



CREDITO EMILIANO S.p.A.

(incorporated with limited liability in Italy)

€3,000,000,000 Euro Medium Term Note Programme

Under this €3,000,000,000 Euro Medium Term Note Programme (the **Programme**), described in this document (the **Base Prospectus**) Credito Emiliano S.p.A. (**Credito Emiliano**, **Credem**, or the **Issuer**), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the **Notes**) denominated in Euro.

The maximum aggregate nominal amount of all Notes outstanding under the Programme will not at any time exceed €3,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to the Dealer 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 (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Notes issued under the Programme will have a denomination of €100,000 and integral multiples of €1,000.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors”.

Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July, 2005 on prospectuses for securities, as amended (the **Luxembourg Law on Prospectuses for Securities**) implementing the Directive 2003/71/EC (as amended, including Directive 2010/73/EU and any relevant implementing measure in a relevant Member State of the European Economic Area, the **Prospectus Directive**) to approve this Base Prospectus as a base prospectus for the purposes of the Prospectus Directive. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Luxembourg Law on Prospectuses for Securities. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market (as contemplated by Directive 2004/39/EC, the **Markets in Financial Instruments Directive**) and to be listed on the Official List of the Luxembourg Stock Exchange, during the period of 12 months after the date of publication of this Base Prospectus.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined in “*Terms and Conditions of the Notes*”) of Notes to be issued under this Programme will be set out in a final terms (the **Final Terms**) which will be filed with the CSSF.

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 market(s) as may be agreed between the Issuer and the relevant Dealer(s).

As more fully set out in “*Terms and Conditions of the Notes - Taxation*” and as described under “*Taxation - Italian Taxation*”, the Issuer will not be liable in certain circumstances to pay any additional amounts to holders of the Notes with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1 April, 1996 on account of *imposta sostitutiva*, as defined therein in relation to interest payable in respect of any Notes.

The Programme also allows for Notes to be unlisted or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed between the Issuer and the relevant Dealer(s). Notes issued pursuant to the Programme may also be rated or unrated. Where an issue of Notes is rated, its rating will be specified in the Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended by Regulation (EC) No 513/2011) (the **CRA Regulation**) will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation (or is endorsed and published or distributed by

subscription by such a credit rating agency in accordance with the Regulation) unless (1) the rating is provided by a credit rating agency not established in the EEA but endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. The European Securities and Markets Authority (**ESMA**) is obliged to maintain on its website, www.esma.europa.eu/page/Listregistered-and-certified-CRAs, a list of credit rating agencies registered and certified in accordance with the CRA Regulation.

Sole Arranger and Sole Dealer

Natixis

The date of this Base Prospectus is 18 December 2015

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

The Issuer (the *Responsible Person*) accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. 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. The opinions and intentions expressed in this Base Prospectus with regard to the Issuer are honestly held.

This Base Prospectus should be read and construed together with any supplements hereto and with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”) and, in connection with the issue of any Tranche of Notes, this Base Prospectus should be read and construed together with the relevant Final Terms. 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 in “*Terms and Conditions of the Notes*”) as well as on the website of the Luxembourg Stock Exchange (www.bourse.lu).

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES FROM AN OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE NOTES TO AN INVESTOR BY AN OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH INVESTORS (OTHER THAN THE DEALERS) IN CONNECTION WITH THE OFFER OR SALE OF THE NOTES AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. THE ISSUER HAS NO RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

The Dealers have not 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 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 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 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 or any of the Dealers.

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 or any of the Dealers 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 its group. 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 or any of the Dealers 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 is correct at any time subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented 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 or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date hereof or, if later, the date upon which the Base Prospectus has been most recently amended or supplemented. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the *Securities Act*) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (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 and the Dealers 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, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes outside Luxembourg 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 any offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, France and Italy) and Japan (see “*Subscription and Sale*”).

This Base Prospectus has been prepared on the basis that, except to the extent that sub-paragraph (ii) below may apply, 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 final terms in relation to the offer of those Notes may only do so (i) 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, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, 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.

All references in this document to *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.

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

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or persons acting on behalf of a Stabilisation Manager) will undertake stabilisation action. 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 be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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OVERVIEW OF THE PROGRAMME

The following overview 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 applicable Final Terms.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC (the **Prospectus Regulation**).

Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" shall have the same meanings in this Overview.

Issuer:	Credito Emiliano S.p.A.
Description:	Euro Medium Term Note Programme.
Arranger:	Natixis.
Dealers:	Natixis and any other Dealer(s) appointed from time to time in accordance with the Programme Agreement.
Fiscal Agent and Principal Paying Agent:	Deutsche Bank AG, London branch
Initial Programme Amount:	Up to €3,000,000,000 (or its equivalent in other Currencies calculated as described in the Programme Agreement) aggregate nominal amount of notes 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.
Currency or Currencies:	Notes are denominated in Euro and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer(s).
Maturities:	Any maturity, as may be agreed between the Issuer and the relevant Dealer(s), subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. In the case of Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy Regulations applicable to the issue of Subordinated Notes, 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).
Redemption	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed at the Maturity Date at par. In the case of Subordinated Notes, early redemption may occur only at the option of the Issuer and with the prior approval of the Relevant

Authority and otherwise in accordance with applicable laws and regulations, including Articles 77 (b) and 78 of the CRR Regulation.

Optional Redemption

The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or (in the case of Senior Notes only) the holders and, if so, the terms applicable to such redemption.

Under applicable laws and regulations at the date of this Base Prospectus, other than for taxation reasons or for regulatory reasons or following an event of default, Subordinated Notes may not be repaid prior to five years from the relevant Issue Date.

Other than following an event of default, any redemption of Subordinated Notes prior to their stated maturity in accordance with the Conditions (including early redemption for taxation reasons or early redemption for regulatory reasons) will be subject to the prior approval of the Relevant Authority as described in “*Terms and Conditions of the Notes – Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Subordinated Notes*”.

Interest

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

Issue Price:

Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.

The Issue Price in relation to each issue of notes will be detailed in the Final Terms.

Form of Notes:

The Notes will be issued in bearer form as described in “*Form of the Notes*”.

Fixed Rate Notes:

Fixed interest will be payable in arrear on such date or dates specified in the applicable Final Terms and it 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); or
- (b) on such other basis as may be agreed between the Issuer and the relevant Dealer.

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.

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.

Denomination of Notes:

The Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or relevant central bank (or equivalent body) requirements and save that the minimum denomination of each Note admitted to trading on a regulated market within European Economic Area will be €100,000.

So long as the clearing systems so permit, Notes will be issued in denominations representing the aggregate of (i) a minimum denomination of €100,000 plus (ii) integral multiples of another smaller amount, and such Notes may be traded in amounts which, although greater than €100,000, are not integral multiples of €100,000. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than €100,000 will not receive a definitive Note in respect of such holding (if definitive Notes are printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Withholding Tax:

All payments of principal, interest, premium and other amounts in respect of the Notes will be made free and clear of withholdings or deductions for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of, the Republic of Italy, unless such withholding or deduction is required by law or by the application or official interpretation thereof. In such a case, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions (including the ICMA Standard EU Exceptions), all as described in “Terms and Conditions of the Notes — Taxation”.

Status of the Notes:

Notes may be issued by the Issuer on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.

Senior Notes will constitute unsubordinated and unsecured obligations of the Issuer, as described in “*Terms and Conditions of the Notes — Status of the Notes*”.

Subordinated Notes will constitute subordinated obligations of the Issuer,

as described in “*Terms and Conditions of the Notes — Status of the Notes*”.

Rating:	Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will be specified in the Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and admission to trading:	This Base Prospectus has been approved by CSSF 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 Luxembourg Stock Exchange’s regulated market and 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 applicable 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.
Governing law:	The Notes and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law, save that subordination provisions applicable to Subordinated Notes 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 United Kingdom, France and Italy), Japan, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “ <i>Subscription and Sale</i> ”.
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

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 factors by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should read the entire Base Prospectus.

Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this section.

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

Risks relating to the Issuer and the Credem Group

Risks relating to the Issuer's business

As a credit institution, the Issuer is exposed to the typical risks associated with the business of a financial intermediary such as credit risk, market risk, interest rate risk, liquidity and operational risk, plus a series of other risks typical to businesses such as strategic risk, legal risk, tax and reputational exposure.

Credit risk relates to the risk of loss arising from counterparty default (in particular, recoverability of loans) or in the broadest sense from a failure to perform contractual obligations.

Market risk relates to the risk arising from market transactions in financial instruments, currencies and commodities.

Interest rate risk refers to the possibility of the Issuer incurring losses as a result of a poor performance in market interest rates.

Liquidity risk relates to the Issuer's ability or lack thereof to meet cash disbursements in a timely and economic manner. It is quantified as the additional cost arising from asset sales and/or negotiation of new liabilities incurred by the intermediary when required to meet unexpected commitments by way of recourse to the market.

Operational risk relates to the risk of loss arising from shortcomings or failures in internal processes, people or systems and from external events.

Risks connected with the creditworthiness of customers

The Issuer's business depends to a substantial degree on the creditworthiness of its customers. Notwithstanding its detailed controls including customer credit checks, it bears normal lending risks and thus may not, for reasons beyond its control (such as, for example, fraudulent behaviour by customers), have access to all relevant information regarding any particular customer, their financial position, or their ability to pay amounts owed or repay amounts borrowed. The failure of customers to accurately report their

financial and credit position or to comply with the terms of their agreements or other contractual provisions could have an adverse effect on the Issuer's business and financial results.

Risks connected with information technology

The Issuer's business relies upon integrated information technology systems, including an offsite back-up system. It relies on the correct functioning and reliability of such system and on its ability to protect the Issuer's network infrastructure, information technology equipment and customer information from losses caused by technical failure, human error, natural disaster, sabotage, power failures and other losses of function to the system. The loss of information regarding customers or other information central to the Issuer's business, such as credit risk control, or material interruption in the service, could have a material adverse effect on its results of operations. In addition, upgrades to the Issuer's information technology equipment required by law or necessitated by future business growth may require significant investments.

Operational risks

The Credem Group, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty information technology equipment or telecommunication systems, failure to comply with regulatory requirements and Conduct of Business rules and, failure of external systems, for example, those of the Issuer's suppliers or counterparties. The Credem Group's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect its financial performance and business activities.

Reduced interest rate margin

In recent years, the Italian banking sector has been characterised by increasing competition which, together with the level of interest rates, has caused a sharp reduction in the difference between borrowing and lending rates, and has made it difficult for banks to maintain positive growth trends in interest rate margins. In particular, such competition has had two main effects:

- (i) a progressive reduction in the differential between lending and borrowing interest rate, which may result in the Issuer facing difficulties in maintaining its actual rate of growth in interest rate margin; and
- (ii) a progressive reduction in commissions and fees, particularly from dealing on behalf of third parties and orders collection, due to competition on prices.

Both of the above factors may adversely affect the Issuer's financial condition and results of operations. In addition, downturns in the Italian economy could cause pressure on the competition through, for example, increased price pressure and lower business volumes for which to compete.

Risks relating to the Credem Group's business sector

Competition

The Issuer is subject to competition from a large number of companies who may offer the same financial products and services and other forms of alternative and/or novel forms of borrowing or investment. Such competitors include banks and other financial intermediaries. In addition, the formation of increasingly large banking groups, and the entry of foreign financial institutions into the Italian banking market, may allow such companies to offer products and services on terms that are more financially advantageous than those which the Issuer is able to offer as a result of their possible economies of scale and costs base.

Risks associated with the legislative, accounting and regulatory context

The Issuer's businesses are subject to substantial regulation and regulatory oversight. Any significant regulatory developments could have an effect on how the Issuer conducts its businesses and on its results of operations

The Issuer conducts its businesses subject to on-going regulatory and associated risks, including the effects of changes in laws, regulations, and policies in Italy and at a European level. The timing and the form of future changes in regulation are unpredictable and beyond the control of the Issuer, and changes made may have a material adverse effect on the Issuer's business.

The Issuer is required to hold a licence for its operations and is subject to regulation and supervision by authorities in the European Union and Italy. Extensive regulations are already in place and new regulations and guidelines are introduced relatively frequently. The rules applicable to banks and other entities in banking groups are mainly provided by the implementation of measures consistent with the regulatory framework set out by the Basel Committee on Banking Supervision (the **Basel Committee**) and are aimed at preserving their stability and solidity and limiting their risk exposure (see below "**Basel III**" and the "**CRD IV Package**").

Regulators and supervisory authorities are taking an increasingly strict approach to regulations and their enforcement that may not be to the Issuer's benefit. A breach of any regulations by the Issuer could lead to intervention by supervisory authorities and the Issuer could come under investigation and surveillance, and become involved in judicial or administrative proceedings. The Issuer may also become subject to new regulations and guidelines that may require additional investments in systems and people, and compliance with which may place additional burdens or restrictions on the Issuer.

The Issuer is also subject to extensive regulation and supervision by the Bank of Italy, CONSOB, the European Central Bank (ECB) and the European System of Central Banks. The banking laws to which the Issuer is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in Italy and the European Union that will affect the Issuer, including proposed regulatory initiatives that could significantly alter the Issuer's capital requirements.

In particular, in the wake of the global financial crisis that began in 2008, the Basel Committee (as defined below) approved, in the fourth quarter of 2010, revised global regulatory standards (**Basel III**) on bank capital adequacy and liquidity, higher and better quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards. The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement due in 2019.

In January 2013 the Basel Committee revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio (to be completed in 2019), and expanded the definition of high quality liquid assets to include lower quality corporate securities equities and residential mortgage backed securities.

The Basel III framework has been implemented in the EU through new banking requirements: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of

credit institutions and the prudential supervision of credit institutions and investment firms (the **CRD IV Directive**) and Regulation (EU) No 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013¹ on prudential requirements for credit institutions and investment firms (the **CRR Regulation** and, together with the CRD IV Directive, the **CRD IV Package**).

Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some minor transitional provisions provide for the phase-in until 2024) but it is possible that in practice implementation under national laws may be delayed. Additionally, it is possible that EU Member States may introduce certain provisions at an earlier date than that set out in the CRD IV Package.

In Italy, the Government has approved the Legislative Decree no. 72 of 12 May 2015, implementing the CRD IV Directive, which entered into force on 27 June 2015. The new regulation impacts, *inter alia*, on:

- (i) proposed acquirers of credit institutions' holdings, shareholders and Members of the management body requirements (Articles 22, 23 and 91 of the CRD IV Directive);
- (ii) supervisory measures and powers (Articles 64, 65, 102 and 104 of the CRD IV Directive);
- (iii) reporting of potential or actual breaches of national provisions (so-called whistleblowing, (Article 71 of the CRD IV Directive); and
- (iv) administrative penalties and measures (Article 65 of the CRD IV Directive).

Moreover, the Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 (the **Circular No. 285**)) which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules concerning matters not harmonised on EU level.

Starting from 1 January 2015, Italian banks are required to comply with a minimum Common Equity Tier 1 (CET1) Capital Ratio of 4.5 per cent.², a minimum Tier I Capital Ratio of 6 per cent.³, and a Total Capital Ratio of 8 per cent. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- *Capital conservation buffer*: set at 2.5 per cent. of risk-weighted assets and applies to Credem from 1 January 2014 (pursuant to Article 129 of the CRD IV Directive and Part I, Title II, Chapter I, Section II of Circular No. 285);
- *Counter-cyclical capital buffer*: is set by the relevant competent authority between 0 per cent. and 2.5 per cent. (but may be set higher than 2.5 per cent. where the competent authority considers that the conditions in the Member State justify this), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive (pursuant to Article 130 of the CRD IV Directive and Part I, Title II, Chapter I, Section III of Circular No. 285);
- *Capital buffers for globally systemically important institutions (G-SIIs)*: set as an “additional loss absorbency” buffer ranging from 1.0% to 3.5% determined according to specific indicators (size, interconnectedness, lack of substitutes for the services provided, global cross-border activity and complexity); to be phased in from 1 January 2016 (Article 131 of the CRD IV Directive and Part I,

¹ Final Corrigendum published on 30 November 2013

² Final Corrigendum published on 30 November 2013

³ 5.5 per cent. between 1 January 2014 and 31 December 2014

Title II, Chapter I, Section IV of Circular No. 285) becoming fully effective on 1 January 2019; and

- *Capital buffers for other systemically important institutions (O-SIIs):* up to 2.0% as set by the relevant competent authority and must be reviewed at least annually from 1 January 2016), to compensate for the higher risk that such banks represent to the domestic financial system (Article 131 of the CRD IV Directive and Part I, Title II, Chapter I, Section IV of Circular No. 285).

The Issuer is not currently included in the list of financial institutions of global systemic importance first published on 4 November 2011 and as most recently updated on 6 November 2014 by the Financial Stability Board. The Bank of Italy, as competent authority, has not yet published a list of systemically important banks at a domestic level.

In addition to the above listed capital buffers, under Article 133 of the CRD IV Directive 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 covered by the CRD IV Package, in the meaning 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.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV Directive and Part I, Title II, Chapter I, Section V of Circular No. 285). At this stage no provision is included on the systemic risk buffer under Article 133 of the CRD IV Directive as the Italian level 1 rules for the CRD IV Directive implementation on this point have not yet been enacted.

As part of the CRD IV Package transitional arrangements, regulatory capital recognition of outstanding instruments which previously qualified as Tier I and Tier II capital instruments under the framework which the CRD IV Package has replaced with EU Directive 2010/76/EU (**CRD III**) that no longer meet the minimum criteria under the CRD IV Package will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition was capped at 80 per cent. in 2014, with this cap decreasing by 10 per cent. in each subsequent year (see, in particular, Part Two, Chapter 14, Section II of Bank of Italy's Circular No. 285 of 17 December 2013).

The new liquidity requirements introduced under the CRD IV Package are the liquidity indicators (the "**Liquidity Coverage Ratio**") and the Net Stable Funding Ratio (the "**NSFR**"). The Liquidity Coverage Ratio Delegated Act has been adopted in October 2014, published in the Official Journal of the European Union in January 2015 and it shall be fully applicable from 1 January 2018. .

The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to liquidity in order to enhance regulatory harmonisation in Europe through the EBA single supervisory rulebook applicable to EU Member States (the **EBA Single Supervisory Rule Book**). Specifically, the CRD IV Package tasks the EBA with advising on appropriate uniform definitions of liquid assets for the Liquidity Coverage Ratio buffer. In addition, the CRD IV Package states that the EBA shall report to the Commission on the operational requirements for the holdings of liquid assets. Furthermore, the CRD IV Package also tasks the EBA with advising on the impact of the liquidity coverage requirement, on the business and risk profile of institutions established in the European Union, on the stability of financial markets, on the economy and on the stability of the supply of bank lending.

The above topics were addressed by the EBA in two reports published in December 2013: (i) the impact assessment for liquidity coverage requirements and (ii) appropriate uniform definitions of extremely high quality assets and high quality liquid assets and on operational requirements for liquid assets. These two reports provide specific recommendations to the European Commission for the purpose of the forthcoming delegated act that should enter into force by 31 December 2014. There is therefore some uncertainty as to the

final form of these delegated acts. Also, the Basel Committee's oversight body issued in January 2013 additional contributions to the "Basel III Liquidity Coverage Ratio Agreement and Liquidity Risk Monitoring Tools", defining, amongst other issues, certain specific aspects in relation to the interaction between the Liquidity Coverage Ratio and the use of the Central Bank Committed Liquidity Facility.

On 20 January 2015, the seventh update of Circular no. 272 of 30 July 2008 was also published (Folder «Accounts Matrix»), creating, always within the new notions of Non-Performing Exposures and Forbearance, a single definition in terms of supervisory reporting (separate and consolidated). For the purposes of supervisory statistical reporting, impaired financial assets are broken down into the categories of non-performing, probable defaults, past due and/or overdue impaired exposures; the sum of these categories corresponds to the aggregate Non-Performing Exposures referred to in the ITS. The category of forbearance exposures is also introduced. The notions of substandard loans and restructured loans are also cancelled. Forbearance exposures range over impaired assets and performing loans.

In addition to the above substantial changes, 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, among 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 2017 subject to certain transitional arrangements, and the Bank Recovery and Resolution EU Directive which is required to be implemented by Member States from 1st January 2015 (with the bail-in provisions becoming applicable as of 1st January 2016). The Basel Committee has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course.

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

Such changes in the regulatory framework and how they will be implemented may have a material effect on all the European Banks and on Credem's business and operations as well. As the new framework of banking laws and regulations affecting Credem is currently being implemented, the manner in which those laws and related regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of Credem. Prospective investors in the Notes should consult their own advisers as to the consequences for them of the application of the above regulations as implemented by each Member State.

Changes in regulatory framework and accounting policies

Investors should be aware that the BRRD is required to be implemented by Member States from 1st January 2015 with the bail-in provisions will become applicable as of 1st January 2016.

The powers provided to "resolution authorities" in the BRRD 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 (referred to as the bail-in tool). Accordingly, the BRRD 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 CET1 instruments. The BRRD 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 BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Once the BRRD is implemented, 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 BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

Changes in the regulatory framework and in how such regulations are interpreted and/or applied by the supervisory authorities may have a material effect on the Credem Group's business and operations. The manner in which the new framework of banking laws and regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the Credem Group.

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 implementation of the directive or the taking of any action under it could materially affect the value of any Notes

On 2 July 2014, the Directive 2014/59/EU providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the **Bank Recovery and Resolution Directive** or **BRRD**) entered into force. The BRRD provides competent authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority 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 impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which grants 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) to 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 exploited the above resolution tools (including the general bail-in tool) to the maximum extent possible while 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 requirements of the EU state aid framework and the BRRD.

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

In addition to the General Bail-In Tool, the BRRD provides for resolution authorities to have the further power to permanently write-down/convert into equity capital instruments such as Subordinated Notes at the point of non-viability and before any other resolution action is taken (**BRRD 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 BRRD Non-Viability Loss Absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments (such as Subordinated Notes) are written-down/converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

The BRRD provides that Member States should apply the new “crisis management” measures from 1 January 2015, except for the general bail-in tool which is to be applied from 1 January 2016. In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of debt instruments and other eligible liabilities issued by an institution under resolution or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for those secured liabilities which are subject to Article 44(2) of the BRRD.

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 and 181/2015 (together, the **BRRD Decrees**), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Banking Law (Legislative Decree No. 385 of 1 September 1993, as amended) and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on the date of publication on the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the bail-in tool will apply from 1 January 2016; and (ii) a “depositor preference” granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME’s will apply from 1 January 2019.

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

compared to the holders of such fully or partially excluded claims because the safeguard is not intended to address such possible unequal treatment but rather to ensure that shareholders or creditors do not incur greater losses in a bail-in (or other application of a resolution tool) than they would have received in a winding up under normal insolvency proceedings.

Also, in respect of Senior Notes, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors, such as holders of Senior Notes. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has amended the 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 SME's will 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. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which under the national insolvency regime currently in force in Italy rank *pari passu* with Senior Notes, will rank higher than Senior Notes in normal insolvency proceedings and therefore that, on application of the general bail-in tool, such creditors will be written-down/converted into equity capital instruments only after Senior Notes. Therefore, the safeguard set out in Article 75 of the BRRD (referred to above) would not provide any protection since, as noted above, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

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

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Once the BRRD is fully implemented, holders of Senior Notes and Subordinated Notes may be subject to write-down/conversion into equity capital instruments on any application of the General Bail-In Tool and, in the case of Subordinated Notes, BRRD Non-Viability Loss Absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

As of 2016 (or, if earlier, the date of national implementation of the BRRD), European banks will also have to comply with a Minimum Requirement for Eligible Liabilities (the **MREL**). The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union) or to the Single Resolution Board (the **SRB**) for banks being part of the Banking Union. The EBA is currently consulting on regulatory technical standards which shall further define the way in which resolution authorities/the SRB shall calculate MREL.

Market declines and volatility

The results of the Credem Group could be affected by general economic, financial and other business conditions. During a recession, there may be less demand for loan products (including mortgages) and a greater number of the Credem Group's customers may default on their loans or other obligations. An increase in the cost of funding and interest rate may also have an impact on the demand for loan products (including mortgages). The risk arising from the impact of the economy and business climate on the credit quality of the Credem Group's debtors and counterparties can affect the overall credit quality and the recoverability of loans (including mortgages) and amounts due from counterparties. Fluctuations in interest rates and costs of funding in Italy and in the Euro-zone and in the other markets in which the Issuer operates influence its performance.

An economic crisis may also negatively affect the value of collateral securing loans and have an adverse impact on the fair value of Credem Group's secured loans and mortgages, entailing additional provisions or reserve requirements. Moreover, when a debtor defaults on his collateralised loans or obligations, the value of the collateral could not be sufficient to meet the claims of the creditors so that the Credem Group may not recover the full expected amount due.

Credit and market risk

To the extent that any of the instruments and strategies used by the Credem Group to hedge or otherwise manage its exposure to credit or market risk are not effective, the Credem Group may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The Credem Group's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The Credem Group's financial results also depend upon how effectively it determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

Protracted market declines and reduced liquidity in the markets

In some of the Credem Group's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Credem Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets that do not benefit from a liquid market. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Credem Group using models other than publicly quoted prices. Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the Credem Group's operating results and financial condition. In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Credem Group's securities trading activities and its asset management services, as well as its investments in and sales of products linked to the performance of financial assets.

The Issuer is vulnerable to the current disruptions and volatility in the global financial markets

The Issuer's business is subject to risks concerning liquidity which are inherent in its banking operations, and could affect the Issuer's ability to meet its financial obligations as they fall due or to fulfil commitments to lend. In order to ensure that the Issuer continues to meet its funding obligations and to maintain or grow its business generally, it relies on customer savings and transmission balances, as well as on-going access to the wholesale lending markets. The ability of the Issuer to access wholesale and retail funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

For example, in 2010, the European financial crisis, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Portugal, Spain and Italy, created concerns about the ability of

these European Union states to continue to service their sovereign debt obligations affecting also Italian banking system's access to wholesale funding as well as the relative costs.

Financial market conditions have remained challenging and, in certain respects, have deteriorated. Credit quality has generally declined, as reflected by the downgrades suffered by several countries in the Euro-zone, including Italy, since the start of the sovereign debt crisis. The large sovereign debts and/or fiscal deficits in certain European countries, including Italy, have raised concerns regarding the financial condition of Euro-zone financial institutions and their exposure to such countries.

Currently, despite measures taken by several governments, international and supranational organisations and monetary authorities to provide financial assistance to Eurozone countries and financial institutions in economic difficulty, it remains difficult to predict the medium term effect of these measures on the economy and on the financial system and to what extent the Issuer's business, results of operations and financial condition may be adversely affected. There is no guarantee that such measures will ultimately and finally resolve uncertainties affecting such Eurozone states. Recently, due to these concerns, also recently, the financial markets and the global financial system in general have been impacted by significant turmoil and uncertainty resulting in wide and volatile credit spreads (in particular on the sovereign debt of many European Union countries), increased instability in the bond and equity markets and a lack of price transparency in the credit markets, even if ECB's Quantitative Easing programme is currently limiting the spread of such issues among Euro-zone countries. Changes in financial and investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, may affect the Issuer's ability to access the capital and financial markets and, in turn, the Issuer's ability to meet its financial requirements and its obligations under the Notes. The continuing difficulties and slowdown in the economy, the substantial bailouts of financial and other institutions by governments as well as measures designed to reignite economic growth have led to significant increases in the debt of several countries. As a consequence, various countries of the Euro-zone have had their credit ratings downgraded by the main rating agencies due to the escalation of their sovereign debt levels, political uncertainty regarding reform prospects of the Euro-zone and concern over the Euro-zone's increasingly weak macroeconomic prospects.

Any further downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur may severely affect the markets and have a material adverse effect on the Issuer's operating results, financial condition and prospects, as well as on the marketability of the Notes. This might also impact on the Issuer's credit ratings, borrowing costs and access to liquidity. A further Italian sovereign downgrade or the perception that such a downgrade may occur would be likely to have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost of funding for individuals and companies, depressing economic activity, increasing unemployment, reducing asset prices and consequently increasing the risk of a new recession. These risks are exacerbated by concerns over the levels of the public debt of, and the weakness of the economies, in particular in Greece, in southern European countries. Further instability within these countries or other countries within the Euro-zone might lead to more widespread problems.

These concerns may impact the ability of Euro-zone banks to access the funding they need, or may increase the costs of such funding, which could in turn cause such banks to suffer liquidity stress. If concerns over sovereign and bank solvency rised again, there would be a danger that inter-bank funding may become generally unavailable or available only at elevated interest rates, which might have an impact on the Issuer's cost of funding and, thus, to its accessibility. Should the Issuer be unable to continue to source a sustainable funding profile, the Issuer's ability to fund its financial obligations at a competitive cost, or at all, could be adversely impacted.

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, resulted in the fact that the level of capitalisation of banking institutions has had to be further increased, and likely, according to new

regulations under discussion, will have to be strengthened. 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, which according to new European directives will not, in all circumstances, be applicable any more.

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 Credem Group's business, financial condition and results of operations.

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) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Risks related to the structure of a particular issue of Notes

A 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 such features:

Notes subject to optional redemption by the Issuer

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes may be redeemed prior to maturity

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 5.3 (*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. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Redemption for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction (as defined in Condition 6 (*Taxation*)), as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date 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 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.

Subordinated Notes subject to redemption for regulatory reasons

The intention of the Issuer is for Subordinated Notes to qualify on issue as Tier 2 capital for regulatory capital purposes. Although it is the Issuer's expectation that the Subordinated Notes qualify on issue as Tier 2 capital, there can be no representation that this is or will remain the case during the life of the Subordinated Notes.

If Regulatory Call is specified in the applicable Final Terms and the Issuer determines that a Regulatory Event has occurred, the Issuer may (subject to the provisions of Condition 5.6 (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Subordinated Notes*)) elect to redeem the Subordinated Notes. In the event of a redemption for regulatory reasons, 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.

Waiver of set-off

If waiver of set-off rights is specified as applicable in the applicable Final Terms, each holder of a Senior Note will unconditionally and irrevocably waive any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note.

As specified in Condition 2.2 (*Status of Subordinated Notes*), each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

Subordinated Notes may be subject to loss absorption on any application of the general bail-in-tool or at the point of non-viability of the Issuer.

Investors should be aware that, in addition to the general bail-in tools, the BRRD contemplates that Subordinated Notes may be subject to a write-down or conversion into common shares at the point of non-viability should the Bank of Italy or other authority or authorities having prudential oversight of the Issuer at the relevant time be given the power to do so. The BRRD 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 implementation of the directive or the taking of any action under it could materially affect the value of any Notes.

Risks applicable to Subordinated Notes

An investor in Subordinated Notes assumes an enhanced risk of loss in the event of the Issuer's insolvency.

In the event of the winding-up, dissolution, liquidation or bankruptcy of the Issuer or in the event that the Issuer becomes subject to an order for *Liquidazione Coatta Amministrativa*, as defined in Legislative Decree no. 385 of 1 September 1993 of the Republic of Italy, as amended (the **Italian Banking Act**), the payment obligations of the Issuer under the Subordinated Notes and the Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of the Issuer and after all creditors of the Issuer holding instruments which are less subordinated than the Notes but at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the Notes and in priority to the claims of shareholders of the Issuer. In the event of incomplete payment of unsubordinated creditors in the event of a liquidation, the obligations of the Issuer in connection with the Notes will be terminated (save as otherwise provided under applicable law from time to time).

Noteholders shall be responsible for taking all steps necessary for the orderly accomplishment of any collective proceedings or voluntary liquidation in relation to any claims they may have against the Issuer. Although the Notes may pay a higher rate of interest than notes which are not subordinated, there is a substantial risk that investors in subordinated notes such as the Notes will lose all or some of their investment should the Issuer become insolvent.

In no event will holders of Subordinated Notes be able to accelerate the maturity of their Subordinated Notes; such holders will have claims only for amounts then due and payable on their Subordinated Notes. After the Issuer has fully paid all deferred interest on any issue of Subordinated Notes and if that issue of Subordinated Notes remains outstanding, future interest payments on that issue of Subordinated Notes will be subject to further deferral as described above.

For a full description of the provisions relating to Subordinated Notes, see Condition 2.2 (*Status of the Subordinated Notes*).

Floating Rate Notes linked to a Multiplier

The Issuer may issue Notes with interest determined by reference to 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) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) the Relevant Factors may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if the Relevant Factors is applied to Notes in conjunction with a Multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factors on interest payable likely will be magnified; and
- (vii) the timing of changes in the Relevant Factors may affect the actual yield 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 yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any 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 Floating Rate Notes linked to a Multiplier and the suitability of such Notes in light of its particular circumstances.

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 related to Notes generally

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

Modification, waivers and substitution

The Agency Agreement (as defined in "*Terms and Conditions of the 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 conditions of the Notes also provide that the Fiscal Agent may, without the consent of Noteholders, agree to (i) any modification (except as mentioned above) of the Notes, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or (ii) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

U.S. Foreign Account Tax Compliance Act Withholding

Whilst the Notes are in global form and held within Euroclear Bank SA/NV or Clearstream Banking, *société anonyme* (together, the **ICSDs**), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) will affect the amount of any payment received by the ICSDs (see "*Taxation – Foreign Account Tax Compliance Act*"). Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an **IGA**) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid to the order of the common depositary or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

On 10 January 2014, representatives of the governments of Italy and the United States signed an intergovernmental agreement to implementing FATCA in Italy (the "**Italy IGA**"), ratified and enforced by Law No. 95 of 18 June 2015.

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 in excess of the minimum Specified Denomination that are not integral multiples, of such minimum Specified Denomination. In such a case 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 would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, 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 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 at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form 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.

Risks related to the market generally

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

An active secondary market generally in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.

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.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency, i.e. in Euro. 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 or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will 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 revised, suspended or withdrawn by the rating agency at any time..

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive

evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

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.

DOCUMENTS INCORPORATED BY REFERENCE

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

Document	Information incorporated	Page reference
Audited Consolidated Annual Financial Statements of the Issuer for the Financial Year Ended 31 December, 2014	Financial information concerning the Issuer's assets and liabilities, financial position and profits and losses	pp.74-395
	Balance sheet	pp. 78-79
	Income statement	p. 80
	Changes in consolidated shareholders' equity	pp. 82-83
	Cash flow statement	pp. 84-85
	Accounting policies	pp. 89-136
	Explanatory notes	pp. 87-395
	Auditor's report	p.417-420
Audited Consolidated Annual Financial Statements of the Issuer for the Financial Year Ended 31 December, 2013	Financial information concerning the Issuer's assets and liabilities, financial position and profits and losses	pp. 67-385
	Balance sheet	pp. 72-73
	Income statement	p. 74
	Changes in consolidated shareholders' equity	p. 76-77
	Cash flow statement	pp. 78-79
	Accounting policies	pp. 83-131
	Explanatory notes	pp. 81-385
	Auditor's report	p. 404 - 407
Unaudited Interim Consolidated Financial Statements of the Issuer for the Six Months Ended 30 June, 2015	Consolidated financial information concerning the Issuer's assets and liabilities, financial position and profits and losses	pp. 70-283
	Balance sheet	pp. 75-76
	Income statement	p. 77
	Changes in consolidated shareholders' equity	pp. 79-80
	Cash flow statement	pp. 81-82
	Accounting policies	pp. 86-111
	Explanatory notes	pp. 84-283
	Auditor's Review Report on the half-yearly condensed consolidated financial statements	p. 298-300

Unaudited Interim Consolidated Financial Statements of the Issuer for the Six Months Ended 30 June, 2014	Consolidated financial information concerning the Issuer's assets and liabilities, financial position and profits and losses	pp. 60-266
	Balance sheet	pp. 65-66
	Income statement	p. 67
	Changes in consolidated shareholders' equity	pp. 69-70
	Cash flow statement	pp. 71-72
	Accounting policies	pp. 76-100
	Explanatory notes	pp. 74-266
	Auditor's Review Report on the half-yearly condensed consolidated financial statements	p. 282-285
Unaudited Interim Consolidated financial statements of the Issuer as at and for the nine months ended 30 September 2015	Scope of consolidation	p. 9
	Balance sheet,	pp. 13 – 14
	Income statement	p. 15
	Statement of comprehensive income	p. 16
	Statement of changes in shareholders' equity	pp. 17-18
	Explanatory notes	pp. 19 - 61
Unaudited condensed consolidated financial statements of the Issuer as at and for the nine months ended 30 September 2014	Scope of consolidation	p.9
	Balance sheet,	pp. 13 – 14
	Income statement	p. 15
	Statement of comprehensive income	p. 16
	Statement of changes in shareholders' equity	pp. 17-18
	Explanatory notes	pp. 19 – 56

The press release dated 11 November 2015 setting out the Credem group unaudited interim results as at and for the nine months ended on 30 September 2015	Consolidated Income Statement	pp. 7-8
	Consolidated Balance Sheet	p. 6
	Other Information	pp. 1-5
The press release dated 11 November 2014 setting out the Credem group unaudited interim results as at and for the nine months ended on 30 September 2014	Consolidated Income Statement	pp. 7-8
	Consolidated Balance Sheet	p. 6
	Other Information	pp. 1-5
Memorandum and Articles of Association of the Issuer	Full document	

Any information not incorporated and taken from the documents listed in the cross-reference table above is either deemed not relevant for the investors or is otherwise covered elsewhere in this Base Prospectus and is therefore is given for information purposes only.

The Issuer declares that the English translation of the financial statements listed above is an accurate and not misleading translation in all material respect of the Italian language version of the Issuer's Group financial statements.

Following the publication of this Base Prospectus a supplement to the Base Prospectus may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. 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 specified offices of the Paying Agent in Luxembourg and 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.

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 applicable Final Terms, a permanent global note (a **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**) 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 applicable 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, *société anonyme* (**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 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) definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Notes. 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 applicable 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 Fiscal Agent as described therein or (b) only upon the occurrence of an Exchange Event or (c) at any time at the request of the Issuer. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 8 has occurred and is continuing, or (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 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 10 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 Fiscal 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 Fiscal Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent.

The following legend will appear on all Notes (other than Temporary Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

“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 in respect 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 under “*Terms and Conditions of the Notes*”), the 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 at a point after the Issue Date of the further Tranche, 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 such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

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 applicable Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 8. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 18 December 2015 and executed by the Issuer.

APPLICABLE FINAL TERMS

[Date]

[CREDITO EMILIANO S.p.A.]

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €3,000,000,000
Euro Medium Term Note Programme**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 18 December 2015 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Directive 2003/71/EC, as amended (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with 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 is available for viewing at the registered office of the Issuer at Via Emilia San Pietro, 4, 42121 Reggio Emilia, Italy and www.credem.it and copies may be obtained from [insert details of the paying agent]. The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms will also be published on the website of the Luxembourg Stock Exchange, www.bourse.lu.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information 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.]

The purchase of Notes involves substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider carefully, in the light of their own financial circumstances, financial condition and investment objectives, all the information set forth in the Base Prospectus (including “Risk Factors” therein) and these Final Terms.

No person has been authorised to give any information or make any representation not contained in or not consistent with these Final Terms, or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the [relevant Dealer/Managers].

- | | | |
|----|--|--|
| 1. | Issuer: | Credito Emiliano S.p.A |
| 2. | (a) Series Number: | [] |
| | (b) Tranche Number: | [] |
| | (c) Date on which the Notes will be consolidated and form a single | [insert only where applicable. In any case it is not applicable to the first tranche/series of Notes to be |

Series:

issued under this base prospectus. The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [date]] / [Not Applicable]

1. Specified Currency or Currencies:

[Euro][]

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:

[]

(N.B. Notes must have a minimum denomination of €100,000 (or equivalent))

(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].”. Note - The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes 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 issuance of Notes which is to be represented on issue by a Permanent Bearer Global Notes exchangeable for Definitive Notes.)

(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]

7. Maturity Date: [specify date or for Floating Rate Notes - Interest Payment Date falling in or nearest to [specify month and year]]

8. Interest Basis: [[] per cent. Fixed Rate]
 [[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
 [specify other]
 (further particulars specified below)

9. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at par.]

 [specify other if the Final Redemption Amount is over 100 per cent. of the nominal value the Notes]

10. Change of Interest Basis or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis.] [Not Applicable]

11. Put/Call Options: [Investor Put]

 [Issuer Call]

 [Not Applicable]

 [(further particulars specified below)]

12. [a] Status of the Notes: [Senior/Subordinated]
- [b] (In respect of Senior Notes only:) [Applicable/Not Applicable]
 [Waiver of set-off rights:]
- [c] Date Board approval for issuance of Notes obtained: []

 (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes.)

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

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph.)

(a) Rate(s) of Interest: [] per cent. per annum [payable
[annually/semi-annually/quarterly/other (specify)]
in arrear]

(b) Interest Payment Date(s): [[] in each year up to and including the
Maturity Date]/[specify other]

(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)

(d) Broken Amount(s): [] per Calculation Amount, payable on the
(Applicable to Notes in definitive Interest Payment Date falling [in/on] []
form)

(e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify
other]]

(f) [Determination Date(s): [[] in each year] [Not Applicable]

(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).)]

(g) Other terms relating to the method [None/Give details]
of calculating interest for Fixed
Rate Notes:

15. Floating Rate Note Provisions [Applicable/Not Applicable]

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

- (a) Specified Period(s)/Specified Interest Payment Dates: [] [, subject to adjustment in accordance with the Business Day Convention set out in (b) below /, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]][Not Applicable]
- (c) Additional Business Centre(s): [TARGET2 / specify other]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
- (f) Screen Rate Determination:
- (i) Reference Rate: [].
- (Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement.)*
- (ii) Interest Determination Date(s): []
- (Second London business day prior to the start of each Interest Period if LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR.)*
- (iii) Relevant Screen Page: []
- (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.)*
- (iv) Specified Time []
- (v) Multiplier [] / [Not Applicable]
- (vi) Reference Rate Multiplier [] / [Not Applicable]
- (g) ISDA Determination:

- (i) Floating Rate Option: []
- (ii) Designated Maturity: []
- (iii) Reset Date: []
- (In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (h) Margin(s): [+/-] [] per cent. per annum
- (i) Minimum Rate of Interest: [] per cent. per annum
- (j) Maximum Rate of Interest: [] per cent. per annum
- (k) Multiplier [] / [Not Applicable]
- (l) Reference Rate Multiplier [] / [Not Applicable]
- (m) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
[30E/360 (ISDA)]
[Other]
- (n) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
- (o) Linear Interpolation [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*)]

PROVISIONS RELATING TO REDEMPTION

16. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph.)
- (a) Optional Redemption Date(s): []
- (N.B. If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements*

applicable to the issue of Subordinated Notes by the Issuer, the Optional Redemption Date shall not be earlier than five years after the Issue Date.

- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): ☐ per Calculation Amount/specify other/see Appendix]
- (c) 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 to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)

17. Regulatory Call:

[Applicable/Not Applicable]

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

(N.B. Only relevant in the case of Subordinated Notes)

Early Redemption Amount of each Note payable on redemption for regulatory reasons (in the case of Subordinated Notes only and subject to the prior approval of the Bank of Italy) as contemplated by Condition 5.4 and/or the method of calculating the same (if required or if different from that set out in Condition 5.4):

☐ per Calculation Amount/as set out in Condition 5.4 specify other]

18. Investor Put:

[Applicable/Not Applicable]

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

(a) Optional Redemption Date(s): ☐

(b) Optional Redemption Amount and ☐ per Calculation Amount/specify other/see

method, if any, of calculation of such amount(s): Appendix]

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

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put (and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)

19. Final Redemption Amount: [[] per Calculation Amount

(N.B. Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at par. Specify other if the Final Redemption Amount is over 100 per cent. of the nominal value the Notes.)

20. Early Redemption Amount payable on redemption for taxation or regulatory reasons or on event of default and/or the method of calculating the same: [] per Calculation Amount

(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

[See also paragraph 17 (Regulatory Call)] (Delete this cross-reference unless the Notes are Subordinated Notes and the Regulatory Call is applicable)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes:

- (a) 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/at any time at the request

of the Issuer]]

(Ensure that this is consistent with the wording in the “Form of the Notes” section in the Base Prospectus and the Notes themselves)

(b) New Global Note:

[Yes][No]

22. Additional Financial Centre(s):

[Not Applicable/TARGET2/give details]

(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 15(c) relates.)

23. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):

[Yes/No. *If yes, give details*]

Signed on behalf of the Issuer:

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 the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange 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 the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange 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]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

[S & P: []]

[Moody's: []]

[Fitch: []]

[[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.)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. - *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

[(i)] [Reasons for the offer:] []

[(ii)] [Estimated net proceeds:] []

[(iii)] [Estimated total expenses:] []

5. YIELD (*Fixed Rate Notes only*)

Indication of yield: [Not Applicable] / []

6. [HISTORIC INTEREST RATES (*FLOATING RATE NOTES ONLY*)

Details of historic [LIBOR/EURIBOR/*replicate other as specified in the Conditions*] rates can be obtained from [Reuters].]

7. OPERATIONAL INFORMATION

(i) ISIN Code: []

(ii) Common Code: []

(iii) Any clearing system(s) other than Euroclear and Clearstream Luxembourg and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

(iv) Delivery: Delivery [against/free of] payment

(v) Names and addresses of additional Paying Agent(s) (if any): []

[(vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the

Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

8. DISTRIBUTION

(i) Method of distribution: [Syndicated/Non-syndicated]

(ii) If syndicated, names of Managers: [Not Applicable/give names]

(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)

(iii) Date of [Subscription] Agreement: []

(The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

(iv) Stabilisation Manager(s) (if any): [Not Applicable/give name]

(v) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]

(vi) U.S. Selling Restrictions: [Reg. S Compliance Category [2]; TEFRA D/TEFRA C/TEFRA not applicable]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which 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 applicable 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 "Applicable Final Terms" 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.

This Note is one of a Series (as defined below) of Notes issued by Credito Emiliano S.p.A. (the “**Issuer**”) subject to and with the benefit of an Agency Agreement dated 18 December 2015 (such agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) made between the Issuer, Deutsche Bank AG, London branch as fiscal agent and principal paying agent (the “**Fiscal Agent**”) and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the “**Paying Agents**”).

References herein to the “**Notes**” shall be references to the Notes of this Series (and including, unless the context otherwise requires, any further notes issued pursuant to Condition 12 (*Further Issues*) and forming a single series with the Notes) 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 holders of the Notes (the “**Noteholders**”) and the holders of the Coupons (as defined below) appertaining to the Notes (the “**Couponholders**” which expression shall, unless the context otherwise requires, include the holders of the Talons (as defined below)) are entitled to the benefit of a Deed of Covenant (the “**Deed of Covenant**”) dated 18 December 2015 and made by the Issuer. The original of the Deed of Covenant is held by the Common Depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Interest bearing definitive Notes have interest coupons (“**Coupons**”) and, if indicated in the applicable 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.

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) have the same terms and conditions or terms and conditions which are the same in all respects 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 and the Deed of Covenant are available for inspection during normal business hours by the Noteholders and Couponholders at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

Copies of the applicable Final Terms are available for viewing at, and copies can be obtained from, the registered office of the Issuer at Via Emilia San Pietro 4, Reggio Emilia, Italy and of Deutsche Bank Luxembourg S.A. 2, boulevard Konrad Adenauer, L- 1115 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 applicable 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 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 Deed of Covenant, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Deed of Covenant or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated.

In the Conditions, “euro” means 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.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form and, in the case of definitive Notes, serially numbered. The Notes are denominated in Euro (the “**Specified Currency**”) and in the denomination or denominations specified in the relevant Final Terms (a “**Specified Denomination**”). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may also be a Senior Note or a Subordinated Note, depending on the status of the Notes specified in the applicable Final Terms.

Definitive Notes are issued with Coupons attached.

1.2 Title

Subject as set out below, title to the Notes and Coupons will pass by delivery.

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, société anonyme (**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.

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 Part B of the applicable Final Terms.

1.3 Holder Absolute Owner

The Issuer and any Paying Agent will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS

2.1 Status of the Senior Notes

The senior notes (the “**Senior Notes**”) and any relative Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

If waiver of set-off rights is specified as applicable in the applicable Final Terms, each holder of a Senior Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note.

2.2 Status of the Subordinated Notes

The subordinated notes (the “**Subordinated Notes**”), intended to qualify as Tier 2 capital (*strumenti di classe 2*) for regulatory capital purposes in accordance with Part II, Chapter 1 of the Bank of Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time (the “**Bank of Italy Regulations**”), including any successor regulations, and Article 63 of the 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 and amending Regulation (EU) No. 648/2012, as amended or replaced from time to time (the “**CRR Regulation**”) and any relative Coupons, constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and with all other present and future unsecured and subordinated obligations of the Issuer (other than those subordinated obligations expressed by their terms to rank lower or higher than the Subordinated Notes). In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.

In the event of the winding-up, dissolution, liquidation or bankruptcy of the Issuer or in the event that the Issuer becomes subject to an order for *Liquidazione Coatta Amministrativa*, as defined in Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the “**Italian Banking Act**”), the payment obligations of the Issuer under each Series of Subordinated Notes and the relative Coupons will rank in right of payment:

- (i) after unsubordinated unsecured creditors (including depositors) of the Issuer and after all other creditors of the Issuer holding instruments which are less subordinated than the Subordinated Notes;

- (ii) at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes; and
- (iii) in priority to the claims of shareholders of the Issuer and claims of creditors of the Issuer holding instruments which are more subordinated than the Subordinated Notes (including instruments qualifying as Tier 1 capital of the Issuer as defined in Article 25 of the CRR Regulation).

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

3. INTEREST

3.1 Interest on Fixed Rate Notes

This Condition 3.1 is applicable to the Notes if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

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 applicable 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 applicable 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 applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, “**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.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the 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 is a multiple or fraction of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied or divided by to reach the Specified Denomination without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 3.1:

- a) if **"Actual/Actual (ICMA)"** is specified in the applicable Final Terms:
 - (i) 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 applicable Final Terms) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) 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
 - (B) 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
- b) if **"30/360"** is specified in the applicable 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.

In the Conditions:

"Broken Amount" 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 a 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);

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

"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 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; and

"sub-unit" means one cent.

3.2 Interest on Floating Rate Notes

This Condition 3.2 is applicable to the Notes if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

a) Interest Payment Dates

Each Floating Rate 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 applicable Final Terms (a "**Specified Interest Payment Date**"); or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each Interest Payment Date which falls the number of months or other period specified as the specified period in the applicable 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 the 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 applicable 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:

- A. in any case where Specified Periods are specified in accordance with Condition 3.2(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
- B. the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- C. 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
- D. the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions,

"**Calculation Agent**" means the person specified in the relevant Final Terms;

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

"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) and each additional business centre (other than TARGET2 System) specified in the applicable Final Terms (each an **"Additional Business Centre"**);
- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **"TARGET2 System"**) is open.

b) Rate of Interest

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

In the Conditions, **"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.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable 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 applicable 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 applicable Final Terms;

- (B) the Designated Maturity is a period specified in the applicable Final Terms;
and
- (C) the relevant Reset Date is the day specified in the applicable 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

Where Screen Rate Determination is specified in the applicable 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 (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable 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.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that 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.

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**");

- (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);

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of five major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of five major banks in the Euro-zone inter-bank market, in each case selected by the Issuer or as specified in the applicable Final Terms;

"**Relevant Swap Rate**" means 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.

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

If the applicable 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 applicable 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 applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

d) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable 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 applicable in the applicable Final Terms) which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the relevant Interest Period was 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 was 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 applicable in the applicable 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 Fiscal Agent, the Calculation Agent shall notify the

Fiscal 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 for the relevant Interest Period by applying the Rate of Interest:

(A) In the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note: or

(B) In the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, 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 in definitive form is a multiple or fraction of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied or divided by to reach the Specified Denomination, without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition:

(i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable 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 applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "**Actual/365 (Sterling)**" is specified in the applicable 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 applicable 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 applicable 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:

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

- Y₂** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- M₁** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- M₂** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- D₁** 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
- D₂** 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 applicable 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:

- Y₁** is the year, expressed as a number, in which the first day of the Interest Period falls;
- Y₂** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- M₁** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- M₂** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- D₁** 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
- D₂** 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 applicable 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:

- Y₁** is the year, expressed as a number, in which the first day of the Interest Period falls;
- Y₂** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- M₁** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;
- M₂** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
- D₁** 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
- D₂** 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.

f) Notification of Rate of Interest and Interest Amounts

The Fiscal 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 Paying Agents and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 10 as soon as possible after their determination but in no event later than the first day of the relevant 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 on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 10.

g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3.2, whether by the Fiscal Agent or, if applicable, the Calculation Agent, shall (in the absence of willful default, bad faith or manifest error or proven error) be binding on the Issuer, the Fiscal Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Fiscal 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.

3.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due 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 until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 10.

4. PAYMENTS

4.1 Method of payment

Subject as provided below, payments will be made in euro 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.

4.2 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 4.1 above only 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 (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, 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 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 relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 6.2) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7) 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 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.

4.3 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 Fiscal 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 Fiscal Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

4.4 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.

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 6; 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.

4.5 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 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) in the case of Notes in definitive form only, the relevant place of presentation (if applicable);
 - (ii) each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, a day on which the TARGET2 System is open.

4.6 Interpretation of principal and interest

Any reference in the 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 6 or under any undertaking or covenant given in addition thereto, or in substitution therefor;
- (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; and
- (e) 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 the 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 6 or under any undertaking or covenant given in addition thereto, or in substitution therefor.

5. REDEMPTION AND PURCHASE

5.1 Redemption at Maturity

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

Subordinated Notes shall have a minimum Maturity Period of five years, as provided under the Applicable Banking Regulations.

Notwithstanding the foregoing provisions of this Condition 5: (i) to the extent required by the Applicable Banking Regulations, the redemption of any series of Subordinated Notes at their Maturity Date shall be subject to the prior approval of the Relevant Authority; and/or (ii) the early redemption of any series of Subordinated Notes shall always be subject to the prior approval of the Relevant Authority. Failure to redeem any such Notes where such consent has not been granted shall not constitute a default of the Issuer for any purpose. Consent to redemption is at the discretion of the Relevant Authority and is subject to compliance with the procedures and satisfaction of the conditions set out in the Applicable Banking Regulations, but will not be granted at the initiative of the Noteholder or where the solvency of the Issuer would be affected. Amounts that would otherwise be payable on the Maturity Date will continue to bear interest.

5.2 Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer (subject to the provisions of Condition 5.6 (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Subordinated Notes*)) in whole, but not in part, at any time (if this Note is a Fixed Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Paying Agent and, in accordance with Condition 10, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), if:

- (i) 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 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 6 (*Taxation*)) (including any treaty to which the Relevant 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
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Paying Agent to make available at its specified offices to the Noteholders (i) a certificate signed by a Director or a duly authorised officer of the Issuer stating 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 (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

Notes redeemed pursuant to this Condition 5.2 will be redeemed at their Early Redemption Amount referred to in Condition 5.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

5.3 Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may (subject to the provisions of Condition 5.6 (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Subordinated Notes*)), having given:

- (a) not less than 15 nor more than 30 days' notice (or such other notice period stated in the Final Terms) to the Noteholders in accordance with Condition 10; and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the 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 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 applicable 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 applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, 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 10 not less than 15 days prior to the date fixed for redemption (or such other notice period stated in the 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 5.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 10 at least five days prior to the Selection Date.

5.4 Redemption for Regulatory Reasons (Regulatory Call)

This Condition 5.4 applies only to Notes specified in the applicable Final Terms as being Subordinated Notes.

If Regulatory Call is specified in the applicable Final Terms and the Issuer determines that a Regulatory Event has occurred, the Notes may (subject to the provisions of Condition 5.6 (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Subordinated Notes*)) be redeemed in whole, but not in part, at their principal amount together with interest accrued to but excluding the date fixed for the redemption:

- (A) at any time (if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable); or
- (B) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 10, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for the redemption).

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Paying Agent to make available at its specified offices to the Noteholders a certificate signed by a Director or a duly authorised officer of the Issuer stating that the said circumstances prevail and describe the facts leading thereto and the Paying Agent shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent specified in Condition 5.6 (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Subordinated Notes*), in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 5.4, the Issuer shall be bound to redeem the Notes in accordance with this Condition 5.4, 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.

For the purposes of this Condition 5.4:

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

"CRD IV Directive" 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, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

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

"Future Capital Instruments Regulations" means any regulatory capital rules which are in the future applicable to the Issuer (on a solo or consolidated basis) and which lay down the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Issuer (on a solo or consolidated basis) as required by (i) the Capital Requirements Directive or (ii) the CRD IV Regulation, including (for the avoidance of doubt) any regulatory technical standards issued by the European Banking Authority.

"Regulatory Event" means where the Issuer determines in relation to any Subordinated Notes (after consultation with the Relevant Authority and, if so required, subject to its approval) that as a result of a change in Italian law or Applicable Banking Regulations or any change in the official application or interpretation thereof, the Notes cease to qualify in whole but not in part as Tier 2 Capital of the Issuer for the purposes of (1) the capital adequacy requirements of the Relevant Authority or (2) any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union; and

"Relevant Authority" means the Bank of Italy or other governmental authority in the Republic of Italy or the European Union having responsibility for the prudential supervision of the Issuer; and

"Tier 2 Capital" has the meaning given to such term (or any equivalent or successor term) in the Applicable Banking Regulations.

5.5 Redemption at the option of the Noteholders (Investor Put)

This Condition 5.5 applies only to Notes specified in the applicable Final Terms as Senior Notes.

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 10 not less than 15 nor more than 30 days' notice (or such other notice period stated in the applicable Final Terms) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable 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 Fiscal 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 Fiscal Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 5.5 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 5.5.

5.6 Conditions to Early Redemption and Purchase of Subordinated Notes

Any redemption or purchase of Subordinated Notes in accordance with Conditions 5.2, 5.3, 5.4 or 5.8 is subject to:

- (A) the Issuer giving notice to the Relevant Authority and the Relevant Authority granting permission to redeem or purchase the relevant Subordinated Notes (in each case to the extent, and in the manner, required by the Italian law or Applicable Banking Regulations including Articles 77(b) and 78 of CRR Regulation;
- (B) in respect of any redemption of the relevant Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, if and to the extent then required under the Italian law or Applicable Banking Regulations (a) in the case of redemption pursuant to Condition 5.2 (*Redemption for Taxation Reasons*), the Issuer having demonstrated to the satisfaction of the Relevant Authority that the relevant change or amendment is material and was not reasonably foreseeable as at the Issue Date or (b) in the case of redemption pursuant to Condition 5.4 (*Redemption for Regulatory Reasons (Regulatory Call)*), the Issuer having demonstrated to the satisfaction of the Relevant Authority that the Regulatory Event was not

reasonably foreseeable as at the Issue Date and the Relevant Authority considering such Regulatory Event to be sufficiently certain; and

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

For the purposes of this Condition 5.6, “Relevant Authority”, “Applicable Banking Regulations” and “Regulatory Event” have the meaning given to them in Condition 5.4 (*Redemption for Regulatory Reasons (Regulatory Call)*).

5.7 Early Redemption Amount

For the purpose of Conditions 5.2 and 5.4 above and Condition 8, each Note will be redeemed at its Early Redemption Amount.

5.8 Purchases

The Issuer or any Subsidiary of the Issuer may (subject to the provisions of Condition 5.6 (*Redemption, Purchase and Options – Conditions to Early Redemption and Purchase of Subordinated Notes*)) at any time purchase 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.

5.9 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 5.7 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

6. TAXATION

6.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) the holder of which is liable for Taxes in respect of such Note or Coupon by reason of having some connection with the Relevant Jurisdiction other than a mere holding of the Note or Coupon; or
- (b) presented for payment in Italy; or

- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Payment Day (as defined in Condition 4.5); or
- (d) on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1st April 1996, as amended from time to time or any related implementing regulation, or
- (e) presented for payment by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of such Note, Receipt or Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
- (f) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities.

6.2 Interpretation

In these Conditions:

- (a) “**Relevant Date**” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 10; and
- (b) “**Relevant Jurisdiction**” means Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons.
- (c) Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof.

6.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

7. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes and Coupons will be prescribed and become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons.

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 or any Talon which would be void.

8. EVENTS OF DEFAULT AND ENFORCEMENT EVENT

8.1 Events of Default relating to Senior Notes

This Condition 8.1 applies only to Notes specified in the applicable Final Terms as being Senior Notes.

If any one or more of the following events (each an Event of Default) shall occur and be continuing:

- (a) the Issuer fails to pay any amount of principal or interest in respect of the Notes, in the case of principal, within seven Business Days of the due date for payment thereof and, in the case of interest, within ten Business Days of the due date for payment thereof; or
- (b) the Issuer defaults in the performance or observance of any of its obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice of such default, addressed to the Issuer by the holder of any Note, has been delivered to the Issuer or to the Fiscal Agent; or
- (c) one or more judgment(s) or order(s) from which no further appeal or judicial review is permissible under applicable law is rendered against the Issuer and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for such payment; or
- (d) the Issuer becomes insolvent or bankrupt or unable to pay its debts, or shall be submitted to an *amministrazione straordinaria* or a *liquidazione coatta amministrativa* proceeding (within the meanings ascribed to those expressions by the laws of Italy), or stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with, or for the benefit of, the relevant creditors in respect of any such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the debts of the Issuer; or
- (e) any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of paragraphs (c) and (d) above, then any holder of a Note may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

8.2 Events of Default relating to Subordinated Notes

In the event of a voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa* as defined in the Italian Banking Act) of the Issuer, any holder of a Note may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any such Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its principal amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

9. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note or Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent upon payment by the claimant of the expenses

incurred in connection with the replacement 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.

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 Fiscal 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 7.

10. NOTICES

10.1 Notices to the Noteholders

All notices to the Noteholders will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London and, so long as the Notes are admitted to trading and listed on the Official list of the Luxembourg Stock Exchange and the rules of that exchange so require, published in one daily newspaper of general circulation in Luxembourg or the Luxembourg Stock Exchange's website, *www.bourse.lu*. It is expected that any such publication in a newspaper will be made on the *Financial Times* and, for so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, the *Luxemburger Wort* or the *Tageblatt*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given if published in a leading English language daily newspaper published in London, 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.

10.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Fiscal Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

11. MEETINGS OF NOTEHOLDERS AND MODIFICATION

11.1 Meetings of Noteholders

The Agency Agreement 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. 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.

11.2 Modification

The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Notes, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

- (b) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any modification shall be binding on the Noteholders and the Couponholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 10.

12. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

13. GOVERNING LAW AND SUBMISSION TO JURISDICTION

13.1 Governing Law

The Agency Agreement, the Deed of Covenant, the Notes (except for Condition 2), the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant or the Notes and the Coupons are governed by, and construed in accordance with English law. Condition 2 is governed by, and shall be construed in accordance with, Italian law.

13.2 Submission to Jurisdiction

- (a) Subject to Condition 13.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons (a “**Dispute**”) and each of the Issuer and any Noteholders and Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

13.3 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

14. RIGHTS OF THIRD PARTIES

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

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general funding purposes, which include making a profit. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF THE ISSUER

*The Issuer's annual audited consolidated financial statements at 31 December 2014 (the **2014 Annual Financial Statements**) and its unaudited half-yearly condensed consolidated financial statements at 30 June 2015 (the **2015 half-year condensed consolidated Financial Statements**) have been prepared in accordance with IFRS.*

The 2014 Annual Financial Statements include comparative figures showing, inter alia, income statement and balance sheet items as at and for the year ended 31 December 2013.

The 2015 half-year condensed consolidated Financial Statements include comparative figures for the period ended 30 June 2014 and balance sheet items as at 31 December 2014.

*The Issuer's annual audited consolidated financial statements at 31 December 2013 (the **2013 Annual Financial Statements**) and its unaudited half-yearly condensed consolidated financial statements at 30 June 2014 (the **2014 half-year condensed consolidated Financial Statements**) have been prepared in accordance with IFRS.*

The 2013 Annual Financial Statements have been audited by Deloitte & Touche S.p.A. The 2014 Annual Financial Statements and the 2014 and 2015 half-year condensed consolidated Financial Statements have been respectively audited and reviewed by Reconta Ernst & Young S.p.A. The audit report issued by Deloitte & Touche S.p.A. and the audit and review reports issued by Reconta Ernst & Young S.p.A. are incorporated by reference into the Base Prospectus (see "Documents Incorporated by Reference").

Introduction and History

Credito Emiliano S.p.A. (the **Issuer** or the **Bank**) was incorporated in Italy as a joint stock company (*società per azioni*) under the provisions of the Italian Civil Code on 12 July 1973 (with the name Interfinanziaria S.p.A.) and it is registered in the company register of Reggio Emilia under number 01806740153 (Article 4 of the Issuer's By-laws provides for it to be incorporated until 31 December 2050). Its corporate objectives, as set out in Article 3 of the By-laws, are the collection of savings and lending in its various forms as well as carrying out all activities and banking and financial services accorded to banks including financings and other specially regulated activities. Its registered office is at Via Emilia San Pietro, 4, 42121 Reggio Emilia, Italy, and its investor relations telephone number is +39 0522 582785.

The Issuer and its subsidiaries (together, the **Credem Group** or the **Group**) form a medium-sized, multi-regional bank group based in the region of Emilia Romagna in northern Italy. Having operated originally as a retail bank, the Credem Group now provides a full range of commercial and asset management services. An expansion plan commenced in the 1970s has given the Issuer a national presence based on its local origins: it is now active throughout the whole of Italy while maintaining a strong presence in Emilia Romagna. As at 30 June 2015, the Credem Group comprised 13 companies (known as the "Banking Group" perimeter – Credemvita (as defined below), as a life insurance company, despite being fully owned by the Issuer and being consolidated line-by-line, is not included in the "Banking Group" perimeter) operating in a wide range of financial activities.

The Issuer was established in 1910 as Banca Agricola Commerciale di Reggio Emilia, a local private bank in the northern region of Emilia Romagna. The current denomination of Credito Emiliano S.p.A. has been used since 1983 following the acquisition of Banca Belinzaghi di Milano, the first step taken by the Issuer towards expansion on a national level.

During the 1990s, the Credem Group undertook an active acquisition campaign, taking over almost 30 small Italian banks, mainly located in the southern part of Italy. In 1994, the Credem Group acquired Euromobiliare S.p.A. (**Euromobiliare**), a banking group active in the investment banking and asset

management sectors, from HSBC. Euromobiliare was merged with the Issuer in 1997 and since October of the same year, the Issuer has been listed on the Italian Stock Exchange.

As at 30 June 2015, the Credem Group had 543 branches operating across 19 regions and 89 provinces of Italy. The Issuer has had a branch in Luxembourg since 1996, that following the acquisition of Banco di Napoli International Lux S.A. in 1999, became CREDEM International Lux S.A. (**CREDEMLux**).

Principal Markets

The core business of the Credem Group focusses on the retail market, the small and medium-sized enterprise market and the wealth management business. The Issuer is active in all areas of domestic retail and commercial banking and also operates, through its subsidiaries, in mutual fund management, leasing, factoring and insurance.

Business Overview

As at 30 June 2015, the Credem Group reported net interest and other banking income equal to €644.9 million (equal to €1,082.9 million as at 31 December 2014).

The Issuer's business focusses on the following two main areas: commercial banking and wealth management.

Commercial Banking

Commercial banking activities are conducted by the Issuer and certain other subsidiaries within the Credem Group, namely Credemleasing S.p.A. (**Credemleasing**) and Credemfactor S.p.A. (**Credemfactor**), Banca Euromobiliare S.p.A. (**Banca Euromobiliare**), as well as the Issuer's subsidiary in Luxembourg. As at 30 June 2015, the Issuer contributed €68.5 million (equal to 57.4 per cent.) to the Credem Group's net profit, compared to €62.7 million (equal to 63.4 per cent.) as at 30 June 2014. For the same period, Credemleasing contributed €6.0 million (equal to 5.0 per cent.) to the Credem Group's net profit, compared to €5.0 million (equal to 5.0 per cent.) in the same period last year and Banca Euromobiliare contributed €6.5 million (equal to 5.4% of the Credem Group's net profit) in comparison with €2.9 million as at the end of June 2014 (equal to 2.9% of the Credem Group's net profit).

Wealth Management

As at 30 June 2015, the Credem Group had over €22.0 billion in customer assets under management compared to €19.5 billion in the same period last year. Asset management activities of the Credem Group are organised through Euromobiliare Asset Management SGR S.p.A. (**Euromobiliare Asset Management**), CREDEMLux (Euromobiliare International Fund Sicav has delegated the fund administration services to CREDEMLux), Credem Private Equity SGR S.p.A. (**Credem Private Equity**) and Euromobiliare Fiduciaria S.p.A. (**Euromobiliare Fiduciaria**). Moreover, as at 30 June 2015, the Credem Group had also €5.1 billion (compared to €3.9 billion in the same period last year) in Insurance Reserves, managed through Credemvita S.p.A. (**Credemvita**).

Financial Highlights of the Credem Group

The following table shows selected financial highlights (consolidated) as at 31 December 2014 and 2013 and as at 30 June 2015 and 2014:

€ million	31 December		30 June	
	(audited)		(unaudited)	
	2014	2013	2015	2014

Total assets	34,794.3	31,530.8	35,628.8	33,319.0
Total liabilities and minority interests	32,418.2	29,375.4	33,253.2	31,015.4
Group shareholders' Equity	2,376.1	2,155.4	2,375.6	2,303.5
Profit (loss) attributable to the Parent Company	151.8	115.9	119.4	99.0

Ownership and Capital Structure of the Issuer

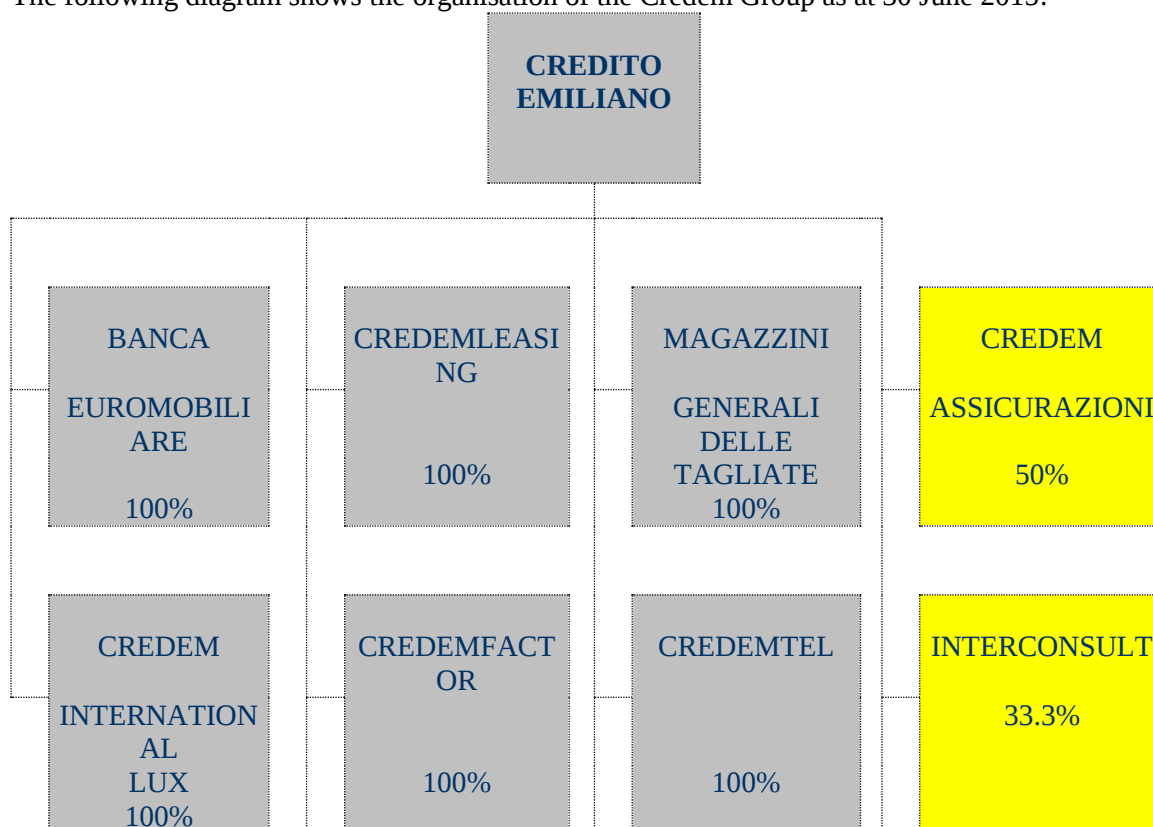
As at 30 June 2015, the authorised share capital of the Issuer was €332,392,107 and the issued share capital was €332,392,107, divided into 332,392,107 ordinary shares with a nominal value of €1.00 each. As at the same date, the share capital was fully paid-up, no convertible debt existed and the Issuer owned 810,403 treasury shares, corresponding to 0.24 per cent. of the share capital.

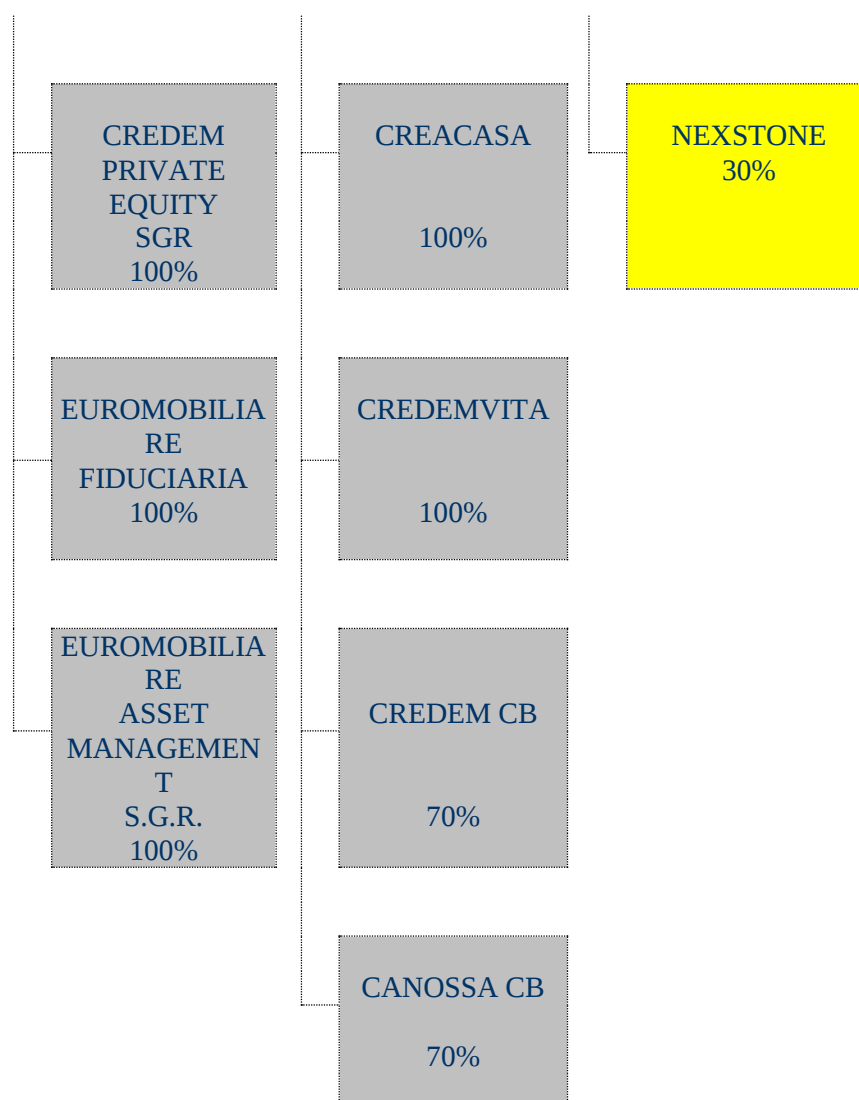
The Issuer is controlled by Credito Emiliano Holding S.p.A. (**CredemHolding**). The major shareholders of CredemHolding are Cofimar S.r.l. (which, as at the date of this Prospectus, owned 19.97 per cent.), Max Mara Fashion Group S.r.l. (8.10 per cent.), Max Mara Finance S.r.l. (8.3 per cent.), Pictet & Cie S.A. (4.99 per cent.), Fincorrad S.r.l. (3.45 per cent.), Eredi Savioli S.r.l. (3.23 per cent.) and Padana Tubi e Profilati Acciaio S.p.A. (2.14 per cent.). This group, together with various local families, most of whom were among the original founders of the bank at the beginning of the century, entered into a shareholders' agreement controlling 75.5 per cent. of the shares in CredemHolding. The remaining 24.5 per cent. of the shares in CredemHolding are owned by approximately 2,800 other shareholders.

As at the date of this Prospectus, CredemHolding held 76.9 per cent. of the Issuer's share capital. The remaining 23.1 per cent. of the shares in the Issuer are listed on the Italian Stock Exchange and are widely held. The Issuer has in place all the relevant measures and internal procedures to ensure that the control exercised by CredemHolding over the Issuer is not abused.

Structure of the Credem Group

The following diagram shows the organisation of the Credem Group as at 30 June 2015:





Notes:

- percentages refer to directly or indirectly exercisable voting rights.
- The highlighted equity investments are valued under the equity method.

The following table provides certain information relating to the significant consolidated subsidiaries of the Issuer as at 30 June 2015.

Company Name	Registered Office	Type of relationship	Shareholding Relationship	
			Investing Company	Share %
A. Companies				
A. 1 Consolidated line-by-line				
1. Credem International (Lux) sa	Luxembourg	1	Credito Emiliano Banca Euromobiliare	99.99 0.01

2. Credemleasing spa	Reggio Emilia	1	Credito Emiliano	99.90
			Magazzini Generali delle Tagliate	0.10
3. Credemfactor spa	Reggio Emilia	1	Credito Emiliano	99.00
			Credemleasing	1.00
4. Credem Private Equity SGR spa	Reggio Emilia	1	Credito Emiliano	87.50
			Banca Euromobiliare	12.50
5. Euromobiliare Asset Management SGR spa	Milan	1	Credito Emiliano	100.00
6. Credemtel spa	Reggio Emilia	1	Credito Emiliano	100.00
7. Creacasa srl	Reggio Emilia	1	Credito Emiliano	100.00
8. Magazzini Generali delle Tagliate spa	Reggio Emilia	1	Credito Emiliano	100.00
9. Banca Euromobiliare spa	Milan	1	Credito Emiliano	100.00
10. Euromobiliare Fiduciaria spa	Milan	1	Credito Emiliano	100.00
11. Credemvita spa	Reggio Emilia	1	Credito Emiliano	100.00
12. Credem CB srl	Conegliano	1	Credito Emiliano	70.00
13. Canossa CB srl	Conegliano	1	Credito Emiliano	70.00
A. 2 Consolidated using the equity method				
1. Credemassicurazioni spa	Reggio Emilia	2	Credito Emiliano	50.00
3. Interconsult	Luxembourg	3	Credem International (Lux) sa	33.33
4. Nexstone srl	Milan	3	Credito Emiliano	30.00

Type of relationship:

1 = majority of the voting rights of ordinary Shareholders' Meeting

2 = joint control

3 = associated companies

Strategy of the Credem Group

The Credem Group's strategy focusses on value creation, and has been developed over time through different phases, beginning in 1990, as discussed further below.

- *1990–1999: External growth* – through the acquisition of more than 30 small banks and Euromobiliare Group from Midland Bank.
- *2000–2003: Internal growth* – through divisionalisation, the opening of new branches and the creation of corporate centres, achieving sizeable market share increases.
- *2004–2006: Focus on profitability* – by capitalising on the recent expansion of the Credem Group and continuing to develop market shares.
- *2006–2008: Focus on profitability* – strengthening the role of the core businesses and maintaining volume increases above market average.

- *2009-2012: Facing the global crisis* – lowering the Group’s risk profile both in term of market and credit risks while increasing the Group’s focus on commercial banking business, capital ratios soundness and organisation efficiency.
- *2013 – on-going: Taking advantage from a restructuring banking system* – achieving a sizeable market share increase both on lending and on direct and indirect deposits and investing in new technologies and a commercial network at a time when the banking system still has to face the consequences of a five-year economic recession.

In order to pursue a strategy aimed at expanding the Issuer’s core commercial banking business, the Credem Group has:

- started increasing the number of its employees, in order to sustain both its commercial salesforce and IT department (248 employees more as at 30 June 2015 than year-end 2012), as well as its financial advisors network (54 more financial advisors as at 30 June 2015 than year-end 2012);
- set up a “developing salesforce”, aimed only at acquiring new corporate and retail customers, which account for almost 8 per cent. of total employees, as at 30 June 2015;
- developed a new business line with 117 agents (as at the end of June 2015) with a mandate for “salary backed loans”; and
- significantly increased investments on new technologies/products, as evidenced by the evolution of amortisation and depreciation (which, in the first six months of 2015, were 24 per cent. higher than the first six months of 2012).

DISTRIBUTION CHANNELS AND RESOURCES

As at 30 June 2015, the Credem Group’s distribution network consisted of 543 branches, 42 corporate centres and 52 financial stores, with 804 financial advisers, 264 agents of Creacasa and 117 agents with Credem given exclusive mandate for “salary backed loans”. The following table shows the distribution network of the Credem Group as at the dates indicated.

Distribution Structure	31 December		30 June	
	2014	2013	2015	2014
Credito Emiliano and others	523	525	523	524
Banca Euromobiliare	19	19	20	19
Branches	542	544	543	543
Corporate Centres	43	42	42	43
Financial Outlets	50	47	52	51

Branch Network

The following table shows the geographical distribution of the Credem Group branch network as at 30 June 2015.

Region	Number	%
Trentino Alto Adige	4	0.7
Piedmont	19	3.5
Liguria	9	1.7
Lombardy	71	13.1
Veneto	28	5.2
Friuli-Venezia Giulia	7	1.3
Emilia Romagna	128	23.6
Marche	8	1.5
Abruzzo	3	0.6
Tuscany	38	7.0
Umbria	5	0.9
Lazio	27	5.0
Molise	1	0.2
Campania	45	8.3
Apulia	49	9.0
Basilicata	2	0.4
Calabria	32	5.9
Sicily	62	11.4
Sardinia	5	0.9
Total	543	100.0

Employees

The Credem Group had 5,852 employees as at 30 June 2015, compared to 5,763 employees as at 31 December 2014 and 5,711 employees as at 30 June 2014.

COMMERCIAL BANKING

Funding Activities

The Credem Group's total funding activities amounted to €28,396 million as at 30 June 2015.

The table below shows the composition of the consolidated funding activities as at 31 December 2014 and 2013 and 30 June 2015 and 2014:

<i>€ million</i>	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
	<i>2014</i>	<i>2013</i>	<i>2015</i>	<i>2014</i>
Deposits from banks	5,014	5,287	5,226	5,752
Due to customers	16,758	15,112	16,507	15,025

Debt securities issued	4,711	4,135	4,632	4,308
Financial liabilities held for trading	137	107	83	103
Financial liabilities valued at fair value	1,438	1,104	1,948	1,227
Total funding activities	28,058	25,745	28,396	26,415

Interbank Deposits

As at 30 June 2015, 18.4 per cent. of the Credem Group's funding activities was represented by deposits from Italian and foreign banks. Total interbank deposits totalled €5,225,940,000 as at 30 June 2015 (compared to €5,013,568,000 as at 31 December 2014 and 5,751,681,000 as at 30 June 2014).

A breakdown of interbank deposits as at 31 December 2014 and 2013 and 30 June 2015 and 2014 is provided in the table below:

<i>€ thousand</i>	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
	2014	2013	2015	2014
Deposits from central banks	2,257,135	3,039,661	1,751,163	2,378,207
Deposits from banks	2,756,433	2,247,202	3,474,777	3,373,470
- current accounts and demand deposits	133,107	123,312	224,687	139,226
- term deposits	116,342	50,180	114,078	120,827
- Loans	2,506,537	2,073,073	3,135,800	3,112,605
- amount due for repurchase agreements on own equity investments	0	0	0	0
- other amounts due	447	637	212	812
Total	5,013,568	5,286,863	5,225,940	5,751,677

Deposits

The Credem Group offers its retail and corporate customers a wide range of deposit products, including savings accounts, current accounts, bonds and term deposits. As at 30 June 2015, banking direct deposits (including repurchase agreements) amounted to €20,786 million (an increase of 13.3 per cent. compared to €18,343 million as at 30 June 2014 and of 2.0 per cent. compared to €20,386 million as at 31 December 2014). At the same date, 75.52 per cent. of banking direct deposits were represented by current and savings accounts. Customer deposits are brought in through the Credem Group's branch network (see "Distribution Channels and Resources") and through relationship management with corporate clients.

A breakdown of total deposits as at 31 December 2014 and 2013 and 30 June 2015 and 2014 is provided in the table below:

<i>€ million</i>	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
	2014	2013	2015	2014
Current and savings accounts	15,335	13,625	15,697	13,687

<i>€ million</i>	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
	2014	2013	2015	2014
Certificates of deposit	1	2	1	1
Other	332	258	455	306
Deposits	15,668	13,885	16,153	13,994
Bonds and subordinated debt	4,718	4,187	4,633	4,349
Direct deposits excluding repurchase agreements	20,386	18,072	20,786	18,343
Repurchase agreements	0	0	0	0
Banking direct deposits	20,386	18,072	20,786	18,343
Insurance reserves	4,409	3,236	5,127	3,921
Indirect deposits at countervalue	38,006	34,061	40,727	37,628
Grand Total	62,801	55,369	66,640	59,892

As at 30 June 2015, total deposits totalled €66,640 million, and approximately 61 per cent. (€40,727 million) of total deposits consisted of indirect deposits.

A breakdown of indirect deposits as at 31 December 2014 and 2013 and 30 June 2015 and 2014 is provided in the table below:

<i>€ million</i>	31 December		30 June	
	2014	2013	2015	2014
Indirect deposits at countervalue	38,006	34,061	40,727	37,628
- of which assets under management	20,208	17,687	22,002	19,522
- of which assets under custody	17,798	16,374	18,725	18,106

Subordinated Notes

As at 30 June 2015, subordinated notes of the Credem Group totalled €380,163,000 (a 8.1 per cent. decrease compared to €413,582,000 as at 31 December 2014 and a 20.6 per cent. decrease compared to €478,993,000 as at 30 June 2014), as set out in the table below:

<i>€ thousand</i>	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
	2014	2013	2015	2014
Subordinated Notes	413,582	615,952	380,163	478,993

Bonds and Securities Portfolio

As at 30 June 2015, the value of the Issuer's bond and securities portfolio was €12,057,898,000 (a 17.6 per cent. increase compared to €10,256,635,000 as at 30 June 2014), including a bond and securities portfolio related to insurance companies.

The following table provides a breakdown of the Issuer's bond and securities portfolio by book value as at the dates indicated:

<i>€ thousand</i>	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
	2014	2013	2015	2014
Debt securities	8,676,935	7,409,966	9,145,228	8,247,323
Equities securities	17,109	15,729	13,930	13,303
Units of UCITS	1,886,638	1,601,415	2,646,265	1,730,672
Derivatives instruments, trading portfolio	131,822	121,414	91,259	110,011
Derivatives instruments, hedging portfolio	169,740	102,357	161,216	155,326
Total bond and securities portfolio	10,882,244	9,250,881	12,057,898	10,256,635

As at 31 December 2014, securities portfolio contained the following categories of securities, compared with the portfolio as at 31 December 2013.

<i>€ thousand</i>	31 December 2014	31 December 2013
	<i>(audited)</i>	<i>(audited)</i>
Debt securities	8,676,935	7,409,966
Level 1	8,450,238	6,584,881
Level 2	222,407	816,094
Level 3	4,290	8,991
Equity securities	17,109	15,729
Level 1	3,185	2,306
Level 2	0	0
Level 3	13,924	13,423
Units of UCITS	1,886,638	1,601,415
Level 1	1,853,059	1,562,116
Level 2	0	888
Level 3	33,579	38,411
Derivatives instruments, trading portfolio	131,822	121,414
Level 1	38	81
Level 2	131,784	121,332
Level 3	0	1
Derivatives instruments, hedging portfolio	169,740	102,357
Level 1	0	0
Level 2	169,740	102,357

<i>€ thousand</i>	31 December 2014	31 December 2013
	<i>(audited)</i>	<i>(audited)</i>
Level 3	0	0
Total bond and securities portfolio	10,882,244	9,250,881

IFRS 7 calls for classifying instruments being measured at fair value as a function of the ability to observe the inputs used for pricing. To be specific, three levels are specified:

Level 1: the fair value of instruments classified in this level is based on quotation prices observed in active markets;

Level 2: the fair value of instruments classified in this level is based on valuation models that use inputs that can be observed in the market;

Level 3: the fair value of instruments classified in this level is based on valuation models that primarily use inputs that cannot be observed in the market.

Lending Activities

The Credem Group, through the Issuer and its banking subsidiaries, conducts activities in the corporate and retail lending sectors in Italy. As at 30 June 2015, consolidated total loans were €21,498.5 million, of which €21,447.6 million represented net loans to customers and €50.9 million represented repos.

The following table shows the consolidated value of loans and receivables with customers for the periods indicated:

<i>€ million</i>	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
	2014	2013	2015	2014
Loans to customers				
• Net of repos	21,508	19,938	21,448	20,279
• Repos	187	0	51	93
Total	21,695	19,938	21,499	20,372

The most significant sector of the Credem Group's business was lending to households and small businesses. A breakdown of loans to customers by type of borrower (according to Bank of Italy classifications) as at 31 December 2014 and 2013 and 30 June 2015 and 2014 is provided below:

	31 December				30 June			
	<i>(audited)</i>				<i>(unaudited)</i>			
	2014		2013		2015		2014	
	<i>€ million</i>	<i>%</i>	<i>€ million</i>	<i>%</i>	<i>€ million</i>	<i>%</i>	<i>€ million</i>	<i>%</i>
Governments and other public sector entities	266	1.2	203	1.0	269	1.2	218	1.1

Financial companies	569	2.6	337	1.7	364	1.7	701	3.4
Non financial companies	11,487	53.0	10,392	52.1	11,326	52.7	10,670	52.4
Others	9,373	43.2	9,006	45.2	9,540	44.4	8,783	43.1
Total	21,695	100.0	19,938	100.0	21,499	100.0	20,372	100.0

A breakdown of loans and receivables with customers by instrument, as at 31 December 2014 and 2013 and 30 June 2015 and 2014, is provided below:

	31 December				30 June			
	(audited)				(unaudited)			
	2014		2013		2015		2014	
	€ million	%	€ million	%	€ million	%	€ million	%
Current accounts	2,881	13.2	3,070	15.4	2,872	13.4	3,111	15.3
Repos	187	0.9	0	0	51	0.2	93	0.5
Mortgages	9,220	42.5	8,854	44.3	9,459	44.0	8,888	43.5
Credit cards, personal loans, incl. wage assignment loans	936	4.3	777	3.9	1,027	4.8	848	4.2
Finance leasing	1,837	8.5	1,757	8.8	1,829	8.5	1,816	8.9
Factoring	654	3.0	549	2.8	590	2.7	504	2.5
Other loans	5,183	23.9	4,143	20.8	4,874	22.7	4,313	21.2
Debt securities	0	0	0	0	0	0	0	0
Impaired assets	797	3.7	788	4.0	797	3.7	799	3.9
Total	21,695	100.0	19,938	100.0	21,499	100.0	20,372	100.0

Impaired Loans

The following table shows a breakdown of loans to customers and provisions for the period ended 30 June 2015 (unaudited):

€/million	Gross exposures	Write-downs	Net exposures
Impaired loans:			
Doubtful loans	870.5	514.9	355.6
Unlikely-to-pay exposures	428.1	68.7	359.4
Impaired past-due exposures	96.1	13.5	82.6
Total impaired loans	1,394.7	597.1	797.6

Doubtful loans represent exposure towards customers in a state of insolvency, where legal or other action has been implemented to recover funds outstanding

On 1 January 2015, the Implementing Technical Standard (ITS) concerning exposures to which “measures of forbearance” have been applied (“forborne exposures”), published by the EBA in 2013 and approved by the European Commission, entered into force. The Bank of Italy then updated its regulations on Statistical and Supervisory Reporting.

One of the most important changes in legislation concerns the different classification of impaired loans, particularly, on one hand, the “Substandard loans” and “restructured exposures” are no longer considered, while on the other hand, the notions of “unlikely-to-pay exposures” and “forbearance exposures” have been introduced.

“Forbearance exposures” is not a non-performing loan category *per se*, but it qualifies as a loan, both performing and impaired (Doubtful loans or unlikely-to-pay exposures or past due exposures). Exposures subject to forbearance measures may then be classified under impaired loans (“impaired forbearance exposures”) or under performing loans (“other forbearance exposures”).

Furthermore, the new category of “unlikely-to-pay exposures” no longer encompasses situations of “objective watch-list” envisaged by prior legislation.

Credem Group made the reclassification as at 1 January 2015 of the exposures existing as at 31 December 2014 with regard to “objective substandard loans” and “restructured” and these exposures were reclassified as “impaired past-due exposures” and “unlikely-to-pay exposures” respectively.

Based on such reclassification, the table below shows the relative trend of impaired loans relating to the Credem Group:

	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
<i>€ million (except percentages)</i>	2014	2013	2015	2014
Doubtful loans/net loans and receivables with customers (%)				
Credem Group	1.6	1.6	1.7	1.6
Industry*	5.1	4.7	5.0	4.8
Provisions for losses on Doubtful (%)				
Credem Group	58.6	58.2	59.2	59.3
Gross exposures				
Doubtful loans	807.8	740.8	870.5	804.2
Unlikely-to-pay exposures	423.0	433.5 ⁽¹⁾	428.1	421.4
Impaired past-due exposures	113.6	111.0 ⁽¹⁾	96.1	112.4
Total impaired loans	1,344.4	1,285.3	1,394.7	1,338.1
Specific write-downs	547.1	497.0	597.1	539.4
Net exposures				
Doubtful loans	334.4	310.0	355.6	327.1
Unlikely-to-pay exposures	362.8	373.3 ⁽¹⁾	359.4	365.1

	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
Impaired past-due exposures	100.2	105.1 ⁽¹⁾	82.6	106.5
Total net exposures	797.4	788.4	797.6	798.7

(1) “Unlikely-to-pay exposures” as at 31 December 2013 refer to impaired loans belonging to old categories of “Substandard loans” and “Restructured loans”. These categories were in place up to 31 December 2014. As at 31 December 2013 “substandard loans” included “objective substandard loans”, reclassified from 1 January 2015 within “Impaired Past Due exposures”.

“Impaired past-due exposures” as at 31 December 2013 do not include the old category of “objective substandard loans”.

Classification according the new categories is not available for 31 December 2013 figures.

* Industry figures are taken from the following source: *Economic Bulletin – Bank of Italy*.

The Credem Group’s percentage of provisions for losses on Doubtful loans is 59.2 per cent. as at 30 June 2015.

Loans to banks

Loans to banks totalled €353.2 million as at 30 June 2015 (compared to €521.2 million as at 31 December 2014, representing a decrease of 32.2 per cent. and compared to €920.5 million as at 30 June 2014, representing a decrease of 61.6 per cent.) broken down by facility type as follows:

<i>€ thousand</i>	31 December		30 June	
	<i>(audited)</i>		<i>(unaudited)</i>	
	2014	2013	2015	2014
Loans to central banks	188,957	132,314	204,153	187,612
Time deposits	0	0	0	0
Compulsory reserves	188,957	132,314	204,153	187,612
Repurchase agreements	0	0	0	0
Others	0	0	0	0
Loans to banks	332,256	501,322	149,032	732,868
Current accounts and demand deposits	53,650	218,333	62,040	355,917
Time deposits	167,944	244,493	84,801	337,528
Others	110,662	1,602	2,191	3,190
Debt securities	0	36,894	0	36,233
Impaired Assets	0	0	0	0
Total	521,213	633,636	353,185	920,480

LEASING AND FACTORING

Credemleasing has been operating in the leasing market since 1980. The company operates through branches located in Emilia Romagna, Campania, Lazio, Lombardy, Piedmont, Sicily, Tuscany, Apulia, Calabria and Veneto, and has set up a series of sub-branches in certain offices of the Issuer and the other banks in the Credem Group throughout other regions of Italy. It is active in all areas of financial leasing: vehicles, plant and machinery, real estate and shipping. Today, it is among the leading 20 leasing companies operating in Italy (*Source: ASSILEA – Associazione Italiana Leasing*, of which Credemleasing is one of the founding partners).

As at 30 June 2015, Credemleasing signed 1,931 contracts with customers (compared to 1,455 as at 30 June 2014) for a total value of €340.3 million (compared to €247.4 million as at 30 June 2014), of which €94.9 million represented by real estate leasing (compared to €110.4 million as at 30 June 2014). Total leasing receivables as at 30 June 2015 amounted to €2,156 million, compared to €2,052 million as at 30 June 2014.

Factoring activities within the Credem Group are organised through Credemfactor. Credemfactor was established in 1986 and is based in Reggio Emilia, with other branches in Bologna, Bari/Bisceglie, Catania, Milano, Napoli, Padova, Palermo, Prato, Roma, Torino and trading points at offices of other banks of the Credem Group throughout Italy. As at 30 June 2015, the company's net profit amounted to €3,314 million, compared to €4,020 million for the same period of 2014.

WEALTH MANAGEMENT

As at 30 June 2015, total asset under management amounted to €22,002 million, of which mutual funds and SICAVs amounted to €10,141 million.

The business is operated directly by the Issuer and through its subsidiaries Banca Euromobiliare, Euromobiliare Asset Management SGR, Credem International (Lux) and Credem Private Equity.

Other Credem Group companies active within the asset management division include the insurance company Credemvita S.p.A.

OTHER SERVICES

Credemtel S.p.A. offers technical support to the interbank corporate banking services division. The company's net profit as at 30 June 2015 amounted to €1,299,000, which represents an increase in respect of the net profit of €913,000 in the first six months of 2014.

Magazzini Generali delle Tagliate S.p.A. is based in Reggio Emilia and offers cheese warehousing and maturing services. Net profit as at 30 June 2015 amounted to €232,000, compared to €366,000 for the first six months of 2014.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk Management

Risk management for the Credem Group is performed by means of an integrated department which processes information regarding customers and the market. The Issuer's risk management policy is based on a stringent control of financial risks. Risk management procedures are developed and monitored by a department which is external to the Finance Area. The rules relating to the Group's financial risks require regular reporting and supply of other information to the Issuer's senior management, committees and board of directors. Risk management and monitoring activity is undertaken by screen-based and electronic systems, which allow a real-time updating of the Group's positions. The risk management system is based on gap, duration and convexity analysis. An asset and liability committee, which meets on a quarterly basis, monitors the Group's overall trend and exposure to financial risks. Derivative products are used principally for hedging purposes, or for trading with the customer base.

In relation to the control of market risks, the Group's risk management policy focuses principally on the Issuer, by means of a system that allows both individual and joint monitoring. Overall average risk (banking book and trading book), calculated using Value At Risk (**VAR**) methodology (using confidence intervals of 99 per cent., 10-day intervals and multiplying coefficient equal to 3 in accordance with the Bank of Italy's most recent requirements) stood at the following values as at the dates indicated:

<i>€ million</i>	31 December 2013		31 December 2014		30 June 2015	
	Avg.	Max.	Avg.	Max.	Avg.	Max.
CREDEM	64.8	121.1	37.1	58.1	33.4	54.6
Credemleasing	2.2	3.2	2.0	3.2	1.0	2.2
Banca Euromobiliare	0.3	0.5	0.3	0.5	0.2	0.2

Credit Procedures

The main objectives of the Issuer's credit policy is to increase customer loans while maintaining high credit quality and avoiding impaired loans.

The Issuer targets small to medium-sized companies, offering itself as a strategic, and not merely a financial, partner. The main basis for granting credit lines is the borrowing companies' ability to generate income and cash flow.

The Issuer's credit risk management remains centralised, and is based on a separation of the roles of the credit proposer/customer relations officer and that of the credit approval officer.

A Central Credit Analysis Department, created to ensure separation of roles, approves the majority of the Issuer's loans. Thus the branches to whom the role of proposing and managing the loans is delegated decide only on a limited portion of the Issuer's loans.

The customer relationship officer is responsible for gathering all necessary information regarding the customer to enable an analysis of its current and prospective credit-worthiness. The responsibility of the deliberating officer or body is to evaluate customer's credit-worthiness and thus to establish the appropriateness of the proposal. Particular care is taken in the analysis of credit requests relating to the construction and property sector and those aimed at financing companies in general, as well as medium to long-term financing and participations in syndicated loans.

The decision-making process is as follows:

- (a) information gathering;
- (b) analysis of the information (balance sheet, budget, statistic data and sector analysis);
- (c) granting of an internal rating (this is a synthetic indicator of the client's risk level); and
- (d) definition of the amount and of the structure of credit lines and securities.

Credits are then regularly reviewed in a six-to-24-month period.

The number of officers involved in the credit decision process depends on the size of the credit being extended, according to an internal procedure that appoints increasing powers of approval to officers at different levels of management.

Maximum potential credit limits for each customer are defined by Bank of Italy regulations.

The Issuer has moved to the internal ratings based (**IRB**) foundation approach under Basel II for its corporate portfolio. Its model was validated by the Bank of Italy in June 2008.

On 2 October 2015, the Group received also the authorization, that will be effective from 30 September 2015, for the use of the advanced internal model (**AIRB**) in order to calculate the capital requirements related to Credito Emiliano and Credemleasing's credit risks toward both retail and corporate customers.

The positive impact of the received authorisation cannot be currently exactly indicated as it will be calculated when 3Q15 Group results are available.

As part of its credit policy the Issuer accepts both personal guarantees and pledged assets as collateral.

CAPITAL ADEQUACY

The Bank of Italy has adopted risk-based capital ratios (**Capital Ratios**) pursuant to European Community (**EC**) capital adequacy directives. Italy's current capital requirements are, in many respects, similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Regulations and Supervisory Practices. The Capital Ratios, revised after numerous innovations introduced by new Basel III regulations in force from 1 January 2014, compare capital requirements to face bank's assets and certain off-balance-sheet items, weighted according to risks (**Risk-Weighted Assets**).

The Issuer calculates and reports its Capital Ratios on a consolidated basis. In accordance with Bank of Italy regulations, the Issuer is required to maintain a Total Capital Ratio of at least 10.5 per cent.

On 17 March 2015, the Issuer received joint decisions with regard to capital adequacy and liquidity undertaken following assessments carried out in 2014 by the Board of the Supervisory Authorities. This prerogative of the Supervisory Authority reflects the so-called SREP – Supervisory Review and Evaluation Process – carried out annually in order to ensure that banks and banking groups are provided with financial and organisational monitoring appropriate to the risks taken on, ensuring the overall management equilibrium. In particular, regarding the level of own funds, the Bank of Italy together with the Supervisory Authority Host (*Commission de Surveillance du Secteur Financier*), fixed for the Credem group a prudential monitoring threshold of 8% in terms of Common Equity Tier 1 ratio, including the capital conservation buffer of 2.5%. The assessments made concerned the groups that took part in the Comprehensive Assessment and have also considered its outcome. It is useful to note in this regard that the financial limits assigned to the Credem group were the most favourable among those involved. It should also be added that the above-mentioned joint decision did not require, in terms of liquidity, the adoption of specific measures.

The Issuer is controlled by a “financial holding” (Credemholding S.p.A.) that owns around 77% of the Issuer's share capital. The Issuer is requested to meet the prudential requirements established by the CRR at Credemholding consolidated level.

The table below shows the Common Equity Tier 1 and Tier 2 capital levels and relative ratios as at 31 December 2014 and 2013 and 30 June 2015 and 2014:

	31 December			30 June	
	(audited)			(unaudited)	
	2014	2013*	2013**	2015	2014
€ millions					
Own Funds	1,969.1	2,207.8	1,925.0	2,189.0	2,273.1
of which Total Common	1,860.8	N/A	1,760.6	1,915.8	1,850.8

Equity Tier 1 Capital (CET1)

of which Tier 1 Capital	1,860.8	1,643.2	1,760.6	1,919.8	1,850.8
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** figures unaudited and recalculated with the new CRD4 regulations in force as from 1 January 2014, in order to ensure a consistent comparison.

* figures in accordance with regulations in force up to 31 December 2013. The amount of 2,207.8 million was the “Capital for regulatory purposes”. The amount of 1,643.2 was the “Total TIER 1”.

The following table illustrates capital adequacy of the group:

(<i>€ million</i>)	31 December			30 June	
	(audited)			(unaudited)	
	2014	2013****	2013***	2015	2014
Capital absorption relative to the following risks:					
Credit and counterparty risk	1,195.1	1,185.8	1,149.7	1,204.9	1,167.2
Market risk	24.7	18.0	18.0	20.6	24.4
Operational risk	117.1	118.2	118.2	117.1	118.2
Credit Value Adjustment (CVA)	1.8	N/A	6.3	2,1	17.2
Total capital requirement	1,338.7	1,322.0	1,292.2	1,344.7	1,327.0
COMMON EQUITY TIER 1 capital ratio (*) (%)	11.1	N/A	10.9	11.4	11.2
TIER 1 capital ratio (*) (%)	11.1	9.9	10.9	11.4	11.2
Total capital ratio (**) (%)	11.8	13.4	11.9	13.0	13.7

Indications for capital ratios show the Common Equity Tier 1 ratio Phased-in as at 30 June 2015 at 11.4% (11.2% at 30 June 2014), Fully Phased 10.5% (11.2% at 30 June 2014), while the Total Capital ratio Phased-in is 13.0% (13.7% at 30 June 2014), Fully Phased 12.5% (13.8% at 30 June 2014).

* TIER 1 (or COMMON EQUITY TIER 1) Capital/Risk-weighted assets

** Regulatory capital/Risk-weighted assets

*** figures as at 31 December 2013 were recalculated with the new CRD4 regulations in force as from 1 January 2014, in order to ensure a consistent comparison.

***** figures in accordance with regulations in force up to 31 December 2013. The amount of 9.9 million was the “TIER 1 capital ratio”. The amount of 13.4 was the “Total capital ratio”.

On 2 October 2015, the Group received also the authorization, that will be effective from 30 September 2015, for the use of the advanced internal model (**AIRB**) in order to calculate the capital requirements related to Credito Emiliano and Credemleasing’s credit risks toward both retail and corporate customers.

The positive impact of the received authorisation cannot be currently exactly indicated as it will be calculated when 3Q15 Group results are available.

RECENT DEVELOPMENTS

Unaudited Interim Results as at and for the nine months ended at 30 September 2015

On 11 November 2015, the Issuer published a press release setting out Credem Group interim results as at and for the nine months ended 30 September 2015. A copy of such press release is incorporated by reference in this Prospectus (see “Documents Incorporated by Reference” above) and an extract is set out below:

“Credem Group closed the 9M2015 accounts showing a very solid capital position with CET1 Ratio⁽¹⁾ at 13.64%, thank to the positive impact coming from the authorization to utilize the advance internal rating based model for the calculation of capital requirements against credit risks (Advanced IRB) received on October, 2nd, from the Bank of Italy. The profitability of the Group was also confirmed with a Net Profit for the Period remarkably up by 17% YoY at €150.3 million. During the first nine months of 2015, market shares developing trend continued with 85 thousand new customers⁽²⁾. Also, the Group expanded its organizational structure (both the headquarter and the commercial networks) with 252 hiring⁽³⁾ out of which 78% were below 30 years of age; as a result Credem’s total headcount⁽³⁾ grew by 2.7% YoY. Credem Group continued to support the economy with Loans to Customers⁽⁴⁾ up by 5.9% YoY (overperforming the industry by more than 5 percentage points as the average growth registered by the banking sector was 0.3% YoY⁽⁵⁾) at €21.3 billion (+€1.2 billion YoY in value); since the beginning of the year, €656 million of new residential mortgages were sold to households (+30% YoY). Such growth was accomplished while maintaining a premium credit quality with a Net NPLs Ratio at 1.69%. Group’s Total Funding grew by 8.4% YoY at €66.5 billion, with AUM up by 7.1% YoY at €21.7 billion and Insurance Reserves up by 26.2% YoY at €5.3 billion. In September it was launched the Grancassa commercial campaign that provides for the activation of a €2 billion plafond of pre approved credit lines designated to sustain those SMEs already clients of the Group that will request to borrow a loan toward the end of the year.”

“Consolidated Income Statement”⁽⁶⁾

Operating Income grew by 6.4% YoY at €859.2 million compared to €807.2 million in 9M2014. In detail, Interest Margin⁽⁸⁾ was €321.2 million compared to €371.4 million in 9M2014 (-13.5% YoY) mainly influenced by the interest rates trend and by the lower contribution of the securities portfolio. Non Interest Margin⁽⁷⁾⁽⁹⁾ grew by 23.5% YoY at €538 million compared to €435.8 million in 9M2014. In detail, trading, forex and hedging activities increased more than remarkably (+100.9% YoY) benefitting specifically of the securities’ portfolio repositioning realized through the disposal of Italian government bonds performed in 1Q15. Such repositioning contributed to the aggregate for around €100 million, gross of the fiscal effect. Commissions increased by 11.7% YoY (management and brokerage commissions +20.5% YoY, banking commissions +0.7% YoY) and revenues from the insurance business grew by 9.1% YoY.

Operating Costs⁽⁷⁾, were €511.3 million compared to €487.7 million in 9M2014 (+4.8% YoY) because of the investments sustained to support the commercial development and to fulfill the needs in terms of compliance to incoming regulations. In detail, Administrative Expenses were €161.8 million (+5.3% YoY), while Payroll Costs were €349.5 million (+4.6% YoY).

Cost/Income Ratio⁽¹⁰⁾ was 59.2% down either from 60.4% in 9M2014 and from 61.3% in FY2014.

Gross Operating Profit was up by 8.9% YoY at €347.9 million compared to €319.5 million in 9M2014, Amortisation and Depreciation equalled €29.8 million compared to €28.8 million in the first nine months of 2014 (+3.5% YoY).

Operating Profit was up by €9.4% YoY at €318.1 million compared to €290.7 million in 9M2014.

Provisions for Risk and Charges equalled €17.5 million (€4.9 million in 9M2014) of which €5.1 million were the contribution to the Fondo Nazionale per la Risoluzione (Single Resolution Fund) and €4.6 million to the Fondo di Garanzia dei Depositi (Deposit Guaranteed Scheme). Net Adjustments to Loans were €82.3 million compared to €77.9 million in 9M2014, mainly because of the choice of increasing the coverage of impaired and performing loans.

Net Extraordinary Income/Charges were €1.9 million (-€0.4 million in 9M2014).

Net Profit before Taxes was €220.2 million, +6.1% compared to €207.5 million in 9M2014. Income Taxes were €69.9 million (€79 million in 9M2014, -11.5% YoY). Net Profit for the Period was €150.3 million, up by 17% compared to €128.5 million in 9M2014.

Consolidated Balance Sheet⁽⁴⁾

Group Customers' Funding was at the end of 9M2015 was up by 6.6% YoY at €56,344 million (€52,855 million at the end of 9M2014). Group's Total Funding was €66,463 million, +8.4% YoY compared to €61,316 at the end of 9M2014. In detail, Direct Deposits from Customers grew by 7.9% YoY at €18,474 million compared to €17,118 million at the end of 9M2014. Group Direct Deposits were €20,774 million compared to €18,484 million at the end of 9M2014 (+12.4% YoY). Insurance Reserves amounted to €5,336 million, +26.2% compared to €4,228 million at the end of 9M2014. Total Customers Indirect Deposits were €32,534 million, +3.3% compared to €31,509 million at the end of 9M2014. In detail, AUM grew by 7.1% YoY at €21,745 million compared to €20,311 million at the end of 9M2014; in detail Portfolio Management Accounts were €5,233 million (+17.6% YoY) while Mutual Funds and SICAVs were €9,891 million (+6.3% YoY).

Loans to Customers were up by 5.9% YoY (overperforming the industry by more than 5 percentage points as loans growing at system's level +0.3% YoY(5)) at €21,289 million compared to €20,107 million at the end of 9M2014 while maintaining an excellent credit quality. In detail, Residential Mortgages inflows in 9M2015 were €656.2 million up by 30% YoY with a stock amounting to €6,329.4 million (+2.7% YoY).

Net NPLs Ratio was 1.69% (compared to 1.68% at the end of 9M2014) well below the industry average. NPLs' coverage was 59.6% (59.1% at the end of 9M2014). Net Impaired Loans were €808.2 million compared to €810.2 million at the end of 9M2014.

Credemholding phased-in CET1 Ratio ⁽¹⁾ was 13.64% (fully phased 11.77%); phased-in Total capital ratio ⁽¹⁾ was 14.92% (fully phased 13.89%).

At the end of 9M2015 Credem's distribution networks consisted of 636 branches, corporate centers and financial stores with 5,910 employees, 813 financial advisers with mandate, 264 Creacasa agents and 117 agents with exclusive mandate for "salary backed loans".

Forecast on Operating Trends and Evolution of the Business

In the near future core revenues are expected to move in line with the trends showed in the past quarters. Though, within this picture, the commercial efforts that the Group is putting in place could induce a potential, even if not certain, acceleration of the growth. The repositioning of the securities' portfolio, paired with a stable context in terms of financial markets and liquidity, will drive to a lower contribution of the trading activity. Similarly, with reference to the expected economic macro picture and to the effort performed in order to increase the coverage of performing and non performing loans, the incidence of the cost of risk on profitability is likely to decrease. Finally, expenses are expected to remain at the same level seen in the recent past (and in a relative countertrend compared to the industry), in order to support current commercial growth as well as the alignment to the more complex regulatory framework.

NOTES:

(1) Phased-in figures. On the back of article 11, comma 2, 3, and 13 of the EU regulation n. 575/2013 (CRR), banks controlled by a financial holding are requested to meet the requirements set by such a regulation on the base of the consolidated accounts of the holding. Because of this rule on capital ratios, the consolidation perimeter of the Group was changed, within the framework set by the prudential supervision of the regulator. Therefore, capital ratios were calculated on Credemholding, which holds 76.87% of Credem Spa share capital. On the back of article 26, comma 2 of the EU regulation n. 575/2013 (CRR), the part of the 9M15 Net Profit for the Period, net of the portion to be designated to dividends, was not included into the calculation of capital reserves (line 170), as the 9M15 Report is not subject to independent audit. Though, the part of the 1H15 Net Profit for the Period, net of the portion to be designated to dividends, was indeed included into the calculation of capital reserves;

(2) Data referred to Credem Spa only;

(3) Data referred to Credem Spa only, net of intergroup and other movements;

(4) Group's Direct Deposits include the contribution of all companies belonging to the banking group, while Insurance Reserves include Credemvita's technical reserves and financial liabilities valued at fair value. Regarding Customers' Funding, bonds issued to institutional investors and deposits from financial institutions are deducted from the total. Group's Customers' Funding includes Insurance Reserves. Loans to Customers and Direct Deposits do not include repos with the Cassa di Compensazione e Garanzia;

(5) Source ABI Monthly Outlook – Economia e Mercati Finanziari-Creditizi October 2015 – Summary: https://www.abi.it/DOC_Mercati/Analisi/Scenario-e-previsioni/ABI-Monthly-outlook/AMO_Sintesi_ottobre_2015%20st.pdf

(6) P&L reclassified figures (see page 8 of the press release incorporated by reference in this Base Prospectus);

(7) The recovery of indirect taxes charged to clientele (€88.4 million in FY14, €61.4 million in 9M14 e €66.5 million in 9M15) was deducted either from Non Interest Margin and Operating Costs;

(8) Includes dividends from “Available-for-sale financial assets” (minority equity investments) and “Profit/Loss from Equity Investments”;

(9) Includes Credemvita Operating Income and “Other operating income/charges” net of extraordinary income/expenses;

(10) Calculated as Operating Costs on Operating Income.

Buy-back of Subordinated bonds

The Issuer launched on 22 June 2015 a voluntary cash tender offer on some series of its domestic subordinated bonds listed on the Italian bond market (**MOT**) organised and managed by Borsa Italiana. The aggregate nominal amount of the notes validly tendered to the offer and accepted for purchase by the Issuer is equal to €1,930,600 corresponding to around 0.60% of their outstanding amount.

Authorisation for the use of the advanced internal model (AIRB)

On 2 October 2015, the Group also received authorisation, effective from 30 September 2015, for the use of the advanced internal model (AIRB) in order to calculate the capital requirements related to Credito Emiliano and Credemleasing's credit risks toward both retail and corporate customers.

The positive impact of the received authorisation cannot currently be indicated exactly as it will be calculated when 3Q15 Group results are available.

MANAGEMENT

This section includes information on the Board of Directors and the Board of Statutory Auditors of the Issuer as at the date of this Prospectus

Board of Directors

The Board of Directors of the Issuer is responsible for the administration of its affairs. It oversees the overall performance of the Credem Group and approves significant transactions carried out by the Issuer and its subsidiaries.

The current Board of Directors of the Issuer, and the respective positions of the individual Directors as at the date of this Prospectus, is set out below⁴:

Name	Position	Principal activities performed by the Directors outside the Issuer
Giorgio Ferrari	Chairman of the Board of Directors	Banca Euromobiliare S.p.A. (D); 2) Credemassicurazioni S.p.A. (VC); 3) Credemholding S.p.A. (C); 4) Credemvita S.p.A. (C); 5) Euromobiliare Asset Management S.g.r. S.p.A. (D); 6) Credemleasing S.p.A. (C); Principal position in “Max Mara Group”: 7) Max Mara S.r.l. (CA); 8) Max Mara Fashion Group S.r.l. (CA); 9) Maxima S.r.l. (CA); 10) Marina Rinaldi S.r.l. (CA); 11) Manifatture Del Nord S.r.l. (CA); 12) Manifatture di San Maurizio S.r.l. (CA); 13) Diffusione Tessile S.r.l. (CA); 14) Imax S.r.l. (CA);
Ignazio Maramotti *	Vice Chairman	Principal position in “Max Mara Group”: 1) Max Mara S.r.l.(C); 2) Max Mara Fashion Group S.r.l. (C); 3) Marina Rinaldi S.r.l. (D); 4) Maxima S.r.l. (VC); 5) Manifatture Del Nord S.r.l. (D); 6) Diffusione Tessile S.r.l. (D); 7) Imax S.r.l. (D); 8) Cofimar S.r.l. (C);
Lucio Igino Zanon di Valgiurata *	Vice Chairman	1) Banca Euromobiliare S.p.A. (D); 2) Credem Private Equity S.g.r. S.p.A. (VC); 3) Credem International (Lux) S.A. (C); 4) Euromobiliare International Fund Sicav (C); 5) Credemholding

⁴ (C): Chairman of the Board of Directors; (VC): Vice Chairman; (D): Director; (CA): Chairman of the Auditors; (A): auditor.

Name	Position	Principal activities performed by the Directors outside the Issuer
		S.p.A. (D); Principal position in “Fenera Group”: 6) Fenera Holding S.p.A. (C)
Romano Alfieri	Director	1) Credemholding S.p.A. (D); 2) Padana Tubi e Profilati Acciaio S.p.A. (D).
Enrico Corradi *	Director	1) Banca Euromobiliare S.p.A. (D); 2) Credem Private Equity S.g.r. S.p.A. (C); 3) Euromobiliare Fiduciaria S.p.A. (VC); 4) Credemholding S.p.A. (D); Principal position in “Max Mara Group”: 5) Marina Rinaldi S.r.l. (A); 6) Max Mara Fashion Group S.r.l. (A); 7) Max Mara S.r.l. (A); 8) Maxima S.p.A. (A); 9) Diffusione Tessile S.r.l. (A); 10) Imax S.r.l. (A); 11) Manifatture del Nord S.r.l. (A).
Giorgia Fontanesi	Director	-
Ugo Medici*	Director	1) Max Mara Fashion Group S.r.l. (D); 2) Manifatture del Nord S.r.l. (D);
Ernestina Morstofolini**	Director	-
Benedetto Giovanni Maria Renda	Director	1) Credemholding S.p.A. (D).
Paola Gina Maria Schwizer**	Director	1) Infrastrutture Wireless Italiane S.p.A. (D); 2) Servizi Italia S.p.A. (D);
Corrado Spaggiari**	Director	-
Giovanni Viani	Director	-

* Members of the Executive Committee

** Independent board members pursuant to Article 148, paragraph 3, of Legislative Decree No. 58 of 24 February 1998, as amended

Pursuant to the Issuer’s By-laws, the Board of Directors must at all times be composed of between nine and 15 members, such number to be determined by the shareholders’ general meeting. According to the By-laws, a *voto di lista* system is applied to elect the Board of Directors. In accordance with the By-laws, the Board of

Directors is invested with complete powers of ordinary and extraordinary administration other than those reserved by applicable law or by the By-laws to the meeting of the shareholders. Pursuant to the By-laws, the Board of Directors is entitled to appoint and define the powers of an Executive Committee. Pursuant to applicable Italian law, directors may be elected for a term of up to three financial years and may be re-elected. The current Board of Directors was elected for a three-year term commencing 30 April 2015 and will therefore expire on the date of the shareholders' meeting that will approve the annual financial statements for the fiscal year as at and for the year ended on 31 December 2017.

The business address of the Directors is Via Emilia San Pietro, 4, 42121 Reggio Emilia, Italy.

There are no conflicts of interest between any of the Board of Directors' duties to the Issuer and their private interests or other duties.

Board of Statutory Auditors

Pursuant to Italian law, in addition to electing the Board of Directors, the Issuer's shareholders also elect a *Collegio Sindacale* (Board of Statutory Auditors) composed of three independent experts in accounting matters, plus two alternate auditors to replace statutory auditors who resign or are otherwise unable to serve. According to the By-laws, a *voto di lista* system is applied to elect the statutory auditors. The current Board of Statutory Auditors was elected for a three-year term commencing 30 April 2013.

The following table sets forth the names of the current members of the Board of Statutory Auditors as at the date of this Prospectus.

Name	Position	Principal activities
Giulio Morandi	Chairman	1) Credemleasing S.p.A. (A); 2) Credem Private Equity S.g.r. S.p.A. (A); 3) Credemvita S.p.A. (A); 4) Euromobiliare Asset Management S.g.r. S.p.A. (A); 5) Banca Euromobiliare (CA); 6) Fispas S.r.l. (A); 7) Profiltubi S.p.A. (CA); 8) Rossi profumi S.p.A. (A); 9) Corgi S.p.A. (A); 10) Sigma Soc. Coop (CA).
Maurizio Bergomi	Auditor	1) Credemfactor S.p.A. (CA); 2) Euromobiliare Fiduciaria (A); 3) Credemholding S.p.A. (A); 4) Banca Euromobiliare S.p.A. (A); 5) Finregg S.p.A. (CA); 6) La Contabile S.p.A. (A)
Maria Paglia	Auditor	1) Credemleasing S.p.A. (A); 2) Euromobiliare Asset Management S.p.A. (A); 3) Antichi Pellettieri S.p.A. (A).
Gianni Tanturli	Alternate Auditor	1) Credemtel (CA); 2) Credem Private Equity S.g.r. S.p.A. (CA); 3) Creacasa S.r.l. (A); 4) Credemvita S.p.A. (CA); 5) Credemholding S.p.A. (A); 6) Cellular Italia S.p.A. (A); 7) Vimi

Name	Position	Principal activities
		Fasteners S.p.A. (A)
Tiziano Scalabrini	Alternate Auditor	1) Car Server S.p.A. (CA); 2) Cmr Group S.p.A. (A).

The business address of the Statutory Auditors is Via Emilia San Pietro, 4, 42121 Reggio Emilia, Italy.

There are no conflicts of interest between any of the Statutory Auditors' duties to the Issuer and their private interests or other duties.

TAXATION

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

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

ITALIAN TAXATION

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, (the "**Decree 239**") provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes issued, *inter alia*, by Italian listed companies, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian companies with shares traded on a regulated market or multilateral trading facility of an EU or EEA Member State which exchanges information with the Italian tax authorities. For this purpose, bonds and debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or control of) to management of the Issuer.

Italian resident Noteholders

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime - see under "Capital gains tax" below); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity, a commercial partnership, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities ("**IRAP**")).

Where an Italian resident Noteholder is an individual engaged in an entrepreneurial activity to which the Notes are connected, interests, premium and other income relating to the Notes, are subject to *imposta sostitutiva* and will be included in its relevant income tax return. As a consequence, interests, premium and other income will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into Law No. 410 of 23 November 2001 (the "**Decree 351**"), Law Decree No. 78 of 31 May 2010, converted into Law n.

122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, Italian real estate investment funds and Italian real estate SICAFs, qualifying as such from a legal and regulatory perspective (the "**Real Estate Funds**") are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Funds.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF (an Italian investment company with fixed share capital) or a SICAV (an investment company with variable capital) established in Italy (the "**Fund**") and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the relevant Notes are held by an authorised intermediary, as clarified by the Italian tax authorities through Circular No. 11/E of 28 March 2012, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a withholding or a withholding tax of 26 per cent will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Tax**").

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005 – the "**Pension Fund**") and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent substitute tax.

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

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended from time to time (the "**White List**") or in any other decree or regulation that will be issued in the future to provide the list of such countries (the "**New White List**"), including any country that will be deemed listed therein for the purpose of any interim rule; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country included in the White List (or the New White List, once effective), even if it does not possess the status of taxpayer in its own country of residence.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder,

which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

Where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected; (b) an Italian company or a similar Italian commercial entity; (c) a permanent establishment in Italy of a foreign entity; (d) an Italian commercial partnership; or (e) 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. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Noteholders may set off losses with gains.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 (the “**Decree No. 66**”), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, 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. Under the *risparmio amministrato* regime, 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, 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. Pursuant to Decree No. 66, capital losses realized up to 30 June 2014 may be offset against capital gains realized after that date with the following limitations: (i) for an amount equal to 48.08 per cent, for capital losses realized up to 31 December 2011; and (ii) for an amount equal to 76.92 per cent, for capital losses realized from 1 January 2012 to 30 June 2014.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return. Pursuant to Decree No. 66, investment portfolio losses accrued up to 30 June 2014 may be set off against investment portfolio profits accrued after that date with the following limitations: (i) for an amount equal to 48.08 per cent, for investment portfolio losses accrued up to 31 December 2011; and (ii) for an amount equal to 76.92 per cent, for investment portfolio losses accrued from 1 January 2012 to 30 June 2014.

Any capital gains realised by a Noteholder who is an Italian Real Estate Fund will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate Fund.

Any capital gains realised by Noteholders which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the management results of the Fund. Such result will not be subject to taxation at the level of the Fund, but subsequent distributions in favour of unitholders of shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Noteholder who is an Italian Pension Fund will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent substitute tax.

Capital gains realised by non-Italian-resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes issued by an Italian resident issuer, which are traded on regulated markets (and, in certain cases, subject to filing of required documentation) are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country included in the White List (or in the New White List, once effective); or (b) is an international entity or body set up in

accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country included in the White List (or in the New White List, once effective), even if it does not possess the status of taxpayer in its own country of residence. If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. On the contrary, should the Notes be traded on regulated markets, capital gains realized by non-Italian resident Noteholders would not be subject to Italian taxation.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the 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 the sale or redemption of Notes.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- (ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (i), (ii) and (iii) on the value exceeding, for each beneficiary, €1,500,000.

Transfer tax

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200; (ii) private deeds are subject to registration tax only in the case of voluntary registration.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (the "**Decree 201**"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.2 per cent and cannot exceed €14,000, for taxpayers different from individuals; this stamp duty is determined on the basis of the market value or - if no market value figure is available - the nominal value or redemption amount of the Notes held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by

the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.2 per cent

This tax is calculated on the market value of the Notes at the end of the relevant year or - if no market value figure is available - the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

The proposed European 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**").

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal 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 the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

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

LUXEMBOURG TAXATION

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), a temporary tax to balance the state budget (*impôt d'équilibre budgétaire temporaire*) as well as personal income tax (*impôt sur le revenu*)

generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax, the solidarity surcharge as well as the temporary tax to balance the state budget. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

TAXATION OF THE HOLDERS OF NOTES

Withholding Tax

(i) Non-resident holders of Notes

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

(ii) Resident holders of Notes

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the “**Relibi Law**”), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the laws of 21 June 2005 implementing the Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments (the “**Savings Directive**”) and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the “**Territories**”), as amended) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payment of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 10 %.

Income Taxation

(i) Non-resident holders of Notes

A non-resident holder of Notes, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes. A gain realised by such non-resident holder of Notes on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate holder of Notes or an individual holder of Notes acting in the course of the management of a professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Notes are attributable, is subject to Luxembourg

income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realised upon the sale or disposal, in any form whatsoever, of the Notes.

(ii) Resident holders of Notes

Holders of Notes who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

(b) Luxembourg resident corporate holder of Notes

A corporate holder of Notes must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A corporate holder of Notes that is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Notes.

(c) Luxembourg resident individual holder of Notes

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual holder of the Notes has opted for the application of a 10% tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State), or in a state that has entered into a treaty with Luxembourg relating to the Savings Directive. A gain realised by an individual holder of Notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

An individual holder of Notes acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Relibi Law will be credited against his/her final tax liability.

Net Wealth Taxation

A corporate holder of Notes, whether it is a resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which/whom such Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if the holder of Notes is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, or is a securitisation company governed by the law of 22 March 2004 on securitisation, as amended, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended.

An individual holder of Notes, whether he/she is a resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

Other Taxes

In principle, neither the issuance nor the transfer, repurchase or redemption of Notes will give rise to any Luxembourg registration tax or similar taxes.

However, a fixed or *ad valorem* registration duty may be due upon the registration of the Notes in Luxembourg in the case of legal proceedings before Luxembourg courts or in case the Notes must be produced before an official Luxembourg authority, or in the case of a registration of the Notes on a voluntary basis.

Where a holder of Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

US FOREIGN ACCOUNT TAX COMPLIANCE ACT

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer may be classified as an FFI.

The new withholding regime is in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Italy have entered into an agreement (the "**US-Italy IGA**") based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI pursuant to the US-Italy IGA it does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA

Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary or Common Safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 18 December 2015, 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 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 Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S 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 promulgated thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is 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 will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified 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.

Public Offer Selling Restriction under the Prospectus Directive

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 contemplated by the Final Terms in relation thereto 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) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) 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
- (d) 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 (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

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) 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) 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) 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.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) *Offer to the public in France:*

it has only made and will only make an offer of Notes to the public in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* (AMF), on the date of such publication or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of the approval of the base prospectus, all in accordance with articles L.412-1 and L.621-8 of the *French Code monétaire et financier* and the *Règlement général* of the AMF; or

(b) *Private placement in France:*

otherwise, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and 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 that such offers, sales and distributions have been and shall only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the *French Code monétaire et financier*.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, each of the Dealers has represented and agreed that 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:

- (i) 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**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above 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. 16190 of 29 October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September, 1993, as amended (the **Banking Act**); and
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No.25 of 1948, as amended; the **FIEA**). 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 any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment and the update of the Programme have been duly authorised by resolutions of the Board of Directors of the Issuer dated 17 September 2015.

Listing and Admission to Trading

Application has been made to the CSSF to approve 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 Luxembourg Stock Exchange's regulated market 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 the Markets in Financial Instruments Directive (Directive 2004/39/EC). The CSSF may, at the request of the Issuer, send to the competent authority of another European Economic Area Member State (i) a copy of this Base Prospectus; (ii) an Attestation Certificate; and (iii) if so required by such competent authority, a translation of the summary of the Programme set out in "*Summary of the Programme*".

Notes may be issued under the Programme which are not listed or admitted to trading, as the case may be, on the Luxembourg Stock Exchange or any other stock exchange or market.

Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being in Luxembourg:

- (a) the By-laws (*Statuto*) (with an English translation thereof) of the Issuer;
- (b) the audited consolidated financial statements of the Issuer as at and for the years ended 31 December, 2013 and 2014 (in each case, with an English translation thereof and together with the audit reports prepared in connection therewith), and the unaudited consolidated interim financial statements of the Issuer as at and for the six months ended 30 June, 2014 and 2015 (in each case, with an English translation thereof and together with the review reports prepared in connection therewith). The Issuer currently prepares audited consolidated and unconsolidated accounts on an annual basis;
- (c) the Programme Agreement, the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Talons and the Coupons (all as defined herein and in "*Terms and Conditions of the Notes*");
- (d) a copy of this Base Prospectus;
- (e) any future offering circulars, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (f) in the case of each issue of Notes admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, copies of this Base Prospectus, 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 applicable Final Terms. If the Notes are to be cleared through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

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 change in the Issuer's financial position

There has been no significant change in the financial or trading position of the CREDEM Group which has occurred since 30 September 2015.

Material adverse change and trend information

There has been no material adverse change in the prospects of the Issuer since 31 December 2014.

Save as disclosed in this Base Prospectus, the Issuer is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for the current financial year.

Legal proceedings

The Issuer and other companies in the CREDEM Group are party to a number of civil and administrative proceedings arising from the conduct of their activities. The Issuer believes that provisions in the balance sheet are adequate (and are made following periodic review by the Issuer of all outstanding proceedings), under the circumstances, to cover all potential risks and damages that may arise from such proceedings. The Issuer believes that there are no other material legal, governmental, administrative or arbitration proceedings pending against the Issuer which may have, or have had in the twelve months preceding the date of this document a significant effect on the financial position of the Issuer.

Material contracts

There are no material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in any CREDEM Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to noteholders in respect of the notes being issued.

External auditors

Deloitte & Touche S.p.A. with registered offices in Piazza Malpighi, 4/2, 40123 Bologna, Italy and registered with the *Registro dei Revisori Legali* maintained by Minister of Economy and Finance effective

from 7 June 2004 with registration number 132587 and previously registered on the special register (*Albo Speciale*) kept by CONSOB as set out in Article 161 of the Financial Laws Consolidation Act, and member of ASSIREVI – *Associazione Nazionale Revisori Contabili* has audited and rendered unqualified audit reports on the consolidated financial statements of the Issuer for the year ended 31 December 2013.

On 30 April 2014, Reconta Ernst & Young S.p.A., with registered offices in Via Po 32, 00198 Rome, Italy, has been appointed as the new auditor of the Issuer. Reconta Ernst & Young S.p.A. is enrolled in the Register of Certified Auditors held by the Ministry for Economy and Finance pursuant to Legislative Decree No. 39 of 27 January 2010 and the Ministerial Decree No. 145 of 20 June 2012 and in the register of accountancy auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992. Reconta Ernst & Young S.p.A. is also a member of ASSIREVI – *Associazione Nazionale Revisori Contabili*.

Reconta Ernst & Young S.p.A. has audited and rendered unqualified audit reports on the consolidated financial statements of the Issuer for the year ended 31 December 2014.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

ISSUER

Credito Emiliano S.p.A.

Via Emilia San Pietro, 4
42121 Reggio Emilia
Italy

SOLE ARRANGER AND SOLE DEALER

Natixis

30 avenue Pierre Mendés France
75013 Paris
France

FISCAL AGENT AND PAYING AGENT

Deutsche Bank AG, London branch

Winchester House
1 Great Winchester Street
London, EC2N 2DB
United Kingdom

LEGAL ADVISERS

Legal adviser to the Issuer as to Italian law

Studio Legale RCC

Via Boschetti, 1
20121 Milan
Italy

Legal adviser to the Arranger as to English and Italian law

Allen & Overy

Via Manzoni, 41
20121 Milan
Italy

Corso Vittorio Emanuele II, 284
00186 Rome
Italy

AUDITORS OF THE ISSUER

Deloitte & Touche S.p.A.

Piazza Malpighi, 4/2
40123 Bologna
Italy

Reconta, Ernst & Young S.p.A.

Via Po 32
00198 Rome
Italy

LUXEMBOURG LISTING AGENT

Deutsche Bank Luxembourg S.A.

2, boulevard Konrad Adenauer
L- 1115 Luxembourg