). In particular, in the future the Issuer may need to revise the accounting and regulatory treatment of some existing assets, liabilities and transactions (and related income and expenses), with possible negative effects, including significant ones, on the estimates in financial plans for future years and this could lead to the Issuer having to restate financial data published previously.

The Banco BPM Group is exposed, like other parties operating in the banking sector, to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from IFRS as endorsed and adopted into European law). Specifically, the Banco BPM Group, like other parties operating in the banking sector, may need to revise the accounting and regulatory treatment of certain transactions (and the related income and expense). Investors should be aware that implementation of new accounting principles or standards and regulations (or changes thereto) may have a material adverse effect on the business, financial condition and/or results of operations of the Issuer and/or of the Banco BPM Group.

Risks relating to new regulatory measures on NPLs

On 14 March 2018, the European Commission (the "**EC**") published certain legislative proposals aimed at addressing the issues connected with the existing stock of NPLs held by European banks – namely (i) a proposal for a Regulation (the "**Proposed NPLs Regulation**") amending the CRR as regards minimum loss coverage for NPLs; (ii) a proposal for a directive on credit servicers, credit purchasers and the recovery of collateral; and (iii) a blueprint on asset management companies, accompanying the EC's "Second Progress Report" on NPLs. On 18 December 2018, the co-legislators reached a provisional agreement which resulted in a final compromise text of the Proposed NPLs Regulation that has introduced several significant modifications to the original proposal. In particular, the distinction between exposures classified as non-performing because the obligor is past due more than 90 days or if it is non-performing for other triggers contained in the original proposal has been removed. In addition, write-offs and forbearance measures will also be taken into account when calculating the specific credit risk adjustments and when applying the relevant coverage factor.

In parallel with the above proposals, on 15 March 2018 the ECB issued an addendum, "Addendum to the Guidance on non-performing loans" (the "**ECB Addendum**") to its "Guidance to banks on NPLs of March 2017" (the "**NPLs Guidance**"). The ECB Addendum details the ECB supervisory expectations as regards the minimum levels of NPLs provisioning by significant credit institutions. These Guidelines (based on a Pillar 2 approach, to be incorporated into SREP decisions) are to be applied to all new non performing exposures (i.e. Past Due, Unlikely to Pay, Bad Loans) classified as such since 1 April 2018. The ECB Addendum sets out an expectation that, as of 1 April 2018, new unsecured NPLs must be fully covered after a period of two years from the date of their classification as NPLs. For example, the supervisor would expect a loan that is classified as an unsecured NPL on 1 May 2018 to be fully provisioned for by May 2020. For new secured NPLs, a certain level of provisioning is expected after three years of classification as an NPL, or "NPL vintage", which then increases over time until year seven. In this case, if a secured loan was classified as an NPL on 1 May 2018, the supervisor would expect these NPLs to be at least 40 per cent. provisioned for by May 2021, and totally provisioned by May 2025. The potential gap between the coverage envisaged by the new rules and the provisions applied at the reference date can be addressed through a Core Tier 1 deduction or an increase of provisions. While the goals pursued by the ECB under the ECB Addendum are the same as those underlying the Proposed NPLs Regulation, there are some significant differences between the EC and ECB measures on NPLs.

The Proposed NPLs Regulation will impose a "Pillar 1" minimum regulatory backstop for the provisioning of NPLs by EU banks. The minimum provisioning level is calculated by multiplying the value of the relevant NPLs within the portfolio by the factors indicated in the Proposed NPLs Regulation, which differ depending on (i) the number of years after the date on which the exposure was classified as non-performing, and (ii) whether the NPL is classified as "secured" or "unsecured" exposure (and if secured, whether the exposure is secured by immovable collateral or residential loan guaranteed by an eligible protection provider or is secured by other funded or unfunded credit protection), in accordance with the criteria set forth in the Proposed NPLs Regulation. In particular, under the Proposed NPLs Regulation the Issuer will be required to apply a minimum provisioning level for NPLs equal to 100% after ten years (in case of exposures secured by immovable property or residential loan), eight years (in case of exposures secured by other funded or unfunded credit protection) or four years (in case of unsecured exposures) from the date when the exposure was classified as non-performing. If the aggregate amount of provisions and other eligible items is lower than such minimum provisioning level, any shortfall (so-called "insufficient coverage amount") shall be fully deducted from CET1 items.

The statutory prudential backstop to be introduced under the Proposed NPLs Regulation shall only apply to exposures originated after the date of entry into force of the regulation and not to prior legacy exposures. However, the Proposed NPLs Regulation specifies that where the terms and conditions of an exposure which was incurred prior to the date of entry into force of the regulation are modified by the institution in

a way that increases the institution's exposure to the obligor, the exposure shall be considered as having been incurred on the date of the modification so that such exposure becomes subject to the new regime including the statutory prudential backstop.

While the Proposed NPLs Regulation is aimed at introducing common provisioning requirements applying to credit institutions established in all EU Member States, the ECB Addendum specifies the ECB's (non-binding) supervisory expectations for significant credit institutions directly supervised by the ECB under the SSM. These supervisory expectations apply to all exposures classified as non-performing after 1 April 2018. However, the compliance with such supervisory expectations will be assessed by the ECB only from the 2021 SREP process.

Even though the calibration criteria used under the ECB Addendum to determine the expected minimum provisioning level are similar to those provided under the Proposed NPLs Regulation, the quantitative expectations set out under the ECB Addendum are higher than those provided in the Proposed NPLs Regulation. In particular, under the ECB Addendum significant banks are expected to cover 100% of the amount of NPLs that are secured after seven years of the date when such exposure was classified as non-performing by the relevant bank.

The ECB reserves the right to discuss on a case-by-case basis any divergences from the prudential provisioning expectations outlined in the ECB Addendum in the context of the SREP. Each bank shall inform its joint supervisory team ("**JST**") on the coverage levels. The JST will assess any differences between coverage levels and supervisory expectations through off-site activities, on-site examinations or both. The outcome of the supervisory assessment will be taken into account in the SREP. The ECB will consider specific circumstances which may make the prudential provisioning expectations inappropriate for a specific portfolio or exposure. If, after giving due consideration to such specific circumstances, the ECB is of the view that the prudential provisions do not adequately cover the expected credit risk, supervisory measures under the Pillar 2 framework might be adopted.

At the date of this Base Prospectus there is no clarity on when the Proposed NPLs Regulation will be finally approved, and whether the proposed legislative measures will be enacted in their current form. However, the introduction of a minimum statutory backstop for prudential provisioning on NPLs could require the Issuer to increase its coverage ratios on newly originated NPLs. The same outcomes may derive from the satisfaction of the quantitative expectations set out in the ECB Addendum. This may cause adverse effects on the business, financial condition and results of operation of the Issuer and/or of the Banco BPM Group.

Large exposures as defined under EU regulations

The Issuer faces risks as a result of its large exposures to a single client or group of connected clients, and under the CRR, it is required to monitor and report the number of such exposures without reference to risk weighting, including inter-Group counterparties, having a nominal amount equal to or greater than 10 per cent. of own funds. "Exposures" means the sum of balance-sheet risk assets and off-balance sheet transactions (excluding those deducted from capital for regulatory purposes) in relation to a customer or group of related customers without the application of weighting factors. These reporting criteria result in the inclusion, in the financial statement reporting large risks, of those entities (with a weighting of 0 per cent.) that have an unweighted exposure equal to or greater than 10 per cent. of eligible capital for the purposes of large risks.

Risks related to the ratings assigned to the Issuer

The ratings assigned to the Issuer by the main international rating agencies are an indication of the credit ratings of the Issuer itself and the outlook represents the parameter which indicates the expected trend in the near future, of the ratings assigned to the Issuer. However, such indications may not properly reflect developments in the solvency position of the Issuer and the Banco BPM Group.

Any reduction of the rating levels assigned to the Issuer could have a negative effect on the opportunities for the Issuer and for the Banco BPM Group to access the various liquidity instruments and could lead to an increase in funding costs or require the constitution of additional collateral guarantees for the purpose of accessing liquidity. This may cause adverse effects on the business, financial condition and results of operations of the Issuer and/or of the Banco BPM Group.

Factors which are material for the purpose of assessing the market risks associated with Notes issued

under the Programme

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) thoroughly understand 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 of 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 as 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.

Changes in regulatory framework and accounting policies

Investors should be aware that the powers provided to "resolution authorities" under the Bank Recovery and Resolution Directive include write down/conversion powers to ensure that capital instruments (including Subordinated Notes) and eligible liabilities (including senior debt instruments) fully absorb losses at the point of non-viability of the issuing institution and before any other resolution action is taken (in addition to the General Bail-In Tool). Accordingly, the Bank Recovery and Resolution Directive contemplates that resolution authorities may require the write down of such capital instruments and eligible liabilities in full on a permanent basis, or convert them in full into shares or other instruments of ownership. The Bank Recovery and Resolution Directive provides, *inter alia*, that resolution authorities shall exercise the write down power in a way that results in (i) CET1 instruments being written down first in proportion to the relevant losses, (ii) thereafter, the principal amount of other capital instruments (including Subordinated Notes) being written down or converted into CET1 instruments on a permanent basis, and (iii) thereafter, eligible liabilities being written down or converted in accordance with a set order of priority.

The powers set out in the Bank Recovery and Resolution Directive may impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. The holders of Senior Notes and Subordinated Notes may be subjected to write-down or conversion into equity on any application of the General Bail-In Tool and, in the case of Subordinated Notes, non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the Bank Recovery and Resolution Directive, or any exercise which is suggested 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.

Governmental and central banks' actions intended to support liquidity may be insufficient or

discontinued

In response to the financial markets crisis, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the capital requirements demanded by investors, intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral. The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting the Banco BPM Group's business, financial condition and results of operations.

Reform of EURIBOR and other interest rate index and equity, commodity and foreign exchange rate index "benchmarks"

The Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed "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 Market Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the Regulation (EU) No. 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 applies 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 applies to the provision of "benchmarks", the contribution of input data to a "benchmark" and the use of a "benchmark" within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as 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 a "benchmark" index, including in any of the following circumstances:

1. an index which is a "benchmark" could 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;

2. 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, increasing or affecting the volatility of the published rate or level of the relevant "benchmark", and could lead to adjustments to the terms of the Notes.

Any of the international, national or other reforms or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

For example, the sustainability of the London interbank offered rate ("**LIBOR**") has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such "benchmarks". On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR "benchmark" after 2021 (the "**FCA Announcement**"). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR "benchmark" or any other "benchmark", or changes in the manner of administration of any "benchmark", could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes referencing such "benchmark". 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". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes referencing a "benchmark".

Pursuant to the terms and conditions of any applicable Floating Rate Notes or any other Notes whose return is determined by reference to any benchmark, if the Issuer or Calculation Agent determines at any time that the Relevant Screen Page on which the Reference Rate for such Notes appears has been discontinued or following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation or any other benchmark administrator previously authorized to publish any Replacement Reference Rate under any applicable laws or regulations, the Issuer will appoint a Reference Rate Determination Agent (which may be (i) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include one of the Dealers involved in the issue of such Notes) as appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (but in which case any such determination shall be made in consultation with an independent financial advisor), (iii) the Calculation Agent (if agreed in writing by the relevant Calculation Agent with the Issuer) or (iv) any other entity which the Issuer considers has the necessary competences to carry out such role) who will determine a Replacement Reference Rate, as well as any necessary changes to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the Relevant Screen Page on which the Reference Rate appears. Such Replacement Reference Rate and any such other changes will (in the absence of manifest error) be final and binding on the Noteholders, the Issuer, the Calculation Agent and the Issuing and Paying Agent and any other person, and will apply to the relevant Notes without any requirement that the Issuer obtain consent of any Noteholders.

The Replacement Reference Rate may have no or very limited trading history and accordingly its general evolution and/or interaction with other relevant market forces or elements may be difficult to determine or measure. In addition, the replacement rate may perform differently from the discontinued benchmark. For example, there are currently proposals to replace LIBOR (which generally has a term of one, three or six months) with an overnight rate. Similarly, proposals have been made to use a rate on highly rated government obligations to replace LIBOR, which is currently based on interbank lending rates and carries an implicit element of credit risk of the banking sector. These and other changes could significantly affect

the performance of an alternative rate compared to the historical and expected performance of LIBOR or any other relevant benchmark. There can be no assurance that any adjustment factor applied to any Series of Notes will adequately compensate for this impact. This could in turn impact the rate of interest on, and trading value of, the affected Notes. Moreover, any holders of such Notes that enter into hedging instruments based on the Relevant Screen Page on which appears the Reference Rate may find their hedges to be ineffective, and they may incur costs replacing such hedges with instruments tied to the Replacement Reference Rate.

If (i) the Reference Rate Determination Agent is unable to determine an appropriate Replacement Reference Rate for any discontinued Reference Rate, or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, or any other benchmark administrator previously authorized to publish any Replacement Reference Rate under any applicable laws or regulations is adopted, but for any reason a Replacement Reference Rate is not determined, or (ii) if the provisions relating to the occurrence of a Regulatory Event in case of a Replacement Reference Rate are specified as "applicable" in the relevant Final Terms, and the above provisions would case the occurrence of a Regulatory Event, then the provisions for the determination of the rate of interest on the affected Notes will not be changed. In such cases, the Terms and Conditions of the English Law Notes and the Terms and Conditions of the Italian Law Notes provide that the relevant Interest Rate on such Notes will be the last Reference Rate available for the immediately preceding Interest Period on the Relevant Screen Page as determined by the Calculation Agent, effectively converting such Notes into fixed rate Notes.

Furthermore, in the event that no Replacement Reference Rate is determined by the Reference Rate Determination Agent and the affected Notes are effectively converted to fixed rate Notes as described above, investors holding such Notes might incur costs from unwinding hedges. Moreover, in a rising interest rate environment, holders of such Notes will not benefit from any increase in rates. The trading value of such Notes could therefore be adversely affected.

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 of these features:

Potential conflicts of interest

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

Notes subject to optional redemption by the Issuer

If in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are redeemable at the Issuer's option pursuant to Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*), the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low.

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. Further, during any period in which there is an actual or perceived increase in the likelihood that the Issuer may redeem the Notes, the price of the Notes may also be adversely impacted. This also may be true prior to any redemption period.

The Issuer may elect 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 light of other investments available at that time.

Redemption for tax reasons

In the event that the Issuer were 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 or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction (as defined in Condition 7 (*Taxation*)), as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction (including any treaty to which the Tax Jurisdiction is a party) or any change in the application or official or generally published interpretation of such laws or regulations (including a change or amendment resulting from a ruling by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In such circumstances the price of the Notes may be adversely impacted and 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.

CMS Linked Interest Notes and Floating Rate Notes linked to a Multiplier

The Issuer may issue Notes with interest determined by reference to the CMS Rate or a Multiplier (the "**Relevant Factors**"). 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 Factors may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(iv) if the Relevant Factors are applied to Notes in conjunction with a Multiplier greater than one, or it contains some other leverage factor, the effect of changes in the Relevant Factors on interest payable is likely to be magnified; and

(v) the timing of changes in the Relevant Factors may affect the actual yield provided to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factors, the greater the effect on the yield.

The historical experience of an index should not be viewed as an indication of the future performance of the index during the term of any CMS Linked Interest Notes or Floating Rate Notes linked to a Multiplier. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any CMS Linked Interest Notes or Floating Rate Notes linked to a Multiplier and the suitability of such Notes in light of its particular circumstances.

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.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes as 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 in such circumstances, 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 may at any time be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

To the extent that a Multiplier or a Reference Rate Multiplier applies in respect of the determination of the Interest Rate for the Floating Rate Notes, investors should be aware that any fluctuation of the underlying

floating rate will be amplified by the multiplier. Where the Multiplier is less than 1, this may adversely affect the return on the Floating 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.

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.

Risks relating to Senior Preferred Notes and Senior Non-Preferred Notes

Regulatory classification of the Senior Preferred Notes and Senior Non-Preferred Notes

The Senior Preferred Notes and Senior Non-Preferred Notes (together, the "**Senior Notes**") are intended to be eligible liabilities for the purposes of the MREL Requirements (as defined in Condition 2 (*Definitions*)). Current regulatory practice by the Relevant Authorities does not require (or customarily provide) a confirmation prior to the issuance of Senior Notes that the Notes will be treated as such. In addition, as the EU Banking Reform has only recently came into force, there may be uncertainty regarding the interpretation of the MREL Requirements, and the Issuer cannot provide any assurance that the Senior Notes will be or remain MREL eligible liabilities.

If the Senior Notes are not MREL eligible liabilities (or if they initially are MREL eligible liabilities and subsequently become ineligible due to a change in MREL Requirements), then a MREL Disqualification Event (as defined in Condition 6 (*Redemption, Purchase and Cancellation*)) will occur.

Redemption of the Senior Notes following a MREL Disqualification Event

If at any time a MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Preferred Notes or Senior Non-Preferred Notes, the Issuer may redeem all, but not some only, of the Notes of such Series at the price set out in the applicable Final Terms, together with any outstanding interest. Senior Preferred Notes or Senior Non-Preferred Notes may only be redeemed by the Issuer provided that, except to the extent that the Relevant Authority does not so require at the time of the proposed redemption, the Issuer has given such notice to the Relevant Authority as the Relevant Authority may then require prior to such redemption and no objection thereto has been raised by the Relevant Authority or, if required, the Relevant Authority has provided its consent thereto and any other requirements of the Relevant Authority applicable, if any, to such redemption at the time have been complied with by the Issuer.

A MREL Disqualification Event shall be deemed to have occurred if, by reason of the introduction of, or a change in, the MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the relevant Series of Notes, all or part of the aggregate outstanding nominal amount of such Series of Senior Preferred Notes and/or of Senior Non-Preferred Notes (as the case may be) is or will be excluded fully or partially from the liabilities that are eligible to meet the MREL Requirements, subject to the provisions set forth in Condition 6 (*Redemption, Purchase and Cancellation*)).

If the Senior Notes are to be so redeemed, the price of the Notes may be adversely affected and there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Senior Notes.

Early redemption and purchase of the Senior Notes may be restricted

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

In addition, pursuant to the EU Banking Reform, the early redemption or purchase of Senior Notes is subject to the prior approval of the Relevant Authority.

The EU Banking Reform states that the Relevant Authority would approve an early redemption of the Senior Notes in accordance with Article 78a of the CRR in the event that any of the following conditions is met:

(A) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Senior Notes with Own Funds Instruments or Eligible Liabilities Instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(B) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds and Eligible Liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements for Own Funds and Eligible Liabilities laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; or

(C) the Issuer has demonstrated to the satisfaction of the Relevant Authority that the partial or full replacement of the Eligible Liabilities with Own Funds Instruments is necessary to ensure compliance with the Own Funds requirements laid down in the Applicable Banking Regulations for continuing authorization,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations..

Risks relating to Senior Non-Preferred Notes only

Risk of classification of the Senior Non-Preferred Notes

The intention of the Issuer is for Senior Non-Preferred Notes to qualify on issue as *strumenti di debito chirografario di secondo livello* in accordance with, and for the purposes of, the rules set forth in Articles 12-*bis* and 91, paragraph 1-*bis*, letter c-*bis*) of the Italian Banking Act and any relevant implementing regulations which may be enacted for such purposes by any Relevant Authority, and also qualify as eligible liabilities available to meet the MREL Requirements. The rules mentioned above were introduced under Law No. 2015 of 27 December 2017 on the budget of the Italian Government for 2018 (the "**2018 Budget Law**"), which entered into force on 1 January 2018.

Current regulatory practice by the Relevant Authorities does not require (or customarily provide) a confirmation prior to the issuance of the Senior Non-Preferred Notes that the Senior Non-Preferred Notes will comply with such provisions.

Although it is the Issuer's expectation that the Senior Non-Preferred Notes will qualify as *strumenti di debito chirografario di secondo livello* pursuant to and for the purposes of Articles 12-*bis* and 91, paragraph 1-*bis*, letter c-*bis*) of the Italian Banking Act and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority and also qualify as eligible liabilities available to meet the MREL Requirements, there can be no representation that this is or will remain the case during the life of the Senior Non-Preferred Notes. Should an MREL Disqualification Event occur, the Issuer would have the ability to redeem the Notes, which could adversely affect the price of the Notes, and if redeemed there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Senior Notes.

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

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

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

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

The Issuer's obligations under Senior Non-Preferred Notes rank junior to unsecured and unsubordinated preferred obligations of the Issuer

The Issuer's obligations under Senior Non-Preferred Notes will be unsecured, unsubordinated and non-preferred obligations and will rank junior to Senior Preferred Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes. Although Senior Non-Preferred Notes may pay a higher rate of interest than comparable Notes which rank senior to the Senior Non-Preferred Notes, there is a real risk that an investor in Senior Non-Preferred Notes will lose all or some of its investment should the Issuer be judged by the Relevant Authority to be failing or likely to fail, or insolvent. In addition, except where the Issuer is wound up or dissolved, holders of Senior Non-Preferred Notes are not entitled to accelerate the maturity of their Senior Non-Preferred Notes.

Credit rating which may be assigned to the Senior Non-Preferred Notes

The Senior Non-Preferred Notes, upon issue, may be rated by one or more credit rating agencies. Such credit rating may be lower than the Issuer's credit rating, to reflect the increased risk of loss in the event of the Issuer's insolvency. As a result, Senior Non-Preferred Notes are likely to be rated by one or more credit rating agencies close to the level of subordinated debt and as such may be subject to a higher risk of price volatility than the Senior Preferred Notes. In addition, the rating may change in the future depending on the assessment, by one or more credit rating agencies, of the impact on the different instrument classes resulting from the modified liability structure following the issuance of the Senior Non-Preferred Notes. Moreover, rating organisations may seek to rate any Senior Non-Preferred Notes on an "unsolicited" basis and, if such "unsolicited ratings" are lower than the comparable ratings assigned to such Senior Non-Preferred Notes on a "solicited" basis, such shadow or unsolicited ratings could have an adverse effect on the value of any Senior Non-Preferred Notes.

Risks relating to Subordinated Notes

The Issuer's obligations under Subordinated Notes are subordinated

If the Issuer is declared insolvent and a winding up is initiated, the Issuer will be required to pay the holders of senior debt and meet its obligations to all its other unsubordinated 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 the amounts due under the Subordinated Notes.

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 failing or likely to fail, or insolvent.

Regulatory classification of the Subordinated Notes

The intention of the Issuer is for Subordinated Notes to qualify on issue as "Tier 2 capital" for so long as this is permitted under the laws and regulations on capital adequacy applicable from time to time. Current regulatory practice by the Relevant Authorities does not require (or customarily provide) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such.

Although it is the Issuer's expectation that any such Subordinated Notes qualify as "Tier 2 capital", there can be no representation that this is or will remain the case during the life of the Subordinated Notes or that the Subordinated Notes will be grandfathered under the implementation of future EU capital requirement regulations. If the Subordinated Notes cease to qualify as "Tier 2 capital" as a result of a change in Italian law or Applicable Banking Regulations or any change in the official application or interpretation thereof, the Issuer will (if so specified in the relevant Final Terms) have the right to redeem the Subordinated Notes in accordance with Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*) of the Terms and Conditions of the English Law Notes and the Terms and Conditions of the Italian Law Notes, subject to the prior approval of the Relevant Authority. During any period in which there is an actual or perceived increase in the likelihood that the Issuer may exercise such rights to redeem the Notes, the price of the Notes may be adversely impacted and may not rise above the redemption price. There can be no assurance that holders of such Subordinated 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 Subordinated Notes.

Early redemption of the Subordinated Notes may be restricted

The rules under the CRR prescribe certain conditions for the granting of permission by the Relevant Authority to a request by the Issuer to redeem or repurchase the Subordinated Notes. In this respect, the CRR provides that the Relevant Authority shall grant permission to a redemption or repurchase of the Subordinated Notes in accordance with Article 78 of the CRR provided that either of the following conditions is met, as applicable to the Notes:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds and Eligible Liabilities would, following such call, redemption, repayment or repurchase, exceed the capital requirements laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary.

In addition, the rules under the CRR provide that the Relevant Authority may only permit the Issuer to redeem the Subordinated Notes before five years after the Issue Date of the Notes if and to the extent required under Article 78(4) of the CRR or the related implementing regulations, policies and guidelines:

(i) either of the conditions listed in paragraphs (i) or (ii) above are met; and

(ii) in the case of redemption pursuant to Condition 6.2 (*Redemption for tax reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date; or

(iii) in case of redemption pursuant to Condition 6.3 (Red*emption of Subordinated Notes for regulatory reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date; or

(iv) on or before the relevant call, redemption, repayment or repurchase, the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity and the Relevant Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(v) the Subordinated Notes are repurchased for market making purposes,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations

Risks related to Notes generally

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

Modification, waivers and substitution under the Notes governed by English law

Each of the Trust Deed and the Agency Agreement for the Italian Law Notes, respectively (as defined in "*Terms and Conditions of the English Law Notes*" and "*Terms and Conditions of the Italian Law Notes*" below) and the conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the English Law Notes also provide that the Trustee (in the case of the English Law Notes only) may, without the consent of Noteholders, agree to: (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of any English Law Notes, or (ii) determine, without the consent of the Noteholders, that any Event of Default or potential Event of Default shall not be treated as such, or (iii) the substitution of another company as principal debtor under any English Law Notes in place of the Issuer, in the circumstances described in Condition 14.1 (*Meetings of Noteholders, modification and waiver*) and Condition 14.3 (*Substitution of the Issuer*) of the Terms and Conditions of the English Law Notes. In addition, the Issuer may without the consent of the Noteholders, in accordance with the provisions of Condition 14.2 (*Substitution or Modification of the Notes*) of the Terms and Conditions of the English Law Notes, modify the terms of the Notes, or substitute all (but not some only) of such Notes, in order, *inter alia*, to ensure the effectiveness and enforceability of the Bail-In Power. However, this could include changes that would be materially less favourable to holders, including but not limited to a change in governing law and/or to the jurisdiction and service of process provisions.

The value of the Notes could be adversely affected by a change in English or Italian laws or administrative practice

The conditions of the English Law Notes are expressed to be governed by English law or, as regards the loss-absorption provisions described in Condition 3 (*Status of the Notes*) and Condition 19 (*Contractual Recognition of Bail-In Power*) Italian law, and in both cases have effect from the date of this Base Prospectus. The Italian Law Notes are based on Italian law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law, Italian law or their respective administrative practice after the date of this Base Prospectus. See also "*English Law Notes may be subject to substitution and modification without Noteholder consent*" below.

Risk relating to the governing law of the Italian Law Notes

The Terms and Conditions for the Italian Law Notes are governed by Italian law and Condition 16.1 of the Terms and Conditions for the Italian Law Notes provides that contractual and non-contractual obligations arising out or in connection with them are governed by, and shall be construed in accordance with, Italian Law. The Global Notes representing the Italian Law Notes provide that all contractual and non-contractual obligations arising out of or in connection with the Global Notes representing the Italian Law Notes are governed by Italian law, save for the form and transferability of the Global Notes which are governed by English law. Furthermore, Temporary Global Notes or the Permanent Global Notes, whether issued in CGN or NGN form, as the case may be, representing the Italian Law Notes are signed by the Issuer in the United Kingdom and, thereafter, delivered to Citibank N.A., London Branch as initial Issuing and Paying Agent, being the entity in charge for, inter alia, completing, authenticating and delivering the Temporary Global Notes and Permanent Global Notes and (if required) authenticating and delivering Definitive Notes, hence the Italian Law Notes would be deemed to be issued in England according to Italian law. Article 59 of Law No. 218 of 31 May 1995 (regarding the Italian international private law rules) provides that "other debt securities (titoli di credito) are governed by the law of the State in which the security was issued".

In light of the above, the Issuer cannot foresee the effect of any potential misalignment between the laws applicable to the Terms and Conditions for the Italian Law Notes and the Global Notes and the laws applicable to their transfer and circulation for any prospective investors in the Italian Law Notes and any disputes which may arise in relation to, inter alia, the transfer of ownership in the Italian Law Notes.

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 once the paying agent has paid 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. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples, of such minimum Specified Denomination. Where a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, the holder may 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 its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

English Law Notes may be subject to substitution and modification without Noteholder consent

In relation to English Law Notes only, if a Substitution or Modification of the Notes is specified as being applicable in the relevant Final Terms, (i) in cases where a Regulatory Event or a Tax Law Change has occurred and is continuing (with respect to Subordinated Notes), or a MREL Disqualification Event or a Tax Law Change has occurred and is continuing (with respect to Senior Notes), and/or (ii) with respect to all Notes, in order to ensure the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or otherwise, the Issuer shall be entitled to modify the terms of the Notes of such Series, or substitute all (but not some only) of such Notes, provided that certain conditions set out in the Terms and Conditions are met. Any substitution or modification made in accordance with these conditions can also determine a change in the governing law from English to Italian law and/or in the jurisdiction and service of process provisions, if the Issuer determines that such changes are necessary to ensure that the Notes remain or, as appropriate, become, eligible for the purposes of the MREL Requirements.

While it is difficult to foresee the exact impact of any such changes, a modification or substitution which is required to ensure the effectiveness and enforceability of the Bail-In Power may have a material adverse effect on Noteholders' investment in the Notes.

Waiver of set-off

As specified in Condition 3.1 (*Status of the Senior Preferred Notes*) in respect of Senior Preferred Notes, in Condition 3.2 (*Status of the Senior Non-Preferred Notes*) in respect of Senior Non-Preferred Notes and in Condition 3.3 (*Status of the Subordinated Notes*) in respect of Subordinated Notes, the holder of a Note will unconditionally and irrevocably waive any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Note.

Notes have limited Events of Default and remedies

The Events of Default in respect of Notes, being events upon which the Trustee (in the case of English Law Notes only) or, in certain circumstances, the holders of the Notes, may declare the Notes to be immediately due and repayable, are limited to circumstances in which the Issuer becomes subject to winding-up or an analogous event as set out in Condition 9.1 (*Events of Default*). Accordingly, other than following the occurrence of an Event of Default, even if the Issuer fails to meet any of its obligations under the Notes, including the payment of any interest, the holders of the Notes will not have the right of acceleration of principal and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Green Bonds, Social Bonds and Sustainability Bonds

In respect of any Notes issued with a specific use of proceeds, such as a "Green Bond", "Social Bond" and "Sustainable Bond", there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor.

The applicable Final Terms relating to any specific Tranche may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Notes specifically for projects and activities that promote climate-friendly and other environmental purposes ("**Green Projects**") and / or that promote access to labour market and accomplishment of general interest initiatives ("**Social Projects**") and/or to finance or re-finance a combination of both Green and Social Projects ("**Sustainability Bonds**"). Prospective investors should have regard to the information in the applicable Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular, no assurance is given by the Issuer or the Dealers that the use of such proceeds for any Green Projects and for any Social Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of, or related to, the relevant Green Projects or the relevant Social Projects).

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "social" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "social" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green Projects or any Social Projects will meet any or all investor expectations regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Projects and any Social Projects. As at the date of this Base Prospectus, the Issuer has not published a framework relating to an investment in Green Projects and in Social Projects although the Issuer intends to publish such framework prior to the issuance of any Notes which specify that the relevant proceeds will be used for Green Projects and/or for Social Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Notes and in particular with any Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "social", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Projects and to any Social Projects.

Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified for Green Projects and/or Social Projects in, or substantially in, the manner described in the applicable Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green Projects and any Social Projects will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally disbursed for the specified Green Projects and for the specified Social Projects. Nor can there be any assurance that such Green Projects or such Social Projects, will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

Any such event or failure by the Issuer will not constitute an Event of Default under the Notes. Any such event or failure to apply the proceeds of any issue of Notes for any Green Projects and for any Social Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying, in whole or in part, with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Green Projects and to finance Social Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

No Dealer makes any representation as to the suitability of the Green Projects, Social Projects or Sustainability Bonds to fulfil environmental and sustainability criteria. The Dealers have not undertaken, nor are responsible for, any assessment of the eligibility criteria, any verification of whether the Green Projects, Social Projects or Sustainability Bonds meet the eligibility criteria, or the monitoring of the use of proceeds. Investors should refer to the Issuer's framework once available on its website for information and should determine for themselves the relevance of the information contained in this Base Prospectus regarding the use of proceeds and their investment should be based upon such investigation as they deem necessary.

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; (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes, and (3) the Investor's Currency-equivalent market value of the Notes.

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

Interest rate risks

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

Credit ratings may not reflect all risks

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

(i) such rating will reflect only the views of the rating agency and may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes;

(ii) a rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency;

(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.

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: (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing, and (3) 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.

DESCRIPTION OF THE PROGRAMME

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the Terms and Conditions of the Notes of such Tranche and the relevant Final Terms.

This description constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive. Words and expressions defined in "*Form of the Notes*", "*Terms and Conditions of the English Law Notes*" and "*Terms and Conditions of the Italian Law Notes*" shall have the same meanings in this description.

Issuer:	BANCO BPM S.p.A.
Description:	Euro Medium Term Note Programme
Arranger:	Citigroup Global Markets Limited
Dealers:	Banca Akros S.p.A. – Gruppo Banco BPM Banca IMI S.p.A. Barclays Bank Ireland PLC Barclays Bank PLC BNP Paribas BofA Securities Europe SA Citigroup Global Markets Europe AG Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc J.P. Morgan Securities plc Mediobanca – Banca di Credito Finanziario S.p.A. Merrill Lynch International Nomura International plc Société Générale UBS Europe SE and any other dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. See "*Subscription and Sale*".
Issuing and Paying Agent:	Citibank, N.A., London Branch
Trustee (for the English Law Notes):	Citicorp Trustee Company Limited
Luxembourg Listing Agent:	BNP Paribas Securities Services, Luxembourg Branch
Programme Size:	Up to €25,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may

	increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Euro, Sterling, U.S. dollars, yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. In the case of Senior Non-Preferred Notes, pursuant to Article 12-*bis*, paragraph 1, letter a), of the Italian Banking Act, the Maturity Date shall not fall earlier than twelve months after their Issue Date. In the case of Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the requirements of the Relevant Authority (as defined in the Terms and Conditions of the English Law Notes and the Terms and Conditions of the Italian Law Notes) 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). **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale – United Kingdom*". Under the Luxembourg Prospectus Law, prospectuses for the listing of money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities do not need to be approved by the CSSF but would need to be approved by the Luxembourg Stock Exchange in accordance with Part III of the Luxembourg Prospectus Law.
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and the relevant Final Terms or (2) pursuant to a drawdown prospectus (each a "**Drawdown Prospectus**") prepared in connection with a particular Tranche of Notes.

	For a Tranche of Notes which is the subject of the relevant Final Terms, those relevant Final Terms will, for the purposes of that Tranche only, complete the Conditions and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of such relevant Final Terms are the Conditions as completed by such Final Terms. The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/ or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.
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.
Issuance in Series:	Notes will be issued in series (each, a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**" and, each, a "**Tranche**") issued on different issue dates. The Notes of each Series will 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 be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations (of at least €100,000 or its equivalent in another currency).
Form of Notes:	The Notes will be in bearer form and will on issue be represented by either a Temporary Global Note or a Permanent Global Note as specified in the relevant Final Terms. Temporary Global Notes will be exchangeable for either (i) interests in a Permanent Global Note or (ii) definitive Notes, as indicated in the relevant Final Terms. Permanent Global Notes will be exchangeable for definitive Notes upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event as described under "*Form of the Notes*".
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate, or interest may initially accrue at a fixed rate and then switch to a floating rate, or interest may initially accrue at a floating rate and then switch to a fixed rate. 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 on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes: Floating Rate Notes will bear interest at a rate determined:

(a) 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., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) (the "**ISDA Definitions**"); or

(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

(c) by reference to the benchmark as may be specified in the relevant Final Terms as adjusted for any applicable margin/multiplier; or

(d) on the basis of the CMS Rate.

Investors should consult the Issuer should they require further information in respect of the ISDA Definitions.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Other provisions in relation to Floating Rate Notes: Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Fixed-Floating and Floating-Fixed Rate Notes: Fixed-Floating Rate Notes will initially bear interest in accordance with the Fixed Rate Note provisions and will then switch to bear interest in accordance with the Floating Rate Note provisions, as specified in the relevant Final Terms.

Floating-Fixed Rate Notes will initially bear interest in accordance with the Floating Rate Note provisions and will then switch to bear interest in accordance with the Fixed Rate Note provisions, as specified in the relevant Final Terms.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption: Unless previously redeemed or purchased and cancelled in accordance with the Conditions, each Note (including each

	CMS Linked Interest Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the relevant Final Terms. The Final Redemption Amount will always be equal to at least 100 per cent. of the aggregate principal amount of the Notes. The relevant Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default or, in the case of Subordinated Notes, for regulatory reasons) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The redemption at maturity of Subordinated Notes shall, to the extent required by the Applicable Banking Regulations, be subject to the prior approval of the Relevant Authority. If such approval is not given on or prior to the relevant redemption date, the Issuer will re-apply to the Relevant Authority for its consent to such redemption forthwith upon its having again satisfied, by whatever means, such conditions. The Issuer will use reasonable endeavours to satisfy such conditions and to obtain such approval. Amounts that would otherwise be payable on the Maturity Date will continue to bear interest as provided in the Trust Deed.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency 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 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 in such currency). Senior Non-Preferred Notes will have a denomination of at least €250,000 (or, where the Senior Non-Preferred Notes are denominated in a Specified Currency other than Euro, the equivalent amount in such other Specified Currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by the Republic of Italy subject as provided in Condition 7. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.

As more fully described under "*Taxation - Italian Taxation*" below, interest, premium and other income paid under Notes that qualify as (a) *obbligazioni* (b) *titoli similari alle obbligazioni* pursuant to Article 44 of Italian Presidential Decree No. 917 of 22 December 1986, as amended, or (c) Subordinated Notes meeting capital adequacy requirements are subject to a substitute tax (*imposta sostitutiva*) levied at the tax rate of 26 per cent. stated by Italian Legislative Decree No. 239 of 1 April 1996, as subsequently amended. Different rules could apply to non-Italian resident Noteholders.

Interest payments relating to Notes that do not qualify as *obbligazioni, titoli similari alle obbligazioni* or *capital adequacy financial instruments* but qualify as *titoli atipici* (atypical securities) for Italian tax purposes, are subject to a withholding tax levied at the rate of 26 per cent. stated by Italian Law Decree No. 512 of 30 September 1983 (converted by Law No. 649 of 25 November 1983), as amended.

Negative Pledge: None

Status of Notes: Notes issued by the Issuer may be either senior preferred ("**Senior Preferred Notes**"), senior non-preferred ("**Senior Non-Preferred Notes**" and, together with the Senior Preferred Notes, the "**Senior Notes**") or subordinated ("**Subordinated Notes**") as described below.

The Senior Preferred Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer, present and future (other than obligations ranking junior to the Senior Preferred Notes from time to time (including Senior Non-Preferred Notes and any further obligations permitted by law to rank junior to the Senior Preferred Notes following the Issue Date) if any) from time to time outstanding, as described in Condition 3.1 (*Status of the Senior Preferred Notes*).

The Senior Non-Preferred Notes will constitute direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer and will rank junior to Senior Preferred Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes, *pari passu* without any preference among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes and in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to Article 91, paragraph 1-*bis*, letter c-*bis* of the Italian Banking Act, as amended from time to time, as described in Condition 3.2 (*Status of the Senior Non-Preferred Notes*).

	The Subordinated Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves and after all unsubordinated and unsecured creditors (including depositors and holders of Senior Preferred Notes and Senior Non-Preferred Notes) of the Issuer but *pari passu* with all of the present and future subordinated obligations of the Issuer that are not expressed by their terms to rank junior to or senior to the Subordinated Notes, and in priority to the claims of shareholders of the Issuer, as described in Condition 3.3 (*Status of the Subordinated Notes*). In the event of a voluntary winding-up (*liquidazione volontaria*), or compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, the Trustee (in the case of English Law Notes only) at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the English Law Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the English Law Notes shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer that the English Law Notes are, and they shall accordingly thereupon immediately become, due and repayable at the Early Redemption Amount (as described in Condition 6.7 (*Early Redemption Amounts*), together with accrued interest (if any) as provided in the Trust Deed. See Condition 9.1 (*Events of Default*).
Terms and Conditions:	Final Terms will be prepared in respect of each Tranche of Notes to be listed on the Official List, and admitted to trading on the regulated market, of the Luxembourg Stock Exchange. A copy of such Final Terms will be filed with the CSSF and delivered to the Luxembourg Stock Exchange on or before the date of issue of such Notes. The terms and conditions applicable to the Notes of each Tranche will be those set out herein under the Terms and Conditions of the English Law Notes or the Terms and Conditions of the Italian Law Notes, as the case may be, as completed and/or modified by the relevant Final Terms.
Risk Factors:	There are certain risks related to the holding of any Notes issued under the Programme which investors should ensure they fully understand. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" above.
Rating:	The rating (if any) of the Notes to be issued under the Programme will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Series of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA

	but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes unless (1) such rating is issued 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 but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").
Approval, Listing and Admission to Trading:	The CSSF has approved this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The relevant Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Clearing Systems:	Euroclear, Clearstream Luxembourg and/or, in relation to any Notes, any other clearing system as may be specified in the relevant Final Terms.
Governing Law of the English Law Notes:	The Notes and the Coupons and any non-contractual obligations arising out of or in connection with the English Law Notes and the Coupons, will be governed by, and shall be construed in accordance with, English law, save that (i) Condition 3 (*Status of the Notes*), and (ii) Condition 19 (*Contractual recognition of Bail-In Power*), together with any non-contractual obligations arising out of or in connection with (i) and (ii) will be governed by, and construed in accordance with, Italian law.
Governing Law of the Italian Law Notes:	The Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Italian Law Notes and the Coupons, will be governed by, and shall be construed in accordance with, Italian law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the Republic of Italy, France and the United Kingdom) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale*".

United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D, as specified in the relevant Final Terms.
Prohibition of Sales to EEA Retail Investors:	If the Final Terms in respect of any Notes include a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Base Prospectus and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Base Prospectus:

(a) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2017 (the "**2017 Annual Financial Statements**"), which were audited by PricewaterhouseCoopers S.p.A.;

(b) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2018 (the "**2018 Annual Financial Statements**"), which were audited by PricewaterhouseCoopers S.p.A.;

(c) the press release issued on 6 February 2019 on the audited consolidated financial statements of Banco BPM as at and for the year ended 31 December 2018;

(d) the press release issued on 8 May 2019 on the unaudited consolidated financial statements of Banco BPM as at and for the three months ended 31 March 2019;

(e) the section entitled "Terms and Conditions" on pages 40-79 of the base prospectus relating to the programme dated 13 July 2018; and

(f) the articles of association (*statuto*) of the Issuer (incorporated for information purposes),

with an English translation thereof and, in the case of the documents listed under (a) and (b) above, together with the audit reports prepared in connection therewith. Any statement contained in this Base Prospectus or in a document which is incorporated by reference herein (including without limitation the documents listed under (a) to (d) above) shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the principal office in Luxembourg of BNP Paribas Securities Services, Luxembourg Branch (the "**Luxembourg Listing Agent**") for the time being in Luxembourg and will also be published on the Luxembourg Stock Exchange's website (*www.bourse.lu*).

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

The tables below set out the relevant page references for the notes and the auditor's report in respect of each of the 2017 Annual Financial Statements and the 2018 Annual Financial Statements.

Cross Reference List

Document	Information incorporated	Page numbers
Banco BPM S.p.A. audited consolidated annual financial statements as at and for the financial year ended 31 December 2017	Consolidated financial statements:	
	Balance sheet	153
	Income statement	154
	Statement of comprehensive income	155
	Statement of changes in shareholders' equity	156-157
	Cashflow statement	158-159
	Explanatory notes	161-451
	Report of the independent auditors	137-149

Document	Information incorporated	Page numbers
Banco BPM S.p.A. audited consolidated annual financial statements as at and for the financial year ended 31 December 2018	Significant Events During the Financial Year	29-34
	Consolidated financial statements:	
	Report of the independent auditors	137-150
	Balance sheet	152-153
	Income statement	154
	Statement of comprehensive income	155
	Statement of changes in shareholders' equity	156-157
	Cashflow statement	158-160
	Explanatory notes	161-492

The information incorporated by reference that is not included in the cross-reference lists above is considered additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004 (as amended).

TERMS AND CONDITIONS OF THE ENGLISH LAW NOTES

*The following are the Terms and Conditions of the Notes governed by English Law (the "**English Law Notes**" or the "**Notes**") which, as completed by the relevant Final Terms, will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The relevant Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

In these "Terms and Conditions", references to the "Notes" shall be to the English Law Notes (as defined above) and references to "Receipt" and "Talons" (both as defined below) shall be to the "Receipt" and "Talons" connected to the English Law Notes (as defined below), and references to "Noteholders" (as defined below) shall be to the Noteholders of the English Law Notes only.

This Note is one of a Series (as defined below) of Notes issued by BANCO BPM S.p.A. (the "**Issuer**") constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 12 July 2019 made between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include any successor as Trustee).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 12 July 2019 and made between the Issuer, the Trustee, Citibank, N.A., London Branch as issuing and paying agent (the "**Issuing and Paying Agent**" or the "**Agent**", which expression shall include any successor issuing and paying agent (as applicable)) and the other paying agents named therein (together with the Issuing and Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes have interest coupons ("**Coupons**") and, if indicated in the relevant Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which completes these Terms and Conditions of the English Law Notes (the "**Conditions**"). References to the "**relevant Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates (as set out in the relevant Final Terms), Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at Citigroup Centre, Canada Square,

Canary Wharf, London E14 5LB and at the specified office of each of the Paying Agents. Copies of the relevant Final Terms are available for viewing at, and copies can be obtained from, the registered office of the Issuer at Piazza Filippo Meda, 4, 20121 Milan, Italy and from BNP Paribas Securities Services, Luxembourg Branch, 60 Avenue J.F. Kennedy, L-1855, Luxembourg and will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the relevant Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the relevant Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

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

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered.

The Notes may be Fixed Rate Notes, Floating Rate Notes, CMS Linked Interest Notes, Fixed-Floating Rate Notes, Floating-Fixed Rate Notes or Zero Coupon Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the relevant Final Terms.

The Notes may also be senior preferred notes ("**Senior Preferred Notes**"), senior non-preferred notes ("**Senior Non-Preferred Notes**" and, together with the Senior Preferred Notes, the "**Senior Notes**") or subordinated notes ("**Subordinated Notes**"), depending on the status of the Notes specified in the relevant Final Terms.

The Notes are denominated in such currency as may be specified in the relevant Final Terms (the "**Specified Currency**") and in the denomination or denominations specified in the relevant Final Terms (a "**Specified Denomination**"), provided that Senior Non-Preferred Notes will have a denomination of at least Euro 250,000 (or, where the Senior Non-Preferred Notes are denominated in a Specified Currency other than Euro, the equivalent amount in such other Specified Currency). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be

treated by the Issuer, any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the relevant Final Terms or as may otherwise be approved by the Issuer, the Issuing and Paying Agent and the Trustee.

2. DEFINITIONS

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

"**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 and applicable to the Issuer or the Group (as the case may be), including, without limitation, the BRRD, the BRRD Implementing Decrees, the CRD IV Package, the Capital Instruments Regulations, Circular No. 285, the Banking Reform Package, the SRM Regulation and any other regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority or of the institutions of the European Union (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 or the Group, as the case may be);

"**Banking Reform Package**" means (i) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ration, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposure to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No. 648/2012, (ii) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 806/2014 as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms, (iii) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures, and (iv) Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms and Directive 98/26/EC.

"**Bail-In Power**" means any statutory write-down, conversion, transfer, modification and/or suspension 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 in effect and applicable in the relevant Member State to the Issuer or other entities of the Group (as the case may be), including but not limited to any laws, regulations, rules or requirements set forth in or implementing the BRRD, the BRRD Implementing Decrees and/or the SRM Regulation or any successor laws, regulations, rules or requirements establishing a framework for the recovery and resolution of the Issuer (and/or other entities of the Group, where applicable) within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of the Issuer (and/or other entities of the Group, where applicable) can be reduced, cancelled, transferred, modified, suspended for a temporary period and/or converted into shares or obligations of the obligor or any other person, whether in combination with a resolution action or otherwise;

"**Bank Creditor Hierarchy Directive**" means Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy, as amended, supplemented or replaced from time to time;

"**Benchmarks Regulation**" means Regulation (EU) No. 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;

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

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended, supplemented or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**BRRD Implementing Decrees**" means the Legislative Decrees No. 180 and 181 of November 16, 2015, implementing the BRRD in the Republic of Italy, as amended or replaced from time to time (including, without limitation, as a consequence of the transposition of the Banking Reform Package into Italian law);

"**Business Day**" means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each additional business centre specified in the relevant Final Terms (each an "**Additional Business Centre**"); and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open;

"**Calculation Agent**" means the Issuing and Paying Agent or such other person specified in the relevant Final Terms;

"**Capital Instruments Regulations**" means the Delegated Regulation and any other rules or regulations of the Relevant Authority or of the institutions of the European Union or which are otherwise applicable to the Issuer or the Group (as the case may be), whether introduced before or after the Issue Date, which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer or the Group (as the case may be) to the extent required under the CRD IV Package (including, without limitation, any rules or regulations implementing the Banking Reform Package);

"**CET1 Instruments**" means at any time common equity tier 1 instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Circular No. 285**" means the Bank of Italy Circular No. 285 of 17 December 2013, setting forth the supervisory provisions for banks (*Disposizioni di Vigilanza per le Banche*), as amended, supplemented or replaced from time to time (including, without limitation, as a consequence of the transposition of the Banking Reform Package into Italian law);

"**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 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 office of five major banks in the principal relevant financial centre specified in the relevant Final Terms (the "**Relevant Financial Centre**"), in each case selected by the Issuer;

"**CRD IV**" means 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, as amended, supplemented or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**CRD IV Package**" means (i) the CRR and (ii) the CRD IV;

"**CRR**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended, supplemented or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**Day Count Fraction**" means:

(a) in respect of the calculation of an amount of interest in accordance with Condition 4.1 (*Interest on Fixed Rate Notes*):

(i) if "**Actual/Actual (ICMA)**" is specified in the relevant Final Terms:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Interest Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is **specified** in the relevant Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(b) in respect of the calculation of an amount of interest in accordance with Condition 4.2 (*Interest on Floating Rate Notes and CMS Linked Interest Notes*):

(i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

Where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

Where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 in which case D2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

Where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 in which case and D2 will be 30,

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

"**Delegated Regulation**" means Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014 supplementing the CRR with regard to the regulatory technical standards for Own Funds requirements for institutions, as amended, supplemented or replaced from time to time (including, without limitation, as a consequence of any rules or regulations implementing the Banking Reform Package);

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

"**Determination Period**" means each period from (and including) an Interest Determination Date to (but excluding) the next Interest Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not an Interest Determination Date, the period commencing on the first Interest Determination Date prior to, and ending on the first Interest Determination Date falling after, such date);

"**Eligible Liabilities**" means at any time eligible liabilities as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Eligible Liabilities Instruments**" means at any time eligible liabilities instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

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

"**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;

"**Group**" means the Issuer and its consolidated Subsidiaries (or any other entities that are consolidated in the Issuer's calculation of its Own Funds on a consolidated basis in accordance with Applicable Banking Regulations);

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

"**Interest Determination Cut-off Date**" means the date which falls fifteen (15) calendar days before the end of the Interest Period relating to the Interest Determination Date in respect of which the provisions of paragraphs (z) to (cc) of Condition 4.2 (b)(ii) shall be applied by the Issuer;

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

"**Interest Payment Date**" means the first Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms;

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

"**Loss Absorption Requirement**" means the power of the Relevant Authority to impose that Own Funds instruments or other liabilities of the Issuer or entities of the Group (as the case may be) are subject to full or partial write-down of the principal or conversion into CET1 Instruments or other instruments of ownership in accordance with Article 59 of the BRRD and the related national implementing provisions applicable to the Issuer or entities of the Group (as the case may be);

"**MREL Disqualification Event**" means that, by reason of the introduction of, or a change in, any MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the relevant Series of Notes, all or part of the aggregate outstanding nominal amount of a Series of Senior Preferred Notes and/or of Senior Non-Preferred Notes (as the case may be) are or will be excluded fully or partially from the liabilities that are eligible to meet the MREL Requirements. For the avoidance of doubt: (a) the exclusion of a Series of Notes from the liabilities that are eligible to meet the MREL Requirements due to the remaining maturity of such Notes being less than any period prescribed thereunder does not constitute a MREL Disqualification Event; (b) the exclusion of all or some of a Series of Notes from the MREL Requirements due to there being insufficient headroom for such Notes within any prescribed exception to the otherwise applicable general requirements for liabilities that are eligible to meet the MREL Requirements does not constitute a MREL Disqualification Event; and (c) any exclusion shall not be "reasonably foreseeable" by the Issuer at the Issue Date where such exclusion arises as a result of (i) any EU and/or national legislation implementing and/or supplementing the Banking Reform Package differing, as it applies to the Issuer and/or the Group, in any respect from the drafts of proposal for the implementation of the Banking Reform Package, if any, in place as at the Issue Date of the first Series of the Senior Notes, or (ii) the official interpretation or application of the Banking Reform Package as applicable to the Issuer and/or the Group (including any interpretation or

pronouncement by any relevant court or tribunal or by the Relevant Authority) differing in any respect from the official interpretation or application, if any, in place as at the Issue Date of the relevant Series of Senior Notes;

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

"**Own Funds**" shall have the meaning given to such term in the CRR, as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Own Funds Instruments**" means at any time own funds instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Reference Bank(s)**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market and, in the case of a determination of EURIBOR, the principal Euro zone office of four major banks in the Euro zone interbank market, in each case selected by the Issuer or as specified in the relevant Final Terms;

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

"**Regulatory Event**" means any change (or pending change which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Subordinated Notes from their classification on the Issue Date that results, or would be likely to result, in their exclusion in full or, to the extent permitted under the Applicable Banking Regulations, in part, from the Tier 2 Capital of the Issuer or, where applicable in accordance with the Applicable Banking Regulations, a reclassification as a lower quality form of Own Funds;

"**Relevant Authority**" means, as the context may require, (i) the European Central Bank or the Bank of Italy, acting within the framework of the Single Supervisory Mechanism, or any successor or replacement authority having responsibility for the prudential oversight and supervision of the Issuer or the Group (as the case may be), and/or (ii) the Single Resolution Board, the European Council, the European Commission or the Bank of Italy, acting within the framework of the Single Resolution Mechanism, or any successor or replacement authority having responsibility for the resolution of the Issuer or other entities of the Group (as the case may be);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) 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:

(a) 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;

(b) 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;

(c) 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

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

"**Single Resolution Mechanism**" means the single resolution mechanism established pursuant to the SRM Regulation;

"**Single Supervisory Mechanism**" means the single supervisory mechanism established pursuant to the SSM Regulation;

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and of the 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, as amended, supplemented or replaced from time to time (including as a consequence of the entry into force of the Banking Reform Package);

"**SSM Regulation**" means Council Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, as amended, supplemented or replaced from time to time;

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent;

"**Subsidiary**" means any company or person that is controlled by the Issuer pursuant to Article 23 of the Italian Banking Act;

"**Tax Law Change**" means any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) (including any treaty to which the Tax Jurisdiction is a party) or any change in the application or official or generally published interpretation of such laws or regulations (including a change or amendment resulting from a ruling by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes. For the avoidance of doubt, changes in the assessment of the Relevant Authority regarding tax effects are not considered as a Tax Law Change.

"**Tier 1 Capital**" means at any time tier 1 capital as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Tier 2 Capital**" means at any time tier 2 capital as interpreted and applied in accordance with the Applicable Banking Regulations; and

"**Tier 2 Instruments**" means at any time tier 2 instruments as interpreted and applied in accordance with the Applicable Banking Regulations.

3. STATUS OF THE NOTES

3.1 Status of the Senior Preferred Notes

This Condition 3.1 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes.

The Senior Preferred Notes and any related Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves.

The payment obligations of the Issuer under the Senior Preferred Notes and the Coupons related to them shall at all times rank (save for certain obligations required to be preferred by law, including any obligations permitted by law to rank senior to the Senior Preferred Notes following the Issue Date, if any) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding (other than obligations ranking junior to the Senior Preferred Notes from time to time, including any obligations under Senior Non-Preferred Notes and any further obligations permitted by law or by their terms to rank junior to the Senior Preferred Notes following the Issue Date, if any).

In relation to each Series of Senior Preferred Notes, all Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and/or interest thereon will be paid *pro rata* on all Notes of such Series.

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

3.2 Status of the Senior Non-Preferred Notes

This Condition 3.2 applies only to Notes specified in the relevant Final Terms as being Senior Non-Preferred Notes.

The Senior Non-Preferred Notes and any related Coupons are direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer that are intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer in accordance with, and for the purposes of, Article 12-*bis* of the Italian Banking Act.

The payment obligations of the Issuer under the Senior Non-Preferred Notes and the Coupons related to them shall at all times rank:

(a) junior to Senior Preferred Notes and all present or future unsecured and unsubordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Senior Non-Preferred Notes (including, without limitation, any obligations under the Senior Preferred Notes);

(b) *pari passu* among themselves and with any other present or future obligations of the Issuer which do not rank, or are not expressed by their terms to rank, junior or senior to the Senior Non-Preferred Notes; and

(c) senior to any present or future obligations of the Issuer which rank, or are expressed by their terms to rank, junior to the Senior Non-Preferred Notes (including, without limitation, the claims of the shareholders of the Issuer and any other obligations under the Subordinated Notes or any other obligations under instruments or items included in the Tier 1 Capital or Tier 2 Capital of the Issuer),

in all such cases in accordance with the provisions set forth in Article 91, paragraph 1-*bis*, letter c-*bis*) of the Italian Banking Act and any relevant regulation which may be enacted from time to time for the purposes of implementing such provisions and/or any laws, regulations or guidelines implementing the rules set forth in the Bank Creditor Hierarchy Directive.

In relation to each Series of Senior Non-Preferred Notes, all Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and/or interest thereon will be paid *pro rata* on all Notes of such Series.

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

3.3 **Status of the Subordinated Notes**

This Condition 3.3 applies only to Notes specified in the relevant Final Terms as being Subordinated Notes.

The Subordinated Notes and any related Coupons are direct, unsecured and subordinated obligations of the Issuer that are intended to qualify for regulatory purposes as Tier 2 Instruments to be included in the Tier 2 Capital of the Issuer in accordance with Article 63 of the CRR and Part II, Chapter 1 of Circular No. 285 (or any successor rules under the Applicable Banking Regulations).

The payment obligations of the Issuer under the Subordinated Notes and the Coupons related to them shall at all times rank:

(a) junior to all present or future unsecured and unsubordinated obligations of the Issuer (including, without limitation, any obligations under the Senior Notes) or any other present or future subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Subordinated Notes;

(b) *pari passu* among themselves and with any other present or future obligations of the Issuer which do not rank, or are not expressed by their terms to rank, junior or senior to the Subordinated Notes; and

(c) senior to any present or future obligations of the Issuer which rank, or are expressed by their terms to rank, junior to the Subordinated Notes (including, without limitation, the claims of the shareholders of the Issuer and any other obligations under instruments or items included in the Tier 1 Capital of the Issuer).

In relation to each Series of Subordinated Notes, all Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and/or interest thereon will be paid *pro rata* on all Notes of such Series.

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

The Subordinated Notes (including, for the avoidance of doubt, payments of principal and/or interest) shall be subject to the Loss Absorption Requirement, if so required under the BRRD and/or the SRM Regulation, in accordance with the powers of the Relevant Authority and where the Relevant Authority determines that the application of the Loss Absorption Requirement to the Subordinated Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

4. **INTEREST**

4.1 **Interest on Fixed Rate Notes**

This Condition 4.1 (Interest on Fixed Rate Notes) applies to the Notes: (a) if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable; and (b) if the

Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Fixed Interest Periods for which the Fixed Rate Note Provisions are stated to apply.

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. The Rate of Interest may be specified in the relevant Final Terms either (i) as the same Rate of Interest for all Fixed Interest Periods or (ii) as a different Rate of Interest in respect of one or more Fixed Interest Periods.

If the Notes are in definitive form, except as provided in the relevant Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the relevant Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form 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.

4.2 **Interest on Floating Rate Notes and CMS Linked Interest Notes**

This Condition 4.2 (Interest on Floating Rate Notes and CMS Linked Interest Notes) applies to the Notes (a) if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable; and (b) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Interest Periods for which the Floating Rate Note Provisions are stated to apply.

(a) **Interest Payment Dates**

Each Floating Rate Note and CMS Linked Interest Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the date or dates specified as a specified interest payment date in each year specified in the relevant Final Terms (a "**Specified Interest Payment Date**"); or

(ii) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the specified period in the relevant Final Terms (the "**Specified Period**") after the preceding Interest Payment Date or, in the case of the First Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date) (the "**Interest Period**").

If a Business Day Convention is specified in the relevant Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment

Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(i) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(iii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(iv) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes and CMS Linked Interest Notes will be determined in the manner specified in the relevant Final Terms.

(i) ***ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be:

(A) if "Multiplier" is specified in the relevant Final Terms as not being applicable, the relevant ISDA Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any);

(B) if "Multiplier" is specified in the relevant Final Terms as being applicable (i) the sum of the Margin and the relevant ISDA Rate multiplied by (ii) the Multiplier;

(C) if "Reference Rate Multiplier" is specified in the relevant Final Terms as being applicable, the sum of (i) the Margin, and (ii) the relevant ISDA Rate multiplied by the Reference Rate Multiplier,

where "**Multiplier**" and "**Reference Rate Multiplier**" each has the meaning given in the relevant Final Terms and where "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate 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 swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the relevant Final Terms;

(B) the Designated Maturity is a period specified in the relevant Final Terms; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate ("**LIBOR**") or on the Euro zone interbank offered rate ("**EURIBOR**"), the first day of that Interest Period or (b) in any other case, as specified in the relevant Final Terms.

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

(ii) ***Screen Rate Determination for Floating Rate Notes (other than for Floating Rate Notes linked to the CMS Rate)***

(w) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the time specified in the relevant Final Terms (the "**Specified Time**") on the Interest Determination Date in question plus or minus (as indicated in the relevant Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(x) If the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the Specified Time, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; and

(y) (1) If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be:

(A) if "Multiplier" is specified in the relevant Final Terms as not being applicable, the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if

necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) (the "**Determined Rate**"), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period). Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero;

(B) if "Multiplier" is specified in the relevant Final Terms as being applicable (i) the sum of the Margin and (ii) the relevant Determined Rate multiplied by the Multiplier;

(C) if "Reference Rate Multiplier" is specified in the relevant Final Terms as being applicable, the sum of (i) the Margin, and (ii) the relevant Determined Rate multiplied by the Reference Rate Multiplier,

where "**Multiplier**" and "**Reference Rate Multiplier**" each has the meaning given in the relevant Final Terms **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period),

(2) **except that**, (i) if the Issuer or Calculation Agent determines that the absence of quotation is due to the discontinuation of the Relevant Screen Page, or (ii) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks

Regulation, the Reference Rate will be determined in accordance with paragraph (z) below.

(z) (1) If the Issuer or the Calculation Agent determines at any time prior to, on or following any Interest Determination Date, that the Relevant Screen Page on which appears the Reference Rate has been discontinued, or (2) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Issuer will as soon as reasonably practicable (and in any event prior to the next relevant Interest Determination Date) appoint an agent (the "**Reference Rate Determination Agent**"), which will not later than the Interest Determination Cut-off Date determine in a commercially reasonable manner whether a substitute or successor rate for purposes of determining the Reference Rate on each Interest Determination Date falling on such date or thereafter that is substantially comparable to the discontinued Reference Rate is available. If the Reference Rate Determination Agent determines that there is an industry accepted successor rate, the Reference Rate Determination Agent will use such successor rate to determine the Reference Rate. If the Reference Rate Determination Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the "**Replacement Reference Rate**"), for purposes of determining the Reference Rate on each Interest Determination Date falling on or after such determination: (i) the Reference Rate Determination Agent will also determine changes (if any) to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the discontinued Reference Rate, in each case in a manner that is consistent with industry-accepted practices for such Replacement Reference Rate; (ii) references to the Reference Rate in the Conditions and the Final Terms applicable to the relevant Notes will be deemed to be references to the Replacement Reference Rate, including any alternative method for determining such rate as described in (i) above; (iii) the Reference Rate Determination Agent will notify the Issuer of the foregoing as soon as reasonably practicable; and (iv) the Issuer will give notice as soon as reasonably practicable to the Noteholders, the relevant Paying Agent and the Calculation Agent specifying the Replacement Reference Rate, as well as the details described in (i) above.

(aa) The determination of the Replacement Reference Rate and the other matters referred to above by the Reference Rate Determination Agent will (in the absence of manifest error) be final and binding on the Issuer, the Calculation Agent, the Issuing and Paying Agent, and the Noteholders, unless the Issuer considers at a later date that the Replacement Reference Rate is no longer substantially comparable to the Reference Rate or does not constitute an industry accepted successor rate, in which case the Issuer shall re-appoint a Reference Rate Determination Agent (which may or may not be the same entity as the original Reference Rate Determination Agent) for the purpose of confirming the Replacement Reference Rate or determining a substitute Replacement Reference Rate in an identical manner as described in paragraph (z) above, which will then (in the absence of manifest error) be final and binding on the Issuer, the Calculation Agent, the Issuing and Paying Agent and the Noteholders. If the Reference Rate Determination Agent is unable to or otherwise does not determine a substitute Replacement Reference Rate, then the last known Replacement Reference Rate will apply.

(bb) If (i) the Reference Rate Determination Agent determines that the Relevant Screen Page on which the Reference Rate appears has been

discontinued, or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation has been adopted, but for any reason a Replacement Reference Rate has not been determined by the Interest Determination Cut-off Date, or (ii) if the provisions relating to the occurrence of a Regulatory Event in case of a Replacement Reference Rate are specified as "applicable" in the relevant Final Terms, and the provisions under paragraphs from (z) to (aa) above would case the occurrence of a Regulatory Event, then no Replacement Reference Rate will be adopted, and the Reference Rate for the relevant Interest Period will be equal to the last Reference Rate available at the immediately preceding Interest Period on the Relevant Screen Page as determined by the Calculation Agent.

(cc) The Reference Rate Determination Agent may be (i) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include one of the Dealers involved in the issue of the Notes) as appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (in which case any such determination shall be made in consultation with an independent financial advisor), (iii) the Calculation Agent (if agreed in writing by the relevant Calculation Agent) or (iv) any other entity which the Issuer considers has the necessary competences to carry out such role.

(iii) ***Screen Rate Determination for Floating Rate Notes which are linked to the CMS Rate***

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 relevant 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 fewer than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period). Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the relevant Final Terms specifies a Minimum Rate of Interest for any Interest Period, then in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the relevant Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Unless otherwise stated in the relevant Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(d) **Linear Interpolation**

Where "Linear Interpolation" is specified as being applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line interpolation by reference to two rates:

(i) (where "Screen Rate Determination" is specified as being applicable in the relevant Final Terms) which appear on the Relevant Screen Page as of the Specified Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the relevant Interest Period or (where "CMS Rate" is specified as the Reference Rate in the relevant Final Terms) the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period or (where "CMS Rate" is specified as the Reference Rate in the relevant Final Terms) the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter or, as the case may be, next longer the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate; or

(ii) (where "ISDA Determination" is specified as being applicable in the relevant Final Terms) based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter or, as the case may be, next longer the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

The Rate of Interest for such Interest Period shall be the sum of the Margin (if any) and the rate so determined.

(e) **Determination of Rate of Interest and calculation of Interest Amounts**

The Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. Where the Calculation Agent is not the Issuing and Paying Agent, the Calculation Agent shall notify the Issuing and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or CMS Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or a CMS Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of all the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(f) **Notification of Rate of Interest and Interest Amounts**

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Issuing and Paying Agent (if the Calculation Agent is not itself the Issuing and Paying Agent) and any stock exchange or listing agent (if any) on which the relevant Floating Rate Notes or CMS Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter (or in the case of such Notes admitted to the official list and traded on the Luxembourg Stock Exchange, notification shall be given to the Luxembourg Stock Exchange or the Luxembourg Listing Agent on the first day of each Interest Period). Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or listing agent (if any) on which the relevant Floating Rate Notes or CMS Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 13 (*Notices*). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **Certificates to be final**

All certificates, communications, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 by the Calculation Agent, shall (in the absence of manifest error) be binding on the Issuer, the Issuing and Paying Agent, the Calculation Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default, negligence or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Issuing and Paying Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 **Accrual of interest**

Each Note will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

5. **PAYMENTS**

5.1 **Method of Payment**

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal

financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

5.2 **Presentation of definitive Notes and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 (*Method of Payment*) against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used in these Conditions, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive form (other than CMS Linked Interest Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the related missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, CMS Linked Interest Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

5.3 **Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note (if such Global Note is not intended to be issued in NGN form) at the specified office of any Paying Agent outside the United States. On the occasion of each payment, (i) in the case of any Global Note which is not issued in new global note ("**NGN**")

form, a record of such payment made on such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent, and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any Global Note which is a NGN, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

5.4 **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

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 7 (*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 Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

5.5 **Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 8 (*Prescription*) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) the relevant place of presentation (if applicable);

(ii) each Additional Financial Centre specified in the relevant Final Terms; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the

Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 **Interpretation of principal and interest**

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*);

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*).

6. **REDEMPTION, PURCHASE AND CANCELLATION**

6.1 **Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each CMS Linked Interest Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the relevant Final Terms in the relevant Specified Currency on the date specified as the maturity date in the relevant Final Terms (the "**Maturity Date**").

The Issuer shall have the right to call, redeem, repay or repurchase the Senior Notes only in accordance with and subject to the conditions set out in Articles 77(2) and 78a of the CRR being met (see Condition 6.2 (*Redemption for tax reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*), Condition 6.5 (*Redemption at the option of the Issuer*), Condition 6.8 (*Purchases*) and Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*)).

Pursuant to Article 12-*bis*, paragraph 1, letter a), of the Italian Banking Act, the Maturity Date of the Senior Non-Preferred Notes shall not fall earlier than twelve months after their Issue Date.

The Maturity Date of Subordinated Notes shall not fall earlier than five years after their Issue Date, as provided under the Applicable Banking Regulations.

6.2 **Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if this Note is neither a Floating Rate Note, a CMS Linked Interest Note, a Floating-Fixed Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) nor a Fixed-Floating Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions)); or

(b) on any Interest Payment Date (if this Note is either a Floating Rate Note, a CMS Linked Interest Note, a Fixed-Floating Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) or a Floating-Fixed Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions)),

on giving not less than 30 nor more than 60 days' notice to the Trustee and the Issuing and Paying Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any Tax Law Change; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Prior to the publication of any notice of redemption pursuant to this Condition 6.2, the Issuer shall deliver to the Trustee a certificate signed by two duly authorised signatories 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 such evidence shall be sufficient to the Trustee and conclusive and binding on the Noteholders and the Couponholders).

Notes redeemed pursuant to this Condition 6.2 will be redeemed at the Early Redemption Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the case of Senior Notes, any redemption pursuant to this Condition 6.2 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment and repurchase of Senior Notes*).

In the case of Subordinated Notes, any redemption pursuant to this Condition 6.2 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.3 **Redemption of Subordinated Notes for regulatory reasons**

This Condition 6.3 applies only to Notes specified in the relevant Final Terms as being Subordinated Notes.

If a Regulatory Call is specified in the relevant Final Terms as being applicable, upon the occurrence of a Regulatory Event any Series of Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if neither the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) nor the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable); or

(b) on any Interest Payment Date (if either the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) or the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable),

on giving not less than 15 nor more than 30 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable).

Upon the expiry of any such notice as referred to in this Condition 6.3, the Issuer shall be bound to redeem the Notes in accordance with this Condition 6.3, at their early regulatory redemption amount (the "**Early Redemption Amount (Regulatory)**") which shall be their Final Redemption Amount or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms, together with accrued interest (if any) thereon.

Prior to the publication of any notice of redemption pursuant to this Condition 6.3, the Issuer shall deliver to the Trustee a certificate signed by two duly authorised signatories 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 such evidence shall be sufficient to the Trustee and conclusive and binding on the Noteholders and the Couponholders).

Any redemption pursuant to this Condition 6.3 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.4 **Redemption of Senior Notes due to a MREL Disqualification Event**

This Condition 6.4 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes or Senior Non-Preferred Notes.

If an Issuer Call due to a MREL Disqualification Event is specified in the relevant Final Terms as being applicable, then in cases where the Issuer determines that a MREL Disqualification Event has occurred and is continuing with respect to a Series of Senior Preferred Notes or Senior Non-Preferred Notes, any such Series may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if neither the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) nor the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable); or

(b) on any Interest Payment Date (if either the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) or the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable),

on giving not less than 30 days nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable).

Upon the expiry of any such notice as is referred to in this Condition 6.4, the Issuer shall be bound to redeem the Notes in accordance with this Condition 6.4, at their Early Redemption Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 6.4, the Issuer shall deliver to the Trustee a certificate signed by two duly authorised signatories 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 such evidence shall be sufficient to the Trustee and conclusive and binding on the Noteholders and the Couponholders).

Any redemption pursuant to this Condition 6.4 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*).

6.5 **Redemption at the option of the Issuer (Issuer Call)**

If an Issuer Call is specified in the relevant Final Terms as being applicable, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice (or such other notice period stated in the relevant Final Terms) to the Noteholders in accordance with Condition 13 (*Notices*); and

(b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and to the Issuing and Paying Agent,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or, if partial redemption is stated to be applicable in the relevant Final Terms, some only, of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the relevant Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the relevant Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot on a *pro rata* basis, in the case of Redeemed Notes represented by definitive Notes, and on a *pro rata* basis and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 (*Notices*) not less than 15 days prior to the date fixed for redemption (or such other notice period stated in the relevant Final Terms). The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, **provided that** such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.5 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*) at least five days prior to the Selection Date.

In the case of Senior Notes, the call option pursuant to this Condition 6.5 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment and repurchase of Senior Notes*).

In the case of Subordinated Notes, no call option in accordance with this Condition 6.5 may be exercised by the Issuer to redeem, in whole or in part, such Notes prior to the fifth anniversary of their Issue Date. Starting from the fifth anniversary of their Issue Date, the redemption pursuant to this Condition 6.5 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.6 **Redemption at the option of the Noteholders (Investor Put)**

This Condition 6.6 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes or Senior Non-Preferred Notes.

If an Investor Put is specified in the relevant Final Terms as being applicable, upon the holder of any Note giving to the Issuer in accordance with Condition 13 (*Notices*) not less than 15 nor more than 30 days' notice (or such other notice period stated in the relevant Final Terms), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the relevant Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional

Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Issuing and Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or, as the case may be, common safekeeper for them to the Issuing and Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note which has not been issued in NGN form, at the same time present or procure the presentation of the relevant Global Note to the Issuing and Paying Agent for notation accordingly.

Any Put Notice given by a holder of any Note pursuant to this Condition 6.6 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 9 (*Events of Default and enforcement*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.6.

6.7 **Early Redemption Amounts**

For the purpose of Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*) and Condition 9 (*Events of Default and enforcement*), each Note will be redeemed at its "**Early Redemption Amount**" calculated by (or on behalf of) the Issuer as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the relevant Final Terms or, if no such amount or manner is so specified in the relevant Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1 + AY)^{y}$

where:

RP means the reference price as defined in the relevant Final Terms (the "**Reference Price**");

AY means the accrual yield, as specified in the relevant Final Terms (the "**Accrual Yield**"), expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the

date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the relevant Final Terms.

6.8 **Purchases**

The Issuer or any of its Subsidiaries may purchase the Notes (**provided that**, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

In the case of Senior Notes, any purchase pursuant to this Condition 6.8 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*).

The Issuer may not purchase Subordinated Notes prior to the fifth anniversary of their Issue Date, except in the cases contemplated under Article 78(4) of the CRR, including, without limitation, repurchases made for market making purposes (where applicable), where the conditions set out in Article 29(3) of the Delegated Regulation are met and in particular with respect to the predetermined amount defined by the Relevant Authority, which according to Article 29(3)(b) of the Delegated Regulation may not exceed the lower of: (i) 10% of the amount of the relevant issuance; and (ii) 3% of the total amount of Tier 2 Instruments of the Issuer from time to time outstanding, or such other amount permitted to be purchased for market making purposes under the Applicable Banking Regulations. Starting from the fifth anniversary of their Issue Date, any purchase pursuant to this Condition 6.8 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.9 **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.8 (*Purchases*) (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Issuing and Paying Agent and cannot be reissued or resold.

6.10 **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1 (*Redemption at maturity*), Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*), Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*) or Condition 6.6 (*Redemption at the option of the Noteholders (Investor Put)*) or upon its becoming due and repayable as provided in Condition 9 (*Events of Default and enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.7(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Issuing and Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

6.11 **Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes**

This Condition 6.11 applies only to Notes specified in the relevant Final Terms as being Subordinated Notes.

In the case of Subordinated Notes, any call, redemption, repayment or repurchase pursuant to Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*) or Condition 6.8 (*Purchases*) is subject to the following conditions:

(a) the Issuer has obtained the prior permission of the Relevant Authority in accordance with Article 78 of the CRR, where either:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds would, following such call, redemption, repayment or repurchase, exceed the capital requirements laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; and

(b) in respect of a call, redemption repayment or repurchase prior to the fifth anniversary of the Issue Date of the relevant Notes, if and to the extent required under Article 78(4) of the CRR or the Capital Instruments Regulation:

(i) in the case of redemption pursuant to Condition 6.2 (*Redemption for tax reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date; or

(ii) in case of redemption pursuant to Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date; or

(iii) on or before the relevant call, redemption, repayment or repurchase, the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity and the Relevant Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(iv) the Subordinated Notes are repurchased for market making purposes,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

For the avoidance of doubt, any refusal of the Relevant Authority to grant its permission in accordance with Article 78 of the CRR shall not constitute a default of the Issuer for any purposes.

6.12 **Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes**

This Condition 6.12 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes or Senior Non-Preferred Notes.

In the case of Senior Notes, any call, redemption, repayment or repurchase pursuant to Condition 6.2 (*Redemption for tax reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*), Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*), Condition 6.6 (*Redemption at the option of the Noteholders (Investors Put)*) or Condition 6.8 (*Purchases*) is subject, to the extent such Senior Notes qualify at such time as liabilities that are eligible to meet the MREL Requirements or, in case of a redemption pursuant to Condition 6.4, qualified as liabilities that are eligible to meet the MREL Requirements before the occurrence of the MREL Disqualification Event, to the condition that the Issuer

has obtained the prior permission of the Relevant Authority in accordance with Article 78a of the CRR, where one of the following conditions is met:

(A) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Senior Notes with Own Funds Instruments or Eligible Liabilities Instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(B) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds and Eligible Liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements for Own Funds and Eligible Liabilities laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; or

(C) the Issuer has demonstrated to the satisfaction of the Relevant Authority that the partial or full replacement of the Eligible Liabilities with Own Funds Instruments is necessary to ensure compliance with the Own Funds requirements laid down in the Applicable Banking Regulations for continuing authorization,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

For the avoidance of doubt, any refusal of the Relevant Authority to grant its permission in accordance with Article 78a of the CRR shall not constitute a default of the Issuer for any purposes.

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest (in case of Senior Notes and to the extent permitted by the MREL Requirements) or the respective amounts of interest only (in case of Subordinated Notes) which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) presented for payment in the Republic of Italy; or

(b) presented for payment by, or on behalf of, a holder or a beneficial owner of a Note or Coupon being a resident in the Republic of Italy or who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Republic of Italy; or

(c) to the extent that interest or any other amount payable is paid to a non-Italian resident entity or a non-Italian resident individual which is resident for tax purposes in a country which does not allow the Italian tax authorities to obtain an adequate exchange of information in respect of the beneficiary of the payments made from Italy; or

(d) in all circumstances in which the requirements and procedures set forth in Legislative Decree No. 239 (as amended or supplemented from time to time) 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

(e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5 (*Payment Day*); or

(f) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by making, or procuring, a declaration of non.-residence or other similar claim for exemption but has failed to do so;

(g) in respect of Notes classified as atypical securities where such withholding or deduction is required under Law Decree No. 512 of 30 September 1983, as amended or supplemented from time to time; or

(h) where it will be required to withhold or deduct any taxes imposed pursuant to or in connection with Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, the U.S. Treasury Regulations thereunder any official interpretations thereof or any agreements, law, regulation or other official guidance implementing an intergovernmental approach thereto in connection with any payments.

As used in these Conditions:

(i) "**Tax Jurisdiction**" means the Republic of Italy or in either case, any political subdivision or any authority thereof or therein having power to tax; and

(j) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13 (*Notices*).

8. PRESCRIPTION

The Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 (*Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 5.2 (*Presentation of definitive Notes and Coupons*).

9. EVENTS OF DEFAULT AND ENFORCEMENT

9.1 Events of Default

The Notes are, and they shall immediately become, due and repayable at their Early Redemption Amount together with, if appropriate, accrued interest thereon if the Issuer is subject to compulsory winding-up (*liquidazione coatta amministrativa*) pursuant to Articles 80 and following of the Italian Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with the relevant provisions of the Italian Civil Code and/or Article 96-*quinquies* of the Italian Banking Act.

Proceedings for the opening of a compulsory winding-up (*liquidazione coatta amministrativa*) in respect of the Issuer may only be initiated in the Republic of Italy (and not elsewhere), by the Trustee on behalf of the Noteholders, in accordance with the laws of the Republic of Italy.

In the event of a voluntary winding-up (*liquidazione volontaria*), or compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Notes shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer that the Notes are, and they shall accordingly thereupon immediately become, due and repayable at the Early Redemption Amount (as described in Condition 6.7 (*Early Redemption Amounts*), together with accrued interest (if any) as provided in the Trust Deed.

No remedy against the Issuer other than as specifically provided by this Condition 9.1, Condition 9.2 (*Enforcement*) or the Trust Deed shall be available to the Trustee or to the holders of the Notes and the related Coupons, whether for the recovery of amounts owing under the Trust Deed, in

respect of the Notes and the related Coupons or in respect of any breach by the Issuer of any of its obligations under the Trust Deed, the Notes and the related Coupons or otherwise.

For the avoidance of doubt, the non-payment by the Issuer of any amount due and payable under these Notes, or the taking of any crisis prevention measure or crisis management measure in relation to the Issuer in accordance with the BRRD, is not an event of default.

9.2 **Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, provided that the Issuer shall not by virtue of the institution of any such proceedings, other than proceedings for the compulsory winding-up (*liquidazione coatta amministrativa*) or voluntary winding-up (*liquidazione volontaria*) of the Issuer, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it pursuant to these Conditions and the Trust Deed. The Trustee shall not in any event be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in aggregate nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and such failure shall be continuing.

10. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent or the Paying Agent in Luxembourg upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, **provided that**:

(a) there will at all times be an Issuing and Paying Agent and a Paying Agent with its specified office in a country outside the relevant Tax Jurisdiction; and

(b) so long as the Notes are listed on any Stock Exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in the place required by the rules and regulations of the relevant Stock Exchange or any other relevant authority.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4 (*General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect with the prior written approval of the Trustee (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13 (*Notices*).

Notification of any change in the Paying Agents or the Calculation Agent or their specified offices will be made in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement, the Paying Agents are under no fiduciary duty and act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do

not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange and the rules of that exchange so require, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website (*www.bourse.lu*). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not reasonably practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or on the website of such stock exchange. Any such notice shall be deemed to have been given to the holders of the Notes on the date of delivery to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the related Note or Notes, with the Issuing and Paying Agent or the Paying Agent in Luxembourg. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Issuing and Paying Agent by delivery to Euroclear and/or Clearstream, Luxembourg as aforesaid.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

14.1 Meeting of Noteholders, modification and waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being

or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be two or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting two or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. In addition, no consent of the Noteholders or Couponholders shall be required in connection with effecting the Replacement Reference Rate as described in Condition 4.2(b) or such other relevant changes. Any such modification may be made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) as soon as reasonably practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

With respect to the Senior Non-Preferred Notes, any waiver or modification of the Notes or the Trust Deed may be sanctioned in accordance with the provisions of this Condition 14 only to the extent permitted under Article 12-*bis*, paragraph 4, of the Italian Banking Act, and the Issuer shall deliver to the Trustee a certificate signed by two duly authorised signatories of the Issuer stating that such waiver or modification of the Notes or the Trust Deed is permitted under Article 12-*bis*, paragraph 4, of the Italian Banking Act.

14.2 **Substitution or modification of the Notes**

If a Substitution or Modification of the Notes is specified as being applicable in the relevant Final Terms, (i) in cases where a Regulatory Event or a Tax Law Change has occurred and is continuing (with respect to Subordinated Notes), or a MREL Disqualification Event or a Tax Law Change has occurred and is continuing (with respect to Senior Notes), and/or (ii) with respect to all Notes, in order to ensure the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or in accordance with applicable law, the Issuer shall be entitled, having given not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), at any time either to modify the provisions of the Trust Deed and/or the terms and conditions of the Notes of such Series, or substitute all (but not some only) of such Notes with other securities, which substitution or modification, for the

avoidance of doubt, in each case shall be treated as being outside the scope of the Reserved Matters, **provided that**

(a) such substitution or modification is reasonably necessary in the sole opinion of the Issuer to ensure, as applicable, that no Regulatory Event, Tax Law Change or MREL Disqualification Event would exist thereafter, or that the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or in accordance with applicable law is ensured;

(b) following such substitution or modification of the existing Notes (the "**Existing Notes**"):

(A) the terms and conditions of the Notes, as so modified (the "**Modified Notes**"), or the terms and conditions of the securities issued to substitute the Existing Notes (the "**New Securities**"), as applicable, are not materially less favourable to a holder of the Existing Notes (as reasonably determined by the Issuer and other than in respect of the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or in accordance with applicable law and any provisions referred to under (e) below) than the terms and conditions applicable to the Existing Notes prior to such substitution or modification;

(B) the Modified Notes or the New Securities, as applicable, shall have a ranking at least equal to that of the Existing Notes and shall feature the same tenor, principal amount, interest rates (including applicable margins), Interest Payment Dates and redemption rights as the Existing Notes;

(C) the Modified Notes or the New Securities, as applicable, are assigned (or maintain) the same solicited credit ratings (if any) as were assigned to the Existing Notes immediately prior to such substitution or modification, provided that such change in rating, if any, shall only be relevant for the purposes of this Condition 14.2(b)(C), if related specifically to the substitution or modification;

(D) the Modified Notes or the New Securities, as applicable, continue to be listed on a recognised stock exchange, if the Existing Notes were listed immediately prior to such substitution or modification;

(c) the substitution or modification does not itself give rise to any right of the Issuer to redeem the Existing Notes prior to their Maturity Date, without prejudice to the provisions under Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*);

(d) the Relevant Authority has approved such substitution or modification (if such approval is required under the Applicable Banking Regulations or the MREL Requirements applicable at that time), or has received prior written notice thereof (if such notice is required under the Applicable Banking Regulations or the MREL Requirements applicable at that time) and, following the expiry of all relevant statutory time limits, the Relevant Authority is no longer entitled to object or impose changes to the proposed substitution or modification; and

(e) any substitution or modification made under this Condition 14.2 can also determine a change in the governing law provided under Condition 18.1 (*Governing law*) from English law to Italian law and/or in the jurisdiction and service of process provisions set out in Conditions 18.2 (*Submission to jurisdiction*) and 18.3 (*Appointment of process agent*), if the Issuer determines that such changes are necessary to ensure that the Notes remain or, as appropriate, become, eligible for the purposes of the MREL Requirements.

In connection with any substitution or modification made in this Condition 14.2, the Issuer shall comply with the rules of any stock exchange on which the Notes are then listed or admitted to trading and of any authority that is responsible for the supervision or regulation of such exchange.

Notwithstanding the provisions of Condition 14.1 (*Meeting of Noteholders, modification and waiver*), the Trustee shall be obliged, without any consent or sanction of the Noteholders, to consent to any modification to the provisions of the Trust Deed and/or the terms and conditions of

the Notes of such Series or any substitution of such Notes that the Issuer considers reasonably necessary to ensure, as applicable, that no Regulatory Event, Tax Law Change or MREL Disqualification Event would exist thereafter, or that the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or in accordance with applicable law is ensured, provided that the Issuer certifies in writing to the Trustee that such substitution or modification is reasonably necessary to comply with such criteria set out in sub-paragraph (a) above, and that the conditions set out in sub-paragraphs (b), (c), (d) and to the extent applicable, (e), above have been satisfied, and that the changes to be effected are those necessary to give effect to and do no more than give effect to the criteria set out in paragraph (a) above, (such certificate, a "**Modification Certificate**"), provided that:

(i) the Modification Certificate in relation to such substitution or modification shall be provided to the Trustee both at the time the Trustee is notified of the proposed substitution or modification and on the date that such substitution or modification takes effect; and

(ii) the Trustee shall not be obliged to agree to any substitution or modification which, in the sole opinion of the Trustee would have the effect of (i) exposing the Trustee to any liability against which it has not be indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Trustee in the Trust Deed and/or these Conditions.

When implementing any substitution or modification pursuant to this Condition 14.2, the Trustee shall not consider the interests of the Noteholders, the Couponholders or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer pursuant to this Condition 14.2 and shall disregard whether any substitution or modification constitutes a Reserved Matter. The Trustee shall not be liable to the Noteholders, the Couponholders or any other person for so acting or relying, irrespective of whether any such substitution or modification is or may be materially prejudicial to the interests of any such person or is within the scope of the Reserved Matters.

Any such substitution or modification shall be binding on all Noteholders and Couponholders and shall be notified by the Issuer as soon as reasonably practicable to the Noteholders in accordance with Condition 13 (*Notices*).

14.3 **Substitution of the Issuer**

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution of the Issuer (or of any previous substitute) as the principal debtor under the Notes, the Coupons and the Trust Deed, by its Successor in Business or by any Subsidiary of the Issuer subject, in the case of the substitution by a Subsidiary of the Issuer, to the unconditional and irrevocable guarantee of the Issuer being given in respect of the Notes, to the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and to certain other conditions set out in the Trust Deed being complied with.

For the purpose of this Condition 14.3:

"**Successor in Business**" means any company which, as a result of any amalgamation, merger or reconstruction: (a) owns beneficially the whole or substantially the whole of the undertaking, property and assets owned by the Issuer immediately prior thereto; and (b) carries on, as successor to the Issuer, the whole or substantially the whole of the business carried on by the Issuer immediately prior thereto.

15. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and/or its Successor in Business and to act as trustee for the holders of any other securities issued or guaranteed by, or

relating to, the Issuer and/or any of its Subsidiaries and/or its Successor in Business, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

The Trust Deed, the Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law, save that (i) Condition 3 (*Status of the Notes*), and (ii) Condition 19 (*Contractual recognition of Bail-In Power*), together with any non-contractual obligations arising out of or in connection with (i) and (ii), are governed by, and shall be construed in accordance with, Italian law.

18.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Trustee, the Noteholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

18.3 Appointment of process agent

The Issuer has, in the Trust Deed, appointed The Italian Chamber of Commerce and Industry for the UK at 1 Princes Street, London W1B 2AY, United Kingdom as its agent for service of process, and undertakes that, in the event of The Italian Chamber of Commerce and Industry for the UK ceasing so to act or ceasing to be located in England, it will appoint another person as its agent for service of process in England in respect of any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Trust Deed, the Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and the Coupons). Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law.

19. CONTRACTUAL RECOGNITION OF BAIL-IN POWER

Notwithstanding any provision of these Conditions or any other agreements, arrangements, or understandings between the Issuer and any holder of the Notes and without prejudice to Article 55(1) of the BRRD, each Noteholder, by virtue of its acquisition of the Notes (whether on issuance or in the secondary market), acknowledges and accepts the existence of, agrees to be bound by and consents to:

(a) the effects of the exercise of the Bail-In Power by the Relevant Authority, which exercise may include and result in any of the following, or some combination thereof:

(A) the reduction of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto;

(B) the conversion of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto, into ordinary shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of these Conditions;

(C) the cancellation of the Notes or the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; and

(D) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest become payable, including by suspending payment for a temporary period; and

(b) the variation of these Conditions, as deemed necessary by the Relevant Authority, to give effect to the exercise of the Bail-In Power by the Relevant Authority.

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 Authority.

Upon the Issuer becoming aware of the exercise of the Bail-In Power by the Relevant Authority with respect to the Notes, the Issuer shall provide a notice to the holders of the Notes in accordance with Condition 13 (*Notices*) as soon as reasonably practicable. The Issuer shall also deliver a copy of such notice to the Trustee and the Issuing and Paying Agent for information purposes. 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 Condition 19.

The exercise of the Bail-In Power by the Relevant 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 to the outstanding principal amount of the Notes subject to any modification of the amount of interest payments to reflect the reduction of the outstanding principal amount, and any further modification of the terms that the Relevant Authority may decide in accordance with applicable laws and regulations, including in particular the BRRD and the SRM Regulation, and any other relevant provisions under the Applicable Banking Regulations.

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 the Bail-In Power.

TERMS AND CONDITIONS OF THE ITALIAN LAW NOTES

*The following are the Terms and Conditions for the Notes governed by Italian law (the "**Italian Law Notes**") which, as completed by the relevant Final Terms, will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The relevant Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

In these "Terms and Conditions", references to the "Notes" shall be to the Italian Law Notes (as defined below) and references to "Receipt" and "Talons" (both as defined below) shall be to the "Receipt" and "Talons" (both as defined below) connected to the Italian Law Notes (as defined below), and references to "Noteholders" (as defined below) shall be to the Noteholders of the Italian Law Notes only.

This Note is one of a Series (as defined below) of the Italian Law Notes issued by BANCO BPM S.p.A. (the "**Issuer**") pursuant to an agency agreement (such agency agreement as modified and/or supplemented and/or restated from time to time, the "**Agency Agreement for the Italian Law Notes**") dated 12 July 2019 made between the Issuer, Citibank, N.A., London Branch as issuing and paying agent (the "**Issuing and Paying Agent**" or the "**Agent**", which expression shall include any successor issuing and paying agent (as applicable)) and the other paying agents named therein (together with the Issuing and Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

Interest bearing definitive Notes have interest coupons ("**Coupons**") and, if indicated in the relevant Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which completes these Terms and Conditions of the Italian Law Notes (the "**Conditions**"). References to the "**relevant Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The holders for the time being of the Notes shall hereafter be referred to as the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below and the holders of the Coupons shall hereinafter be referred to as the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates (as set out in the relevant Final Terms), Interest Commencement Dates and/or Issue Prices.

Copies of the Agency Agreement for the Italian Law Notes are available for inspection during normal business hours at the registered office for the time being of the Issuing and Paying Agent being at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Paying Agents. Copies of the relevant Final Terms are available for viewing at, and copies can be obtained from, the registered office of the Issuer at Piazza Filippo Meda, 4, 20121 Milan, Italy and from BNP Paribas Securities Services, Luxembourg Branch, 60 Avenue J.F. Kennedy, L-1855, Luxembourg and will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) save that, if this Note is

neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the relevant Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement for the Italian Law Notes and the relevant Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement for the Italian Law Notes.

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

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered.

The Notes may be Fixed Rate Notes, Floating Rate Notes, CMS Linked Interest Notes, Fixed-Floating Rate Notes, Floating-Fixed Rate Notes or Zero Coupon Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the relevant Final Terms.

The Notes may also be senior preferred notes ("**Senior Preferred Notes**"), senior non-preferred notes ("**Senior Non-Preferred Notes**" and, together with the Senior Preferred Notes, the "**Senior Notes**") or subordinated notes ("**Subordinated Notes**"), depending on the status of the Notes specified in the relevant Final Terms.

The Notes are denominated in such currency as may be specified in the relevant Final Terms (the "**Specified Currency**") and in the denomination or denominations specified in the relevant Final Terms (a "**Specified Denomination**"), provided that Senior Non-Preferred Notes will have a denomination of at least Euro 250,000 (or, where the Senior Non-Preferred Notes are denominated in a Specified Currency other than Euro, the equivalent amount in such other Specified Currency). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of notes as aforesaid, the Issuing and Paying Agent may rely on such evidence and/or information and/or certification as it shall, in its

absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the relevant Final Terms or as may otherwise be approved by the Issuer and the Issuing and Paying Agent.

2. **DEFINITIONS**

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

"**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 and applicable to the Issuer or the Group (as the case may be), including, without limitation, the BRRD, the BRRD Implementing Decrees, the CRD IV Package, the Capital Instruments Regulations, Circular No. 285, the Banking Reform Package, the SRM Regulation and any other regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority or of the institutions of the European Union (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 or the Group, as the case may be);

"**Banking Reform Package**" means (i) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ration, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposure to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No. 648/2012, (ii) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 806/2014 as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms, (iii) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures, and (iv) Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms and Directive 98/26/EC;

"**Bail-In Power**" means any statutory write-down, conversion, transfer, modification and/or suspension 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 in effect and applicable in the relevant Member State to the Issuer or other entities of the Group (as the case may be), including but not limited to any laws, regulations, rules or requirements set forth in or implementing the BRRD, the BRRD Implementing Decrees and/or the SRM Regulation or any successor laws, regulations, rules or requirements establishing a framework for the recovery and resolution of the Issuer (and/or other entities of the Group, where applicable) within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of the Issuer (and/or other entities of the Group, where applicable) can be reduced, cancelled, transferred, modified, suspended for a temporary period and/or converted into shares or obligations of the obligor or any other person, whether in combination with a resolution action or otherwise;

"**Bank Creditor Hierarchy Directive**" means Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy, as amended, supplemented or replaced from time to time;

"**Benchmarks Regulation**" means Regulation (EU) No. 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;

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

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended, supplemented or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**BRRD Implementing Decrees**" means the Legislative Decrees No. 180 and 181 of November 16, 2015, implementing the BRRD in the Republic of Italy, as amended or replaced from time to time (including, without limitation, as a consequence of the transposition of the Banking Reform Package into Italian law);

"**Business Day**" means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each additional business centre specified in the relevant Final Terms (each an "**Additional Business Centre**"); and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open;

"**Calculation Agent**" means the Issuing and Paying Agent or such other person specified in the relevant Final Terms;

"**Capital Instruments Regulations**" means the Delegated Regulation and any other rules or regulations of the Relevant Authority or of the institutions of the European Union or which are otherwise applicable to the Issuer or the Group (as the case may be), whether introduced before or after the Issue Date, which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer or the Group (as the case may be) to the extent required under the CRD IV Package (including, without limitation, any rules or regulations implementing the Banking Reform Package);

"**CET1 Instruments**" means at any time common equity tier 1 instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Circular No. 285**" means the Bank of Italy Circular No. 285 of 17 December 2013, setting forth the supervisory provisions for banks (*Disposizioni di Vigilanza per le Banche*), as amended, supplemented or replaced from time to time (including, without limitation, as a consequence of the transposition of the Banking Reform Package into Italian law);

"**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 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 office of five major banks in the principal relevant financial centre specified in the relevant Final Terms (the "**Relevant Financial Centre**"), in each case selected by the Issuer;

"**CRD IV**" means 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, as amended, supplemented or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**CRD IV Package**" means (i) the CRR and (ii) the CRD IV;

"**CRR**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended, supplemented or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**Day Count Fraction**" means:

(a) in respect of the calculation of an amount of interest in accordance with Condition 4.1 (*Interest on Fixed Rate Notes*):

(i) if "**Actual/Actual (ICMA)**" is specified in the relevant Final Terms:

(A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Interest Determination Dates (as specified in the relevant Final Terms) that would occur in one calendar year; or

(B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year; and

(ii) if "**30/360**" is **specified** in the relevant Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(b) in respect of the calculation of an amount of interest in accordance with Condition 4.2 (*Interest on Floating Rate Notes and CMS Linked Interest Notes*):

(i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number

of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

Where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

Where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 in which case D2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

Where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 in which case and D2 will be 30,

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

"**Delegated Regulation**" means Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014 supplementing the CRR with regard to the regulatory technical standards for Own Funds requirements for institutions, as amended, supplemented or replaced from time to time (including, without limitation, as a consequence of any rules or regulations implementing the Banking Reform Package);

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

"**Determination Period**" means each period from (and including) an Interest Determination Date to (but excluding) the next Interest Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not an Interest Determination Date, the period commencing on the first Interest Determination Date prior to, and ending on the first Interest Determination Date falling after, such date);

"**Eligible Liabilities**" means at any time eligible liabilities as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Eligible Liabilities Instruments**" means at any time eligible liabilities instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

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

"**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;

"**Group**" means the Issuer and its consolidated Subsidiaries (or any other entities that are consolidated in the Issuer's calculation of its Own Funds on a consolidated basis in accordance with Applicable Banking Regulations);

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

"**Interest Determination Cut-off Date**" means the date which falls fifteen (15) calendar days before the end of the Interest Period relating to the Interest Determination Date in respect of which the provisions of paragraphs (z) to (cc) of Condition 4.2 (b)(ii) shall be applied by the Issuer;

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

"**Interest Payment Date**" means the first Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms;

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

"**Loss Absorption Requirement**" means the power of the Relevant Authority to impose that Own Funds instruments or other liabilities of the Issuer or entities of the Group (as the case may be) are subject to full or partial write-down of the principal or conversion into CET1 Instruments or other instruments of ownership in accordance with Article 59 of the BRRD and the related national implementing provisions applicable to the Issuer or entities of the Group (as the case may be);

"**MREL Disqualification Event**" means that, by reason of the introduction of, or a change in, any MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the relevant Series of Notes, all or part of the aggregate outstanding nominal amount of a Series of Senior Preferred Notes and/or of Senior Non-Preferred Notes (as the case may be) are or will be excluded fully or partially from the liabilities that are eligible to meet the MREL Requirements. For the avoidance of doubt: (a) the exclusion of a Series of Notes from the liabilities that are eligible to meet the MREL Requirements due to the remaining maturity of such Notes being less than any period prescribed thereunder does not constitute a MREL Disqualification Event; (b) the exclusion of all or some of a Series of Notes from the MREL Requirements due to there being insufficient headroom for such Notes within any prescribed exception to the otherwise applicable general requirements for liabilities that are eligible to meet the MREL Requirements does not constitute a MREL Disqualification Event; and (c) any exclusion shall not be "reasonably foreseeable" by the Issuer at the Issue Date where such exclusion arises as a result of (i) any EU and/or national legislation implementing and/or supplementing the Banking Reform Package differing, as it applies to the Issuer and/or the Group, in any respect from the drafts of proposal for the implementation of the Banking Reform Package, if any, in place as at the Issue Date of the first Series of the Senior Notes, or (ii) the official interpretation or application of the Banking Reform Package as applicable to the Issuer and/or the Group (including any interpretation or pronouncement by any relevant court or tribunal or by the Relevant Authority) differing in any respect from the official interpretation or application, if any, in place as at the Issue Date of the relevant Series of Senior Notes;

"**MREL Requirements**" means the laws, regulations, requirements, guidelines, rules, standards, measures and policies relating to minimum requirements for own funds and eligible liabilities applicable to the Issuer or the Group (as the case may be) from time to time, including, without limitation to the generality of the foregoing, any delegated or implementing acts (such as implementing technical standards or regulatory technical standards) adopted by the European

Commission and any regulations, requirements, guidelines, rules, standards, measures and policies relating to minimum requirements for own funds and eligible liabilities and/or loss absorbing capacity instruments adopted by the Republic of Italy or a Relevant Authority from time to time (whether or not such regulations, requirements, guidelines, rules, standards, measures or policies are applied generally or specifically to the Issuer or the Group (as the case may be)), as any of the preceding laws, regulations, requirements, guidelines, rules, standards, measures, policies or interpretations may be amended, supplemented, superseded or replaced from time to time;

"**Own Funds**" shall have the meaning given to such term in the CRR, as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Own Funds Instruments**" means at any time own funds instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Reference Bank(s)**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market and, in the case of a determination of EURIBOR, the principal Euro zone office of four major banks in the Euro zone interbank market, in each case selected by the Issuer or as specified in the relevant Final Terms;

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

"**Regulatory Event**" means any change (or pending change which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Subordinated Notes from their classification on the Issue Date that results, or would be likely to result, in their exclusion in full or, to the extent permitted under the Applicable Banking Regulations, in part, from the Tier 2 Capital of the Issuer or, where applicable in accordance with the Applicable Banking Regulations, a reclassification as a lower quality form of Own Funds;

"**Relevant Authority**" means, as the context may require, (i) the European Central Bank or the Bank of Italy, acting within the framework of the Single Supervisory Mechanism, or any successor or replacement authority having responsibility for the prudential oversight and supervision of the Issuer or the Group (as the case may be), and/or (ii) the Single Resolution Board, the European Council, the European Commission or the Bank of Italy, acting within the framework of the Single Resolution Mechanism, or any successor or replacement authority having responsibility for the resolution of the Issuer or other entities of the Group (as the case may be);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) 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:

(a) 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;

(b) 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;

(c) 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

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

"**Single Resolution Mechanism**" means the single resolution mechanism established pursuant to the SRM Regulation;

"**Single Supervisory Mechanism**" means the single supervisory mechanism established pursuant to the SSM Regulation;

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and of the 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, as amended, supplemented or replaced from time to time (including as a consequence of the entry into force of the Banking Reform Package);

"**SSM Regulation**" means Council Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, as amended, supplemented or replaced from time to time;

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent;

"**Subsidiary**" means any company or person that is controlled by the Issuer pursuant to Article 23 of the Italian Banking Act;

"**Tax Law Change**" means any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) (including any treaty to which the Tax Jurisdiction is a party) or any change in the application or official or generally published interpretation of such laws or regulations (including a change or amendment resulting from a ruling by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes. For the avoidance of doubt, changes in the assessment of the Relevant Authority regarding tax effects are not considered as a Tax Law Change.

"**Tier 1 Capital**" means at any time tier 1 capital as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Tier 2 Capital**" means at any time tier 2 capital as interpreted and applied in accordance with the Applicable Banking Regulations; and

"**Tier 2 Instruments**" means at any time tier 2 instruments as interpreted and applied in accordance with the Applicable Banking Regulations.

3. STATUS OF THE NOTES

3.1 Status of the Senior Preferred Notes

This Condition 3.1 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes.

The Senior Preferred Notes and any related Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves.

The payment obligations of the Issuer under the Senior Preferred Notes and the Coupons related to them shall at all times rank (save for certain obligations required to be preferred by law, including any obligations permitted by law to rank senior to the Senior Preferred Notes following the Issue Date, if any) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding (other than obligations ranking junior to the Senior Preferred Notes from time to time, including any obligations under Senior Non-Preferred Notes and any further obligations permitted by law or by their terms to rank junior to the Senior Preferred Notes following the Issue Date, if any).

In relation to each Series of Senior Preferred Notes, all Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and/or interest thereon will be paid *pro rata* on all Notes of such Series.

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

3.2 Status of the Senior Non-Preferred Notes

This Condition 3.2 applies only to Notes specified in the relevant Final Terms as being Senior Non-Preferred Notes.

The Senior Non-Preferred Notes and any related Coupons are direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer that are intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer in accordance with, and for the purposes of, Article 12-*bis* of the Italian Banking Act.

The payment obligations of the Issuer under the Senior Non-Preferred Notes and the Coupons related to them shall at all times rank:

(a) junior to Senior Preferred Notes and all present or future unsecured and unsubordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Senior Non-Preferred Notes (including, without limitation, any obligations under the Senior Preferred Notes);

(b) *pari passu* among themselves and with any other present or future obligations of the Issuer which do not rank, or are not expressed by their terms to rank, junior or senior to the Senior Non-Preferred Notes; and

(c) senior to any present or future obligations of the Issuer which rank, or are expressed by their terms to rank, junior to the Senior Non-Preferred Notes (including, without limitation, the claims of the shareholders of the Issuer and any other obligations under the Subordinated Notes or any other obligations under instruments or items included in the Tier 1 Capital or Tier 2 Capital of the Issuer),

in all such cases in accordance with the provisions set forth in Article 91, paragraph 1-*bis*, letter c-*bis*) of the Italian Banking Act and any relevant regulation which may be enacted from time to time for the purposes of implementing such provisions and/or any laws, regulations or guidelines implementing the rules set forth in the Bank Creditor Hierarchy Directive.

In relation to each Series of Senior Non-Preferred Notes, all Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and/or interest thereon will be paid *pro rata* on all Notes of such Series.

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

3.3 **Status of the Subordinated Notes**

This Condition 3.3 applies only to Notes specified in the relevant Final Terms as being Subordinated Notes.

The Subordinated Notes and any related Coupons are direct, unsecured and subordinated obligations of the Issuer that are intended to qualify for regulatory purposes as Tier 2 Instruments to be included in the Tier 2 Capital of the Issuer in accordance with Article 63 of the CRR and Part II, Chapter 1 of Circular No. 285 (or any successor rules under the Applicable Banking Regulations).

The payment obligations of the Issuer under the Subordinated Notes and the Coupons related to them shall at all times rank:

(a) junior to all present or future unsecured and unsubordinated obligations of the Issuer (including, without limitation, any obligations under the Senior Notes) or any other present or future subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Subordinated Notes;

(b) *pari passu* among themselves and with any other present or future obligations of the Issuer which do not rank, or are not expressed by their terms to rank, junior or senior to the Subordinated Notes; and

(c) senior to any present or future obligations of the Issuer which rank, or are expressed by their terms to rank, junior to the Subordinated Notes (including, without limitation, the claims of the shareholders of the Issuer and any other obligations under instruments or items included in the Tier 1 Capital of the Issuer).

In relation to each Series of Subordinated Notes, all Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and/or interest thereon will be paid *pro rata* on all Notes of such Series.

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

The Subordinated Notes (including, for the avoidance of doubt, payments of principal and/or interest) shall be subject to the Loss Absorption Requirement, if so required under the BRRD and/or the SRM Regulation, in accordance with the powers of the Relevant Authority and where the Relevant Authority determines that the application of the Loss Absorption Requirement to the Subordinated Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

4. **INTEREST**

4.1 **Interest on Fixed Rate Notes**

This Condition 4.1 (Interest on Fixed Rate Notes) applies to the Notes: (a) if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable; and (b) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Fixed Interest Periods for which the Fixed Rate Note Provisions are stated to apply.

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. The Rate of Interest may be specified in the relevant Final Terms either (i) as the same Rate of Interest for all Fixed Interest Periods or (ii) as a different Rate of Interest in respect of one or more Fixed Interest Periods.

If the Notes are in definitive form, except as provided in the relevant Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the relevant Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form 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.

4.2 **Interest on Floating Rate Notes and CMS Linked Interest Notes**

This Condition 4.2 (Interest on Floating Rate Notes and CMS Linked Interest Notes) applies to the Notes (a) if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable; and (b) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Interest Periods for which the Floating Rate Note Provisions are stated to apply.

(a) **Interest Payment Dates**

Each Floating Rate Note and CMS Linked Interest Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the date or dates specified as a specified interest payment date in each year specified in the relevant Final Terms (a "**Specified Interest Payment Date**"); or

(ii) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the specified period in the relevant Final Terms (the "**Specified Period**") after the preceding Interest Payment Date or, in the case of the First Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date) (the "**Interest Period**").

If a Business Day Convention is specified in the relevant Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(i) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the

case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(iii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(iv) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes and CMS Linked Interest Notes will be determined in the manner specified in the relevant Final Terms.

(i) ***ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be:

(A) if "Multiplier" is specified in the relevant Final Terms as not being applicable, the relevant ISDA Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any);

(B) if "Multiplier" is specified in the relevant Final Terms as being applicable (i) the sum of the Margin and the relevant ISDA Rate multiplied by (ii) the Multiplier;

(C) if "Reference Rate Multiplier" is specified in the relevant Final Terms as being applicable, the sum of (i) the Margin, and (ii) the relevant ISDA Rate multiplied by the Reference Rate Multiplier,

where "**Multiplier**" and "**Reference Rate Multiplier**" each has the meaning given in the relevant Final Terms and where "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate 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 swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the relevant Final Terms;

(B) the Designated Maturity is a period specified in the relevant Final Terms; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate ("**LIBOR**") or on the Euro zone interbank offered rate ("**EURIBOR**"), the first day of that Interest Period or (b) in any other case, as specified in the relevant Final Terms.

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

(ii) ***Screen Rate Determination for Floating Rate Notes (other than for Floating Rate Notes linked to the CMS Rate)***

(w) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the time specified in the relevant Final Terms (the "**Specified Time**") on the Interest Determination Date in question plus or minus (as indicated in the relevant Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(x) If the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the Specified Time, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; and

(y) (1) If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be:

(A) if "Multiplier" is specified in the relevant Final Terms as not being applicable, the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank

market (if the Reference Rate is LIBOR) or the Euro zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) (the "**Determined Rate**"), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period). Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero;

(B) if "Multiplier" is specified in the relevant Final Terms as being applicable (i) the sum of the Margin and (ii) the relevant Determined Rate multiplied by the Multiplier;

(C) if "Reference Rate Multiplier" is specified in the relevant Final Terms as being applicable, the sum of (i) the Margin, and (ii) the relevant Determined Rate multiplied by the Reference Rate Multiplier,

where "**Multiplier**" and "**Reference Rate Multiplier**" each has the meaning given in the relevant Final Terms **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period),

(2) **except that**, (i) if the Issuer or Calculation Agent determines that the absence of quotation is due to the discontinuation of the Relevant Screen Page, or (ii) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Reference Rate will be determined in accordance with paragraph (z) below.

(z) (1) If the Issuer or the Calculation Agent determines at any time prior to, on or following any Interest Determination Date, that the Relevant Screen Page on which appears the Reference Rate has been discontinued, or (2) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Issuer will as soon as reasonably practicable (and in any event prior to the next relevant Interest Determination Date) appoint an agent (the

"**Reference Rate Determination Agent**"), which will not later than the Interest Determination Cut-off Date determine in a commercially reasonable manner whether a substitute or successor rate for purposes of determining the Reference Rate on each Interest Determination Date falling on such date or thereafter that is substantially comparable to the discontinued Reference Rate is available. If the Reference Rate Determination Agent determines that there is an industry accepted successor rate, the Reference Rate Determination Agent will use such successor rate to determine the Reference Rate. If the Reference Rate Determination Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the "**Replacement Reference Rate**"), for purposes of determining the Reference Rate on each Interest Determination Date falling on or after such determination: (i) the Reference Rate Determination Agent will also determine changes (if any) to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the discontinued Reference Rate, in each case in a manner that is consistent with industry-accepted practices for such Replacement Reference Rate; (ii) references to the Reference Rate in the Conditions and the Final Terms applicable to the relevant Notes will be deemed to be references to the Replacement Reference Rate, including any alternative method for determining such rate as described in (i) above; (iii) the Reference Rate Determination Agent will notify the Issuer of the foregoing as soon as reasonably practicable; and (iv) the Issuer will give notice as soon as reasonably practicable to the Noteholders, the relevant Paying Agent and the Calculation Agent specifying the Replacement Reference Rate, as well as the details described in (i) above.

(aa) The determination of the Replacement Reference Rate and the other matters referred to above by the Reference Rate Determination Agent will (in the absence of manifest error) be final and binding on the Issuer, the Calculation Agent, the Issuing and Paying Agent, and the Noteholders, unless the Issuer considers at a later date that the Replacement Reference Rate is no longer substantially comparable to the Reference Rate or does not constitute an industry accepted successor rate, in which case the Issuer shall re-appoint a Reference Rate Determination Agent (which may or may not be the same entity as the original Reference Rate Determination Agent) for the purpose of confirming the Replacement Reference Rate or determining a substitute Replacement Reference Rate in an identical manner as described in paragraph (z) above, which will then (in the absence of manifest error) be final and binding on the Issuer, the Calculation Agent, the Issuing and Paying Agent and the Noteholders. If the Reference Rate Determination Agent is unable to or otherwise does not determine a substitute Replacement Reference Rate, then the last known Replacement Reference Rate will apply.

(bb) If (i) the Reference Rate Determination Agent determines that the Relevant Screen Page on which the Reference Rate appears has been discontinued or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation has been adopted but for any reason a Replacement Reference Rate has not been determined by the Interest Determination Cut-off Date, or (ii) if the provisions relating to the occurrence of a Regulatory Event in case of a Replacement Reference Rate are specified as "applicable" in the relevant Final Terms, and the provisions under paragraphs from (z) to (aa) above would case the occurrence of a Regulatory Event, then no Replacement Reference Rate will be adopted, and the Reference Rate for the relevant

Interest Period will be equal to the last Reference Rate available at the immediately preceding Interest Period on the Relevant Screen Page as determined by the Calculation Agent.

(cc) The Reference Rate Determination Agent may be (i) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include one of the Dealers involved in the issue of the Notes) as appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (in which case any such determination shall be made in consultation with an independent financial advisor), (iii) the Calculation Agent (if agreed in writing by the relevant Calculation Agent) or (iv) any other entity which the Issuer considers has the necessary competences to carry out such role.

(iii) ***Screen Rate Determination for Floating Rate Notes which are linked to the CMS Rate***

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 relevant 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 fewer than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period). Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the relevant Final Terms specifies a Minimum Rate of Interest for any Interest Period, then in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the relevant Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Unless otherwise stated in the relevant Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(d) **Linear Interpolation**

Where "Linear Interpolation" is specified as being applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line interpolation by reference to two rates:

(i) (where "Screen Rate Determination" is specified as being applicable in the relevant Final Terms) which appear on the Relevant Screen Page as of the Specified Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the relevant Interest Period or (where "CMS Rate" is specified as the Reference Rate in the relevant Final Terms) the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period or (where "CMS Rate" is specified as the Reference Rate in the relevant Final Terms) the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter or, as the case may be, next longer the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate; or

(ii) (where "ISDA Determination" is specified as being applicable in the relevant Final Terms) based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter or, as the case may be, next longer the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

The Rate of Interest for such Interest Period shall be the sum of the Margin (if any) and the rate so determined.

(e) **Determination of Rate of Interest and calculation of Interest Amounts**

The Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. Where the Calculation Agent is not the Issuing and Paying Agent, the Calculation Agent shall notify the Issuing and Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or CMS Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or a CMS Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount

payable in respect of such Note shall be the aggregate of all the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(f) **Notification of Rate of Interest and Interest Amounts**

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Issuing and Paying Agent (if the Calculation Agent is not itself the Issuing and Paying Agent) and any stock exchange or listing agent (if any) on which the relevant Floating Rate Notes or CMS Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter (or in the case of such Notes admitted to the official list and traded on the Luxembourg Stock Exchange, notification shall be given to the Luxembourg Stock Exchange or the Luxembourg Listing Agent on the first day of each Interest Period). Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or listing agent (if any) on which the relevant Floating Rate Notes or CMS Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 13 (*Notices*). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **Certificates to be final**

All certificates, communications, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 by the Calculation Agent, shall (in the absence of manifest error) be binding on the Issuer, the Issuing and Paying Agent, the Calculation Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default, negligence or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Issuing and Paying Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 **Accrual of interest**

Each Note will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Agency Agreement for the Italian Law Notes.

5. **PAYMENTS**

5.1 **Method of Payment**

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

5.2 **Presentation of definitive Notes and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 (*Method of Payment*) against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used in these Conditions, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive form (other than CMS Linked Interest Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the related missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, CMS Linked Interest Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

5.3 **Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note (if such Global Note is not intended to be issued in NGN form) at the specified office of any Paying Agent outside the United States. On the occasion of each payment, (i) in the case of any Global Note which is not issued in new global note ("**NGN**") form, a record of such payment made on such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent, and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any Global Note which is a NGN, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

5.4 **General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

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 7 (*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 Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

5.5 **Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 8 (*Prescription*) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) the relevant place of presentation (if applicable);

(ii) each Additional Financial Centre specified in the relevant Final Terms; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 **Interpretation of principal and interest**

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*);

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*).

6. **REDEMPTION, PURCHASE AND CANCELLATION**

6.1 **Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each CMS Linked Interest Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the relevant Final Terms in the relevant Specified Currency on the date specified as the maturity date in the relevant Final Terms (the "**Maturity Date**").

The Issuer shall have the right to call, redeem, repay or repurchase the Senior Notes only in accordance with and subject to the conditions set out in Articles 77(2) and 78a of the CRR being met (see Condition 6.2 (*Redemption for tax reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*), Condition 6.5 (*Redemption at the option of the Issuer*), Condition 6.8 (*Purchases*) and Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*)).

Pursuant to Article 12-*bis*, paragraph 1, letter a), of the Italian Banking Act, the Maturity Date of the Senior Non-Preferred Notes shall not fall earlier than twelve months after their Issue Date.

The Maturity Date of Subordinated Notes shall not fall earlier than five years after their Issue Date, as provided under the Applicable Banking Regulations.

6.2 **Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if this Note is neither a Floating Rate Note, a CMS Linked Interest Note, a Floating-Fixed Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) nor a Fixed-Floating Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions)); or

(b) on any Interest Payment Date (if this Note is either a Floating Rate Note, a CMS Linked Interest Note, a Fixed-Floating Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) or a Floating-Fixed Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions)),

on giving not less than 30 nor more than 60 days' notice to the Issuing and Paying Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any Tax Law Change; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Prior to the publication of any notice of redemption pursuant to this Condition 6.2, the Issuer shall deliver to the Issuing and Paying Agent a certificate signed by two duly authorised signatories 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 such evidence shall be sufficient to the Issuing and Paying Agent and conclusive and binding on the Noteholders and the Couponholders). The Issuing and Paying Agent is not responsible, nor shall it incur any liability, for monitoring or ascertaining as to whether any certifications required by this Condition 6.2 is provided, nor shall it be required to review, check or analyse any certification produced nor shall it be responsible for the contents of any such certifications or incur any liability in the event the content of such certification is inaccurate or incorrect.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at the Early Redemption Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the case of Senior Notes, any redemption pursuant to this Condition 6.2 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment and repurchase of Senior Notes*).

In the case of Subordinated Notes, any redemption pursuant to this Condition 6.2 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.3 **Redemption of Subordinated Notes for regulatory reasons**

This Condition 6.3 applies only to Notes specified in the relevant Final Terms as being Subordinated Notes.

If a Regulatory Call is specified in the relevant Final Terms as being applicable, upon the occurrence of a Regulatory Event any Series of Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if neither the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) nor the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable); or

(b) on any Interest Payment Date (if either the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) or the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable),

on giving not less than 15 nor more than 30 days' notice to the Issuing and Paying Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable).

Upon the expiry of any such notice as referred to in this Condition 6.3, the Issuer shall be bound to redeem the Notes in accordance with this Condition 6.3, at their early regulatory redemption amount (the "**Early Redemption Amount (Regulatory)**") which shall be their Final Redemption

Amount or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms, together with accrued interest (if any) thereon.

Prior to the publication of any notice of redemption pursuant to this Condition 6.3, the Issuer shall deliver to the Issuing and Paying Agent a certificate signed by two duly authorised signatories 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 such evidence shall be sufficient to the Issuing and Paying Agent and conclusive and binding on the Noteholders and the Couponholders). The Issuing and Paying Agent is not responsible, nor shall it incur any liability, for monitoring or ascertaining as to whether any certifications required by this Condition 6.3 is provided, nor shall it be required to review, check or analyse any certification produced nor shall it be responsible for the contents of any such certifications or incur any liability in the event the content of such certification is inaccurate or incorrect.

Any redemption pursuant to this Condition 6.3 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.4 **Redemption of Senior Notes due to a MREL Disqualification Event**

This Condition 6.4 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes or Senior Non-Preferred Notes.

If an Issuer Call due to a MREL Disqualification Event is specified in the relevant Final Terms as being applicable, then in cases where the Issuer determines that a MREL Disqualification Event has occurred and is continuing with respect to a Series of Senior Preferred Notes or Senior Non-Preferred Notes, any such Series may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if neither the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) nor the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable); or

(b) on any Interest Payment Date (if either the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) or the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable),

on giving not less than 30 days nor more than the maximum period of notice specified in the applicable Final Terms to the Issuing and Paying Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable).

Upon the expiry of any such notice as is referred to in this Condition 6.4, the Issuer shall be bound to redeem the Notes in accordance with this Condition 6.4, at their Early Redemption Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 6.4, the Issuer shall deliver to the Issuing and Paying Agent a certificate signed by two duly authorised signatories 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 such evidence shall be sufficient to the Issuing and Paying Agent and conclusive and binding on the Noteholders and the Couponholders). The Issuing and Paying Agent is not responsible, nor shall it incur any liability, for monitoring or ascertaining as to whether any certifications required by this Condition 6.4 is provided, nor shall it be required to review, check or analyse any certification produced nor shall it be responsible for the contents of any such certifications or incur any liability in the event the content of such certification is inaccurate or incorrect.

Any redemption pursuant to this Condition 6.4 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*).

6.5 **Redemption at the option of the Issuer (Issuer Call)**

If an Issuer Call is specified in the relevant Final Terms as being applicable, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice (or such other notice period stated in the relevant Final Terms) to the Noteholders in accordance with Condition 13 (*Notices*); and

(b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Issuing and Paying Agent,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or, if partial redemption is stated to be applicable in the relevant Final Terms, some only, of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the relevant Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the relevant Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot on a *pro rata* basis, in the case of Redeemed Notes represented by definitive Notes, and on a *pro rata* basis and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 (*Notices*) not less than 15 days prior to the date fixed for redemption (or such other notice period stated in the relevant Final Terms). The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, **provided that** such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.5 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*) at least five days prior to the Selection Date.

In the case of Senior Notes, the call option pursuant to this Condition 6.5 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment and repurchase of Senior Notes*).

In the case of Subordinated Notes, no call option in accordance with this Condition 6.5 may be exercised by the Issuer to redeem, in whole or in part, such Notes prior to the fifth anniversary of their Issue Date. Starting from the fifth anniversary of their Issue Date, the redemption pursuant to this Condition 6.5 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.6 **Redemption at the option of the Noteholders (Investor Put)**

This Condition 6.6 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes or Senior Non-Preferred Notes.

If an Investor Put is specified in the relevant Final Terms as being applicable, upon the holder of any Note giving to the Issuer in accordance with Condition 13 (*Notices*) not less than 15 nor more than 30 days' notice (or such other notice period stated in the relevant Final Terms), the Issuer will,

upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the relevant Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Issuing and Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or, as the case may be, common safekeeper for them to the Issuing and Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note which has not been issued in NGN form, at the same time present or procure the presentation of the relevant Global Note to the Issuing and Paying Agent for notation accordingly.

Any Put Notice given by a holder of any Note pursuant to this Condition 6.6 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Issuing and Paying Agent has declared the Notes to be due and payable pursuant to Condition 9 (*Events of Default and enforcement*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.6.

6.7 **Early Redemption Amounts**

For the purpose of Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*) and Condition 9 (*Events of Default and enforcement*), each Note will be redeemed at its "**Early Redemption Amount**" calculated by (or on behalf of) the Issuer as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the relevant Final Terms or, if no such amount or manner is so specified in the relevant Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = $RP \times (1 + AY)^{y}$

where:

RP means the reference price as defined in the relevant Final Terms (the "**Reference Price**");

AY means the accrual yield, as specified in the relevant Final Terms (the "**Accrual Yield**"), expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the relevant Final Terms.

6.8 **Purchases**

The Issuer or any of its Subsidiaries may purchase the Notes (**provided that**, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

In the case of Senior Notes, any purchase pursuant to this Condition 6.8 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*).

The Issuer may not purchase Subordinated Notes prior to the fifth anniversary of their Issue Date, except in the cases contemplated under Article 78(4) of the CRR, including, without limitation, repurchases made for market making purposes (where applicable), where the conditions set out in Article 29(3) of the Delegated Regulation are met and in particular with respect to the predetermined amount defined by the Relevant Authority, which according to Article 29(3)(b) of the Delegated Regulation may not exceed the lower of: (i) 10% of the amount of the relevant issuance; and (ii) 3% of the total amount of Tier 2 Instruments of the Issuer from time to time outstanding, or such other amount permitted to be purchased for market making purposes under the Applicable Banking Regulations. Starting from the fifth anniversary of their Issue Date, any purchase pursuant to this Condition 6.8 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.9 **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.8 (*Purchases*) (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Issuing and Paying Agent and cannot be reissued or resold.

6.10 **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1 (*Redemption at maturity*), Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*), Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*) or Condition 6.6 (*Redemption at the option of the Noteholders (Investor Put)*) or upon its becoming due and repayable as provided in Condition 9 (*Events of Default and enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.7(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Issuing and Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

6.11 **Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes**

This Condition 6.11 applies only to Notes specified in the relevant Final Terms as being Subordinated Notes.

In the case of Subordinated Notes, any call, redemption, repayment or repurchase pursuant to Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*) or Condition 6.8 (*Purchases*) is subject to the following conditions:

(a) the Issuer has obtained the prior permission of the Relevant Authority in accordance with Article 78 of the CRR, where either:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds would, following such call, redemption, repayment or repurchase, exceed the capital requirements laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; and

(b) in respect of a call, redemption repayment or repurchase prior to the fifth anniversary of the Issue Date of the relevant Notes, if and to the extent required under Article 78(4) of the CRR or the Capital Instruments Regulation:

(i) in the case of redemption pursuant to Condition 6.2 (*Redemption for tax reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date; or

(ii) in case of redemption pursuant to Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date; or

(iii) the Notes are grandfathered under Article 494b of the CRR]; or

(iv) on or before the relevant call, redemption, repayment or repurchase, the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity and the Relevant Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(v) the Subordinated Notes are repurchased for market making purposes,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

For the avoidance of doubt, any refusal of the Relevant Authority to grant its permission in accordance with Article 78 of the CRR shall not constitute a default of the Issuer for any purposes.

6.12 **Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes**

This Condition 6.12 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes or Senior Non-Preferred Notes.

In the case of Senior Notes, any call, redemption, repayment or repurchase pursuant to Condition 6.2 (*Redemption for tax reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*), Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*), Condition 6.6 (*Redemption at the option of the Noteholders (Investors Put)*) or Condition 6.8 (*Purchases*) is subject, to the extent such Senior Notes qualify at such time as liabilities that are

eligible to meet the MREL Requirements or, in case of a redemption pursuant to Condition 6.4, qualified as liabilities that are eligible to meet the MREL Requirements before the occurrence of the MREL Disqualification Event, to the condition that the Issuer has obtained the prior permission of the Relevant Authority in accordance with Article 78a of the CRR, where one of the following conditions is met:

(A) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Senior Notes with Own Funds Instruments or Eligible Liabilities Instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(B) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds and Eligible Liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements for Own Funds and Eligible Liabilities laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; or

(C) the Issuer has demonstrated to the satisfaction of the Relevant Authority that the partial or full replacement of the Eligible Liabilities with Own Funds Instruments is necessary to ensure compliance with the Own Funds requirements laid down in the Applicable Banking Regulations for continuing authorization,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

For the avoidance of doubt, any refusal of the Relevant Authority to grant its permission in accordance with Article 78a of the CRR shall not constitute a default of the Issuer for any purposes.

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest (in case of Senior Notes and to the extent permitted by the MREL Requirements) or the respective amounts of interest only (in case of Subordinated Notes) which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) presented for payment in the Republic of Italy; or

(b) presented for payment by, or on behalf of, a holder or a beneficial owner of a Note or Coupon being a resident in the Republic of Italy or who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Republic of Italy; or

(c) to the extent that interest or any other amount payable is paid to a non-Italian resident entity or a non-Italian resident individual which is resident for tax purposes in a country which does not allow the Italian tax authorities to obtain an adequate exchange of information in respect of the beneficiary of the payments made from Italy; or

(d) in all circumstances in which the requirements and procedures set forth in Legislative Decree No. 239 (as amended or supplemented from time to time) 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

(e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional

amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5 (*Payment Day*); or

(f) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by making, or procuring, a declaration of non.-residence or other similar claim for exemption but has failed to do so;

(g) in respect of Notes classified as atypical securities where such withholding or deduction is required under Law Decree No. 512 of 30 September 1983, as amended or supplemented from time to time; or

(h) where it will be required to withhold or deduct any taxes imposed pursuant to or in connection with Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, the U.S. Treasury Regulations thereunder any official interpretations thereof or any agreements, law, regulation or other official guidance implementing an intergovernmental approach thereto in connection with any payments.

As used in these Conditions:

(i) "**Tax Jurisdiction**" means the Republic of Italy or in either case, any political subdivision or any authority thereof or therein having power to tax; and

(j) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Issuing and Paying Agent or the Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13 (*Notices*).

8. PRESCRIPTION

The Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 (*Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 5.2 (*Presentation of definitive Notes and Coupons*).

9. EVENTS OF DEFAULT AND ENFORCEMENT

9.1 Events of Default

The Notes are, and they shall immediately become, due and repayable at their Early Redemption Amount together with, if appropriate, accrued interest thereon if the Issuer is subject to compulsory winding-up (*liquidazione coatta amministrativa*) pursuant to Articles 80 and following of the Italian Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with the relevant provisions of the Italian Civil Code and/or Article 96-*quinquies* of the Italian Banking Act (the "**Event of Default**"), provided that repayment of the Notes will only be effected after the Issuer has obtained the prior approval of the Relevant Authority (if so required), and provided further that no payments will be made to the Noteholders or Couponholders before all amounts due, but unpaid, to all other creditors of the Issuer ranking ahead of the Noteholders and the Couponholders as described in Condition 3 (Status of the Notes) have been paid by the Issuer, as ascertained by the liquidator.

No remedy (including any remedy under the Italian Civil Code) against the Issuer other than as specifically provided by this Condition 9.1 shall be available to the holders of the Notes and the related Coupons, whether for the recovery of amounts owing in respect of the Notes and the related Coupons or in respect of any breach by the Issuer of any of its obligations under the Notes and the related Coupons or otherwise.

For the avoidance of doubt, the non-payment by the Issuer of any amount due and payable under these Notes, or the taking of any crisis prevention measure or crisis management measure in relation to the Issuer in accordance with the BRRD, is not an event of default.

10. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issuing and Paying Agent or the Paying Agent in Luxembourg upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

11. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Issuing and Paying Agent, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, **provided that**:

(a) there will at all times be an Issuing and Paying Agent and a Paying Agent with its specified office in a country outside the relevant Tax Jurisdiction; and

(b) so long as the Notes are listed on any Stock Exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in the place required by the rules and regulations of the relevant Stock Exchange or any other relevant authority.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4 (*General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect with the prior written approval of the Issuing and Paying Agent (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13 (*Notices*).

Notification of any change in the Paying Agents or the Calculation Agent or their specified offices will be made in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement for the Italian Law Notes, the Paying Agents are under no fiduciary duty and act solely as agents of the Issuer and, in certain circumstances specified therein, of the Issuing and Paying Agent and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement for the Italian Law Notes contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

12. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

13. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock

Exchange and the rules of that exchange so require, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website (*www.bourse.lu*). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or on the website of such stock exchange. Any such notice shall be deemed to have been given to the holders of the Notes on the date of delivery to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the related Note or Notes, with the Issuing and Paying Agent or the Paying Agent in Luxembourg. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Issuing and Paying Agent by delivery to Euroclear and/or Clearstream, Luxembourg as aforesaid.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

14.1 Meeting of the Noteholders, modification and waiver

The Agency Agreement for the Italian Law Notes contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement for the Italian Law Notes. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Agency Agreement for the Italian Law Notes (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be two or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting two or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Issuer and the Issuing and Paying Agent may agree, without the consent of the Noteholders or Couponholders, to any modification of the Notes or the Agency Agreement for the Italian Law Notes which is: (a) in the opinion of the Issuer, not prejudicial to the interests of the Noteholders; or (b) of a formal, minor or technical nature or to correct a manifest error. In addition, no consent of the Noteholders or Couponholders shall be required in connection with effecting the Replacement Reference Rate as described in Condition 4.2 (b) or such other relevant changes. Any such modification shall be binding on the Noteholders and the Couponholders and any such

modification shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) as soon as reasonably practicable thereafter.

14.2 **Modification of the Notes**

If a Modification of the Notes is specified as being applicable in the relevant Final Terms, (i) in cases where a Regulatory Event or a Tax Law Change has occurred and is continuing (with respect to Subordinated Notes), or a MREL Disqualification Event or a Tax Law Change has occurred and is continuing (with respect to Senior Notes), and/or (ii) with respect to all Notes, in order to ensure the effectiveness and enforceability of the Bail-In Power in accordance with Condition 17 (Contractual Recognition of Bail-In Power) or in accordance with applicable law, the Issuer shall be entitled, having given not less than 30 nor more than 60 days' notice to the Issuing and Paying Agent and, in accordance with Condition 13 (Notices), the Noteholders (which notice shall be irrevocable), at any time either to modify the provisions of the Issuing and Paying Agency Agreement and/or the terms and conditions of the Notes of such Series, or substitute all (but not some only) of such Notes with other securities, which substitution or modification, for the avoidance of doubt, in each case shall be treated as being outside the scope of the Reserved Matters, provided that:

(a) such modification is reasonably necessary in the sole opinion of the Issuer to ensure, as applicable, that no Regulatory Event, Tax Law Change or MREL Disqualification Event would exist thereafter, or that the effectiveness and enforceability of the Bail-In Power in accordance with Condition 17 (Contractual Recognition of Bail-In Power) or in accordance with applicable law is ensured;

(b) following such modification of the existing Notes (the "**Existing Notes**"):

(A) the terms and conditions of the Notes, as so modified (the "**Modified Notes**"), are not materially less favourable to a holder of the Existing Notes (as reasonably determined by the Issuer and other than in respect of the effectiveness and enforceability of the Bail-In Power in accordance with Condition 17 (Contractual Recognition of Bail-In Power) or in accordance with applicable law and any provisions referred to under (e) below) than the terms and conditions applicable to the Existing Notes prior to such modification;

(B) the Modified Notes shall have a ranking at least equal to that of the Existing Notes and shall feature the same tenor, principal amount, interest rates (including applicable margins), Interest Payment Dates and redemption rights as the Existing Notes;

(C) the Modified Notes are assigned (or maintain) the same solicited credit ratings (if any) as were assigned to the Existing Notes immediately prior to such modification, provided that such change in rating, if any, shall only be relevant for the purposes of this Condition 14.2(b)(C), if related specifically to the substitution or modification;

(D) the Modified Notes continue to be listed on a recognised stock exchange, if the Existing Notes were listed immediately prior to such modification;

(c) the modification does not itself give rise to any right of the Issuer to redeem the Existing Notes prior to their Maturity Date, without prejudice to the provisions under Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*);

(d) the Relevant Authority has approved such modification (if such approval is required under the Applicable Banking Regulations or the MREL Requirements applicable at that time), or has received prior written notice thereof (if such notice is required under the Applicable Banking Regulations or the MREL Requirements applicable at that time) and, following the expiry of all relevant statutory time limits, the Relevant Authority is no longer entitled to object or impose changes to the proposed modification; and

(e) any modification made under this Condition 14.2 can also determine a change in the governing law provided under Condition 16.1 (*Governing* law) from Italian law and/or in the jurisdiction and service of process provisions set out in Condition 16.2 (*Submission to jurisdiction*), if the Issuer determines that such changes are necessary to ensure that the Notes remain or, as appropriate, become, eligible for the purposes of the MREL Requirements.

In connection with any modification made in this Condition 14.2, the Issuer shall comply with the rules of any stock exchange on which the Notes are then listed or admitted to trading and of any authority that is responsible for the supervision or regulation of such exchange.

Any such modification shall be binding on all Noteholders and Couponholders and shall be notified by the Issuer as soon as reasonably practicable to the Noteholders in accordance with Condition 13 (*Notices*).

15. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

16.1 Governing law

The Agency Agreement for the Italian Law Notes, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement for the Italian Law Notes, the Notes and the Coupons are governed by, and shall be construed in accordance with Italian law.

16.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders and the Couponholders, that the courts of Milan are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) and accordingly submits to the non-exclusive jurisdiction of such courts.

Each party hereby irrevocably waives any objection which it may have now or hereafter to laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in the an inconvenient forum, and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the courts of Milan with regard to the Notes, the Receipts and the Coupons shall be conclusive and binding upon each party and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

17. CONTRACTUAL RECOGNITION OF BAIL-IN POWER

Notwithstanding any provision of these Conditions or any other agreements, arrangements, or understandings between the Issuer and any holder of the Notes and without prejudice to Article 55(1) of the BRRD, each Noteholder, by virtue of its acquisition of the Notes (whether on issuance or in the secondary market), acknowledges and accepts the existence of, agrees to be bound by and consents to:

(a) the effects of the exercise of the Bail-In Power by the Relevant Authority, which exercise may include and result in any of the following, or some combination thereof:

(A) the reduction of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto;

(B) the conversion of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto, into ordinary shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of these Conditions;

(C) the cancellation of the Notes or the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; and

(D) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest become payable, including by suspending payment for a temporary period; and

(b) the variation of these Conditions, as deemed necessary by the Relevant Authority, to give effect to the exercise of the Bail-In Power by the Relevant Authority.

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 Authority.

Upon the Issuer becoming aware of the exercise of the Bail-In Power by the Relevant Authority with respect to the Notes, the Issuer shall provide a notice to the holders of the Notes in accordance with Condition 13 (*Notices*) as soon as reasonably practicable. The Issuer shall also deliver a copy of such notice to the Issuing and Paying Agent for information purposes. 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 Condition 17.

The exercise of the Bail-In Power by the Relevant 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 to the outstanding principal amount of the Notes subject to any modification of the amount of interest payments to reflect the reduction of the outstanding principal amount, and any further modification of the terms that the Relevant Authority may decide in accordance with applicable laws and regulations, including in particular the BRRD and the SRM Regulation, and any other relevant provisions under the Applicable Banking Regulations.

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 the Bail-In Power.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a Temporary Global Note (a "**Temporary Global Note**") or, if so specified in the relevant Final Terms, a Permanent Global Note (a "**Permanent Global Note**") which, in either case, will:

(i) if the Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the relevant Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"); and

(ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for, Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Issuing and Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for definitive Notes of the same Series with, where applicable, receipts, interest coupons ("**Coupons**") and talons ("**Talons**") attached (as indicated in the relevant Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the relevant Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The relevant Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Issuing and Paying Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 9) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee (in the case of English Law Notes only) is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Issuing and Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Issuing and Paying Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Issuing and Paying Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

"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 provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined in the "*Terms and Conditions of the English Law Notes*"and "*Terms and Conditions of the Italian Law Notes*"), the Issuer procures that the Issuing and Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Notwithstanding the provisions of Condition 5.5, where any note is represented by a Global Note, "**Payment Day**" means:

(a) if the currency of payment is euro, any day on which the TARGET2 System is open 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.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the relevant Final Terms or as may otherwise be approved by the Issuer, the Issuing and Paying Agent and (in the case of the English Law Notes only) the Trustee.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee (in the case of the English Law Notes only), having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which the Issuer expects will be completed for each Tranche of Notes issued under the Programme.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended and superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' 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 [●]

BANCO BPM S.p.A.
(incorporated as a joint stock company (società per azioni) in the Republic of Italy with its registered office in Milan; number 09722490969 in the Register of Companies)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the €25,000,000,000
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 [Terms and Conditions of the English Law Notes] [Terms and Conditions of the Italian Law Notes] set forth in the Base Prospectus dated [●] 2019 [and the Supplement to the Base Prospectus dated [*date*]] which [together] constitute[s] a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended or superseded (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 and must be read in conjunction with the 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 [as so supplemented].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Base Prospectus dated 13 July 2018 which are incorporated by reference in the Base Prospectus dated [●] 2019. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the Base Prospectus), including the Conditions incorporated by reference in the Base Prospectus. 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 dated [*date*]] is available for viewing at, and copies of it may be obtained from, the registered office of the Issuer, Piazza Filippo Meda, 4, 20121 Milan and from BNP Paribas Securities Services, Luxembourg Branch, 60 Avenue J.F. Kennedy L-1855 Luxembourg and will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

(Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.)

(*When completing the final terms consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.*)

(*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be €100,000 or its equivalent in any other currency. Senior Non-Preferred Notes must have a denomination of at least €250,000 – or, where the Senior Non-Preferred Notes are denominated in a Specified Currency other than Euro, the equivalent amount in such other Specified Currency.*)

1.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●]
	[(c)	Date on which 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:		[Euro ("**EUR**")] [●]
	(Condition 1)		
3.	Aggregate Nominal Amount:		
	(a)	[Series:	[●]]
	(b)	[Tranche:	[●]]
4.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]] (*insert date if applicable*)]
5.	(a)	Specified Denominations:	[●]
	(Condition 1)		(*Senior Non-Preferred Notes must have a denomination of at least €250,000 (or, where the Senior Non-Preferred Notes are denominated in a Specified Currency other than Euro, the equivalent amount in such other Specified Currency)*) (*N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the*

			€100,000 minimum denomination is not required.) *(Note — where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:* "*€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000 or below €100,000.*")
	(b)	Calculation Amount:	[●] (*If only one Specified Denomination, insert the Specified Denomination. If more than one specified Denomination, insert the highest common factor. Note: there must be a common factor in the case of two or more Specified Denominations.*)
6.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]
	(Condition 2)		(*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
7.	Maturity Date: (Condition 6.1)		[*Fixed rate – specify date/Floating rate –* Interest Payment Date falling in or nearest to [*specify month and year*]] (*Unless otherwise permitted by current laws, regulations, directives and/or the Relevant Authority's requirements applicable to the Issuer or the Group (as the case may be) (i) Senior Non-Preferred Notes must have a minimum maturity of twelve months and (ii) Subordinated Notes must have a minimum maturity of five years*).
8.	Interest Basis: (Condition 4)		[[●] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [●] per cent. Floating Rate] [Floating Rate: CMS Linked Interest] [Fixed-Floating Rate] [Floating-Fixed Rate] [Zero Coupon] (further particulars specified below)
9.	Change of Interest Basis or Change of Redemption/Payment Basis:		[Applicable/Not Applicable] (*If applicable, specify details of the relevant basis change (and in the case of a change of Interest Basis the relevant Interest Periods to which the change(s) in Interest Basis applies)*)
10.	Put/Call Options:		[Issuer Call] [Investor Put]

	(Condition 6.5 or 6.6)		[(further particulars specified below)]
11.	(i)	Status of the Notes: (Condition 3.2 and 3.3)	[Senior Preferred Notes/Senior Non-Preferred Notes/Subordinated Notes]
	(ii)	Date [Board] approval for issuance of Notes obtained:	[●] / Not Applicable (*Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12.	Fixed Rate Note Provisions:		[Applicable/Not Applicable/Applicable for the period starting from [●] [and including] [●] ending on [but excluding] [●]] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Rate(s) of Interest: (Condition 4)	[●] per cent. per annum [payable [annually/semi-annually/quarterly/*specify* other] in arrear] [*specify other in case of different Rates of Interest in respect of different Fixed Interest Periods*]
	(b)	Interest Payment Date(s): (Condition 4)	[●] in each year up to and including [the Maturity Date/[●]] (*N.B. This will need to be amended in the case of long or short coupons*)
	(c)	Fixed Coupon Amount(s):	[●] per Calculation Amount (*Applicable to Notes in definitive form*) *(Specify different Fixed Coupon Amounts if different Rates of Interest are specified as being applicable in respect of different Fixed Interest Periods)*
	(d)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] (*Applicable to Notes in definitive form*)
	(e)	Day Count Fraction: (Condition 2)	[Actual/Actual (ISDA) Actual/Actual (ICMA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 360/360 Bond Basis 30E/360 Eurobond Basis 30E/360 (ISDA)]
	(f)	Interest Determination Date(s):	[●] in each year

	(Condition 2)	(*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*) (*N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration*) (*N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)*)
13.	Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period starting from [●] [and including] [●] ending on [but excluding] [●]] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Specified Period(s)/Specified Interest Payment Dates: (Condition 4.2)	[●]
	(b) First Interest Payment Date: (Condition 2)	[●]
	(c) Business Day Convention: (Condition 2)	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(d) Relevant Financial Centre(s): (Condition 2)	[●]
	(e) Additional Business Centre(s): (Condition 2)	[●]
	(f) Manner in which the Rate of Interest and Interest Amount is to be determined: (Condition 4)	[Screen Rate Determination/ISDA Determination]
	(g) Calculation Agent responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[●]
	(h) Screen Rate Determination: (Condition 4)	
	(i) Reference Rate:	[[EURIBOR]/[LIBOR] /[CMS Rate]]
	In the case of CMS Rate:	
	- Reference Currency:	[●]

	-	Designated Maturity:	[●]
	-	Calculation Agent / Issuing and Paying Agent:	[●]
	(ii)	Interest Determination Date(s):	[●] (*in the case of a CMS Rate where the Reference Currency is Euro*):[Second day on which the TARGET2 System is open prior to the start of each Interest Period] *(in the case of a CMS Rate where the Reference Currency is other than Euro*):[Second [specify type of day] prior to the start of each Interest Period] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or Euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR*
	(iii)	Specified Time:	[●]
	(iv)	Multiplier:	[●] / [Not Applicable]
	(v)	Reference Rate Multiplier:	[●] / [Not Applicable]
	(vi)	Relevant Screen Page:	(*In the case of a CMS Rate*): [ICESWAP2]/[●]
	(Condition 4)		(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*) *(In the case of CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions)*
	(vii)	Provisions relating to the occurrence of a Regulatory Event in case of a Replacement Reference Rate:	[Applicable/Not Applicable]
(i)	ISDA Determination:		
(Condition 4)			
	(i)	Floating Rate Option:	[●]
	(ii)	Designated Maturity:	[●]
	(iii)	Reset Date:	[●] (*In the case of a LIBOR or EURIBOR or CMS Rate based option, the first day of the Interest Period*)

	(j)	Margin(s):	[+/-] [●] per cent. per annum
	(k)	Minimum Rate of Interest:	[●] per cent. per annum
	(l)	Maximum Rate of Interest:	[●] per cent. per annum
	(m)	Multiplier:	[●] / [Not Applicable]
	(n)	Reference Rate Multiplier:	[●] / [Not Applicable]
	(o)	Day Count Fraction: (Condition 2)	[Actual/Actual (ISDA) Actual/Actual (ICMA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 360/360 Bond Basis 30E/360 Eurobond Basis 30E/360 (ISDA)]
	(p)	Linear Interpolation: (Condition 4)	[Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each long or short interest period*)]
14.	Fixed-Floating Rate Note Provisions:		[Applicable/Not Applicable] [[●] per cent. Fixed Rate in respect of the Fixed Interest Period(s) ending on (but excluding) [●], then calculated in accordance with paragraph 13 above.]
15.	Floating-Fixed Rate Note Provisions:		[Applicable/Not Applicable] [[*Floating Rate*] in respect of the Interest Period(s) ending on (but excluding) [●], then calculated in accordance with paragraph 12 above.]
16.	Zero Coupon Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield: (Condition 6.7)	[●] per cent. per annum
	(b)	Reference Price: (Condition 6.7)	[●]
	(c)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 6.7 applies] (C*onsider applicable day count fraction if not U.S. dollar denominated*)

PROVISIONS RELATING TO REDEMPTION

17.	Issuer Call:		[Applicable/Not Applicable]
	(Condition 6.5)		(*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	(*If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Relevant Authority's requirements applicable to the issue of Subordinated Notes by the Issuer, the Optional Redemption Date shall not be earlier than five years after the Issue Date*)
	(b)	Optional Redemption Amount:	[[●] per Calculation Amount]
	(c)	Partial redemption:	[Applicable/Not Applicable]
			(*If not applicable, delete the remaining items of this subparagraph*)
		If redeemable in part:	
		(i) Minimum Redemption Amount:	[●]
		(ii) Maximum Redemption Amount:	[●]
	(d)	Notice period (if other than as set out in the Conditions):	[●]
			(*N.B. If setting notice periods which are different from those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or Trustee (in the case of the English Law Notes only)*)
18.	Regulatory Call:		[Condition 6.3 is applicable/Not Applicable]
	(Condition 6.3)		(*Only applicable for Subordinated Notes*)
19.	Issuer Call due to a MREL Disqualification Event		[Condition 6.4 is applicable/Not Applicable]
	(Condition 6.4)		(*Only applicable for Senior Notes*)
	(a)	Notice Period:	[●]
20.	Investor Put:		[Applicable/Not Applicable]
	(Condition 6.6)		(*Not applicable for Subordinated Notes. If not applicable for Senior Notes, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[●]

	(b)	Optional Redemption Amount:	[[●] per Calculation Amount]
	(c)	Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different from those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee [in the case of the English Law Notes only]*)
21.		Final Redemption Amount:	[[●] per Calculation Amount] (*N.B. The Final Redemption Amount will always be equal to at least 100 per cent. of the aggregate principal amount of the Notes. In relation to any issue of Notes which are expressed at paragraph 5 above to have a minimum denomination and tradeable amounts above such minimum denomination which are smaller than it the following wording should be added: "For the avoidance of doubt, in the case of a holding of Notes in an integral multiple of [●] in excess of [●] as envisaged in paragraph 5 above, such holding will be redeemed at its nominal amount."*)
22.		Early Redemption Amount payable on redemption for taxation, regulatory reasons, MREL Disqualification Event or on event of default: (Condition 6.7)	[Not Applicable (*if Early Redemption Amount (Tax), Early Redemption Amount (Regulatory Event), Early Redemption Amount (MREL Disqualification Event) and Early Termination Amount are the principal amount of the Notes)/ specify [●] per Calculation Amount*]
23.		Substitution or modification of the Notes (English Law Notes only): (Condition 14.2)	[Condition 14.2 applies/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]* [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]* [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]* (**The exchange upon notice options should not be expressed to be applicable if the*

		Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)
25.	New Global Note:	[Yes] [No]
26.	Additional Financial Centre(s) or other special provisions relating to Payment Dates: (Condition 5)	[Not Applicable/*give details*] (*Note that this item relates to the place of payment and not Interest Period end dates to which item 12(d) relates*)
27.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, insert as follows:* One Talon in the event that more than 27 Coupons need to be attached to each Definitive Note. On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Paying Agent in exchange for a further Coupon sheet. Each Talon shall be deemed to mature in the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.]

THIRD PARTY INFORMATION

[The Issuer accepts responsibility for [(*Relevant third party information*)] which has been extracted from [(*specify source*)]. 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 BANCO BPM S.p.A.:

By: .....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING AND ADMISSION TO TRADING**

(i)	Listing and Admission to Trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market (for example the Bourse de Luxembourg) and, if relevant, admission to an official list*] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market (for example the Bourse de Luxembourg) and, if relevant, admission to an official list*] with effect from [●].] [Not Applicable.]
(ii)	Estimate of total expenses related to admission to trading:	[●]

2. **RATINGS**

Ratings: The Notes to be issued have been rated:

[Moody's: [●]]
[DBRS: [●]]
[[Other]: [●]]

(*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/supervision/credit-rating-agencies/risk 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/supervision/credit-rating-agencies/risk as being registered] / [but is certified] / [and is not certified under nor is the rating it has given to the Notes endorsed by a credit rating agency established in the EEA and

registered] under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").]

In general, European regulated investors are restricted from using a rating for regulatory purposes unless such rating is (1) issued 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 but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) 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**

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

(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES (*Green Bonds, Social Bonds or Sustainability Bonds only*)**

[(i)	Reasons for the offer	[●] [Not Applicable]*(If the Notes are Green Bonds, Social Bonds or Sustainability Bonds describe the relevant projects to which the net proceeds of the Tranche of Notes will be applied or make reference to the relevant bond framework to which the net proceeds of the Tranche of Notes will be applied.)* *(Applicable only in the case of securities to be classified as Green Bonds, Social Bonds or Sustainability Bonds. If not applicable, delete this paragraph.)*
[(ii)]	Estimated net proceeds:	[●] [Not Applicable]
[(iii)]	Estimated total expenses:	[●] *[Include breakdown of expenses.]* [Not Applicable] (*Only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is not included at (i) above.*)

5. **YIELD** (Fixed Rate Notes only)

Indication of yield: [●] / [Not Applicable]

6. **[Floating Rate Notes and CMS Linked Interest Notes Only – HISTORIC INTEREST RATES**

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

[Benchmarks: Amounts payable under the Notes will be calculated by reference to [●] which is provided by [●]. As at [●], [●] [appears/does not appear] on the register of administrators and benchmarks

			established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) No. 2016/1011) (the "**Benchmarks Regulation**"). [As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that [●] is not currently required to obtain authorisation or registration.]]
7.	**OPERATIONAL INFORMATION**		
	(i)	ISIN Code:	[●]
	(ii)	Common Code:	[●]
	(iii)	[CFI Code:	[[*include code*], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]
	(iv)	[FISN:	[[*include code*], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]
	(v)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, S.A. and the relevant identification number(s):	[Not Applicable/*give names(s) and number(s)*]
	(vi)	Delivery:	Delivery [against/free of] payment
	(vii)	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 intraday 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 intraday 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.]]

8. **DISTRIBUTION**

(i)	Method of distribution:		[Syndicated]/[Non-syndicated]
(ii)	If syndicated:		
	(A)	Names of Managers:	[Not Applicable/*give names and addresses*]
	(B)	Date of Subscription Agreement:	[●]
	(C)	Stabilising Manager(s) (if any):	[Not Applicable/*give name and addresses*]
(iii)	If non-syndicated, name and address of Dealer:		[●]
(iv)	U.S. Selling Restrictions:		[Reg. S Compliance Category 2; [TEFRA C]/[TEFRA D]/[TEFRA Not applicable]]
(v)	Prohibition of Sales to EEA Retail Investors		[Applicable/Not Applicable]

USE OF PROCEEDS

The net proceeds of the sale of each Tranche will be used by the Issuer, as indicated in the applicable Final Terms relating to the relevant Tranche of Notes, either:

a) for general funding purposes and to improve the regulatory capital structure of Banco BPM; or

b) to finance or refinance, in whole or in part, Green Eligible Projects and Social Eligible Projects (as defined below).

According to the definition criteria set out by the International Capital Market Association ("**ICMA**") Green Bond Principles ("**GBP**"), only Tranches financing or refinancing Green Eligible Projects will be denominated "Green Bonds".

According to the definition criteria set out by ICMA Social Bond Principles ("**SBP**"), only Tranches financing or refinancing Social Eligible Projects will be denominated "Social Bonds".

According to the definition criteria set out by ICMA Sustainability Bond Guidelines, only Tranches of Notes financing or refinancing a combination of Green Eligible Projects and Social Eligible Projects will be denominated "Sustainable Bonds".

"**Green Eligible Projects**" means financings of renewable energy, energy efficiency, sustainability mobility, sustainability water, circular economy and green buildings projects and assets which meet a set of environmental criteria.

"**Social Eligible Projects**" means small and medium-sized enterprises financing and financing of non-profit and civil economy to support access to essential services which meet a set of social criteria.

SELECTED CONSOLIDATED FINANCIAL DATA

The information set out in this Base Prospectus in relation to the Group has been derived from, and should be read in conjunction with, and is qualified by reference to:

(a) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2017 (the "**2017 Annual Financial Statements**"), which were audited by PricewaterhouseCoopers S.p.A.;

(b) the audited consolidated annual financial statements of Banco BPM as at and for the year ended 31 December 2018 (the "**2018 Annual Financial Statements**"), which were audited by PricewaterhouseCoopers S.p.A.;

(c) the press release issued on 6 February 2019 on the audited consolidated financial statements of Banco BPM as at and for the year ended 31 December 2018; and

(d) the press release issued on 8 May 2019 on the unaudited consolidated financial statements of Banco BPM as at and for the three months ended 31 March 2019,

that are incorporated by reference into this Base Prospectus.

So long as any of the Notes remain outstanding, copies of the above-mentioned consolidated financial statements will be made available during normal business hours at the office of the Issuing and Paying Agent and at the registered office of the Issuer, in each case free of charge.

The statistical information presented herein may differ from information included in the historical consolidated financial statements. In certain cases, the financial and statistical information is derived from financial and statistical information reported to the Bank of Italy or from internal management reporting.

In light of the changes introduced with the application of the international financial reporting standard IFRS 9, in order to provide adequate information on the evolution of the Group's equity and financial situation, the reclassified balance sheet has been prepared by providing a comparative view of the Group's situation as at 1 January 2018 and as at 31 December 2017. With reference to the reclassified income statement, the adoption of the international financial reporting standard IFRS 9, has led to a redefinition of the aggregates relating to net financial result and to value adjustments for impairment, according to the new categories of financial instruments and the relative measurement criteria.

Group financial highlights

(in thousands of Euro)	31 December 2017 IAS 39 (*)	31 December 2018 IFRS 9
Reclassified income statement figures (**)		
Financial margin	2,279,483	2,452,019
Net fee and commission income	1,950,410	1,848,760
Operating income	4,483,759	4,772,910
Operating expenses	(2,924,124)	(2,792,781)
Income (loss) from operations	1,559,635	1,980,129
Income (loss) before tax from continuing operations	(229,604)	(129,679)
Net income (loss) without Badwill and impairment	557,841	(56,503)
Badwill	3,076,137	-
Net income (loss)	2,616,362	(59,432)

(*) *The figures for the previous period, originally calculated in compliance with IAS 39, have been reclassified to provide a like-for-like comparison*

(**) *The reconciliation between the reclassified income statement figures and the income statement figures is reported in the related audited consolidated annual financial statements, incorporated by reference in this Base Prospectus.*

(in millions of Euro)	31 December 2017 IAS 39	1 January 2018 IFRS 9	31 December 2018 IFRS 9
Balance sheet figures			
Total assets	161,206.8	160,206.1	160,464.8

(in millions of Euro)	31 December 2017 IAS 39	1 January 2018 IFRS 9	31 December 2018 IFRS 9
Loans to customers (net)	107,742.7	106,108.2	104,014.6
Financial assets and hedging derivatives	34,533.2	34,884.8	36,852.9
Shareholders' equity	11,900.2	10,834.6	10,259.5
Customers' financial assets			
Direct funding	107,509.8	107,525.1	105,219.7
Indirect funding	101,328.5	101,328.5	88,212.7
- Asset management	60,545.2	60,545.2	55,689.6
- Mutual funds and SICAVs	37,605.3	37,605.3	35,992.0
- Securities and fund management	6,941.1	6,941.1	4,804.7
- Insurance policies	15,998.8	15,998.8	14,892.9
- Administered assets	40,783.3	40,783.3	32,523.1
Information on the organisation			
Average number of employees and other staff (*)	23,227	23,227	21,846
Number of bank branches	2,320	2,320	1,804

(*) *Weighted average calculated on a monthly basis. This does not include the Directors and Statutory Auditors of Group Companies.*

Financial and economic ratios and other Group figures

	31 December 2017 IAS 39(*)	31 December 2018 IFRS 9
Alternative performance measures		
Profitability ratios (%)		
Financial margin / Operating income	50.84%	51.37%
Net fee and commission income / Operating income	43.50%	38.73%
Operating expenses / Operating income	65.22%	58.51%
Operational productivity figures (000s of euro)		
Operating income per employee (**)	193.0	218.5
Operating expenses per employee (**)	125.9	127.8
Credit risk ratios (%)		
Net bad loans/Loans to customers (net)	6.02%	1.53%
Unlikely to pay/Loans to customers (net)	5.99%	4.85%
Net bad loans/Shareholders' equity	54.52%	15.51%
Other ratios		
Financial assets and hedging derivatives / Total assets	21.42%	22.97%
Derivative assets/Total assets	1.33%	1.16%
- trading derivatives/total assets	1.18%	1.08%
- hedging derivatives/total assets	0.15%	0.08%
Net trading derivatives (***)/Total assets	0.78%	0.62%
Regulatory capitalisation and liquidity ratios		
Common equity tier 1 ratio (CET1 capital ratio)	12.36%	12.06%
Tier 1 capital ratio	12.66%	12.26%
Total capital ratio	15.21%	14.68%
Liquidity Coverage Ratio (LCR)	125.61%	154.13%
Leverage ratio	5.59%	4.57%
Banco BPM stock		
Number of outstanding shares	1,515,182,126	1,515,182,126
Official closing prices of the stock	2.62	1.97
- Maximum	3.51	3.15
- Minimum	2.16	1.56
- Average	2.86	2.48
Basic EPS	0.368	(0.037)
Diluted EPS	0.368	(0.037)

(*) *The ratios are determined excluding the merger difference (badwill in the income statement) and with reference to the data calculated in compliance with IAS 39.*

(**) *Arithmetic average calculated on a monthly basis which does not include the Directors and Statutory Auditors of Group companies, the amount of which is shown in the previous table.*

	31 December 2017 IAS 39(*)	31 December 2018 IFRS 9

(***) *The aggregate of net trading derivatives corresponds to the mismatch, in absolute terms, between the derivatives included under Balance Sheet item 20 a) of assets, "Financial assets designated at fair value through profit and loss - held for trading", and item 20 of liabilities, "Financial liabilities held for trading".*

Alternative Performance Measures

In order to better evaluate the Issuer's financial management performance based on the consolidated financial statements of Banco BPM for the years ended 31 December 2018, 2017 and for the 8 May 2019 Press Release, the management has identified several Alternative Performance Measures ("**APMs**"). Management believes that these APMs provide useful information for investors as regards the financial position, cash flows and financial performance of the Issuer, because they facilitate the identification of significant operating trends and financial parameters. This Base Prospectus contains the following alternative performance measures as defined by the European Securities and Markets Authority (ESMA) of 5 October 2015 (ESMA/2015/1415), applicable as of 3 July 2016, which are used by the management of the Issuer to monitor the Issuer's financial and operating performance:

- "Core Total Income" is calculated as the sum of "net interest income" and "net fees and commissions";
- "Core direct funding" is calculated as the sum of current accounts and demand deposits;
- "Core customer loans" is calculated as the sum of mortgage loans, current accounts and personal loans.
- "Normalised net interest income" is calculated as net interest income net of the non-recurring economic components[1];
- "Normalised total income" is calculated as total income net of the non-recurring economic components;
- "Normalised operating costs" is calculated as operating costs net of the non-recurring economic components;
- "Normalised profit on operations" is calculated as profit on operations net of the non-recurring economic components;
- "Normalised loan loss provisions" is calculated as loan loss provisions net of the non-recurring economic components;
- "Normalised profit before tax" is calculated as profit before tax net of the non-recurring economic components;
- "Normalised net income" is calculated as net income net of the non-recurring economic components;
- "Financial margin/Operating income" is calculated as the ratio of Financial margin to Operating income;
- "Net fee and commission income/Operating income" is calculated as the ratio of Net fee and commission income to Operating income;
- "Operating expenses/Operating income" is calculated as the ratio of Operating expenses to Operating income;
- "Net bad loans/Loans to customers (net)" is calculated by dividing the net amount of bad loans by the net amount of loans to customers;

[1] Non-recurring economic components are reported and described in explanatory note no. 5 of the Banco BPM Press Release of 6 February 2019 (pages 13 and 14).

- "Unlikely to pay/Loans to customers (net)" is calculated by dividing the net amount of unlikely to pay by the net amount of loans to customers;
- "Net bad loans/Shareholders' equity" is calculated by dividing the net amount of bad loans by the amount of Shareholders' equity;
- "Financial assets and hedging derivatives/Total assets" is calculated by dividing the amount of financial assets and hedging derivatives by total assets;
- "Trading derivatives/total assets" is calculated by dividing the amount of the derivatives included under Balance Sheet[2] item 20 a) of assets, "Financial assets designated at fair value through profit and loss - held for trading" by total assets;
- "Hedging derivatives/total assets" is calculated by dividing the amount of Balance Sheet item[2] 50. of assets by total assets;
- "Net trading derivatives/Total assets" is calculated by dividing the mismatch, in absolute terms, between the derivatives included under Balance Sheet item[2] 20 a) of assets, "Financial assets designated at fair value through profit and loss - held for trading", and item[2] 20 of liabilities, "Financial liabilities held for trading", by total assets;
- "Gross loans/Direct funding" is calculated by dividing the amount of gross loans to customers by direct funding;
- ROE (Return on Equity) is calculated by dividing the amount of the Profit for the year excluding Badwill and impairment by Shareholders' equity;
- ROA (Return on Assets) is calculated by dividing the amount of the Profit for the year excluding Badwill and impairment by total assets.

It should be noted that:

(a) the APMs are based exclusively on historical data of the Issuer and are not indicative of future performance;

(b) the APMs are not derived from IFRS and, while they are derived from the consolidated financial statements of Banco BPM prepared in conformity with these principles, they are not subject to audit;

(c) the APMs are non-IFRS financial measures and are not recognised as measure of performance or liquidity under IFRS and should not be recognised as alternative to performance measures derived in accordance with IFRS or any other generally accepted accounting principles;

(d) the above-mentioned APMs are calculated on the basis of the reclassified financial statements, unless otherwise specified, and should be read together with the financial information of Banco BPM for the years ended 31 December 2018 and 2017 taken from their consolidated financial statements;

(e) since not all companies calculate APMs in an identical manner, the presentation of Banco BPM may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on these data;

the APMs and definitions used herein are consistent and standardised for the period for which financial information in this Base Prospectus is included.

[2] Official schedule envisaged by the Bank of Italy Circular no. 262.

Credit quality

(in millions of Euro)	31 December 2017		1 January 2018		31 December 2018	
	Net exposure	% impact	Net exposure	% impact	Net exposure	% impact
Bad loans	6,487.6	6.0%	5,241.8	4.9%	1,591.4	1.5%
Unlikely to pay	6,458.8	6.0%	6,272.7	5.9%	5,047.9	4.9%
Past due	80.4	0.1%	80.4	0.1%	87,5	0.1%
Non-performing loans	**13,026.9**	**12.1%**	**11,594.9**	**10.9%**	**6,726.9**	**6.5%**
Performing loans	**94,715.8**	**87.9%**	**94,513.3**	**89.1%**	**97,287.7**	**93.5%**
Total loans to customers	**107,742.7**	**100.0%**	**106,108.2**	**100.0%**	**104,014.6**	**100.0%**

Capital Requirements for the Group

On 8 February 2019, the European Central Bank (ECB) notified Banco BPM of its final decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis.

The decision is based on the supervisory review and evaluation process (SREP) conducted in compliance with Article 4(1)(f) of Regulation (EU) No. 1024/2013.

Therefore, in compliance with Article 16(2)(a) of the same Regulation (EU) No. 1024/2013, which confers on the ECB the power to require supervised banks to hold own funds in excess of the minimum capital requirements laid down by current regulations, a requirement of 2.25% was introduced to be added to minimum capital requirements.

Taking the above into account, in 2019, the Banco BPM Group is required to meet the following capital ratios at consolidated level:

- CET1 ratio: 9.31%;
- Tier 1 ratio: 10.81%;
- Total Capital ratio: 12.81%;
- Total SREP Capital requirement: 10.25%.

The Banco BPM Group satisfied these prudential requirements, with a CET1 ratio at 31 December 2018 of 12.1% at phase-in level, a Tier 1 ratio of 12.3% at phase-in level and a Total Capital ratio equal to 14.7% at phase-in level.

Rating

The international agencies Moody's France SAS ("**Moody's**") and DBRS Ratings GmbH ("**DBRS**") have assigned ratings to the Issuer. Moody's and DBRS are registered in accordance with Regulation No. 1060/2009/EC of the European Parliament and the Council dated 16 September 2009 relating to credit rating agencies.

On 3 January 2017, Moody's assigned the following ratings to the Issuer: (i) Deposit Ratings of Ba1/Not Prime, with Stable Outlook; (ii) Long-Term Issuer Rating of Ba2, with Negative Outlook; (iii) Standalone Baseline Credit Assessment (BCA) and adjusted BCA of b1; and (iv) Counterparty Risk Assessments (CR Assessment) of Ba1 (cr)/Not Prime (cr). Such ratings, together with their Outlooks, were confirmed by Moody's on 5 October 2017. These ratings have remained unchanged.

Subsequently, on 28 May 2019, Moody's upgraded the long and short-term deposit ratings of Banco BPM S.p.A. to Baa3/P-3 from Ba1/NP and affirmed the long-term senior unsecured debt rating at Ba2. Moody's also upgraded the bank's standalone baseline credit assessment (BCA) and the adjusted BCA to ba3 from b1. The outlook on the long-term deposit rating remains Stable, and the outlook on the senior unsecured debt rating remains Negative. Also the Counterparty Risk Assessments (CR Assessment) was upgraded from Ba1 (cr)/Not Prime (cr) to Baa3 (cr)/P-3 (cr).

The outlook on long-term deposit ratings remains stable, reflecting Moody's expectation that the bank's financial profile will remain broadly unchanged in the next 12 to 18 months, with a more gradual reduction in problem loans, stable capital, and modest profitability.

The outlook on the senior unsecured rating is negative as Moody's expects Banco BPM to be a net issuer of senior unsecured debt over the next year, which underpin the one notch uplift from the bank's BCA. Nevertheless, according to Moody's, this target is subject to market conditions and the outlook reflects the possibility that it may not be met, leading to a more durable reduction in the stock of this debt which would thus bear higher risk.

On 5 January 2017, DBRS assigned the following ratings to the Issuer: (i) Issuer Rating of BBB (low); (ii) Senior Long-Term Debt & Deposit rating of BBB (low); (iii) Short-Term Debt & Deposit rating of R-2 (middle); and (iv) Long and Short-Term Critical Obligations Ratings of BBB (high) / R-1 (low). All ratings had a Stable trend. The Intrinsic Assessment of the Group is BBB (low). The Support Assessment is SA3, implying no uplift from systemic support.

Subsequently:

- On 15 December 2017, DBRS confirmed all the ratings assigned to Banco BPM, maintaining them in the investment grade space, with the trend changing from Stable to Negative.

- On 13 December 2018, DBRS upgraded the outlook for the long-term and short-term Issuer ratings of Banco BPM from Negative to Stable. At the same time, DBRS also confirmed the long-term issuer rating of Banco BPM at BBB (low) and the short-term issuer rating of Banco BPM at R-2 (middle).

- On 14 December 2018, as part of a general approach to split between senior unsecured debt ratings and deposit ratings, DBRS upgraded the long-term deposit rating of Banco BPM from BBB (low) to BBB and the short-term deposit rating of Banco BPM from R-2 (middle) to R-2 (high). Concurrently, the outlook for such ratings was confirmed as Stable.

According to DBRS, the Stable trend takes into account Banco BPM's stable market position as the third largest banking franchise in Italy, and the progress the Group has made in reducing its large stock of Non-performing Exposures (NPEs).

DESCRIPTION OF THE ISSUER AND THE GROUP

Introduction

Banco BPM S.p.A. (the "**Issuer**" and together with its subsidiaries, the "**Group**" or the "**Banco BPM Group**") was incorporated on December 13, 2016 and is one of the largest banking groups in Italy as at 31 December 2018, based on revenues, assets and net income, with approximately 22,500 employees, 1,800 branches and 4 million customers concentrated in the Lombardy, Veneto and Piedmont regions. Banco BPM's duration has been set to 23 December 2114, however it may be extended.

The Group is the product of a merger between Banco Popolare Società Cooperativa ("**Banco Popolare**") and Banca Popolare di Milano S.c.a.r.l. ("**BPM**") which took place on 1 January 2017 (the "**Merger**").

The Group's core activities are divided into the following segments: Retail, Corporate, Institutional, Private, Investment Banking, Strategic Partnerships, Leasing and the Corporate Centre.

The majority of the Group's activities are based in Italy. Outside of Italy, the Group has foreign operations in Switzerland, China and India.

History of the Group

BPM

BPM was incorporated as a limited liability co-operative company in 1865 to facilitate access to credit for merchants, small businessmen and industrialists. In 1876, BPM became part of the "*Associazione nazionale delle Banche Popolari*" and in the early 1900s it increased its business through the establishment of new branches in northern Italy. From the 1950s onwards, BPM grew considerably through the acquisition of interests in other lending institutions and the incorporation of several banks such as Banca Popolare di Roma, Banca Briantea, Banca Agricola Milanese, Banca Popolare Cooperativa Vogherese, Banca Popolare di Bologna e Ferrara, Banca Popolare di Apricena, INA Banca, Cassa di Risparmio di Alessandria, Banca di Legnano and Banca Popolare di Mantova. The late 1980s saw the establishment of the Bipiemme – Banca Popolare di Milano group (the "**BPM Group**"), of which BPM was the parent company, performing, in addition to banking activities, strategic guidance, governance and supervision of its financial and instrumental subsidiaries. The BPM Group operated mainly in Lombardy (where 63% of its branches were situated), but also in Piedmont, Lazio, Puglia and Emilia Romagna, predominantly providing commercial banking services to retail and small-medium sized companies (SMEs) as well as to corporates, through a dedicated internal structure. In addition, BPM offered its customers capital market services, brokerage services, debt and equity underwriting, asset management, insurance underwriting and sales, factoring services and consumer credit. From 1999 onwards, BPM operated an online banking service called WeBank.

Banco Popolare

Banco Popolare was incorporated on 1 July 2007 following the merger between Banco Popolare di Verona e Novara Società Cooperativa a Responsabilità Limitata ("**BPVN**") and Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa ("**BPI**"). Banco Popolare, together with its subsidiaries, formed the Banco Popolare group (the "**Banco Popolare Group**").

In turn, BPVN was incorporated in 2002 as a result of the merger between Banca Popolare di Verona – Banco S. Geminiano and S. Prospero Società cooperativa di credito a responsabilità limitata.

BPI was incorporated in 1864 and was the first cooperative bank established in Italy. It was formed to promote savings by local customers and to provide banking services to support their business activities. BPI was listed on the *Mercato Ristretto* of the Italian Stock Exchange in 1981 and was listed on the MTA from 1998 onwards. In June 2005, BPI changed its name from Banca Popolare di Lodi S.c.a r.l. to Banca Popolare Italiana – Banca Popolare di Lodi Società Cooperativa.

Banco Popolare operated abroad through an international network made up of banks, representative offices and international desks. It also had relationships with around 3,000 correspondent banks. The Group's foreign operations included a subsidiary company, Banca Aletti Suisse, and representative offices in China (Hong Kong and Shanghai), India (Mumbai) and Russia (Moscow). In 2014, following a merger by incorporation of Credito Bergamasco, Banco Popolare further simplified its organisational model by

rationalising Credito Bergamasco's local management. On 16 March 2015, Banca Italease S.p.A. was merged into Banco Popolare with effect for accounting and tax purposes as of 1 January 2015.

The Merger

The Issuer was incorporated as a consequence of the Merger.

On 24 May 2016 the Management Board of BPM, after obtaining the favourable advice of the surveillance board, and the Board of Directors of Banco Popolare approved the plan related to the Merger (the "**Merger Plan**"), pursuant to and for the purposes of Article 2501-*ter* of the Italian Civil Code. Under the Merger Plan, the share capital of the Issuer was to be owned 54.626% by the shareholders of Banco Popolare and 45.374% by the shareholders of BPM.

In the context of the Merger, the following steps were envisaged:

- the approval and execution by Banco Popolare of a capital increase for a total amount of Euro 1,000,000,000; and

- a spin-off of certain assets, including the branches of BPM and Banco Popolare located in some of the historical provinces of reference of BPM, in favour of a banking subsidiary to be controlled by Banco BPM.

The Merger and the incorporation of the Issuer were approved at meetings of the respective shareholders of BPM and Banco Popolare, each held on 15 October 2016.

Registration with the relevant companies' registers (Milan and Verona) of a deed of merger (the "**Deed of Merger**") took effect from 1 January 2017 (the "**Date of Effect**").

Banco BPM

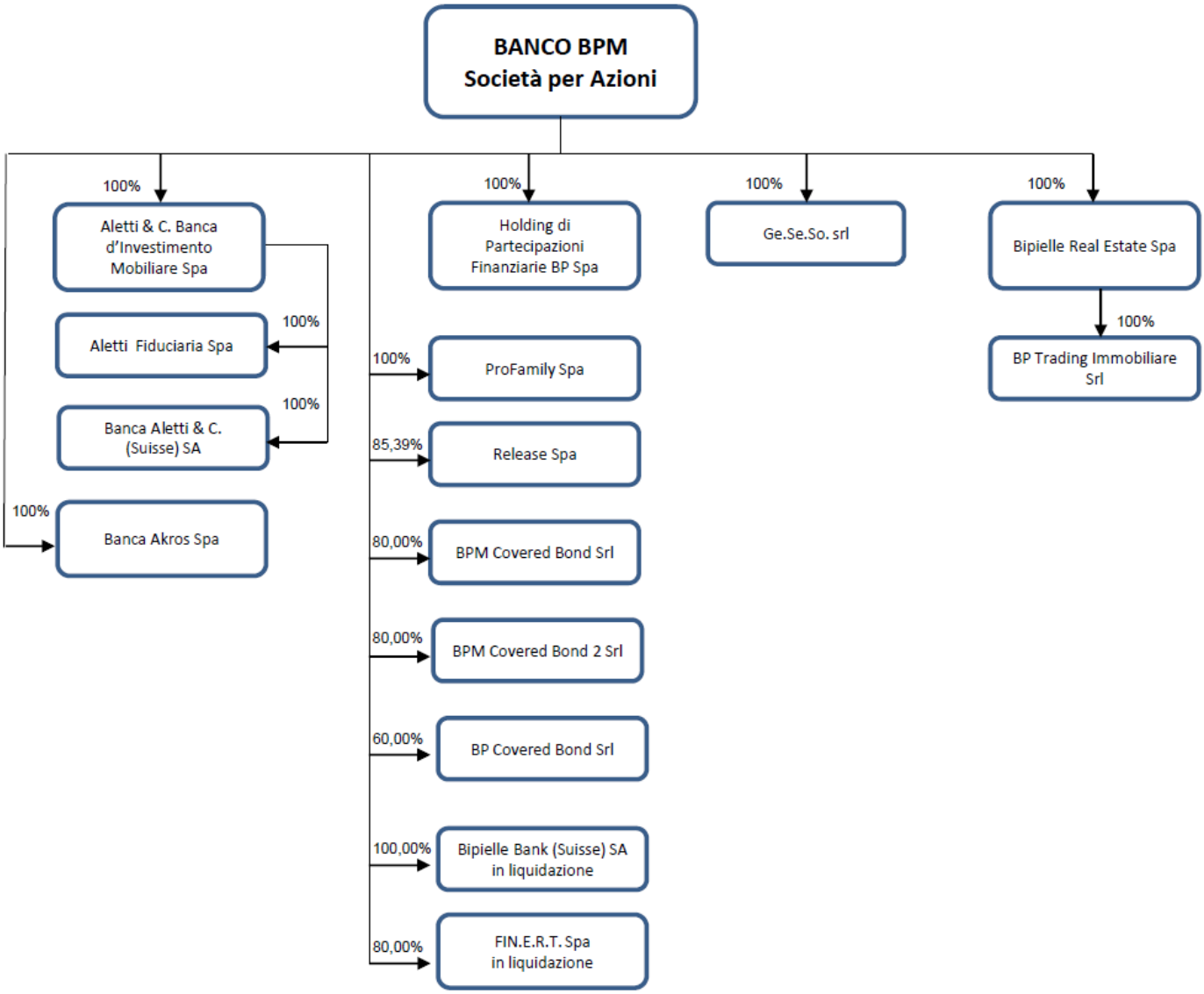
Banco BPM carries out the functions of a bank and holding company, which involve operating functions as well as coordination and unified management functions in respect of all the companies included within the Banco BPM Group.

On 16 May 2016, the management boards of BPM and Banco Popolare also approved a strategic plan for the Banco BPM Group for the period from 2016 to 2019 (the "**Strategic Plan**"). The Strategic Plan was aimed at leveraging the distinctive features of the Banco BPM Group, including its unique positioning in the banking sector, and unlocking profitability through an optimised business model in order to offer a better service to customers by providing a complete range of high value products. The key targets of the Strategic Plan were: attractive and sustainable profitability; a solid balance sheet and improved asset quality; significant value creation; and a remunerative dividend policy. The Strategic Plan included a target for disposal of NPLs of Euro 8 billion during the period. Subsequently, the Group has announced, and communicated to the ECB, a revised target of Euro 13 billion of NPL disposals by 2020.

As of the date of this Base Prospectus, a significant number of Strategic Plan projects have been completed, including the IT systems integration, the merger of BPM S.p.A. into the parent company, the reorganisation of the distribution network, the cost optimisation, the overall derisking with a significant portfolio disposal, the rationalisation of the product factories in the asset management / bancassurance business and the reorganisation of private / investment banking activities. Finally, the NPL platform sale and the consumer credit factories reorganisation are expected to be finalised during 2019, while there is a focus on projects aiming at the Digital Omnichannel Transformation and the Retail and Corporate growth.

Structure of the Group

The structure of the Group, as at the date of this Base Prospectus, is as follows:



Activities of the Group

The Group's core activities can be divided into the following operating segments: (i) Retail; (ii) Corporate; (iii) Institutional; (iv) Private; (v) Investment Banking; (vi) Strategic Partnerships; (vii) Leasing; and (viii) Corporate Centre.

The table below sets forth the main financial results for each business segment for the years ended 31 December 2018 and 2017.

	Group	Retail	Corporate	Institutional	Private	Leasing	Strategic Partnerships	Investment Banking	Corporate Centre
					(€/thousand)				
Operating Income									
2018	**4,772,910**	2,700,126	684,196	92,900	80,049	66,409	155,637	114,958	878,635
2017(*)	**4,483,759**	2,680,123	650,127	97,321	69,884	57,771	160,400	149,350	618,783
Operating expenses									
2018	**(2,792,781)**	(2,167,785)	(159,803)	(39,344)	(69,747)	(74,811)	(2,558)	(93,162)	185,571)
2017	**(2,924,124)**	2,178,766)	(132,010)	(36,861)	(66,130)	(70,758)	(2,506)	(89,593)	347,500)
Profit (loss) from operations									
2018	**1,980,129**	532,341	524,393	53,556	10,302	(8,402)	153,079	21,796	693,064
2017	**1,559,635**	501,357	518,117	60,460	3,754	(12,987)	157,894	59,757	271,283
Income (loss)									
2018	**(59,432)**	(745,218)	(6,325)	15,813	(9,052)	(71,827)	335,735	14,838	406,604
2017	**2,616,362**	(451,250)	16,136	43,892	508	(82,562)	163,219	35,216	2,891,203
Net loans									
2018	**104,014,613**	56,412,860	28,245,574	4,778,663	221,407	2,577,597	-	1,401,575	10,376,937
2017	**107,742,679**	57,946,312	26,676,180	5,423,612	219,600	3,244,333	-	1,556,011	12,676,631
Direct funding									
2018	**105,219,691**	67,696,786	9,045,237	7,474,794	2,438,999	5,369	-	826,764	17,731,742
2017	**107,509,849**	72,431,055	10,423,546	9,190,326	2,920,197	9,047	-	1,638,771	10,896,907

(*) The figures for the previous period have been restated to provide a like-for-like comparison.

A description of the individual segments is given below, focusing firstly on the performance of the income statement and then providing a more detailed analysis of the main activities conducted, both commercial and otherwise, divided in a manner that is in line with the internal organisation of the segment in question.

Retail

The "Retail" segment includes the management and marketing of banking and financing services/products and loan brokering, which are mainly aimed at private customers and small businesses.

These activities are mainly carried out by the Commercial Network.

Commercial Network

The Commercial Network represents the cornerstone of the development of the Group's commercial activities throughout Italy and is the backbone of its organisational structure. It is centred on the network division, which ensures a balanced coverage at a national level and is instrumental to the development of a product and service offering in line with customers' needs in the different markets where the banks of the Group operate.

On 1 January 2018, the new commercial network model became fully operational, an important project that involved the entire commercial network and the definition of new professional roles.

The model is inspired by the principles of:

- customer centrality and high levels of service, through a specialized offering and a greater focus on commercial structures;
- territorial proximity, through the configuration of 8 territorial departments dedicated to specific reference territories, to which 45 areas report, which in turn guarantee support and coordination in favour of the branches (divided into Hubs, Coordinated Independent, Spoke and Independent);
- speedy decision-making processes and proactively meeting customer needs.

The project also included the reorganisation of the Corporate Network into 5 Markets and 18 Corporate Centres to enhance the specialisation necessary for the management of Corporate customers. The

organisational structure is divided into two business units (Corporate and Large Corporate) and provides for the presence of product/specialist principals for Origination, Structured Finance, Foreign Operations and Trade Finance.

Distribution Network

As of 31 December 2018, the Banco BPM Group had 1,804 branches. The Group's network is distributed throughout Italy, with a leading position in the northern part of the country, where 77% of the distribution network is concentrated. The branches are mainly located in the following regions: Lombardy, Veneto, Liguria and Piedmont.

Retail branches

Branches	**Actual 2018**
Banco BPM	1,748
Banca Aletti	55
Banca Akros	1
Total	**1,804**

The distribution network of the Group is expected to evolve in line with the following three key principles: (i) rationalisation of the branch network; (ii) specialisation of the "value proposition" and increased penetration of digital distribution channels; and (iii) development of new "physical" service models that are more flexible and more appropriate to meet client needs.

The branch network is undergoing significant rationalisation in line with the revised customer acquisition strategies of the Banco BPM Group. The organisation model for the network will remain the same in terms of format (traditional, hub and spoke) but the average size of branches will increase in order to achieve greater efficiency, resource specialisation and the availability of professionals covering different areas.

The evolution of the Banco BPM Group's distribution model is being supported by investment in digital distribution channels, in line with a customer's features, needs and propensity and also through the new positioning of the Webank brand, continuing the migration of cash transactions to electronic cash and providing new distance-based consultancy services. Particular focus is placed on the availability of distance-selling of the products and services of the Banco BPM Group. Banco BPM is implementing an omni-channel service model with a focus on sustainability and efficiency.

Finally, the new distribution model envisages the creation and/or strengthening of mobile "physical" channels intended to bring the bank closer to its clients. Various new forms of mobile services are envisaged including, amongst others: (i) distance-selling, based on distance communication tools and techniques to facilitate the relationship between client and relationship managers in different locations and requiring a large number of client relationship managers to be authorised to operate outside the branches and to provide consulting services at the client's home; (ii) teams of private bankers to develop new and existing wealth advisory competencies; (iii) business product specialists throughout the network supporting the relationship managers; (iv) business developers dedicated to acquiring new business customers, particularly in geographical areas where the Banco BPM Group is less well-established; and (v) financial promoters that will converge in Banca Aletti.

Private Customers

"Private" customers comprises all private individuals, natural persons with private assets of less than Euro 1 million, which breaks down into "Personal" and "Universal" customers: the former, the "Personal" customers are those with assets (deposits) of between Euro 50,000 and Euro 1 million; the latter, the "Universal" customers, are those with personal assets of less than Euro 50,000.

Products, Services and Financing for Private Retail Customers

Current accounts

The Banco BPM Group promotes the offer of current accounts, streamlined and harmonised across the entire network. The offer meets the needs of different target customer segments.

The YouWelcome Private Account offers competitive economic terms and has allowed us to acquire a significant share of new customers by consolidating our customer base.

During 2018, the Basic Account offer was revised, in its various forms, in order to promote the financial inclusion of the most vulnerable groups in the population, helping to lay the foundations for their possible financial development.

Loyalty

Premia i tuoi valori and Salute e Caring

In 2018, and following the end of the YouShop Premium programme, more innovative programmes were introduced, namely *"Premia i tuoi valori"* and *"Salute e Caring".*

The first is *Premia i tuoi valori*, which is a programme that ran from 1 April to 30 November 2018, and encouraged customers to increase their assets and maintain them for a period of 6 months through a reward incentive which could consist of 4 different types of electronic vouchers.

The second was *Salute e Caring*, which was created to reward private customers who, between 28 May 2018 and 31 July 2018, signed up for Vera Assicurazione and Vera Protezione products, such as Salute Advance, Salute Light, Vera300, TCM and TCM Plus. The reward incentive consisted in electronic vouchers from international partners across different product categories.

ThankYou Premium

The ThankYou Premium programme, the main initiative that seeks to prevent customers from leaving, is addressed to customers with a good level of assets, but who have showed signs of disaffection towards the bank.

A welcome reward is envisaged for the same, and then, depending on their level of loyalty and on the increase of the amount of capital deposited with the Bank, further rewards.

Multichannels

The Banco BPM Group has a range of advanced digital products and continues to develop its digital offer aimed at improving the overall customer experience for both its YouWeb and YouApp services dedicated to Commercial Network customers, and its Webank brand services, which have kept their distinctive position in the acquisition and management of purely digital customers.

From an operational perspective, several services are available, such as foreign bank transfers, previously only available in the branch, the payment of F23 forms, a function that is increasingly requested for payments to the public administration, and cardless cash withdrawals, whereby customers can withdraw cash without the physical procedure of a cashpoint card. In addition, payment slips, debit card activation and management of user charges (Sepa Direct Debits - SDD) are available, and a significant focus has been placed on mortgages. A new simulator was added to the bancobpm.it website that allows customers and prospective customers to find out about current terms at any time, in a simple, intuitive and clear way, and thus choose the product that best meets their needs.

YouApp

YouApp is an application which enables the customer to manage accounts while on the move via smartphone or tablet.

Webank

The Webank brand has a distinctive positioning within the Group in terms of acquiring and managing customers who are more interested in digital channels. In addition to providing a full range of banking services, WeBank is one of the market leaders in evolved services and platforms for online trading and one of the main players in the brokerage of online mortgage loans. At 31 December 2018, the customer base served was over 190,000.

Contact Centre

Contact Centres provide private and business customers with active support mainly by telephone, IVR (Interactive Voice Response), e-mail and chat functions.

Payment cards

The Group has completed the convergence of its payment card offer for the entire network of Banco BPM branches. The streamlining activities were accompanied by the monitoring of developments linked to the evolution of payment circuits, for example, with the launch of cash machines with contactless technology.

In 2018 Banco BPM also played an active part in local initiatives, including the launch of the use of the contactless method for paying on the Milan metro and monitoring developments in cash machine digitalisation in its role as pilot bank.

Collection and payment services

The Group's offer of collection and payment services includes a new electronic invoicing platform, YouInvoice Plus, which is now incorporated within the remote banking service, YouBusiness Banking.

In addition to allowing companies to go digital and oversee their entire invoicing process in compliance with current regulations, this choice allows collections and payments connected to the invoicing process to be managed simply and effectively, and includes the option of requesting advance payment on credit in a completely digital manner.

Private mortgage loans

Banco BPM disburses mortgage loans to private customers of the Banco BPM Group.

The Banco BPM Group seeks to adapt products in its catalogue to economic conditions. The Group provides support to customers that have suffered from the recent economic crisis or that have been affected by natural disasters, by renegotiating loans or suspending instalments.

In 2018, the trend in granting mortgages to consumer households was in line with the previous year. Mortgage lending to the Banco BPM Group's private customers amounted to 2.9 billion euro.

In 2018, new products were added to the catalogue, namely a product called the "Finished fixed-rate mortgage" which offers a mortgage on a monthly basis with a non-indexed annual nominal rate. In addition the Banco BPM Group also launched a "Last Minute" fixed-rate mortgage and the variable-rate "Promotional Mortgage".

Consumer credit

Banco BPM disburses consumer credit to consumer households. In 2018, the Banco BPM Group disbursed around 75 thousand consumer loans, amounting to a total of over Euro 1 billion.

Almost all personal loans granted to private customers are disbursed through the product companies Agos Ducato and ProFamily.

Savings/investment products and services

The Bank's product policy concentrates mainly on asset management instruments. In particular, mutual funds and SICAVs from major Italian and international Asset Managers, Branch 1 insurance policies in particular, certified with different levels of protection.

Due to the trend of market interest rates, which continue to be at very low levels, customers were not offered Banco BPM Group bonds in 2018. Subscriptions of certificates of deposit have remained constant however.

Asset management and certificates

The volumes of fund on asset management products recorded during 2018 confirm customers' preference for flexible forms of investment and the desire to delegate investment decisions and the diversification of portfolio financial assets to experienced professionals.

In 2018, subscriptions to multi-asset and multi-manager SICAVs and Mutual Funds reached funding volumes of approximately Euro 10.4 billion euros.

Aletti / Akros Certificates offer the opportunity to invest in different indices, while at the same time enabling investors to benefit from a certain level of protection and to receive conditional coupon income. With regard to certificates, in 2018, customers subscribed to Aletti/Akros Certificates for a total placed of approximately 416 million euros.

Bancassurance Vita

In 2018, the Group finalised a distribution agreement for insurance products through the company Vera Vita, a joint venture built with the Cattolica Assicurazioni group, as well as via the Irish company Vera Financial dac. Additionally, the distribution agreement with the company Bipiemme Vita is still in place in some specific geographical areas.

Total premium income was approximately 1.7 billion euros in 2018. The products offered provide an answer to the customer's need for security, as well as the opportunity to increase the capital invested in the medium term.

Bancassurance Protezione

The Banco BPM Group operates in partnership with Bipiemme Assicurazioni for the distribution of insurance products across the former BPM network.

With regards to the former Banco Popolare, a partnership agreement with Cattolica was finalised in 2018, with the subsequent rebranding of the companies as Vera Assicurazioni and Vera Protezione, which continued to offer damage insurance solutions for people, property, homes and cars.

Corporate Customers

As at 31 December 2018, the Group had approximately 400,000 corporate customers with a current account.

The distribution of Corporate customers includes a significant proportion of small and medium enterprises, for which the Group further strengthened its activities in 2018.

Specifically, business was developed with dedicated products and services, which are outlined below.

Current accounts

Banco BPM promotes the offer of catalogue accounts. The "YouWelcome Business" and "You Business" package accounts are widely used and appreciated by Corporate Customers.

These products, dedicated to Small Economic Operators and "Small Business" specifically, have allowed a significant share of new business customers to be acquired.

The "Service Pack Start" and "You Welcome Corporate" package accounts were also reserved for larger Companies.

During 2018, the Group's offering aimed at condominiums was revised and streamlined by of the creation of a new account package reserved for the segment. The account is combined with the offer of dedicated financing.

Loans and lending

The financing products that make up the various catalogues, which are unique to the entire Banco BPM Group, are designed to meet the following needs: investments, working capital, liquidity, consolidation, advances and overdraft facilities.

In 2018, there was an expansion of the range of available loans for businesses, with the release of an unsecured "Short-Term Financial Needs" product and the mortgage-land "Companies Green Building Loan" product.

The needs of specific customer targets are met through specific products such as "*Orizzonte Donna*" addressed to female entrepreneurs and a range of "Tourism" loans, addressed to the tourist and hotel sector.

In the current social and political context – where increasing attention is paid to health issues and to a more conscious and efficient management of energy resources - the Bank has decided to expand its "Condominium Catalogue" product range, adding the new product "Condominium Credit Efficiency", intended to finance those "Condominium" customers who are renovating or redeveloping the building to improve its energy efficiency and who are being assisted in these renovation and redevelopment works by a public grant.

Commercial Initiatives

With regard to Retail Companies, the Banco BPM Group has made a series of measures available that aim to foster the development of their business and, indirectly, consolidate the economic recovery of the system.

Specifically, the main commercial initiatives in 2018 were aimed at supporting the operational management of its customers. These include:

- **Reference Bank objective** - the granting of new credit by the Banco BPM Group, incrementally compared to existing credit lines, has made it possible to reach a market share for the customers in question that is appropriate to the reference bank role;

- **Bridge to PoE growth** - this initiative aims to support and encourage business immediately and then find a gradual replacement as natural growth occurs via the commercial exchange triggered with the company that has been assisted and, consequently, made a loyal customer;

- **F24 and salary initiative** - an initiative aimed at supporting our customers' financial commitments during the periods of May/August and November/December when various tax and management deadlines become due, over and above their normal monthly obligations;

- **BT Lending Support** - these facilities concern both opening current account credit facilities and "credit ceilings" for the advance payment of trade receivables, types of credit lines that are widely used by companies;

- **Repeat Business 2018** - Initiative aimed at assisting the best counterparties with unsecured short-term instalment loans that have already expired or are close to maturity, through the re-proposition – in view of Repeat Business – of similar new credit lines;

- **BBPM POS initiative** - In order to help merchants or self-employed professionals collect funds, an initiative has been launched to assist our customers in choosing the most suitable POS solution for their business by offering this service at particularly competitive market conditions;

- **Insurance product initiatives** - During the first part of the year, a number of initiatives were prepared (Assicura Aziende, Protezione Aziende, Protection Week) to support customers in hedging the areas of business risk to which each specific customer was most exposed. The Insurance Distribution Directive (IDD), makes identifying the insurance needs of customers compulsory. In order to comply with the new legislation, the bank adopted the Demands & Needs (D&N) questionnaire as the instrument for surveying the insurance needs of its customers;

- **Import – Export Contract Mission** - entails the offer of a wide range of "Advanced Foreign" services currently available, such as consulting services for drafting international sales contracts for goods and products, documentary credits and guarantees to reduce counterparty/country/contractual risks, etc.;

- **You Card Business initiative** –a dedicated initiative was launched that included the YouCard Business proposal, a card with debit and prepaid functions, to achieve greater administrative efficiency, better control of expenses and prompt monitoring of the use of the same;

- **You Lounge - The Trade Club** – This initiative gave our best customers with international scope the opportunity to join an international "virtual community" - through the use of dedicated software - that allows customers who are interested to grow abroad;

- **smart digital invoice advances** – a process was developed with simplified authorisation procedures that allowed all customers involved in the initiative and subscribers of the service to proceed in a

simplified way with advances on invoices via the electronic channel. The benefits for our customers lie in greater user friendliness, a reduction in the Bank's response time for the disinvestment of short-term loans and, more generally, an improvement in the customer experience;

- **electronic invoicing – New YouInvoice** - launched in light of the regulatory requirement, from 1 January 2019, that will provide for electronic invoicing for all B2B relationships and which will impact approximately 5 million Italian VAT registered companies. The customers involved were offered the innovative "YouInvoice Plus" service with promotional pricing that was particularly advantageous and competitive compared to current market offers.

Support following on from catastrophic events

Following the collapse of a section of the Polcevera Viaduct on the A10 Motorway, the Banco BPM Group adopted the ordinances issued by the Civil Protection Service and the Mayor of Genoa, intervening with measures to suspend the payment of mortgage instalments for customers affected by the event.

The Banco BPM Group also intervened to support customers who were severely affected by the exceptional weather events that occurred in October 2018, in the regions of Calabria, Emilia Romagna, Friuli Venezia Giulia, Lazio, Liguria, Lombardy, Tuscany, Sardinia, Sicily, Veneto and the autonomous provinces of Trento and Bolzano.

Lastly, to continue to provide the utmost support to the Regions of Lazio, Marche, Umbria and Abruzzo, which were affected by the earthquake of 24 August and the subsequent earthquake of 30 October 2016, the Banco BPM Group has resolved, in accordance with legal provisions, to extend the duration of the suspension measures until the end of 2020, or the end of 2021 for business or private customers and their first home loans for residence that cannot be inhabited or have been destroyed.

Other business support and development activities for corporate loans

Activities connected with the "system moratoriums" continued throughout 2018, due to the effects produced by the "2015 Credit agreement" signed between the Italian Banking Association, Confindustria and other leading Trade Associations, which the Banco BPM Group joined in April 2015.

The Banco BPM Group has also decided to participate in the new Credit Agreement, which was promoted in November 2018 by the Italian Banking Association and the Trade Associations and that reflects the 2015 agreement, in order to continue to offer customers the possibility of requesting payment suspensions and the extension of maturities on both short and medium/long-term transactions.

Agriculture

The agricultural industry continues to hold an important position in the commercial strategies of the Banco BPM Group.

The Group operates a specific credit assessment procedure for agricultural enterprises; this is an innovative assessment system that takes the specific nature of businesses in this industry into account.

In 2018, the use and maintenance of the creditworthiness assessment procedure for agricultural businesses continued. This is an innovative assessment system that accounts for the specific characteristics of companies in the sector. This process, combined with the service model developed through the account managers within the Network and the "Seed" financing products catalogue, makes Banco BPM one of the most attentive banks in Italy when it comes to the safeguarding and development of the agriculture sector.

Insurance coverage

Banco BPM Group operates in partnership with Bipiemme Assicurazioni for the distribution of insurance products across the former BPM network.

With regard to the former Banco Popolare, a partnership agreement with Cattolica was finalised in 2018, with the subsequent rebranding of the companies as Vera Assicurazioni and Vera Protezione, which continued to offer damage insurance solutions for companies, both credit related and stand-alone, to protect their business from various risks (including but not limited to fire, theft, and legal protection).

Facilitated Financing and Guarantee Bodies

Banco BPM collaborates with "suppliers" of funds/financing with preferential terms. At the supranational level, in 2018 Banco BPM granted loans using funds obtained from the European Investment Bank (EIB) to SMEs and mid cap companies.

Within Italy, Banco BPM has granted loans using funds obtained from the Cassa Depositi e Prestiti for investment programmes of SMEs, mid cap companies and companies belonging to networks and/or production chains.

Banco BPM has also signed an agreement with the Italian Ministry of Agricultural, Food and Forestry Policies and the CDP to grant facilitated co-financing - using CDP funds - to companies in the agricultural sector that have signed "Chain Contracts" or "District Contracts" in order to implement integrated investment programmes.

Also within Italy, Banco BPM has granted facilitated financing, assisted by the "Nuova Sabatini" machinery grant, to SMEs investing in brand-new machinery, systems, capital goods and equipment for production use, as well as in hardware, software and digital technologies.

At a regional level, Banco BPM works with the financial companies of the regions, specifically Veneto Sviluppo (Veneto), Finlombarda (Lombardy) and Finpiemonte (Piedmont), to grant facilitated co-financing to local SMEs by using funds made available by the Regions themselves.

Guarantee instruments for companies

Banco BPM subscribes to specific agreements and conventions with the managers and providers of guarantees.

In 2018, Banco BPM signed an agreement with the European Investment Fund (EIF), as part of the Juncker Plan, to support companies with a strong orientation towards technological innovation and research and development via a special guarantee mechanism known as the InnovFin SME Guarantee, which is supported by the European Strategic Investment Fund.

Other public facilities for companies

As part of the measures aimed at SMEs, Banco BPM also directs tax relief initiatives to SMEs (interest rate subsidies or non-repayable grants) provided for by national and regional regulations.

Corporate

The "Corporate" segment includes the management and marketing of banking and financing services/products and loan brokering, which are mainly aimed at medium and large-sized companies.

These activities are mainly carried out by the Commercial Network (see above).

The Corporate arm of Banco BPM intends to be the partner of choice for Italian mid cap companies, by offering high value-added services for businesses, both in terms of the ordinary operating dynamics of corporate customers, and during periods/transactions of business discontinuity.

In February 2018 a new organisational model was launched to serve Corporate companies.

This organisational model focuses on providing a service to companies with a group turnover of over 75 million euro and to companies in need of superior value-added services.

A "customer oriented" approach has been adopted: it starts by identifying the specific needs of the company and then developing the most suitable "proposal configuration" in terms of service model and solutions offered.

The new Corporate network structure allows for the unitary control of the business at Group level, while guaranteeing a "direct handle" on the needs of the supervised business chain and its customers. These objectives are also pursued by establishing specific central organisational controls on specialist and value-added areas of offer:

- Structured Finance,

- Foreign Operations and Trade Finance,
- Sectorial Oversight and Origination,
- Commercial Planning;

The Group has identified five corporate markets regionally (Milan, North - West, North - East, Centre North, Centre South) and a "Large Corporate" structure with local offices (Milan, Turin, Verona, Bologna, Rome) dedicated to serving companies with a turnover of more than 1 billion euro.

The Group has also created 18 corporate centres, with managers and analysts that assist the companies in their ordinary and extraordinary transactions.

Corporate customers

In 2018, loans to corporate companies accounted for approximately 35% of total lending volumes (cash + endorsement credits) to customer supported by the Group's Commercial Network, against a base of approximately 13,000 counterparties.

The offer to support corporate enterprises – specific products and services

During 2018 there was a volume increase in loans granted to companies. While attention was always paid to creditworthiness, particular focus was centred upon the companies most active in the recovery of the national economy.

Loans and financing

The range of loans with a modular approach (*e.g.* unsecured loans to large enterprises in tranches, with delayed disbursement, with financial covenants, etc.) has been gradually extended to meet the needs of customers in the most personalised way possible.

Main commercial initiatives

The Corporate structure supports its customers with a constant focus on both commercial and credit risk aspects; particular efforts were taken to strengthen the market and business shares of the customers, with the subsequent improvement of their competitive position and of the role of reference bank for the assisted counterparties.

The Corporate structure places particular emphasis on enhancing the synergies between the Commercial Network and the Group's product services, such as:

- specialists per sector of economic activity (with specialisations and characteristic focus on the sectors most attractive to corporate clients);
- specialists per structured finance activity (in the Project Financing, Corporate Lending, Real Estate, Acquisition and Leveraged Finance segments);
- foreign specialists (to support exporter/importer customers).

In this regard, the Corporate structure works with Banca Akros to provide corporate and investment banking: capital markets (hedging) and corporate finance (equity capital markets, debt capital markets, M&A, securitisation and advisory).

Acquisition of trade receivables in the form of discounts without recourse

Banco BPM offers services in the sector of corporate lending assisted by the assignment of trade and tax receivables without recourse. In this regard, the objective is to facilitate the Group's top customers to assign their trade and tax receivables and to draw up personalised agreements with leading companies to optimise existing opportunities in the management of trade payables and offer financial services to its suppliers, with a view to strengthening and managing their commercial relations.

Corporate agreements and sponsorships

The Group, as an active contributor to supporting businesses in pursuing their growth objectives, has entered into an agreement with Italian Stock Exchange, Banca Akros and Élite Lounge.

Élite Lounge is an international service platform created to provide support to businesses in implementing their development projects by sharing experiences, providing access to finance and training. The commercial agreement between the Banco BPM, Banca Akros and Élite Lounge is a 2-year project in which the selected customer businesses are assisted with training in business/finance, with a view to achieving a listing on the market.

Financial risk hedging

The Banco BPM Group concluded approximately 4,000 hedge contracts against financial risk with Business customers in 2018: hedges against exchange rate risk amounted to approximately 2,000, corresponding to approximately Euro 3.5 billion and while approximately 2,000 involving interest rate risk management for a total amount of approximately Euro 3.8 billion.

Structured finance

In the Corporate area, which was given an additional boost in 2018 thanks to the new organisational model focusing on customer service, structured finance continued to play a fundamental role in developing relations with counterparties with more complicated financial needs.
The excellent performance of the activity carried out during the year should be noted:

- in the field of private equity funds, i.e. in financing transactions with institutional investors to acquire unlisted companies;
- in the field of project finance, i.e. in the financing of infrastructural works or energy production, predominately from renewable sources.

The area that saw the highest growth rate was "Corporate Lending", which is intended for corporate clients for whom structured finance provides a "tailor-made" service in the structuring of loans dedicated to non-current needs.

In this sense, structured finance's role as an important driver in the development of more dynamic and sophisticated customer relations was confirmed, with the service model adopted allowing for systematic support to be given, by a specialist team, to the commercial networks during their development, negotiation and intervention structuring activities.

Origination

In 2018, in order to effectively serve its high potential Corporate customers and to incorporate internal and external offer areas, with a subsequent improvement in cross selling, the Banco BPM Group expanded its Origination Corporate unit (established in 2017), introducing:

- additional senior bankers with many years of experience in equity, consultancy and structured finance, with an industry-oriented approach dedicated to the most dynamic sectors;
- business analysts, support staff for customer analysis and the development of business hypotheses.

Specifically, the unit has identified a number of counterparties within the various Industry/Sectors that it follows with whom to offer a dedicated level of service and coverage, with a strategic development approach taken to the relationship.

Additionally, in order to further optimise the Group's commercial and operational effectiveness, the Origination unit has played a key role in developing and implementing the strategic projects of the Group, such as: optimising credit processes and strengthening the Group's analysis instruments.

Foreign operations and trade finance

Dedicated network and foreign goods unit

The Banco BPM Group assists its customers via a dedicated commercial network, made up of more than 60 reference specialists across Italy.

In order to conduct its activities, the Group also relies on an Operations structure with the following foreign units - goods located in Italy and in particular: Milan, Legnano, Rome, Verona, Modena, Bergamo, Novara, Lucca and Lodi.

Overall, the Operations structure currently has about 130 members of staff and manages foreign documentary transactions, with the exclusion of electronic receipts and direct remittances (i.e. the open account area).

Specifically, the Operations structure handles operations in documentary credits, documented remittances and international interests.

Financial Institutions

During 2018, the Financial Institution Group (F.I.G.) pursued its customer support activity:

- in the Export sector, by developing additional lines of commercial credit, both continuous and temporary, to foreign banks;

- in the Import area, by making a large network of foreign correspondents available.

By managing the foreign Representative Offices in Mumbai, Shanghai and Hong Kong, it has helped customers who operate, or intend to operate, in the areas of competence of these offices and has also contributed to the Group's foreign commercial undertakings, as well as to the dissemination of its image via targeted missions to foreign banking correspondents and participation in international banking events.

Foreign Products and Services

Banco BPM has renewed its financial guarantees agreement with SACE (Institute for Foreign Trade Insurance Services, CDP Group), which provides for the possibility of providing loans with SACE guarantees. Amongst the products created, the IT.EX (working capital financing) loan, the JET loan (to support the internationalisation projects of companies) and the discount with SACE policy transfer (discount without recourse effects guaranteed by the Supplier Credit Policy issued by SACE).

Banco BPM has also signed a Master Risk Participation Agreement (MRPA) with SACE, whereby the bank and SACE share the non-repayment risk associated with payment instruments and/or obligations for the export of goods and services (confirmation of documentary credits) and the execution of work abroad (bonds).

During 2018, Banco BPM continued to develop new digital channels, with both informative and operational features, for companies that operate or intend to operate abroad. Specifically:

- YouWorld, an information platform that gives companies access a comprehensive set of information concerning foreign trade that is constantly updated and the references of potential foreign suppliers or buyers.

- YouTrade Finance, which allows for the operational aspects linked to goods to be managed electronically, simplifying and optimising the relationship between the customer and the bank. YouTrade Finance allows digital documents to be exchanged between the bank and the customer, through guided procedures that are constantly tracked, able to ensure maximum security and guarantee a reduction in times and allowing the customer to monitor the processing status of the document.

- YouLounge, a virtual B2B platform that allows Banco BPM's corporate clients to promote their products/services through a virtual shop window (the business card). All companies engaged in expanding their international foreign markets, both in terms of imports and exports, will be able to use the platform, which can be accessed via the Banco BPM e-banking portal.

The YouWorld and YouLounge platforms will be integrated during 2019.

Agreements with primary institutions

In order to expand its support for customers, Banco BPM has agreements in place with primary institutions (the Italian Trade Agency - ITA - formerly the Italian Institute for Foreign Trade - ICE, De International and the aforementioned SACE).

Specifically, the agreement with the Italian Trade Agency - ITA strives to provide internationalisation services, specific consultancy and information, furnished by the Italian Trade Agency (ITA). Thus, the bank's customers can also access services in countries where Banco BPM does not have a direct presence.

Institutional

The "Institutional" segment includes the management and marketing of banking and financing services/products and loan brokering, which are mainly aimed at bodies and institutions (UCIT units, SICAVs, insurance companies, pension funds and banking foundations).

These activities are mainly carried out by the Commercial Network.

Institutional counterparties are the main supervised entities such as insurance companies, shadow banks, asset management companies, SBFs, open and closed-end mutual funds, banking foundations, social security and welfare funds and pension funds. Furthermore, Institutional counterparties include the state, constitutional bodies, the central state bodies and some companies in which the central public administration has a stake.

Relations with the Institutional counterparties are monitored by the structure of the same name through a complete service model, which includes managers and specialised employees and a dedicated branch.

Commercial partnership with allies outside the Group

The Institutional function is also tasked with supervising and coordinating the structure dedicated to centrally managing commercial alliances with partners external to the Banco BPM Group.

These alliances are governed by special commercial partnership agreements, which provide for the offer of dedicated products exclusively to the customers of the external partner, via a double distribution channel:

- "off-site" offer, through external financial consultancy;
- "on-site" offer, via dedicated branches within the financial stores of the commercial partner.

Centralised commercial management consists in the presence of a dedicated structure, included within the Institutional function, which has 13 branches spread across Italy, to which five new openings will be added by the end of the first half of 2019.

Over 31,000 customers are served in this way, in collaboration with commercial partners.

Public Administration and Entities

Pursuant to EU Regulation 549/2013 on the European System of National and Regional Accounts, entity or public sector customers consist of:

- Public administrations, which in turn include central administrations (state and constitutional bodies, ministries and their departments, etc.), local governments (regions, provinces and municipalities) and public welfare and assistance bodies;
- Public companies, i.e. entities that produce goods and/or services intended for sale and that have a public legal nature or that are directly or indirectly controlled by the public administrations, by way of specific laws, decrees or regulations.

Third-Sector and Religious Entities

Third sector and religious entities include associations, foundations, socially useful non-profit organisations, cooperatives and social enterprises and other non-profit organisations, which make up the

third sector segment, and by dioceses, parishes, congregations and religious orders, which make up the religious entities segment.

Private

The "Private" segment includes the management and marketing of banking and financing services/products and loan brokering, which are mainly aimed at private customers with assets that, individually and/or within their business, amount to at least 1 million euro.

These activities are carried out by Banca Aletti.

At the end of 2018, Banca Aletti recorded a total amount of assets under management (both administered and managed) of 18.3 billion euro.

As at 31 December 2018, the Banca Aletti network consisted of 11 areas, 45 units, 10 branch offices, 269 private bankers and 4 financial advisers.

Investment Banking

The "Investment Banking" segment includes the structuring of financial products, access to regulated markets, and the support and development of specialised financial services.

These activities are carried out by Banca Akros.

Trading and market making activities on own account

The Group carries out market making and trading on own account in government bonds and securities, interest rates, exchange rates, shares and other financial derivatives, over-the-counter market making on Government securities and bonds and market making on stock options and future stocks.

It also executes transactions with professional customers and qualified counterparties in repurchase agreements and securities lending on bonds and shares.

In 2018, risk management strategies implemented during the last few months of the year were prudent, especially in government and corporate bonds, and benefited from long, volatile positions in the stock and foreign exchange markets.

Brokerage activities

Banca Akros engages in equity trading on behalf of third parties on stock exchanges and on MTFs and also bond trading.

The activity on foreign equity, which is also conducted within the framework of ESN – European Securities Network LLP (the partnership in equity research and trading established with other European investment banks that are independent of each other and active in their respective national equity markets), recorded an increase in volumes traded in 2018 of approximately 10% compared to 2017.

In brokerage on behalf of third parties on the regulated derivatives markets of the Borsa Italiana, Banca Akros ranks first in the FTSE MIB Index Options, with a market share of 12.9% in 2018.

In terms of volumes traded on the behalf of third parties on bonds, during the year Banca Akros ranked first on the EuroMOT, ExtraMOT and Hi-MTF markets, with market shares of 25.8%, 26.1% and 24.6% respectively, and second on the DomesticMOT and EuroTLX markets, with 15.9% and 20.8% respectively, in the ranking compiled by Assosim.

Activity on the German market for EEX energy derivatives continued positively, as did activity on the French Powernext market for gas derivatives, with a significant increase in volumes traded on behalf of customers active in trading and risk hedging operations in the relative sectors.

Separated by classification and function from brokerage activity, yet related from a customer's perspective, the equity research division, made up of a team of 13 analysts, has conducted intense analysis on both large

cap and SME listed securities. The equity research division's contribution to the numerous meetings with Italian companies and institutional investors, both domestic and foreign, was crucial.

Banca Akros is one of the few banks within Italy to bolster its focus on SMEs, in line with the strategy defined by the Banco BPM Group.

Investment Banking

Banca Akros engages in equity capital markets transactions, including capital increases of companies and banks. It also coordinates public bids and acts as Sponsor for transfers between market segments and in relation to demergers and listings.

In the debt capital markets, Banca Akros participates as joint bookrunner, joint lead manager and other roles in the placement of corporate, supranational and financial institution bond issues, both senior and subordinated, with institutional investors, including green bonds.

In the non-performing loan disposal segment, Banca Akros has acted as joint arranger in the securitisation of a portfolio of bad loans amounting to 5.1 billion euro carried out by Banco BPM, obtaining the GACS guarantee, and as advisor in the sale of a further 7 billion euro (the "**ACE Transaction**")

As arranger, the Banca Akros also carried out a multi-originator assignment of bad loans, mainly mortgages, by a pool of Italian banks, as well as the sale of substantial non-performing mortgages and/or UTPs. Banca Akros also managed, as joint arranger, two securitisations of consumer loans originated by Agos Ducato, for 1,200 million euro and 1,100 million euro respectively.

Banca Akros has implemented the planned reinforcement of the M&A department, through the inclusion of senior specialist resources from leading operators in the sector, with the aim of focusing on M&A activities for Italian SMEs, including in cross-border transactions.

Corporate & Institutional Banking

This division, divided into banks and investment products, corporate sales and institutional sales departments, ensures the development of an integrated offer to customers of Banca Akros products and services, in coordination with the Parent Company. Hedging activities for corporate, bank and financial institution customers is also assigned to the Corporate & Institutional Banking division.

It carries on all of the proprietary trading activities previously carried out separately by Banca Akros and Banca Aletti, including the structuring and issuing of certificates, placed with investors via distribution networks, both inside and outside of the Group.

Banca Akros is also a strategic partner of ELITE, the subsidiary of the Borsa Italiana which, via a training and tutoring programme, supports the most dynamic and innovative companies to achieve their growth projects. In 2018, ELITE reached the target of 1,000 companies, 600 of which were Italian.

Regarding the diversification of funding sources, the Bank has developed a partnership with a national operator in the private debt sector.

Banca Akros has also consolidated its role within the Special Purpose Acquisition Company (SPAC) market, an innovative instrument that is mainly targeted at SMEs which safeguards the family ownership of the target company, which is subject to the business combination, while also providing the necessary capital to ensure its development, also internationally.

In 2018, Banca Akros launched a number of specific initiatives related to environmental, social and governance (ESG) issues, such as membership in consortia for issuing green bonds and by way of collaboration with Anima SGR to develop the SICAV segments attributable to ESG criteria (renewable

energy, digital revolution, global science for life), as well as developing a volatility control algorithm based on the selected indexes.

Strategic Partnerships

The "Strategic Partnerships" segment includes the contribution of shares held in Agos Ducato, Vera Vita, Vera Assicurazioni, Bipiemme Vita, Factorit, Alba Leasing, SelmaBipiemme Leasing and Anima Holding.

Leasing

The "Leasing" segment includes data relating to activities connected to the Group's leasing business, the scope of which encompasses activities relating to the contracts of the former Banca Italease and Release.

Corporate Centre

The "Corporate Centre" segment, in addition to governance and support functions, includes the portfolio of owned securities, the treasury and the Group's asset and liability management, the stock of bond issues placed on institutional markets, equity investments not allocated between Strategic Partnerships, service companies and companies operating in the real estate sector.

Group Finance

The Parent Company is the centre of coordination and oversight for the management policies of the structural items of the Group's own assets and liabilities and those of the other Group companies, geared towards optimising the available capital, identifying appropriate operations and funding strategies for the Group, through actions on domestic and international markets, as well as controlling liquidity needs and their dynamics, and also managing the securities portfolios and other financial instruments owned by the Group.

The operations of Group Finance are divided into the following operating structures: Investments and ALM, Group Treasury, Funding and Capital Management and Monitoring, and Reporting and Coverage.

Funding and Capital Management

Funding and Capital Management is responsible for the funding of the Group and manages its EMTN and covered bond programmes. It also arranges medium/long-term bilateral financing transactions with various market counterparties.

ALM and Investments

The management of interest rate risk in the banking book is carried out centrally within a specific delegated department, and the primary objective of management decisions is to mitigate the rebalancing of the dynamics of economic value volatility with the volatility of interest margin as the rate curve changes of monetary and financial market in general, in accordance with the provisions of specific regulations (BCBS, EBA and the Bank of Italy).

The Group utilises an integrated Asset Liability Management (ALM) system with the aim of calculating the risk measurements that also include the use of behavioural models and measures, and management is primarily based around a "natural hedge" model, which tends to pursue a natural compensation of the risks generated by the gaps in liabilities and assets. The items in which the hedges are present are mainly demand items, bond issues, mortgages and the securities portfolio.

Group Treasury

The achievement of the company's objectives in terms of short-term liquidity coverage indicators (Liquidity Coverage Ratio), both for the Group as a whole and for its individual legal entities, has led to

the deployment of effective synergies with the other organisational units involved (specifically, Collateral Management and Liquidity Risk).

Funding on the money markets is intended to optimise available collateral and reduce the cost of financing by seeking the best conditions and greater diversification of sources of funding both in euro and in foreign currencies.

Fund management

The Corporate Centre segment also includes Banca Aletti's fund management activities.

Investments are made adopting an approach geared towards the tactical management of risk factors, compared to strategic positions.

Overall, almost all investment asset classes in the financial markets performed poorly in 2018.

As at 31 December 2018, Banca Aletti had 3.8 billion euro of managed assets.

Real estate segment

Real estate activity involves the management of the Group's capital assets and the development and potential disposal of the non-operating assets.

With a view to increasing the efficiency of the spaces occupied and reducing their management costs, as well as the closure of the branches as envisaged by the new Commercial Network model, renegotiation of rents continued in 2018 and work continued on identifying new suitable spaces for bank branches and/or offices with the aim of obtaining better market conditions and surface areas based on the number of employees involved. The new offices of the Corporate, Markets and Business Areas structure are also being prepared.

With regard to non-operating assets, the marketing of real estate resulting from the collection of receivables, assigned to the NPL Property Portfolio Development unit, have been identified.

The management of the remaining non-operating assets owned by Banco BPM and its subsidiaries continues to be assigned to Bipielle Real Estate. The activity also includes the management and remarketing of properties deriving from defaulting leasing contracts.

Risk Management

In line with regulatory requirements, the Banco BPM Group has adopted a unitary system of risk measurement and control which will be run centrally by Banco BPM.

Within the Banco BPM Group, the Risk Appetite Framework ("**RAF**") permits the Group to manage risk profiles in a comprehensive and integrated way. The RAF is deemed as a strategic tool to define in advance how much risk the Bank is willing to take pursuing its strategic objectives.

The framework of risk appetite is developed taking into account the business model adopted by Banco BPM and affects all its main internal processes, playing an important role in managing the Bank in a sound and prudent way.

The RAF sets out, in line with the business model and strategic plan, maximum permissible risks, the Bank's attitude to risk, risk thresholds and limits, risk management policies and the relevant processes required to define and implement them in accordance with the requirements of applicable prudential banking regulations.

The "Risk Management" division is responsible for these activities and has responsibility for overseeing the processes required to identify, quantify, monitor, manage and report the risks to which the Banco BPM Group is or may be exposed, under business as usual and stressed conditions, in line with the strategies and policies of the Banco BPM Group's corporate bodies.

In pursuance of the main objective of guaranteeing sound and prudent risk management, the Banco BPM Group's risk management strategy is based on organisational oversight, adequate risk qualification and management, asset coverage, a comprehensive system of values and business incentives and a suitably

effective and efficient organisational model, with the aim of minimizing the impacts on risk profile also through a risk mitigation and transferring strategy, protecting the Issuer's asset and financial base and preserving the reputation of the Banco BPM Group.

All specific IT procedures necessary to enable risk control and management will be active as a unitary system upon completion of the migration to the IT systems of the Banco BPM Group.

Inspection activities conducted by the ECB on Banco BPM S.p.A.

As regards targeted inspections, Banco BPM was subject to a number of inspections throughout 2017, 2018 and in 2019. In particular:

- in a letter dated 24 May, 2019, the Bank of Italy announced the beginning of an On-site inspection with the purpose of assessing the "Digital operations/online banking with reference to anti money laundering" (OSI-2019-Bankit). The On-site phase started on 27 May and it is still in progress;

- in a letter dated 14 April, 2019, Consob announced the beginning of an On-site inspection with the purpose of assessing the "Product governance process and the adequacy of the clients' operations" (OSI-Consob-2019). The On-site phase started on 14 April and it is still in progress;

- in a letter dated 13 February, 2019, the ECB announced the beginning of an On-site inspection with the purpose of assessing the "Market Risk Model validation (VAR, sVAR, IRC) for debt instruments category – specific risk; Forex risk" (IMI_2019_ITBPM_4145). The On-site phase started on 14 May and it is still in progress;

- in a letter dated 7 February, 2019, the ECB announced the beginning of an On-site inspection with the purpose of assessing the "Liquidity and Funding Risk of the Bank's activities" (OSI-2019-ITBPM-4372). The On-site phase started on 19 February and ended on 17 May; at the date thereof, Banco BPM is awaiting a final decision;

- in a letter dated 15 October 2018, the Bank of Italy announced the beginning of an On-site inspection regarding "Transparency of transactions and correctness of relationships with clients" (OSI-2018 Bankit). The On-site phase started on 15 October 2018 and ended on 18 January 2019. On 11 April 2019 the Bank of Italy presented the report during a Board of Directors meeting;

- in a letter dated 3 August 2018, the ECB announced the beginning of an on-site inspection (OSI-2018-ITBPM-3612) on operational risk. The on-site phase started on 17 September 2018 and ended on 25 January 2019. At the date hereof, Banco BPM is awaiting a final decision;

- in a letter dated 6 July 2018, the ECB, announced the beginning of an on-site inspection (TRIM-2018-ITBPM-3914) concerning the Europe-wide targeted analysis program of internal models (Targeted Review of Internal Models, "TRIM") relating to credit risk (PD; LGD and CCF) with reference to the "Corporate - Other" and "SME" portfolios. The on-site inspection phase started on 17 September 2018 and ended on 3 October 2018. At the date hereof, Banco BPM is awaiting a final decision;

- in a letter dated 13 April 2018, the ECB announced the beginning of an on-site inspection (OSI-2018-ITBPM-3610) which, as part of credit risk, relates to the review of credit quality, with reference to corporate portfolios, asset based and project finance ("Credit Quality Review - Corporate, Asset based or Project finance Portfolios"). The on-site phase started on 9 May 2018, the on-site phase ended on 28 September 2018 and, at the date hereof, Banco BPM is awaiting a final decision;

- in a letter dated 9 February 2018, the ECB communicated the start of an on-site inspection (OSI-2018-ITBPM-3383-NPL) on "management of collateral, NPLs and foreclosed assets". The inspection started on 7 March 2018, the on-site phase ended on 11 May 2018 and, at the date hereof, Banco BPM received a follow up letter and is implementing the remedial action plan; and

- in a letter dated 11 December 2017, the ECB set out another on-site inspection (TRIM_Credito-2017-ITBPM-3171), concerning the Europe-wide targeted analysis program of internal models relating to credit risk (PD and LGD) with reference to the "Corporate" and "SME" portfolios. The on-site inspection phase started on 19 February 2018 and ended on 20 April 2018 and, as at the date

hereof, the Bank has received the Final decision on 24 April 2019 and has sent the remedial action plan on 24 May 2019, which is currently in due course.

Legal Proceedings of the Group

As of 31 December 2018, the provisions allocated against all existing legal and tax disputes, including cases associated with enforcement actions, total Euro 157.5 million.

In light of the successful outcomes of certain cases in the courts of first instance and/or the existence of valid grounds on which to challenge the claims, and also taking into account the opinions issued by reputable external law firms, as of 31 December 2018, the total amount of claims classified by the Group (i) as having a possible but unlikely risk of success was equal to Euro 329.9 million; and (ii) as having a likely risk of success was equal to Euro 315.2 million, which were covered by provisions allocated under "*Provisions for risks and charges*" for a total amount of Euro 92.4 million.

The Group operates in a legal and regulatory context which exposes it to a wide variety of legal proceedings, relating, for example, to the conditions applied to its customers, to the nature and characteristics of the products and financial services it sells, to administrative irregularities, to clawback actions for bankruptcies, and to labour law disputes.

Ongoing Legal and Administrative Proceedings

The main legal and administrative proceedings in which the Group is involved as of the date hereof are as follows:

Raffaele Viscardi S.r.l.

The claim, which was notified on 30 April 2009 and which amounts to approximately Euro 46 million, relates to the granting of agricultural loans by a Group branch in Salerno to Raffaele Viscardi S.r.l., which alleges that it was led to subscribe bank bonds to guarantee the sums disbursed and claims reputational damages as a result of being registered in the Italian Central Credit Register. On 5 May 2015, the Court of Salerno issued a ruling in favour of the Banco BPM Group, in response to which the claimant filed an appeal.

Maflow S.p.A.

In a notice dated 14 April 2014, Maflow S.p.A., in extraordinary receivership, summoned the former Banco Popolare before the Court of Milan requesting, among other things: (i) a court order to pay compensation for damages of Euro 199 million, calculated by Maflow S.p.A. to be equal to the financial difficulties incurred by it; and (ii) a court order for the bank to return to it the amounts allegedly received by the bank unlawfully from loans granted to Maflow S.p.A. from establishment to default. The claims are based on the assumption that the bank played a dominant role in influencing the financial management of Maflow S.p.A. In a ruling dated 14 December 2016, the Court of Milan rejected the claims brought by Maflow S.p.A. and ordered the same to pay legal expenses. Maflow S.p.A. subsequently filed an appeal against such decision.

2014 Administrative Proceedings

On 17 July 2014, the former Banco Popolare received a formal written notice regarding an alleged infringement of anti-money laundering legislation (Italian Legislative Decree No. 231/2007), on a joint and several basis with other parties potentially responsible for such infringement. The allegation relates to the failure to report a transaction deemed suspicious, following inspections conducted by the Italian financial police force (*Guardia di Finanza*), involving the receipt in 2009 of 41 non transferrable banker's drafts for a total amount of Euro 10.1 million. The proceeding ended on 24 June 2019.

Porta Vittoria S.p.A.

Porta Vittoria S.p.A., which is a group company of the Coppola group, was declared insolvent by the Court of Milan on 29 September 2016. The receivable claimed by Banco Popolare from Porta Vittoria S.p.A. derives almost entirely from a mortgage loan (Euro 219.4 million) and, on a residual basis, from a current account overdraft (Euro 5.6 million). Banco Popolare submitted a petition to be admitted as a creditor in accordance with the law. By judgement dated 22 March 2017, the bankruptcy judge, in line with the proposal of the receiver, admitted the mortgage credit of Euro 219.5 million, but made it subordinated pursuant to Article 2497-*quinquies* of the Italian Civil Code with respect to all other creditors and instead

granted a mortgage privilege that will apply only towards other subordinated creditors. The bankruptcy judge also admitted the unsecured overdraft receivable of Euro 5.6 million. The bankruptcy judge based the decision on an alleged management and coordination activity exercised by the former Banco Popolare with respect to Porta Vittoria S.p.A. through the mortgage loan agreement, resulting in a significant influence on the company's operational decisions. The former Banco Popolare has challenged such decision, requesting the admission of its receivable from the mortgage loan without subordination, on the basis that the bank exercised no management and coordination activity with respect to Porta Vittoria S.p.A. The judgment is still pending. Meanwhile, Fondo Niche, an alternative real estate investment fund invested in by York Capital Management, has defined a bankruptcy composition approved by the court of Milan. Therefore, all bankruptcy assets have been assigned to the fund. Banco BPM has reached a binding agreement with Fondo Niche that has encompassed a settlement of all pending litigation and restructuring of Banco BPM debt that shall be repaid through the revenue sharing of assets sale proceeds.

Tikal S.r.l. (in liquidation)

On 5 April 2017, in the context of the insolvency proceedings of Tikal S.r.l. in liquidation, a former tenant of the property in which the activities of "Hotel Cicerone" in Rome were carried out, Release S.p.A. and Cicerone S.a r.l. (a company incorporated under the laws of Luxembourg belonging to the Coppola group) were summoned before the court following a claim for damages for tortious liability of Euro 19.9 million relating to the non recognition of a goodwill indemnity and the alleged loss in value of Tikal S.r.l. caused by the early termination of the relevant tenancy agreement, which in turn was caused by the expiry of the lease agreement between Release S.p.A. and Cicerone S.a r.l. The summons followed a request by Release S.p.A. for admission as a creditor by virtue of its occupancy compensation receivable which was accepted by the court and was assigned preferential status.

Cicerone S.a r.l.

On 21 November 2017, Cicerone S.a r.l. summoned Release S.p.A. and Banco BPM before the court, disputing the invalidity of the debt restructuring agreement entered into with Release S.p.A. on 19 October 2010 in connection with the lease agreement for "Hotel Cicerone" in Rome. Cicerone S.a r.l. has requested the court to declare the effectiveness of the original lease agreement between Release S.p.A. and Cicerone S.a r.l. dated 29 November 2004, as well as compensation for damages of approximately Euro 45 million. On 6 November 2018, the Court of Milan rejected the claims and ordered Cicerone S.à r.l. to pay legal costs and compensation for damages, and ordered the cancellation of the prejudicial transcripts. On 6 May 2019, Danilo Coppola appealed the judgment as beneficial owner of Cicerone S.à r.l. The agreements made by Banco BPM and York Capital Management, the assumptor in the composition with creditors proceeding, will conduct into waiver to appeal and cross-appeal the decision by Cicerone S.à r.l. and the Assumptor.

Trafileria del Lario S.p.A. (in liquidation)

On 12 October 2017, in the context of the insolvency proceedings of Trafileria del Lario S.p.A. in liquidation (formerly Trafilerie Brambilla S.p.A.), a petition was submitted, with an independent claim for compensation from the former (including *de facto*) statutory auditors and directors of the company, to Banco BPM as well as other banks. The allegations against the group of banks are that they contributed to the deterioration of the company, in collaboration with the same directors and statutory auditors, by allowing it to continue its business activities in a situation of insolvency and to unlawfully have access to credit through false billing. The claim for damages is for Euro 25 million.

Dimafin group

The Banco BPM Group has been involved in a number of civil proceedings instituted by the insolvency receiver and also by Mr. Raffaele Di Mario, a former member of the Board of Directors and the owner of the Dimafin group, as well as in criminal proceedings relating to the default of the Di Mario group.

On 22 November 2017, a settlement was reached resulting in the closure of 9 civil proceedings instituted by the insolvency receivers of the Di Mario group and by the former management of the insolvent companies, as well as a waiver to file civil action in the criminal proceedings, thus releasing the amounts previously seized from the Banco BPM Group following an order of the Rome Prosecutor's Office.

The scope of the settlement does not cover the claim brought by the owners of the Dimafin group, represented by Mr. Di Mario, against 23 parties, including numerous credit institutions, requesting that the same be found jointly liable for alleged fraudulent and negligent conduct and for contributing to the

financial difficulties and resulting insolvency of the Dimafin group. Mr. Di Mario claims that such conduct depleted the value of his shareholdings and is therefore seeking to obtain compensation of Euro 700 million.

In addition, in December 2017, the insolvency receiver of Mr. Di Mario ("**Fallimento Raffaele Di Mario**"), summoned Banco BPM and Release S.p.A., together with other banks, with a view to proving their liability for the deterioration of the state of insolvency of Mr. Di Mario. The claim was that the deterioration was caused by the disbursement of credit to Dimafin S.p.A. for which Di Mario granted guarantees. The allegations include a financial loss of Euro 8.9 million incurred by the group of creditors of the insolvent company resulting from the smaller amounts received by the same. The summons also seeks to obtain a declaration of invalidity of the guarantees issued by Mr. Di Mario in connection with the recovery plan drawn up for the Dimafin group.

On 8 May 2018 the Bank complied with its obligations arising from the transaction concluded with the insolvency administrators. As a result, the bankrupts of the Dimafin group arranged for the withdrawal of the civil action. Subsequently, at the hearing which took place on 8 June 2018, the Court of Rome denied the further civil action applications put forward pending the proceedings both with regard to the Bank and with regard to the former representatives of Banco BPM, so that there can be no summons issued against the Bank as the liable party in a civil lawsuit. All the necessary formalities aimed at releasing the amounts previously seized at the request of the Rome public prosecutor's office are in the process of being fulfilled.

Lucchini S.p.A.

On 23 March 2018 the extraordinary administration of Lucchini S.p.A. filed claims in the Court of Milan against various banks, including Banco BPM, seeking compensation equal to approximately Euro 351 million. The claims arise from the events which led to the bankruptcy of the company in December 2012. Specifically, the banks are called upon to answer for the alleged damages caused to Lucchini S.p.A. following the development and execution of the restructuring agreement pursuant to Article 182-*bis* of the bankruptcy law completed in December 2011 and approved by the Court of Milan in February 2012.

Ittierre S.p.A. v. BPM

Ittierre S.p.A. was placed under extraordinary receivership. The procedure started a judicial action asking for refunding Euro 30.9 million pursuant to Article 67 of the Italian Bankruptcy Law. The appointed third-party expert deemed revocable remittances for only Euro 35,000, a positive circumstance for the claim final decision. Pending negotiations, the hearing for the conclusions has been postponed. The negotiation includes a settlement agreement pursuant to which Banco BPM would pay Euro 1.5 million. Such agreement will allow to define the remaining disputes connected to the Ittierre S.p.A. group companies (ITC S.p.A., Plus IT S.p.A., Malo S.p.A., G. Ferrè S.p.A. for an overall claim equal to Euro 18.4 million, for which an overall provision equal to Euro 4.3 million has been made).

Impresa S.p.A.

In the context of the extraordinary receivership proceedings of Impresa S.p.A., a pool of banks, in which BPM's participation was of 8%, as well as the directors of the company were summoned, on a joint and several basis, before the Court of Rome in connection with a claim for damages of Euro 166.9 million. The hearing for the admission of pre-trial evidence was scheduled for the end of October 2018 and the judge reserved the right to hand down a decision.

Send S.r.l.

Send S.r.l. became insolvent in 2009. A loan was granted to Send S.r.l. by a pool of banks led by UniCredit, for a total amount of Euro 49.5 million, for the construction of a shopping centre in Vicenza and secured by a mortgage over the shopping centre. The share of the former Banco Popolare in the loan was 28.8%. The pool's receivables (including the share of the former Banco Popolare) have been regularly admitted to the insolvency proceedings by virtue of the mortgage privilege. The insolvency receiver filed a claim for damages against the pool of banks for an amount equal to the amount of the loan. In 2015, the court assigned to the receivership declared its lack of jurisdiction. The receivership proceedings resumed before the Court of Venice, business section, conclusions were reached although the decision is still pending.

Proceedings related to the diamonds reporting activities

With regard to the reporting activity of the former Banco Popolare Group to the IDB, of the customers interested in purchasing diamonds, on 30 October 2017, the proceeding before the Italian Antitrust Authority ("**AGCM**") was concluded, with a ruling that ascertained the existence of an alleged unfair business practice pursuant to Articles 20 and 21, paragraph 1, letters b), c), d) e f), 22 and of Article 23, paragraph 1, letter t) of Legislative Decree No. 206 of 6 September 2005 (the "**Consumer Code**"). This ruling envisaged the application of a monetary fine to Banco BPM of Euro 3.35 million (as well as fines to Intermarket Diamond Business S.p.A., its subsidiary IDB Intermediazioni S.r.l. and other reporting banks). The Bank paid the fine within the terms of the law and filed an appeal to the Regional Administrative Court (TAR) against the ruling of the Authority in December 2017; the appeal was rejected by TAR on 14 November 2018; Banco BPM decided to challenge the ruling before "*Consiglio di Stato*" (Supreme Administrative Court).

A criminal investigation is also pending with regard to the diamonds sales activity involving IDB and the various reporting banks, including Banco BPM. The criminal offences under investigation are alleged fraud and related self-laundering, obstacle to the supervisory authorities' functions and corruption among private parties. The inquiry involves also managers and former managers of Banco BPM Group (including the former General Manager), the Bank itself and its subsidiary Banca Aletti for administrative offence pursuant to Legislative Decree 231/2001. In the context of the inquiry, on 19 February 2019, the Milan Public Prosecutor's Office carried out at Banco BPM a precautionary seizure for a total amount of approximately Euro 84.6 million.

Banco BPM Board of Directors acknowledging the contents of the order of seizure (i) on February 27, 2019 ordered the precautionary suspension from duty of the former General Manager, the former Head of Retail Planning and marketing and the former Head of Compliance, and (ii) on May 7, 2019, acknowledged the resignation tendered by the former General Manager for alleged just cause and of the retirement resignation of the former Head of Compliance and decided to terminate the employment relationship with the former Head of Retail Planning and marketing.

The Banco BPM Group is managing the clients' complaints and litigation arising from such reporting activity through a dedicated task force within the Bank and booked related provisions in the Consolidated 2018 Financial Statements. For further information please see the paragraph headed "*Other events during the year – Complaints about disputes and investigations relating to the reporting to the company Intermarket Diamond Business S.p.A. of customers interested in the purchase of diamonds made in previous years*" in the Group Report on Operations in Banco BPM's consolidated financial statements as at and for the year ended 31 December 2018, incorporated by reference in this Base Prospectus. The complaints received by the clients are analysed by the Bank on a case-by-case basis and, also with the objective of being close to the customers involved, the Bank is carrying out several settlements setting forth an economic reimbursements to the clients in addition to the maintaining of the ownership of the diamond by the same.

Disputes with the Tax Authority

Banco BPM, the companies that merged to form the Group, the incorporated subsidiary companies and the subsidiary companies underwent various inspections by the Tax Authority in 2018 and in previous years. These activities concerned the taxable income declared for the purpose of income tax, VAT, registration tax, and more generally the manner in which the tax legislation in force at the time was applied. As a consequence of said inspections, the Banco BPM Group is involved in numerous legal proceedings.

The potential liabilities relating to tax disputes underway that involve Banco BPM and its subsidiaries amounted to Euro 318.5 million as at 31 December 2018 (Euro 332.7 million as at 31 December 2017), of which Euro 306.8 million relate to notices of assessment, tax demands and payment notices and Euro 11.7 million relate to formal reports on findings served or to be served (based on the daily reports on findings for the inspection currently underway).

Ongoing Tax Proceedings

Due to the developments illustrated in the paragraph above, the main unresolved tax disputes as at 31 December 2018 (with claims equal to or exceeding Euro 1 million) are as follows:

Disputes relating to Banco BPM

- Banco BPM (former Banca Popolare Italiana) – notice of settlement regarding registration tax relating to the reclassification of the disposal of a portfolio of securities made in 2002 between Cassa

di Risparmio di Pisa and Banca Popolare Italiana as a business segment disposal. The claims amount to Euro 14.5 million. In a ruling dated 18 October 2011, the Regional Tax Commission of Florence fully upheld the appeal submitted by Banco Popolare. During the hearing before the Court of Cassation held on 6 November, an application for suspension of the sentence was filed in order to take advantage of the facilitated definition of the dispute in question provided for by Legislative Decree no. 23 October 2018, n. 119.

- Banco BPM (former Banca Popolare Italiana) – notices of assessment relating to tax year 2005 regarding the claimed non deductibility for IRES and IRAP purposes of costs and value adjustments to receivables relating to facts or actions classified as offences (it regards the offence of false corporate reporting, obstacles to supervision and market instability alleged to have been committed by Banca Popolare Italiana in relation to the attempted takeover of Banca Antonveneta). The claims amount to Euro 199.8 million (including interest and collection commission). In separate rulings filed on 15 October 2014, no. 8562 (IRES) and no. 8561 (IRAP), the Provincial Tax Commission of Milan, Section 22, fully rejected the appeals submitted by Banco BPM, although providing no reasons underlying its confirmation of the tax claim. We have appealed against the above ruling to the Regional Tax Commission of Lombardy. On 6 May 2015, the appeals lodged on 3 February 2015 were heard before the Milan Regional Tax Commission, section 2. By ruling No. 670 handed down on 19 May 2015, the Commission rejected the combined appeals submitted and confirmed the challenged rulings. An appeal has been submitted to the Supreme Court.

- Banco BPM (former Banca Popolare Italiana) – notices of assessment served on 22 December 2014 relating to the formal report on findings dated 30 June 2011 for tax years 2006-2009. These notices also regard the claimed non-deductibility for IRES and IRAP purposes of costs retained as relating to facts or actions classified as offences. More specifically, they regard value adjustments on loans already disputed with reference to the tax year 2005. Said value adjustments, although recognised by Banca Popolare Italiana in its financial statements for 2005, were deductible on a straight line basis over the following 18 financial years pursuant to the version in effect at the time of Article 106, paragraph three, of Italian Presidential Decree No. 917 of 22 December 1986. The notices of assessment served therefore disputes the claimed non-deductibility of the amounts of the above cited adjustments on loans deducted in 2006, 2007, 2008 and 2009. The claims amount in total to Euro 15.8 million. An appeal was presented to the Provincial Tax Commission. The Provincial Tax Commission suspended the proceeding until such time as the Supreme Court issues a ruling regarding the dispute relating to 2005.

- Banco BPM – notices of assessment and formal written notices of the fines relating to the finding regarding the failure to apply withholding tax set forth in Article 26, paragraph 5 of Italian Presidential Decree no. 600/1973, to interest due on deposits made by foreign subsidiaries resident in the US State of Delaware relating to 2015. The claims amount to Euro 10.1 million. These disputes are included in the out of court settlement made with the Tax Authority, which in 2016 and in 2017 resulted in the closure of similar disputes relating to other years and other incorporated companies.

- Banco BPM – notices of assessment served on 23 December 2014 regarding 2009 for the former subsidiaries Banca Popolare di Lodi, Credito Bergamasco and Efibanca. The total claim amounts to Euro 58.4 million. The Provincial Tax Commission has upheld all of the appeals submitted, cancelling the notices of assessment. The Tax Authority has appealed. A hearing was held before the Regional Tax Commission on 5 October 2017. The Commission confirmed the ruling of the court of first instance. The dispute will be closed based on the rules established by the Legislative Decree no. 119 of 23 October 2018;

Disputes relating to other subsidiary companies

- Banca Aletti – in relation to the credit of Banca Aletti owed to it by the Financial Administration of Switzerland for tax credits on dividends generated abroad on a conventional basis, which have been disclosed in the financial statements of Banco BPM as at and for the year ended 31 December 2017, on 9 March 2018 the Financial Administration of Switzerland denied any reimbursement (for credits for tax years 2008 and 2009). Banca Aletti filed an appeal to the competent courts.

In addition to the above disputes, with respect to two refund rejection notices issued by the Tax Authority – Provincial Headquarters of Novara regarding IRPEG and ILOR credit for which Banca Popolare di Novara s.c.a r.l. had requested a refund in relation to the tax year 1995 for the sum of Euro 86.5 million,

the Regional Tax Commission of Turin upheld the combined appeals, also ordering the Tax Authority to pay legal expenses. The Tax Authority subsequently appealed to the Supreme Court.

Classification and valuation of potential liabilities in accordance with the provisions of accounting standard IAS 37

Potential liabilities associated with the proceedings regarding the claimed non deductibility of costs relating to the attempted takeover of Banca Antonveneta by the former Banca Popolare Italiana

The potential liability in respect of 2005 amounts to Euro 199.8 million, in addition to the potential liability relating to the associated notices of assessment for the years 2006, 2007, 2008 and 2009, estimated at Euro 15.8 million, excluding interest and collection commissions.

With regard to the dispute, as at 31 December 2017, tax credits amounting to Euro 201.9 million were due from the Tax Authority, following payments made on a provisional basis. The amount paid is recognised in the Issuer's financial statements under "Other assets". Such payments are not retained in a way that could impact the risk of losing the dispute, which has been valued on the basis of the provisions of IAS 37: these amounts are paid as part of an automatic mechanism, which is unrelated to the groundlessness or otherwise of the related tax claims, and which will be known only after the ruling of the highest court.

In light of the evaluations carried out, no provision has been recognised for the potential liabilities in question in the financial statements as at 31 December 2018.

Potential liabilities associated with other outstanding proceedings

The remaining potential liabilities associated with tax disputes amount to a total of Euro 117.8 million.

With regard to all of the above disputes, as at 30 September 2018, tax credits amounting to Euro 8.4 million were due from the Tax Authority, following payments made on a provisional basis. This amount is also recognised in the Issuer's financial statements under "Other assets".

In light of the successful outcomes in the courts of first instance and/or the existence of valid grounds on which to challenge the claims made by the Tax Authority with regard to proceedings underway and also considering the specific opinions issued by authoritative external firms, the potential liabilities classified as possible but unlikely amount to a total of Euro 87.7 million.

The potential liabilities classified as probable amount in total to Euro 30.1 million and were fully debited from the income statement when the tax demands received were paid or are entirely covered by provisions allocated to the item "other provisions for risks and charges – other".

Inspections underway as at 31 December 2018

As at 15 June 2018, a new inspection for direct taxation purposes is underway against Banco BPM (former Banco Popolare) for tax year 2013, which is a continuation of an inspection concluded on 7 August 2017 by the Verona Tax Police Branch of the Finance Police. The inspection was initiated on 29 November 2017 and was extended on 27 December 2017 to tax years 2014, 2015 and 2016. The new inspection will focus on examining the tax treatment of the subordinate fiduciary guarantees issued by the former Banca Popolare di Lodi Società Cooperativa a r.l. and by the former Banca Italease S.p.A. On the date of preparation of this Report, no findings have been recorded in the daily inspection reports.

On 12 June 2018 an inspection was started by the Revenue Agency – Lombardy Regional Directorate – Control Sector – Large taxpayers Office towards Banco BPM company targeted assets, relating to the tax years 2010, 2011, 2012 and 2013 and concerning the calculation and use of tax credits from the transformation of deferred tax assets. The inspection was completed without remarks.

Corporate Governance System

The corporate governance of the Issuer is based on a traditional corporate governance system with a Board of Directors and a Board of Statutory Auditors.

The Board of Directors is responsible for the strategic supervision and management of the Issuer and carries out all of the ordinary or extraordinary transactions that prove necessary, useful or in any way appropriate for achieving the Issuer's corporate purpose, with the assistance of the Executive Committee, the Intra-Board Committees, and the Co-General Managers.

The Executive Committee, which is vested with a series of delegated powers in respect of day-to-day operations, consists of six directors appointed by the Board of Directors, including the Chairman, the Chief Executive Officer, the Deputy Vice-Chairman and the two Vice-Chairmen.

The Board of Statutory Auditors is appointed by the shareholders' meeting based on a list of nominees. The nomination mechanism requires that the Chairman of the Board of Statutory Auditors be drawn from the minority list (in accordance with Article 35 of the By-laws).

Board of Directors

Pursuant to Article 24.1 of the By-laws, the Board of Directors is responsible for the strategic supervision and management of the Issuer.

The Board of Directors is composed of at least 15 directors, of whom at least 7 must meet the independence requirements set out under Article 20.1.6 of the By-laws. Pursuant to Article 44 of the By-laws, until the date of the shareholders' meeting of the Issuer convened to approve the annual financial statements for the third financial year following the date on which it was formed, the Board of Directors of the Issuer is composed of 19 directors, of whom at least 9 directors meet the independence requirements set out under Article 20.1.6 of the By-laws. With regard to the current composition of the Board of Directors, it should be noted that Ms. Marisa Golo resigned, with effect from 14 May 2019, as a member of the Board of Directors of Banco BPM, therefore 10 of the 18 directors currently meet independence requirements.

The composition of the Board of Directors ensures, in compliance with the provisions of Law no. 120 of 12 July 2011 and subsequent amendments, as well as the legislation, including regulations, in force at the time, the balance between genders for the period provided for by the same law.

The members of the Board of Directors must be suitable for the performance of their duties, in accordance with the provisions of the legislation in force at the time and the By-laws and, in particular, they must possess the requirements of professionalism, integrity and independence and respect the criteria of competence, correctness and dedication of time and the specific limits on the accumulation of positions prescribed by the legislation in force at the time and by the By-laws.

Without prejudice to the provisions of Article 20.1, persons who are ineligible or have been removed from office pursuant to Article 2382 of the Italian Civil Code, or who do not meet the requirements of integrity and professionalism prescribed by the laws and regulations in force at the time, may not be appointed to the office of member of the Board of Directors.

Without prejudice to any other causes of incompatibility provided for by the legislation in force at the time, persons who are or become members of administrative bodies or employees of companies that perform or belong to groups that perform activities in competition with those of the Company or its Group may not be appointed to the office, and if appointed, they shall forfeit their assignment, unless they are central institutions of the category or companies in which the Company has direct or indirect holdings. The above prohibition does not apply when participation in administrative bodies in other banks is taken on behalf of organizations or trade associations of the banking system.

The Board of Directors is appointed in accordance with the list voting system, in accordance with the provisions of Article 20.4 and following of the By-laws.

The Board of Directors appoints amongst its members (i) a Chief Executive Officer, entrusted with certain attributions and powers of the Board of Directors in accordance with Article 2381, paragraph 2, of the Italian Civil Code, and (ii) an Executive Committee, establishing its powers, in accordance with the relevant statutory provisions.

Within the Board of Directors, in addition to the Executive Committee the following committees are also established: the Nominee Committee, the Remuneration Committee, the Internal Supervisory and Risks Committee and the Related Parties Committee, each comprising 4 members entrusted with the necessary functions and roles, in accordance with Supervisory Provisions and the Code of Corporate Governance of Borsa Italiana S.p.A., and the Donations Committee.

The Board of Directors of Banco BPM is currently composed of the following members:

Name		Principal Activities outside the Issuer
Carlo Fratta Pasini (Chairman)	-	-
Mauro Paoloni (*) (Deputy Vice-Chairman)	Unione Fiduciaria S.p.A. Bipiemme Vita S.p.A. Grottini S.r.l. Bipiemme Assicurazioni S.p.A.	Director Chairman Chairman of the Board of Statutory Auditors Chairman
Guido Castellotti (*) (Vice Chairman)	-	-
Maurizio Comoli (*) (Vice Chairman)	Vera Assicurazioni S.p.A. Vera Protezione S.p.A. Mil Mil 76 S.p.A. Herno S.p.A. Mirato S.p.A.	Chairman Chairman Chairman of the Board of Statutory Auditors Standing Auditor Chairman of the Board of Statutory Auditors
Giuseppe Castagna (*) (Managing Director)	Banca Aletti & C. S.p.A.	Director
Mario Anolli (Director)	Vera Vita S.p.A.	Chairman
Michele Cerqua (Director)	C-MIR Europa Ltd MIRO Capital Limited	Executive Director Director
Rita Laura D'Ecclesia (Director)	-	-
Carlo Frascarolo (Director)	Profamily S.p.A. Entsorgafin S.p.A. Giorgio Visconti S.p.A.	Chairman Chairman of the Board of Statutory Auditors Standing Auditor
Paola Galbiati (Director)	Invefin S.r.l.	Director
Cristina Galeotti (Director)	Cartografica Galeotti S.p.A. Clean Paper Converting S.r.l. Galefin S.r.l. Immobiliare G S.r.l. Clean Paper Inc.	Director with management powers Director with management powers Director with management powers Director Chief Executive Officer
Piero Lonardi (Director)	Bipiemme Assicurazioni S.p.A. A. De Pedrini S.p.A. Otto S.r.l.	Director Standing Auditor Director
Giulio Pedrollo (*) (Director)	Gread Elettronica S.r.l. Pedrollo S.p.A. Linz Electric S.p.A. Pedrollo Group S.r.l.	Director Managing Director Sole Director Managing Director
Fabio Ravanelli (Director)	Mil Mil 76 S.p.A. Moltiplica S.p.A. Mirato S.p.A. Mirato USA	Managing Director Managing Director Managing Director Managing Director
Pier Francesco Saviotti (*) (Director)	Tod's S.p.A. Banca Akros S.p.A.	Director Director
Manuela Soffientini (Director)	Electrolux Appliance S.p.A.	Chairman and Managing Director

Name		Principal Activities outside the Issuer
Costanza Torricelli (Director)	-	-
Cristina Zucchetti (Director)	Zucchetti S.p.A.	Director
	Apri S.p.A.	Director
	Zucchetti Consult S.r.l.	Director
	Zucchetti Group S.p.A.	Chairman
	Zeta e Partners Soc. tra Professionisti S.r.l.	Sole Director
	Selesta Ingegneria S.p.A.	Director

(*) Member of the Executive Committee

The business address of each member of the Board of Directors is at the registered office of Banco BPM, specifically Piazza Filippo Meda, No. 4, 20121, Milan, Italy.

Board of Statutory Auditors

The Board of Statutory Auditors carries out the tasks and exercises the functions set out in the relevant laws and regulations and by the company By-laws.

The Board of Statutory Auditors is composed of 5 standing and 3 alternate auditors who remain in office for three financial years. The term of office of the present members of the Board of Statutory Auditors is scheduled to expire on the date of the Shareholders' Meeting convened to approve the financial statements relating to the last financial year of their office and they may be re-appointed. Statutory Auditors must meet the eligibility, independence, professional and integrity requirements established by the laws and regulations in force at any given time.

The composition of the Board of Statutory Auditors ensures a balance between genders in accordance with the provisions of Law No. 120 of 12 July 2011 and subsequent amendments, as well as the legislation, including regulations, in force at the time for the period provided for by the same law.

The Board of Statutory Auditors is appointed by the Shareholders' Meeting based on list voting. The nomination mechanism requires that the Chairman of the Board of Statutory Auditors be drawn from the minority list.

The limits on the number of management and control positions held by members of the Board of Statutory Auditors, as established by Consob regulations and any other applicable provisions, shall apply to the members of the Board of Statutory Auditors.

Moreover: (i) Statutory Auditors may not hold offices in bodies other than those with control functions in other Group companies or in companies in which the Company holds, even indirectly, a strategic shareholding (even if not belonging to the Group); and (ii) candidates who hold the office of Director, manager or officer in companies or entities directly or indirectly engaged in banking activities in competition with those of the Company or the relative Group may not be elected, and if elected, their shall forfeit their assignment, unless they are professional bodies.

The Board of Statutory Auditors is currently composed of the following members:

Name		Principal Activities outside the Issuer
Marcello Priori (Chairman of the Board of Statutory Auditors)	Banca Akros S.p.A.	Chairman of the Board of Statutory Auditors
	BPM Vita S.p.A.	Chairman of the Board of Statutory Auditors
	Carrefour Italia S.p.A.	Standing Auditor
	Carrefour Property Italia S.r.l.	Standing Auditor
	Banca Aletti S.p.A.	Standing Auditor
	Bipiemme Assicurazioni S.p.A.	Standing Auditor
	Carrefour Italia Finance S.r.l.	Chairman of the Board of Statutory Auditors
	F2A S.p.A.	Chairman
	Galleria Commerciale Nichelino S.r.l.	Standing Auditor

Name		Principal Activities outside the Issuer
	Vivigas S.p.A.	Director
	Corob S.p.A.	Chairman
Maria Luisa Mosconi (Standing Auditor)	Stogit S.p.A.	Chairman of the Board of Statutory Auditors
	Rail Diagnostic S.p.A.S.p.A.	Chairman of the Board of Statutory Auditors
	The Walt Disney Company S.r.l.	Standing Auditor
	Banca Akros S.p.A.	Standing Auditor
Gabriele Camillo Erba (Standing Auditor)	Casa di Cura Privata S. Giacomo S.r.l.	Chairman of the Board of Statutory Auditors
	Cantina Valtidone soc. coop. a r.l.	Chairman of the Board of Statutory Auditors
	Molino Pagani S.p.A.	Chairman of the Board of Statutory Auditors
	Release S.p.A.	Standing Auditor
	Alba Leasing S.p.A.	Standing Auditor
Claudia Rossi (Standing Auditor)	Invitalia Global Investment S.p.A.	Chairman of the Board of Statutory Auditors
Alfonso Sonato (Standing Auditor)	Zenato Holding S.r.l.	Director
	2Vfin S.p.A.	Standing Auditor
	Banca Aletti & C. S.p.A.	Chairman of the Board of Statutory Auditors
	Ospedale P. Pederzoli Casa di Cura Privata S.p.A.	Chairman of the Board of Statutory Auditors
	Promofin S.r.l.	Standing Auditor
	Salus S.p.A. già Casa di Cura Perderzoli S.p.A.	Chairman of the Board of Statutory Auditors
	Società Italiana Finanziaria Immobiliare S.I.F.I. S.p.A.	Chairman of the Board of Statutory Auditors
	Società Athesis S.p.A.	Standing Auditor
	Società Editrice Arena – SEA S.p.A.	Chairman of the Board of Statutory Auditors
	Verfin S.p.A.	Chairman of the Board of Statutory Auditors
	Zenato Azienda Vitivinicola S.r.l.	Director
Chiara Benciolini (Alternate Auditor)	Arena Broker S.r.l.	Standing Auditor
	Cad It S.p.A.	Chairman of the Board of Statutory Auditors
	Cantina di Custoza – Società Agricola Cooperativa	Standing Auditor
	Cesarin S.p.A.	Standing Auditor
	FCP Cerea S.C.	Standing Auditor
	Fer – Gamma S.p.A.	Standing Auditor
	Immobiliare Arena S.r.l.	Standing Auditor
	AGSM Energia S.p.A.	Chairman of the Board of Statutory Auditors
	La Torre – Società Cooperativa Agricola Zootecnica	Standing Auditor
	Metal Group S.p.A.	Standing Auditor
	Salumificio Pedrazzoli S.p.A.	Chairman of the Board of Statutory Auditors
	Società Cooperativa Virginia Italia a r.l.	Sole Auditor
	Tecmarket Servizi S.p.A.	Standing Auditor
	Boschetti Alimentare S.p.A.	Standing Auditor
	Soalaghi-Organismo di Attestazione S.p.A.	Standing Auditor
	Edulife S.p.A.	Standing Auditor
	Itinerys S.p.A.	Standing Auditor
	Digitronica.it S.r.l.	Standing Auditor
Marco Bronzato (Alternate Auditor)	Aletti Fiduciaria S.p.A.	Chairman of the Board of Statutory Auditors
	BP Mortgages S.r.l.	Chairman of the Board of Statutory Auditors
	Calzedonia Holding S.p.A.	Chairman of the Board of Statutory Auditors
	Calzedonia S.p.A.	Chairman of the Board of Statutory Auditors
	Calzificio Trever S.p.A.	Standing Auditor
	La Ronda S.p.A.	Standing Auditor
	BPL Mortgages S.r.l.	Standing Auditor
	Filmar S.p.A.	Chairman of the Board of Statutory Auditors

Name		Principal Activities outside the Issuer
	3A dei Fratelli Antonini S.p.A.	Standing Auditor
	Holding di Partecipazioni Finanziarie BP S.p.A.	Chairman of the Board of Statutory Auditors
	Intimo 3 S.p.A.	Chairman of the Board of Statutory Auditors
	Panasonic Electric Works Italia S.r.l.	Chairman of the Board of Statutory Auditors
	Uteco Converting S.p.A.	Standing Auditor
	Ti BEL S.p.A.	Standing Auditor
	2M S.r.l.	Sole Auditor
Paola Simonelli (Alternate Auditor)	BiQem Specialities S.p.A. già Chemiplastica Specialties S.p.A.	Standing Auditor
	Bruker Italia S.r.l.	Chairman of the Board of Statutory Auditors
	Sarlux S.r.l.	Standing Auditor
	Aliserio S.r.l.	Standing Auditor
	Cremonini S.p.A.	Standing Auditor
	Chef Express S.p.A.	Standing Auditor
	Marr S.p.A. – Listed Company	Standing Auditor
	BiQem S.p.A. già Chemiplastica S.p.A.	Standing Auditor
	Fratelli Gotta S.r.l.	Standing Auditor
	Pusterla 1880 S.p.A.	Standing Auditor
	Ge.Se.So. Gestione Servizi Sociali S.r.l.	Standing Auditor
	Perani & Partners S.p.A.	Standing Auditor
	Posa S.p.A.	Standing Auditor
	Saras S.p.A. – Listed Company	Standing Auditor
	UBS Fiduciaria S.p.A.	Standing Auditor
	Biotecnica Instruments S.p.A.	Standing Auditor

The business address of each member of the Board of Statutory Auditors is at the registered office of Banco BPM, specifically Piazza Filippo Meda, No. 4, 20121, Milan, Italy.

Directorate General

Currently, the two Co-General Managers, appointed by the Board of Directors are Mr. Domenico De Angelis and Mr. Salvatore Poloni.

Name		Principal Activities outside the Issuer
Domenico De Angelis (Co-General Manager)	-	-
Salvatore Poloni (Co-General Manager)	Banca Akros S.p.A.	Director
	Società Interbancaria Automazione S.p.A.	Director
	Enbicredito Associazione	Director

Conflicts of Interest

The members of the Board of Directors, Board of Statutory Auditors and the Co-General Managers of Banco BPM may also hold positions in other companies of the Banco BPM Group as well as in companies which are not part of the Banco BPM Group, subject to the limitations set out in Article 36 of Legislative Decree no. 201 of 6 December 2011 on "Protection of competition and personal cross holdings" (Prohibition of Interlocking Directorates). As such, they may have interests that are in conflict with the tasks arising from their position at Banco BPM.

Members of the administrative, management or supervisory bodies of Banco BPM must comply with the following rules to regulate cases where there is a potential specific conflict of interest concerning the completion of a transaction:

- Article 136 of the Italian Consolidated Banking Act requires an authorisation procedure (a unanimous decision by the Board of Directors, excluding the vote of the interested member, and the favourable vote of all members of the Board of Statutory Auditors, without prejudice to the

obligations provided for by the Italian Civil Code with regard to conflicts of interest of directors and transactions with related parties) to be followed in cases where the person performing administration, management and control functions enters into obligations of any nature or carries out acts of sale, directly or indirectly, with the bank that it administers, directs or controls;

- Article 2391 of the Italian Civil Code provides that directors must inform the other directors and the board of statutory auditors of any interest they may have, either on their own behalf or on behalf of third parties, in a specific Company transaction. If he is the Chief Executive Officer of the Company, he must refrain from carrying out the transaction in question by submitting the matter to the Board of Directors;

- Article 2391-*bis* of the Italian Civil Code and the Consob Regulation implementing Resolution no. 17221 of 12 March 2010 and no. 17389 of 23 June 2010 require companies whose shares are listed or widely distributed to adopt special procedures to ensure the transparency and substantive and procedural fairness of transactions with related parties. In addition, on 12 December 2011, the Bank of Italy, in its role as Banking Supervisory Authority, issued special rules on risk activities and conflicts of interest with entities related to the implementation of resolution no. 277 of 29 July 2008 of the CICR (*Comitato Interministeriale per il Credito ed il Risparmio*). In accordance with these rules and international accounting standards, the Issuer has adopted specific "Rules for related parties" such as:

- define the criteria for identifying related parties of Gruppo Banco BPM (the "related parties");

- define the quantitative limits for the Banco BPM Group’s assumption of- risk-weighted assets- of related parties and determine the calculation methods;

- establish the manner in which transactions with related parties are approved, distinguishing between transactions that are significant or not and define in this context, the role and tasks of an independent member of the Management Board, with the assistance of an independent expert;

- cases of exclusion and exemption for certain types of transactions with related parties;

- establish disclosure (and accounting) requirements in relation to related party transactions;

- Article 150 of the Italian Consolidated Law on Finance requires directors to report to the Board of Statutory Auditors promptly and at least quarterly on their activities and any other significant transactions carried out with the bank or its subsidiaries; in particular, directors are required to report on transactions in which they have an interest, either on their own behalf or on behalf of third parties, or which are influenced by the person exercising the activity of management and coordination;

- in compliance with the provisions of the Code of Corporate Governance of Borsa Italiana, Banco BPM has adopted measures aimed at ensuring that transactions in which an Exponent has an interest, on his own behalf or on behalf of third parties, and those carried out with Related Parties are carried out in a transparent manner and in compliance with criteria of substantial and procedural correctness.

Principal Shareholders

Pursuant to Article 120 of Italian Legislative Decree No. 58 of 24 February 1998, as amended (the “**Italian Finance Act**”), shareholders who hold more than 3% of the share capital of a listed company are obliged to notify that company and the Italian regulator CONSOB of their holding.

As at the date of this Base Prospectus, the significant shareholders of Banco BPM are the following (source: CONSOB):

	% of Ordinary Shares
Capital Research and Management Company	4.988
Invesco LTD.....	4.677

Independent Auditors

PricewaterhouseCoopers S.p.A. has been appointed by the shareholders' meetings of Banco Popolare and BPM held on 15 October 2016 as independent auditor of the consolidated and non-consolidated annual financial statements of Banco BPM for the period established by the law in force and for the review of its interim consolidated financial statements, pursuant to Article 13, first paragraph and Article 17, first paragraph, of Legislative Decree No. 39 of 2010.

PricewaterhouseCoopers S.p.A. is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010 as implemented by the MEF (Decree No. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is in Via Monte Rosa, 91, Milan, Italy.

Recent Developments

Disposal of a Euro 7.8 billion portfolio of bad loans and establishment of a dedicated NPL servicing partnership with a specialized bank

On 10 December 2018, Banco BPM announced that its Board of Directors had approved the binding offer submitted by Elliott International L.P. ("**Elliot**") and Credito Fondiario S.p.A. ("**Credito Fondiario**").

Pursuant to the agreement reached with Elliot and Credito Fondiario, the parties agreed:

(i) the sale of a portfolio of bad loans for a nominal amount of Euro 7.4 billion in the context of a securitization transaction;

(ii) the issue, in the context of a securitization transaction structure, of three classes of notes including: (a) senior notes, fully retained by the bank, which benefit from the State guarantee of the securitization of non-performing loans pursuant to Law Decree No. 18/2016 ("**GACS**"), which was obtained in March 2019; (b) mezzanine and junior notes, which were sold to Elliott in the context of the abovementioned agreement;

(iii) to create a servicing platform in partnership with Credito Fondiario with the following main features: (a) 70% of the new platform is held by Credito Fondiario and 30% is held by Banco BPM, (b) the management of the portfolio would be sold in the context of the securitization transaction and (c) a 10-year agreement for the servicing of 80% of Banco BPM new flows of bad loan portfolios.

The aforementioned transactions envisaged a valuation of approximately Euro 143 million for 100% of the servicing platform of the Bank.

The final completion of the transactions was announced on 5 June 2019, with the creation of the servicing platform described above.

The pro-forma CET1 capital impact of the combined transactions (portfolio disposal and partnership on the platform) has been lower than the capital benefit coming from the reorganisation in consumer credit.

After the completion of the transactions, the gross non-performing exposure ratio of 30 March 2019 on a pro forma basis would decrease from 15.9% to 10%, while the gross bad loan ratio at the same date would decrease from 8.6% to 3.6%.

VAT group regime

With effect from 1 January 2019, Banco BPM has opted for the VAT regime provided for by Law No. 232 of 11 December 2016, which introduced rules relating to the VAT group (Articles from 70-*bis* to 70-*duodecies* of Presidential Decree No. 633 of 26 October 1972). Under the VAT group regime: (i) legally independent taxable persons established in Italy may opt to be treated as a single taxable person for VAT purposes, provided that they are closely bound to one another from a financial, economic and organizational perspective and (ii) all entities included within the VAT group are jointly and severally liable *vis-à-vis* the Italian tax authority for the VAT payment obligations of the entire group.

Merger of Società Gestione Servizi BP S.c.p.a. and BP Property Management S.c.r.l. into Banco BPM

On 17 January 2019, Banco BPM announced that it had entered into an agreement (the "**Merger Deed**") pursuant to which its subsidiaries Società Gestione Servizi BP S.c.p.A. ("**SGS**") and BP Property

Management S.c.r.l. ("**BP Property**") will merge by incorporation into the parent company Banco BPM (the "**Merger**").

The Merger will be effective from 11 February 2019, following the filing of the Merger Deed with the competent Companies Registry, while the accounting and tax effects will be calculated starting from 1 January 2019.

2019 SREP Requirements

On 8 February 2019, the European Central Bank (ECB) notified Banco BPM of its final decision on the minimum capital ratios to be complied with by Banco BPM on an ongoing basis.

The Banco BPM Group is required to meet the following capital ratios at consolidated level in 2019:

- CET1 ratio: 9.31%;
- Tier 1 ratio: 10.81%;
- Total Capital ratio: 12.81%;
- Total SREP Capital requirement: 10.25%.

The Banco BPM Group satisfied these prudential requirements, with a CET1 ratio at 31 December 2018 of 12.1% at phase-in level, a Tier 1 ratio of 12.3% at phase-in level and a Total Capital ratio equal to 14.7% at phase-in level.

Precautionary seizure as part of the diamond sales inquiry

Banco BPM announced the precautionary seizure of roughly Euro 84.6 million carried out on 19 February 2019 by the Italian financial police as part of an inquiry which is being conducted by the Milan Public prosecutor's office – and involving various banking institutions and the specialized companies selling the diamonds – for alleged fraud and related self-laundering, obstacle to the supervisory authorities' functions and corruption among private parties.

Following such events, Banco BPM announced that: (a) the Board of Directors of the Issuer acknowledged the contents of the order of precautionary seizure notified by the Italian Financial Police in connection with the diamond sales, which indicates that the investigations being conducted by the Milan Public Prosecutor's Office involve some managers or former managers of the group, including the Issuer's General Manager, Mr. Maurizio Faroni; (b) the Board of Directors of the Issuer has ordered the precautionary suspension from duty of Mr. Faroni, as well as that of Mr. Pietro Gaspardo (the Issuer's former Head of Retail Planning and Marketing) and of Mr. Angelo Lo Giudice (the Issuer's former Head of Compliance); and (c) while underlining the precautionary nature of the measure, the Issuer has full confidence in the work conducted by the judicial authority, aimed at protecting all the parties involved.

Euro 300 million issuance of Additional Tier 1 Securities for institutional investors only

Banco BPM launched its inaugural issue of Additional Tier 1 securities for a notional amount of Euro 300 million, for institutional investors only. The Additional Tier 1 Securities are perpetual and may be redeemed at the option of Banco BPM, in compliance with applicable regulations, on 18 June 2024 and, if not redeemed on such date, the option may be exercised every 5 years thereafter.

The non-cumulative semi-annual coupon was set at 8.75%. If the early redemption option envisaged for 18 June 2024 are not exercised, a new coupon at fixed rate will be determined by adding the original spread to the 5-year Euro Mid-Swap Rate at the reset date. Such new coupon shall remain fixed for the following 5 years until the next reset date. Payment of the coupon is fully discretionary and subject to certain limitations.

The AT1 Notes provide for a temporary principal write-down mechanism in case the CET1 ratio of the Bank (on a standalone basis) or of the Group is less than 5.125% (trigger event).

Acceptance of the binding offer submitted by Illimity Bank for the disposal of a leasing portfolio for a total of Euro 650 million

Banco BPM, following the qualified offers that it had received for the purchase of a portfolio of receivables deriving from leasing contracts that had been classified as bad loans, together with the underlying immovable or movable assets and contracts, has accepted the binding offer submitted by Illimity Bank S.p.A.

The disposal concerns a portfolio of receivables with a nominal value of about Euro 650 million at the cut-off date of 30 June 2018 mainly composed of receivables deriving from the active and passive legal relationships related to leasing contracts classified as bad loans, together with the related agreements, legal relationships, immovable or movable assets and the underlying contracts.

The closure of the operation is subject to precedent conditions, including the notarial certification for the transferability of the assets, and shall be executed in various phases starting from 30 June 2019, with the conclusion expected by mid-2020; no material impact on the P&L is envisaged as a result of this transaction. After the final closing of the disposal, the gross NPE ratio as of 31 December 2018 shall fall from 10.8% to a pro-forma level of 10.3%.

Termination of the employment relationship with the General Manager and two other managers

Banco BPM announced that the Board of Directors has acknowledged the resignation tendered by the General Manager, Mr. Maurizio Faroni. The Board of Directors has also decided to terminate the employment relationship with the former Head of Retail Planning and Marketing, Mr. Pietro Gaspardo, and has acknowledged the retirement of the former Head of Compliance, Mr. Angelo Lo Giudice.

The termination of the employment relationships with the General Manager and the two aforementioned Mangers shall not give rise to the payment of specific benefits or compensation. The delegated powers of the General Manager are exercised, effective as of the protective suspension measure, by the Chief Executive Officer of the Bank.

New organizational structure: Carlo Bianchi appointed as Chief Lending Officer and Edoardo Ginevra as Chief Financial Officer

Banco BPM announced that the Board of Directors resolved to revise the Bank's organizational structure, which did not provide for the role of General Manager and which, in confirming the Co-General Managers, introduced the positions of Chief Lending Officer (CLO) and of the Chief Financial Officer (CFO), giving the related responsibilities to Carlo Bianchi and Edoardo Ginevra, respectively.

The Chief Lending Officer is in charge of loans, from approval to management, across the Group's entire portfolio, the CLO is also responsible for the Leasing activity.

The Chief Financial Officer is in charge of finance, planning and management control, administration and accounting, equity investments and also has the responsibility of defining the management strategies for key balance-sheet items.

Carlo Bianchi began his career at Banca Commerciale Italiana, where, after the merger with Banca Intesa, he held increasingly important positions until he became Head of the Loan Department of the Banca dei Territori Division. In 2010, he joined Banco Popolare as Head of the Loan Division, a position that since 2017 he continues to hold also in Banco BPM.

Edoardo Ginevra began his professional career at the Bank of Italy in 1990 at the Banking Supervisory services, where he remained for the next nine years. He then moved to McKinsey and later to Oliver Wyman, before continuing his career at Banca Popolare di Milano as Chief Risk Officer in 2015. Since 2017, he is Head of the NPL Division of Banco BPM.

Reorganisation of the consumer credit segment of Banco BPM

On 28 June 2019, Banco BPM announced the completion of the transactions described under the agreements entered into at the end of 2018 between Banco BPM, Crédit Agricole S.A. and Crédit Agricole Consumer Finance S.A.

Such transactions involve the transfer by Banco BPM to Agos Ducato S.p.A. ("**Agos**") of 100% of the share capital of ProFamily S.p.A. ("**ProFamily**") for a consideration of Euro 310 million (the "**ProFamily Transfer**"). Prior to the ProFamily Transfer, the non-captive business of ProFamily was demerged through

a spin-off in favour of a new company called ProFamily S.p.A., which is entirely owned by Banco BPM. The objective of the ProFamily Transfer was to strengthen the partnership in the consumer credit segment in Italy of Agos, whose share capital is 39% owned by Banco BPM and 61% owned by Crédit Agricole Consumer Finance. ProFamily, which will manage the captive business, was renamed ProAgos S.p.A.

In addition, on 28 June 2019, Banco BPM, Crédit Agricole S.A. and Crédit Agricole Consumer Finance S.A. entered into the following agreements in order to formalise their partnership for a period of 15 years: (i) an exclusive distribution agreement for the Banco BPM Group's commercial network; (ii) a shareholders' agreement relating to Agos's corporate governance; and (iii) a funding agreement relating to Agos.

The above transactions will allow Agos to strengthen its leadership position on the market, customer volumes and market shares. In addition, Banco BPM was granted an unconditional sale option by Crédit Agricole S.A. for a 10% stake in the share capital of Agos, exercisable in June 2021 for a price of Euro 150 million.

The ProFamily Transfer resulted in a capital gain of approximately Euro 184 million, net of taxes[3], which was recorded in the consolidated income statement of Banco BPM as at and for the six months ended 30 June 2019, which will further benefit from the half-year economic results of ProFamily (estimated to amount to approximately Euro 8 million).

The overall impact of the ProFamily Transfer on Banco BPM's CET1 fully-phased ratio[4] is estimated at approximately 80 bps[5].

For Banco BPM, the ProFamily Transfer qualifies as a related party transaction pursuant to Consob Resolution No. 17221/10 (the "**Consob RPT Regulation**") and the relevant company rules adopted by Banco BPM (the "**Banco BPM Procedure**") since Banco BPM exercised significant influence over Agos. Moreover, the ProFamily Transfer is deemed to be of "minor significance" under such provisions. Nonetheless, as the transaction involves a "related company" and given that there are no significant interests held by other related parties of Banco BPM in Agos, the assumptions for the exemptions under the Consob RPT Regulation and the BPM Procedure would apply, without prejudice to the obligation to report the transaction in accordance with applicable provisions.

Banco BPM and the European Investment Bank Group: Euro 330 million to support Italian small and medium enterprises and midcap companies

On 28 June 2019, Banco BPM announced that it had entered into a new agreement with the European Investment Bank ("**EIB**") group (the "**EIB Group**") which will allow Banco BPM to grant a portfolio of loans of Euro 330 million to small and medium enterprises ("**SMEs**") in Italy (with up to 249 employees) and, for up to 30 % of the loan portfolio, to mid-cap companies (with up to 2,999 employees) operating in the industrial, agricultural, tourism and services sectors, making investments in tangible and intangible assets or to support working capital requirements.

The project is supported by an additional guarantee provided by the EIB Group, backed by the European Fund for Strategic Investments under the Juncker Plan. More specifically, the EIB and the European Investment Fund ("**EIF**") granted a guarantee in favour of Banco BPM. The EIF will guarantee a mezzanine tranche of a portfolio of loans already granted by Banco BPM to Italian SMEs, counter-guaranteed by the EIB, and the capital freed by the guaranteed portfolio will be used by Banco BPM to grant the abovementioned portfolio of loans.

Merger of Holding di Partecipazioni Finanziarie Banco Popolare S.p.A. into Banco BPM S.p.A.

On 1 July 2019, Banco BPM announced that, having received authorisation from the ECB to merge Holding

[3] The capital gain credited to the consolidated income statement corresponds to 61% of the difference between the price paid by Agos (Euro 310 million) and the shareholding's carrying value. In accordance with the reference accounting standard for these cases, 39% of the difference (equaling the portion of the shareholding held by Banco BPM) was recorded as a reduction in the carrying value of the shareholding held in Agos.

[4] The "fully phased" CET1 ratio refers to the CET 1 ratio calculated with all other conditions being equal, excluding the benefit resulting from the transitional rules envisaged under article 473-bis of EU Regulation No. 575/2013, which phases in the impact on own funds resulting from the application of the new impairment model introduced with accounting standard IFRS9.

[5] The impact is estimated by assuming the asset ratios at 31 March 2019 as a reference, as communicated to the market on 8 May 2019. The estimate includes both the impact resulting from the recognition of the above capital gain from the transfer, as well as the effect from the CET1 Capital in terms of lower deductions, as a consequence of Crédit Agricole Consumer Finance S.A. releasing the put option to Banco BPM.

di Partecipazioni Finanziarie Banco Popolare S.p.A. into Banco BPM S.p.A., it had prepared a merger plan and filed it with the relevant companies' registries. The transaction is part of the overall plan to rationalise and streamline the corporate structure of the Banco BPM Group.

TAXATION

ITALIAN TAXATION

The following is a general summary of certain Italian tax consequences of the purchase, the ownership and the disposition of the Notes. It 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. This summary is based upon Italian tax laws and/or practice in force as at the date of this Base Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Tax treatment of the Notes

Tax Treatment of Notes that qualify as* "obbligazioni", "titoli similari alle obbligazioni" *or "capital adequacy financial instruments"

Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**"), as subsequently amended and supplemented, regulates the tax treatment of interest, premium and other income from notes issued, *inter alia*, by Italian resident banks. The provisions of Decree No. 239 only apply to interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") paid under Notes issued by the Issuer which qualify as *obbligazioni* ("**banking bonds**") pursuant to Article 12 of Legislative Decree No. 385 of 1 September 1993 (the "**Italian Banking Act**"), or as *obbligazioni* or *titoli similari alle obbligazioni* ("***obbligazioni***") pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (**Decree No. 917**).

The same rules apply to Interest paid under financial instruments relevant for capital adequacy purposes under EU legislation and domestic prudential legislation, issued by intermediaries supervised by the Bank of Italy, other than shares and securities similar to shares ("**capital adequacy financial instruments**").

Italian Resident Noteholders

Pursuant to Decree No. 239, where an Italian resident Noteholder, who is the beneficial owner of the Notes, is:

(i) an individual holding Notes not in connection with entrepreneurial activity to which the Notes are connected (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so-called *risparmio gestito* regime according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended ("**Decree No. 461**") – the "**Asset Management Option**" – see under "Capital gains tax" below for an analysis of such regime); or

(ii) a partnership (other than a *società in nome collettivo* or a *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or a professional association; or

(iii) a private or public institution (other than companies), trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities, with the exclusion of a collective investment funds; or

(iv) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes, accrued during the relevant holding period, are subject to a substitute tax ("***imposta sostitutiva***"), levied at the rate of 26 per cent. (either when Interest is paid or when payment thereof is obtained upon disposal of the Notes). All the above categories are qualified as "net recipients".

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to

Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the "**Finance Act 2017**") and in Article 1(211-215) of Law No. 145 of 30 December 2018 (the "**Finance Act 2019**") , as implemented by the Ministerial Decree 30 April 2019.

Where the resident holders of the Notes described above under (i) and (iii) are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax. Interest will be included in a relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from the Italian taxation on income due or be claimed for refund in the relevant tax return.

Pursuant to Decree No. 239, the 26 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so called "**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**"), stock brokers and other qualified entities identified by a decree of the Ministry of Finance, as subsequently amended and integrated, *i.e.* entities resident in Italy or by permanent establishments in Italy of banks or intermediaries resident outside Italy ("**Intermediaries**" and each an "**Intermediary**").

Pursuant to Decree No. 239, Intermediaries or permanent establishments in Italy of foreign intermediaries must intervene in any way in the collection of Interest or, also as transferees, in transfers or disposals of the Notes.

Payments of Interest in respect of Notes issued by the Issuer that qualify as banking bonds, *obbligazioni* or capital adequacy financial instruments, irrespective of their maturity, are not subject to the 26 per cent. *imposta sostitutiva* if made to Noteholders who are: (a) Italian resident corporations or a similar commercial entities or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; (b) Italian resident collective investment funds, SICAVs (investment companies with variable capital), SICAFs (Italian investment companies with fixed share capital); Italian resident pension funds subject to the tax regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005, Italian resident real estate investment funds and real estate SICAFs (together, the "**Real Estate Funds**"); and (c) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial intermediary and have opted for the Asset Management Option. Such categories are qualified as "gross recipients".

To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, Noteholders indicated above under (a) to (c) must timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with an Italian authorised financial Intermediary.

Where the Notes and the relevant coupons are not deposited with an authorised Intermediary, the *imposta sostitutiva* is withheld:

- by any Italian bank or any Italian intermediary paying Interest to the Noteholder; or
- by the Issuer,

and gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes would be included in the corporate taxable income of the Noteholders who are Italian resident corporations or similar commercial entities or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to corporate tax income purposes (IRES). In certain circumstances, depending on the "status" of the Noteholder, interest accrued on the Notes would be included also in the "net value of production" for purposes of regional tax on productive activities – IRAP.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Option are subject to a 26 per cent. annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year

(which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised intermediary.

Where an Italian resident Noteholder is a non-real estate open ended or closed ended investment fund, a SICAV or a SICAF (together, the "**Fund**") and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority and the relevant Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will be included in the calculation of the net result accrued at the end of each tax year, but will not be subject to *imposta sostitutiva* nor to any other substitute tax at the fund level. Moreover, a withholding tax of 26 per cent. is levied on proceeds distributed by the Fund or received by certain categories of unitholders upon redemption or disposal of the units.

Italian resident pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005 are subject to a 20 per cent. annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017 and in Article 1(211-215) of the Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019.

The 26 per cent. *imposta sostitutiva* provided for by Decree No. 239 in general should not apply with respect to Interest on Notes derived by Italian Real Estate Funds, to which apply Law Decree No. 351 of 25 September 2001, as amended, Law Decree No. 78 of 31 May 2010 converted into Law No. 122 of 30 July 2010, as amended, and Legislative Decree No. 44 of 4 March 2014, as amended. As a general rule, the income of Italian Real Estate Funds is exempt at the level of the Fund and it is subject to tax at the level of the investors.

Non-Italian resident Noteholders

According to Decree No. 239, payments of Interest in respect of Notes issued by the Issuer that qualify as banking bonds, *obbligazioni* or capital adequacy financial instruments, irrespective of their maturity, will not be subject to the *imposta sostitutiva* at the rate of 26 per cent. provided that:

(a) the payments are made to non Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected; and

(b) such beneficial owners are resident, for tax purposes, in a country which recognises the Italian tax authorities' right to an adequate exchange of information and included in the Ministerial Decree dated 4 September 1996, as amended and supplemented by the Italian Ministerial Decree dated 23 March 2017 and possibly further amended by future decree issued pursuant to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No.147 of 14 September 2015) (the "**White List**"). The White List will be updated every six months period; and

(c) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are timely met and complied with.

The 26 per cent. *imposta sostitutiva*, if applicable, may be reduced (generally to 10 per cent.) under certain double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation provided by Measure of the Director of Italian Revenue Agency No. 2013/84404 of 10 July 2013

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors even though not subject to income tax or to the other similar taxes, which included in the White List and provided that they timely file with the relevant depositary the appropriate self-declaration; and (iii) central banks or entities managing official State reserves.

In order to ensure gross payment of Interest in respect of the Notes, non-Italian resident investors indicated above must:

(a) be the beneficial owners of the payments of Interest on the Notes; and

(b) timely deposit the Notes with the coupons relating to such Notes directly or indirectly with (i) an Italian bank or SIMs or with (ii) a permanent establishment in Italy of a non-resident bank or brokerage company which is electronically connected with the Italian Ministry of Economy and Finance, or with (iii) 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

(c) timely file with the relevant depository, prior to or concurrently with the deposit of the Notes, a self-declaration (*autocertificazione*) stating, *inter alia*, that the investor is resident, for tax purposes, in a country included in the White List. Such self-declaration, which must comply with the requirements set forth by a Decree of the Ministry of Economy and Finance of 12 December 2001 (as amended and supplemented), is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. Such certificate is not requested for non-Italian investors that are international entities and organisations set up in accordance with international agreements ratified in Italy and Central Banks or entities managing also the official State reserves.

Failure of a non-resident Noteholder to timely comply with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-resident Noteholder.

Tax treatment of Notes that qualify as atypical securities

Interest payments relating to Notes that do not qualify as banking bonds, *obbligazioni*, or *capital adequacy financial instruments* ("**atypical securities**") shall be subject to a withholding tax levied at the rate of 26 per cent. (final or provisional depending on the "status" and the tax residence of the Noteholder).

Where the Noteholder is not resident in Italy for tax purposes, the 26 per cent. withholding tax rate may be reduced (generally to 10 per cent.) under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation provided by Measure of the Director of Italian Revenue Agency No. 2013/84404 of 10 July 2013.

In the case of Notes issued by an Italian resident issuer, where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected, (iv) an Italian commercial partnership or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases the withholding tax is a final withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the 26 per cent. withholding tax, on interest, premium and other income relating to the Notes qualifying as atypical securities if such Notes are included in a longterm savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017 and in Article 1(211-215) of the Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019.

Capital gains tax

Italian resident Noteholders

Pursuant to Decree No. 461, a 26 per cent. capital gains tax (referred to as ***imposta sostitutiva***) is applicable to capital gains realised by:

(a) an Italian resident individual not engaged in entrepreneurial activities to which the Notes are connected;

(b) an Italian resident partnership not carrying out commercial activities;

(c) an Italian private or public institution not carrying out mainly or exclusively commercial activities; or

(d) on any sale or transfer for consideration of the Notes or redemption thereof.

Under the "tax declaration regime" (*regime della dichiarazione*), which is the default regime for taxation, Italian Noteholders under (a) to (c) above, the 26 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss of the same kind, realised by the Italian Noteholder pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian Noteholders under (a) to (c) above, must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss of the same kind, in the annual tax return and pay *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 of the same kind realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian Noteholders under (a) to (c) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime provided for by Article 6 of Decree No. 461). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with any authorised intermediary and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The authorised intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes net of any incurred capital loss of the same kind, and is required to 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. Where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management relationship 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 and the Noteholder remains anonymous.

Special rules apply if the Notes are part of a portfolio managed in a regime of Asset Management Option ("*risparmio gestito*" regime) by an Italian asset management company or an authorised intermediary. In that case the capital gains realised upon sale, transfer or redemption of the Notes will not be subject to *imposta sostitutiva* on capital gains but will contribute to determine the taxable base of the Asset Management Tax applicable at rate of 26 per cent.

In particular, under the Asset Management Option, any appreciation of the Notes, even if not realised, will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year-end may be carried forward against appreciation accrued in each of the following years up to the fourth. Also under the Asset Management Option the realised capital gain is not requested to be included in the annual income tax return of the Noteholder and the Noteholder remains anonymous.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017 and in Article 1(211-215) of the Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019.

In the case of Notes held by Real Estate Funds, capital gains on Notes will not be subject to 26 per cent. *imposta sostitutiva* but will contribute to determine the increase in value of the managed assets of the Funds accrued at the end of each tax year. Therefore, any capital gains on Notes will not be subject to any substitute tax at the fund level. Moreover, a withholding tax of 26 per cent. will be levied on proceeds distributed by the Fund or received by certain categories of unitholders upon redemption or disposal of the units.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected will be included in their business income subject to IRES. In certain circumstances, depending on the "status" of the Noteholder, interest accrued on the Notes would be included also in the "net value of production" for IRAP purposes.

In the case of Notes held by Italian Pension Funds, capital gains on Notes will not be subject to 26 per cent. *imposta sostitutiva* but will contribute to determine the increase in value of the managed assets of the funds, which is subject to a 20 per cent. annual substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017 and in Article 1(211-215) of the Finance Act 2019, as implemented by the Ministerial Decree 30 April 2019.

Any capital gains on Notes realised by Italian resident real estate investment funds will not be subject to 26 per cent. *imposta sostitutiva* on capital gains at the level of the fund.

Non-Italian Resident Noteholders

The 26 per cent. *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23, first paragraph, letter F), of Decree No. 917, any capital gains realised by non-Italian resident persons, without a permanent establishment in Italy to which the Notes are effectively connected, through the sale for consideration or redemption of the Notes are not subject to taxation in Italy to the extent that the Notes are traded on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (i.e. a self-declaration stating that the person is not resident in Italy for tax purposes) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not traded on a regulated market in Italy or abroad and are held in Italy:

(a) Pursuant to the provisions of Decree No. 461 and Decree No. 239, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes, in a country included in the White List. This requirement must be certified by the same self-certification provided above for the interests (according to the model set forth by the Decree of the Ministry of Economy and Finance of 12 December 2001, as amended and supplemented).

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorised financial intermediary and are subject to the *risparmio amministrato* regime or elect for the Asset Management Option, exemption from Italian taxation on capital gains will apply upon condition that they file in time with the authorised financial intermediary an appropriate self-declaration stating that they are resident, for tax purposes, in a country included in the White List.

Exemption from Italian *imposta sostitutiva* on capital gains realised upon disposal of Notes not traded on a regulated market also applies to non-Italian residents who are (a) international bodies and organisations established in accordance with international agreements ratified in Italy; (b) certain foreign institutional investors, even though not subject to income tax or to other similar taxes, established in countries included in the White List as amended from time to time; and (c) Central Banks or other entities, managing also official State reserves.

(b) In any event, non-Italian resident individuals or non-Italian resident entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes

are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorised financial intermediary and are subject to the *risparmio amministrato* regime or elect for the Asset Management Option, exemption from Italian taxation on capital gains will apply upon condition that the non-Italian residents file in time with the authorised financial intermediary appropriate documents which include, *inter alia*, a certificate of residence from the competent tax authorities of their country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-resident persons and entities in relation to Notes deposited for safekeeping or administration at Italian banks, SIMs and other eligible entities, but non-resident Noteholders retain the right to waive this regime.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006 ("**Decree No. 262**"), converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including bonds or other securities) as a result of death, gift or transfer without consideration are subject to "**Inheritance and Gift Tax**" (*imposta sulle successioni e donazioni*) under the Legislative Decree No. 346 of 31 October 1990, as amended, as follows:

(i) transfers in favour of spouses and direct descendents or direct ancestors are subject to Inheritance and Gift Tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding Euro 1,000,000 for each beneficiary;

(ii) transfers in favour of brothers/sisters are subject to the 6 per cent. Inheritance and Gift Tax on the value of the inheritance or the gift exceeding Euro 100,000 for each beneficiary;

(iii) 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 applied at a rate of 6 per cent. on the entire value of the inheritance or the gift; and

(iv) 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 the gift.

In cases where the beneficiary has a serious disability, inheritance and gift taxes will apply on its portion of the net asset value exceeding Euro 1,500,000.

An anti-avoidance rule is provided for by Law No. 383 of 18 October 2001 for any gift of assets which, if sold for consideration, would give rise to capital gains to the *imposta sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Notes for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift was not made.

Transfer Tax

Agreements related to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to registration tax of Euro 200; (ii) private deeds are subject to registration tax of Euro 200 only in some cases set forth by the registration tax law (Presidential Decree 26 April 1986, No. 131, as amended) or in case of voluntary registration (filing with the Tax Authority).

Stamp Duty on the Notes

Pursuant to Article 13(2-*ter*) of the Tariff attached to Italian Presidential Decree No. 642 of 26 October 1972, as subsequently amended, regulating Italian stamp duty, a proportional stamp duty applies on the periodic communications sent by financial intermediaries to their clients (with the exception of pension funds and health funds) with respect to any financial instruments (including banking bonds, *obbligazioni* and capital adequacy financial instruments) deposited therewith.

Such stump duty is generally levied by the relevant financial intermediary and computed on the fair market value of the financial instruments or, in case the fair market value cannot be determined, on the their face or redemption values, or, in the case the face or redemption values cannot be determined, on the purchase value at the rate of 0.2 per cent, with a cap of Euro 14,000 if the Noteholder is different from an individual. The stamp duty is levied on an annual basis. In case of reporting periods of less than 12 months, the stamp duty is determined with reference to such period.

Moreover, pursuant to Article 19(18-23) of Law Decree No. 201 of 6 December 2011 ("**Decree No. 201**"), converted into law with Italian Law No. 214 of 22 December 2011, a similar duty applies on the fair market value or, in the case the fair market value cannot be determined, on their face or redemption values, or in the case the face or redemption values cannot be determined, on the purchase value of any financial asset (including banking bonds, *obbligazioni* and capital adequacy financial instruments) held abroad by Italian resident individuals. Such duty applies at the rate of 0.2 per cent. and a tax credit is granted for any foreign property tax levied abroad on such financial assets.

Tax Monitoring

Pursuant to Italian Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990 ("**Decree 167/1990**"), as subsequently amended, individuals, non commercial institutions and non-commercial partnerships resident in Italy who, during the fiscal year, hold investments abroad or have foreign financial assets or are the beneficial owners, under the Italian anti-money laundering law, provided by Italian Legislative Decree No. 231 of 21 November 2007, of investments abroad or foreign financial assets (including Notes held abroad and/or Notes issued by a non-Italian resident issuer) must, in certain circumstances, disclose the aforesaid investments and financial assets to the Italian Tax Authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return).

This obligation does not exist in cases where the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree 167/1990, or if one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets has been subject to the applicable withholding tax or substitute tax.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has ceased to participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

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

Foreign Account Tax Compliance Act ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it

makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions, including the Republic of Italy, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. In particular, with the Law 18 July 2015 No. 95, the Republic of Italy ratified and enacted the IGA with the Unites State of America signed on 10 January 2014. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under Condition 15 (*Further Issues*)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement dated 12 July 2019 (the "**Programme Agreement**"), agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, the Issuer has agreed to reimburse the relevant Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the relevant Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes. For the purposes of this section, references in this section to "Dealer" and "Dealers" also refers to any Dealer or Dealers appointed subsequently. The Dealers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Programme Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche, (a) as part of their distribution at any time or (b) otherwise until 40 days after completion of the distribution of such Tranche as determined and certified to the Issuer by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act, if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area 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 this Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that 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.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) **no deposit-taking**: in relation to any Notes which have 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 whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as 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 where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) **financial promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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.

Republic of Italy

The offering of the Notes has not been registered with the CONSOB pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the

Programme will be required to represent and agree, that sales of the Notes in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Each Dealer has represented and agreed that, save as set out below, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services 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**").

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 Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (the "**Italian Banking Act**") (in each case as amended from time to time);

(b) in compliance with Article 129 of the Italian Banking Act, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy, issued on 25 August 2015 (as amended on 10 August 2016), and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or any other Italian authority.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in the Republic of France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

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, the FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that 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 Programme Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

Name and Legal Form of the Issuer

The Issuer is incorporated as a joint stock company (*società per azioni*) in the Republic of Italy, is registered with number 09722490969 in the companies' register of Milan and operates in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended) (the "**Italian Banking Act**").

Corporate Purpose

The purpose of the Issuer, pursuant to Article 4 of the By-laws, is to collect savings and provide loans in various forms, both directly and through subsidiaries. In compliance with applicable regulations and after obtaining the necessary authorisations, the Issuer may carry out, directly or through its subsidiaries, all banking, financial and insurance transactions and services, including the establishment and management of open or closed-end pension schemes, and other activities that may be performed by lending institutions, including the issuance of bonds, the exercise of financing activities regulated by special laws and the sale and purchase of company receivables.

The Issuer may carry out any other transaction that is instrumental or in any way related to the achievement of its corporate purpose. To pursue its objectives, the Issuer may adhere to associations and consortia of the banking system, both in Italy and abroad.

In its capacity as parent company of the Group, pursuant to the laws from time to time in force, including Article 61, paragraph 4, of the Italian Banking Act, in exercising the activity of direction and coordination the Issuer issues guidelines to the Group's members, also for the purpose of executing instructions issued by the regulatory authorities and in the interest of the stability of the Group.

Share Capital of the Issuer

Pursuant to Article 6 of the By-laws, the subscribed and paid-up share capital of the Issuer is Euro 7,100,000,000 and is represented by 1,515,182,126 ordinary shares without nominal value.

Authorisation

The establishment and update of the Programme were duly authorised by resolutions of the management board of the Issuer dated 30 January 2017 and 18 June 2019 respectively.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of Banco BPM is 815600E4E6DCD2D25E30.

Approval, Listing of Notes and Admission to Trading

The CSSF has approved this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Documents Available

For as long as this Base Prospectus remains valid, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in London:

(a) the by-laws (with an English translation thereof) of the Issuer;

(b) the most recently published audited annual financial statements of the Issuer in each case together with the audit report prepared in connection therewith and the most recently published unaudited

consolidated condensed interim financial statements of the Issuer (with an English translation thereof), together with the limited review report prepared in connection therewith. The Issuer currently intends to prepare audited consolidated and non-consolidated accounts on an annual basis and unaudited consolidated condensed interim financial statements on a semi-annual and quarterly basis;

(c) the Trust Deed and the Agency Agreement (in each case in relation to the English Law Notes), the Agency Agreement for the Italian Law Notes and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;

(d) a copy of this Base Prospectus; and

(e) any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms (save that a Final Terms relating to a Note, which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition copies of this Base Prospectus, any supplements thereto, each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website (*www.bourse.lu*).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the relevant Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms. The address of Euroclear is Euroclear Bank S.A./N.V., 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.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

Save as described under "*Description of the Issuer – Recent Developments*", there has been no significant change in the financial or trading position of the Issuer since 31 March 2019 and there has been no material adverse change in the prospects of the Issuer since 31 December 2018.

Litigation

Save as described under "*Description of the Issuer – Legal Proceedings of the Group – Ongoing Legal and Administrative Proceeding*" and "*– Ongoing Tax Proceedings*", neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Material Contracts

The Issuer has no material contracts in place which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations under the Notes, other than those contracts entered into in the ordinary course of business.

Independent Auditors

PricewaterhouseCoopers S.p.A. was appointed by the shareholders' meetings of Banca Popolare di Milano S.c. a r.l. and Banco Popolare – Società Cooperativa held on 15 October 2016 in the context of the Merger as independent auditor of the Issuer for its consolidated and non-consolidated annual financial statements as well as for its interim consolidated financial statements. The engagement of PricewaterhouseCoopers S.p.A. will expire upon approval of the Issuer's financial statements as at and for the year ending 31 December 2025.

PricewaterhouseCoopers S.p.A., is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010 as implemented by the MEF (Decree No. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is at Via Monte Rosa, 91, Milan, Italy.

Rating Agencies

Each of Moody's France SAS and DBRS Ratings GmbH is established in the European Union and registered in accordance with Regulation No. 1060/2009/EC of the European Parliament and the Council dated 16 September 2009 relating to credit rating agencies, 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/supervision/credit-rating-agencies/risk.*

Trustee's Action (in the case of the English Law Notes only)

The Notes provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or prefunded to its satisfaction. It may not be possible for the Trustee to take certain actions and accordingly in such circumstances the Trustee will be unable to take such actions, notwithstanding the provision of an indemnity to it, and it will be for Noteholders to take action directly.

The Trust Deed for the English Law Notes contains provisions permitting the Trustee to rely on any certificate or report of any other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of the Trust Deed, the Notes and/or the Coupons notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of such other person.

Interests of natural and legal persons involved in the issue/offer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in financing, in 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 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 avoidance of doubt, for the purpose of this paragraph the term "**affiliates**" also includes a parent company.

THE ISSUER

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