Base Prospectus dated 16 January 2023

Banca Monte dei Paschi di Siena S.p.A.

€50,000,000,000 Debt Issuance Programme

Under this €50,000,000,000 Debt Issuance Programme (the "**Programme**"), Banca Monte dei Paschi di Siena S.p.A. (the "**Issuer**" or "**BMPS**" or "**Bank**") may from time to time issue notes governed by Italian law (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €50,000,000,000 (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 one or more of the Dealers specified under "*General description of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

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

This Base Prospectus has been approved as a base prospectus by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), as competent authority under Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**") and the Luxembourg act relating to prospectuses for securities dated 16 July 2019 (*Loi du 16 juillet 2019 relative aux prospectus pour valeurs mobilières et portant mise en oeuvre du règlement (UE) 2017/1129*) (the "**Luxembourg Prospectus Law**"). The CSSF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.

By approving this Base Prospectus, in accordance with the Prospectus Regulation, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the Issuer. Application has 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.

References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange's regulated market and have been admitted to 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 2014/65/EU), as amended ("**MiFID II**").

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date of approval in relation to Notes which are to be admitted to trading on a regulated market in the European Economic Area ("EEA") and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation. The validity of this Base Prospectus ends upon expiration on 16 January 2024. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

The requirement to publish a prospectus under the Prospectus Regulation only applies to Notes which are to be admitted to trading on a regulated market in the EEA and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation. References in this Base Prospectus to "Exempt Notes" are to Notes for which no prospectus is required to be published under the Prospectus Regulation and the United Kingdom Financial Services and Markets Act 2000, as amended ("**FSMA**"). The CSSF has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes and with the Form of Pricing Supplement.

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 under "*Terms and Conditions of the Notes*") of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the "**Final Terms**") which will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). In the case of Exempt Notes, 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 will be set out in a pricing supplement document (the "**Pricing Supplement**").

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

In certain circumstances, payments of interest relating to the Notes are subject to a deduction by way of "*imposta sostitutiva*" or withholding tax as more fully set out in Condition 6 (*Taxation*) of the Terms and Conditions of the Notes and in "*Taxation*".

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms or in the applicable Pricing Supplement (as the case may be). Whether or not each credit rating applied for in relation to 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) (the "**CRA Regulation**") will be disclosed in the applicable Final Terms or the applicable Pricing Supplement (as the case may be). Such credit rating agency will be included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at *http://www.esma.europa.eu/page/List-registered-and-certified-CRAs*) in accordance with the CRA Regulation. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Please also refer to "*Credit ratings assigned to BMPS or any Notes may not reflect all the risks associated with an investment in those Notes*" in the "*Risk Factors*" section of this Base Prospectus.

Amounts payable under the Floating Rate Notes and/or the Reset Notes may be calculated by reference to the euro interbank offered rate ("**EURIBOR**"), as specified in the applicable Final Terms or the applicable Pricing Supplement. As at the date of this Base Prospectus, the European Money Markets Institute (as administrator of EURIBOR) is included in the register of administrators maintained by the ESMA under Article 36 of the Regulation (EU) No. 2016/1011, as amended (the "**EU Benchmarks Regulation**").

ARRANGER

NatWest Markets

DEALERS

Barclays	**BofA Securities**
Citigroup	**Crédit Agricole CIB**
Credit Suisse	**Deutsche Bank**
Goldman Sachs International	**HSBC**
J.P. Morgan	**Mediobanca - Banca di Credito Finanziario S.p.A.**
Morgan Stanley	**MPS Capital Services Banca per le Imprese S.p.A.**
NatWest Markets	**Société Générale Corporate & Investment Banking**

UBS Investment Bank

IMPORTANT INFORMATION

Responsibility Statement

The Issuer accepts responsibility for the information contained in this Base Prospectus, any supplement thereto and the Final Terms or the Pricing Supplement (as the case may be) 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.

Third party information

No third party information is included in this Base Prospectus, except for the rating information set out in paragraph 4 "*Ratings*" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus. The Issuer declares that such information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The sources of such information are the following rating agencies: Moody's France S.A.S. ("**Moody's**"), Fitch Ratings Ireland Limited ("**Fitch**") and DBRS Ratings GmbH ("**DBRS**").

This Base Prospectus constitutes a base prospectus for the issuance of Notes under the Programme by BMPS. This Base Prospectus constitutes a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 8(1) of the Prospectus Regulation. When used in this Base Prospectus, "Prospectus Regulation" means Regulation (EU) 2017/1129, as amended and "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended ("EUWA").

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

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

Save for the Issuer, no party has 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.

The Dealers have not undertaken, nor are responsible for, any assessment of the Sustainability Bond Framework (if adopted) or the Green Projects, Social Projects and Sustainability Projects, any verification of whether the Green Projects, Social Projects and Sustainability Projects meet the criteria set out in the Sustainability Bond Framework (each of such terms as defined in the "*Use of proceeds*" section) (if adopted) or the monitoring of the use of proceeds.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes 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 (i) is intended to provide the basis of any credit or other evaluation or (ii) 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/or the Group. "Group" means BMPS and its Subsidiaries (as defined in the Agency Agreement). Neither this Base Prospectus, any supplement thereto, 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 concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers 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. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

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

IMPORTANT – UK RETAIL INVESTORS – If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance / target market – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a

distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

UK MiFIR product governance / target market – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA") – Unless otherwise stated in the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes), all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY

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, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the EEA (including, for these purposes, the Republic of Italy ("Italy")), Japan, and the UK, see section "*Subscription and sale*" below.

In this Base Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

SUITABILITY OF INVESTMENT

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 may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(i) has 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) has 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) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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.

The Notes have not been and will not be registered under the U.S. 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 section "*Subscription and sale*" below).

PRESENTATION OF INFORMATION

All references in this document to "U.S. dollars", "U.S.$" and "$" refer to the currency of the United States of America and references to "euro", "€" and "Euro" 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.

Unless otherwise indicated, the financial information contained in this Base Prospectus has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Unless otherwise indicated, any reference in this Base Prospectus to "Consolidated Financial Statements" is to the consolidated financial statements of the Group as at and for the years ended 31 December 2021 and 31 December 2020 audited by PricewaterhouseCoopers S.p.A. as independent accountant, and incorporated by reference in this Base Prospectus.

The Consolidated Financial Statements are denominated in Euro.

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Stabilisation

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms or Pricing Supplement (as the case may be) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes.

Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

General description 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 Form of Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of Notes other than Exempt Notes and, if appropriate, a supplement to the Base Prospectus or a new Base Prospectus will be published.

This section constitutes a general description of the Programme for the purposes of Article 25(1) of the Commission Delegated Regulation (EU) No. 2019/980.

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

Issuer:	Banca Monte dei Paschi di Siena S.p.A. (the "**Issuer**" or "**BMPS**")
Issuer Legal Entity Identifier (LEI):	J4CP7MHCXR8DAQMKIL78
Description:	Debt Issuance Programme
Arranger:	NatWest Markets N.V.
Dealers:	Barclays Bank Ireland PLC BofA Securities Europe SA Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Credit Suisse Bank (Europe), S.A. Deutsche Bank Aktiengesellschaft Goldman Sachs International HSBC Continental Europe J.P. Morgan SE Mediobanca – Banca di Credito Finanziario S.p.A. Morgan Stanley & Co. International plc MPS Capital Services Banca per le Imprese S.p.A. NatWest Markets N.V. Société Générale UBS Europe SE and any other Dealers appointed in accordance with the Programme Agreement (as defined under section "*Subscription and sale*" below).
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see section "*Subscription and sale*" below), including the following restrictions applicable at the date of this Prospectus.

Issuing and Principal Paying Agent:	Citibank, N.A., London Branch
Programme Size:	Up to €50,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Unless otherwise permitted by current laws, regulations, directives and/or requirements applicable from time to time to the issue of Non-Preferred Senior Notes, Non-Preferred Senior Notes must have a minimum maturity of not less than twelve months. Unless otherwise permitted by current laws, regulations, directives and/or requirements applicable from time to time to the issue of Subordinated Notes, Subordinated Notes must have a minimum maturity of 5 years.
Issue Price:	Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par. The Issue Price will be inserted in the applicable 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 on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Reset Notes:	Reset Notes will, in respect of an initial period, bear interest at the initial fixed rate of interest specified in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement). Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement) by reference to a mid-market swap rate, as adjusted for any applicable margin, in each case, as may be specified in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement).
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating either (i) the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series and as supplemented by the 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement, as published by ISDA on 19 September 2018, or (ii) the latest version of the 2021 ISDA Interest Rate Derivatives Definitions (as available on ISDA Library as at the Issue Date of the first Tranche of the Notes of the relevant Series) as specified in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement); or

(ii) on the basis of the reference rate set out in the Form of Final Terms (or, in the case of Exempt Notes, Pricing Supplement).

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.

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

Exempt Notes: The Issuer may issue Exempt Notes which are Partly Paid Notes or Notes redeemable in one or more instalments.

Partly Paid Notes: The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

Notes redeemable in instalments: The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Redemption: The Form of Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in the case of Exempt Notes in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer (as described in Condition 5(c) (*Redemption at the option of the Issuer (Issuer Call)* and Condition 5(f) (*Clean-up redemption at the option of the Issuer*) of the Terms and Conditions of the Notes and/or (in the case of Senior Notes or Non-Preferred Senior Notes only) at the option of the Issuer due to a MREL Disqualification Event, as described in Condition 5(e) (*Issuer Call due to MREL Disqualification Event*) of the Terms and Conditions of the Notes and/or (in case of Subordinated Notes only) at the option of the Issuer for regulatory reasons, as described in Condition 5(d) (*Redemption for Regulatory Reasons*) of the Terms and Conditions of the Notes.

The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the Form of Final Terms. Other than following an Event of Default, any redemption of Senior Notes and Non-Preferred Senior Notes or 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 provisions of Condition 5(j) (*Conditions to Redemption and Purchase of Senior Notes and Non-Preferred Senior Notes*) and 5(i) (*Conditions to Early Redemption and Purchase of Subordinated Notes*) of the Terms and Conditions of the Notes.

Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, see "*Certain Restrictions*".

Denomination of Notes:

Notes will be issued in such denominations as may be specified in the Form of Final Terms ("**Specified Denomination**") save that (i) the minimum Specified Denomination of each Note which is specified in the Form of Final Terms as being a Senior Note shall be Euro 100,000 or, where it is a Note to be admitted to trading only on a regulated market, or a specific segment of a regulated market, to which only qualified investors (as defined in the Prospectus Regulation) have access, €1,000 (or, in each case, its equivalent in any other currency as at the date of issue of the relevant Notes), (ii) the minimum Specified Denomination of each Note which is specified in the Form of Final Terms as being a Non-Preferred Senior Note shall be Euro 150,000 or, where it is a Note to be admitted to trading only on a regulated market, or a specific segment of a regulated market, to which only qualified investors (as defined in the Prospectus Regulation) have access, €1,000 (or, in each case, its equivalent in any other currency as at the date of issue of the relevant Notes), and (iii) the minimum Specified Denomination of each Note which is specified in the Form of Final Terms as being a Subordinated Note shall be Euro 200,000 or, where it is a Note to be admitted to trading only on a regulated market, or a specific segment of a regulated market, to which only qualified investors (as defined in the Prospectus Regulation) have access, €1,000 (or, in each case, its equivalent in any other currency as at the date of issue of the relevant Notes).

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, subject as provided in Condition 6 (*Taxation*) of the Terms and Conditions of the Notes. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 6 (*Taxation*), be required to pay additional amounts, in respect of interest only to cover the amounts so deducted.

As more fully set out in Condition 6 (*Taxation*) of the Terms and Conditions of the Notes, BMPS in its capacity as Issuer shall not be liable in certain circumstances to pay any additional amounts to holders of the Notes with respect to any Notes, Receipts or Coupons for or on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996 (as amended or supplemented) and related regulations of implementation which have been or may subsequently be enacted ("**Legislative Decree 239**").

Negative Pledge: None.

Status of the Notes: The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank (subject to any obligations preferred by any applicable law) *pari passu* with all other unsecured obligations (other than obligations ranking junior to the Senior Notes from time to time (including Non-Preferred Senior Notes and any further obligations permitted by law to rank, and expressed to rank, junior to the Senior Notes, on or following the Issue Date), if any) of the Issuer, present and future and *pari passu* and rateably without any preference among themselves, as described in Condition 2(a) (*Status of the Senior Notes*) of the Terms and Conditions of the Notes.

The Non-Preferred Senior Notes (notes intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under Article 12-*bis* of the Italian Consolidated Banking Act) will constitute direct, unconditional, unsubordinated, and unsecured and non-preferred obligations of the Issuer, ranking junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank in their terms, senior to the Non-Preferred Senior Notes, including claims arising from the excluded liabilities within the meaning of Article 72a(2) of the Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended from time to time (the "**CRR**"), *pari passu* without any preferences among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Non-Preferred Senior Notes and in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-*bis*, letter c-*bis* of the Italian Consolidated Banking Act, as described in Condition 2(b) (*Status of the Non-Preferred Senior Notes*) of the Terms and Conditions of the Notes.

Subject as set out below, the Subordinated Notes (being notes intended to qualify as Tier 2 capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Bank of Italy's *Disposizioni di Vigilanza Prudenziale per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time (the "**Bank of Italy Regulations**"), including any successor regulations, and Article 63 of the CRR) constitute direct, unconditional, subordinated unsecured obligations of the Issuer and, (subject to Condition 2(c) (*Status of the Subordinated Notes*) rank (a) after all unsubordinated, unsecured creditors (including depositors and holders of Senior Notes and Non-Preferred Senior Notes) of the Issuer and after all creditors of the Issuer holding instruments that are or are expressed by their terms to be less subordinated than the relevant Subordinated Notes; (b) at least *pari passu* without any preference among themselves and with all other present and future subordinated obligations of the Issuer that are not expressed by their terms to rank or which do not rank junior or senior to the relevant Subordinated Notes, save for those preferred by mandatory and/or overriding provisions of law; and (c) in priority to the claims of shareholders of the Issuer and to all other present and future subordinated obligations of the Issuer which rank or are expressed by their terms to rank junior to the relevant Subordinated Notes. In the event the Subordinated Notes of any Series do not qualify or cease to qualify, in their entirety, as own funds in the form of Tier 2 capital, such Subordinated Notes and any relative Receipts and Coupons shall rank subordinated and junior to unsubordinated unsecured creditors (including depositors and holders of Senior Notes and Non-Preferred Senior Notes) of the Issuer, *pari passu* among themselves and with the Issuer's obligations in respect of any other subordinated instruments which do not qualify or have ceased to qualify, in their entirety, as own funds items (*elementi di fondi propri*) and with all other present and future subordinated obligations of the Issuer which do not rank or are not expressed by their terms and/or by mandatory and/or overriding provisions of law to rank junior or senior to the relevant Subordinated Notes (which do not qualify or have so ceased to qualify, in their entirety, as own funds in the form of Tier 2 capital) and senior to instruments which qualify (in whole or in part) as own fund items (*elementi di fondi propri*).

Variation:	With respect to (i) any Series of Senior Notes or Non-Preferred Senior Notes, if at any time an MREL Disqualification Event occurs, and if Variation is specified as being applicable in the Form of Final Terms, or (ii) all Notes, if Variation is specified as being applicable in the Form of Final Terms, in order to ensure the effectiveness and enforceability of Condition 16 (*Statutory Loss Absorption Powers*) of the Terms and Conditions of the Notes, then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority and/or as appropriate the Relevant Resolution Authority (without any requirement for the consent or approval of the holders of the relevant Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the Agent and the holders of the Notes of that Series (or such other notice periods as may be specified in the Form of Final Terms, at any time vary the terms of such Notes so that they remain or, as appropriate, become, Qualifying Senior Notes, Qualifying Non-Preferred Senior Notes or Qualifying Subordinated Notes, as applicable, provided that such variation does not itself give rise to any right of the Issuer to redeem the varied securities.
Approval, 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 for Notes (other than Exempt 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 Luxembourg Stock Exchange. The Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The Form of Final Terms (or applicable Pricing Supplement, the case of Exempt Notes) 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.
Rating:	Series of Notes issued under the Programme may be rated or unrated. The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms or in the applicable Pricing Supplement (as the case may be). Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under CRA Regulation will be disclosed in the Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes). Such credit rating agency is included in the list of credit rating agencies published by the ESMA on its website (at *http://www.esma.europa.eu/page/List-registered-and-certified-CRAs*) in accordance with the CRA Regulation. Please also refer to "*Credit ratings*

	assigned to BMPS or any Notes may not reflect all the risks associated with an investment in those Notes" in the "*Risk Factors*" section of this Base Prospectus.
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, Italian law.
	See Condition 15 (*Governing Law and Submission to Jurisdiction*) of the Terms and Conditions of the Notes.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including, for these purposes, Italy), Japan, the UK and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see section "*Subscription and sale*" below.

Risk Factors

In purchasing Notes, investors assume the risk that BMPS may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in BMPS becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as BMPS may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the control of BMPS. BMPS has identified in this Base Prospectus a number of factors which could materially adversely affect its businesses and ability to make payments due under the Notes. 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.

Any reference in the Risk Factors to "Form of Final Terms" or "Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" or "Pricing Supplement" where relevant in the case of Exempt Notes.

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

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

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

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

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

The risks below have been classified into the following categories:

1. *Risks factors relating to the Issuer and the Group;*
2. *Risk factors related to the operating activity and the industry in which the Issuer and the Group operate;*
3. *Risk factors related to environmental, social and governance factors; and*
4. *Risk factors related to the legal and regulatory framework of the sector of business in which the Issuer and the Group operate.*

1. Risk factors relating to the Issuer and the Group

1.1. Risks related to the failure to implement the Business Plan 2022-2026

On 22 June 2022, the Board of Directors of BMPS, following the review of the strategic plan of 17 December 2021 which was drafted with the aim of facilitating a capital increase equal to Euro 2.5 billion, approved the Business Plan 2022 - 2026 headed "*A clear and simple commercial bank*" (the "**Business Plan 2022-2026**"). The Business Plan 2022-2026 is centered around the following pillars: 1) achieve business model sustainability; 2) build a solid and resilient balance sheet; and 3) tackle the legacy issues. For more information with respect to the Business Plan 2022-2026, please see letter o) "*BMPS approved the Business Plan 2022-2026 headed "A clear and simple commercial bank"*" of the subparagraph 3.2 "*Recent developments*" of the section "*Banca Monte dei Paschi di Siena S.p.A.*" of this Base Prospectus.

In line with the initiatives of the Bank to strengthen capital within the framework of the Business Plan 2022-2026, the Capital Increase was resolved upon by the extraordinary shareholders' meeting of the Bank held on 15 September 2022, and in executing such resolution, the Board of Directors of the Bank determined the applicable final terms and conditions. On 14 October 2022, in connection with the share capital increase against payment of up to a maximum overall amount of Euro 2,500,000.000.00, in divisible form, through the issuance of a maximum of no. 1,249,665,648 BMPS' ordinary shares having the same characteristics as the outstanding ordinary shares, it has been filed the option offer required under Article 2441 of the Italian Civil Code (the "**Capital Increase**").

On 4 November 2022, the Bank announced that the capital increase, concerning no. 1,249,665,648 newly issued BMPS ordinary shares, was fully subscribed for the total amount of Euro 2,499,331,296. BMPS's new share capital is therefore equal to Euro 7,453,450,788.44, divided into no. 1,259,689,706 ordinary shares with no indication of par value.

Taking account of the successful completion of the Euro 2.5 billion capital increase transaction on 4 November 2022 as well as the progress of actions contained in the Business Plan 2022-2026, there is a reasonable expectation that the Bank will continue to operate as a going concern in the foreseeable future and that the significant doubts about the Group's ability to continue as a going concern stated in previous reports have been overcome. For the sake of completeness, it should be noted that as at 30 September 2022 there was a temporary capital shortfall on the Tier 1 aggregate of Euro 380 million with respect to the overall capital requirements. This resulted from the allocation in the 3Q22 of costs of over Euro 900 million for staff exits, which was subject to the availability of capital under the Business Plan 2022-2026. This availability has therefore been ensured with the successful completion of the capital increase.

Failure to implement the assumptions of the Business Plan 2022-2026 (in addition to those inherent in the Capital Increase), in the absence of timely corrective actions not yet timely identified as of the date of the Base Prospectus, would jeopardize the prospect of a going concern of the Issuer and the Group.

On 27 December 2022 BMPS announced that it has received the final decision of the European Central Bank ("**ECB**") regarding the capital requirements to be respected starting from 1 January 2023 (the "**2022 Final SREP Decision**"). Following the successful outcome of the Capital Increase for Euro 2.5 billion, the ECB also removed the ban on the distribution of dividends, replacing it with the obligation for the Bank to obtain prior authorization from the authority of supervision.

In the context of the 2022 Final SREP Decision, the ECB highlighted attention points that could limit BMPS' ability to fully achieve the goals of the Business Plan 2022-2026 in the medium term with reference to: (i) the persistence of tensions on the BTP-Bund spread and market volatility with potential negative repercussions for the cost of funding; (ii) the expected dynamics of commissions which, although considered reasonable, depend on the success of planned commercial initiatives and are exposed to competitive pressure; (iii) the increase in interest rates and a less favourable gross domestic product ("**GDP**") scenario that may adversely affect the repayment capacity of debtors; (iv) the trend of complaints and lawsuits that are not in the full control of BMPS, as well as the ability to prevent the emergence of further litigations. In the aforementioned document, the ECB also pointed out that additional cost savings of Euro 40 million from 2024, due to branch closures, the Group's corporate reorganization, and IT investments in digitalization, could be offset by inflationary levels related to the new macroeconomic scenario that may be higher than expected and may not be limited to utilities, also reducing the savings from the same investments in digitalization.

In the 2022 Final SREP Decision, the ECB, despite the finalisation of the right issue observed that: (i) virtually all available contingency capital management actions, including the long-awaited rights issue, have been already deployed, leaving BMPS extremely vulnerable to any adverse development. (ii) a gap would remain, at the end of 2024, between the Group's Tier 1 Ratio and that of its peers; in fact, on the basis of the Business Plan 2022-2026 the Group Tier 1 ratio would increase to 14.2%[1] at the end of 2024, still standing about 70 basis points below the average level of significant European banks and about 150 basis points below

[1] It should be noted that, based on the final costs of the capital increase, there will be a negative impact on this indicator until 2024 quantifiable at about 15 basis points

the current average of significant Italian banks. The persistence of this gap, in the long run, could be a possible obstacle to future merger transactions with an industrial partner.

In the 2022 Final SREP Decision, in the context of which it should be noted that, as mentioned above, the ECB identified some potential critical points in relation to the execution of the Business Plan 2022-2026, the ECB confirmed the assessements in the 2021 SREP Decision which indicated risks related to the following four areas, with ECB's assessments of relevance: (1) business model (high risk), (2) internal governance and risk management (medium-high risk), (3) capital adequacy (high risk), and (4) liquidity adequacy (medium-high risk).

For more information on the 2022 Final SREP Decision please refer to sub-paragraph "*2022 Final SREP Decision*" of paragraph "*SREP Decisions*" of "*Banca Monte dei Paschi di Siena S.p.A.*" section of this Base Prospectus.

On 18 February 2022, the Issuer received from the Bank of Italy, as the National Resolution Authority, the Single Resolution Board's SRB/EES/2021/177 decision dated 11 February 2022 on the determination of the minimum requirement of own funds and eligible liabilities (the "**MREL Decision 2021**"), which highlighted that the Bank was in breach of some of the parameters set forth in the MREL Decision 2021 and, in particular, of:

1. the MREL subordination requirement in terms of the leverage ratio exposure measure ("**LRE**") which is 5.28% (compared to the 6.22% LRE required by the MREL Decision 2021);

2. the combined buffer requirement ("**CBR**"), considered in addition to the MREL requirement expressed in terms of the total risk exposure amount ("**TREA**") (which is -0.82%); the amount of equity and liabilities eligible for MREL purposes on the TREA is 20.88% lower than the minimum requirement of 21.70%;

3. the CBR, considered in addition to the MREL subordination requirement expressed in terms of TREA (equal to -0.65%); the amount of own funds and subordinated instruments for MREL purposes on the TREA is 15.60% lower than the minimum requirement of 16.25%.

The breach of the above requirements was due to the postponement of the execution of the Capital Increase to 2022, jointly with the absence of issuance of MREL-eligible instruments during the course of 2021. As a result of the aforementioned overrun:

- the Issuer was unable to obtain the prior authorisation to operate as a "market maker" on its senior bonds, which is required by regulation as of 1 January 2022, pursuant to Article 77 (2) of the (EU) Regulation 575/2013 of the European Parliament and European Council of 26 June 2013 concerning prudential requirements for credit institutions and investment firms, as amended (the "**CRR**") and, therefore, as of that date, the Group suspended such operations;

- the Issuer was forbidden by the Single Resolution Board's decision notified on 2 May 2022 from: (i) the ability to distribute dividends until the MREL requirements are restored; (ii) the payment of coupons on AT1 instruments; (iii) the engagement of obligations to pay variable remuneration or discretionary retirement benefits or payment of variable remuneration against commitments made when the combined capital buffer requirement was not met (violation of the CBR-MREL), beyond the limit of the "M-MDA" (*i.e.*, the maximum amount distributable in relation to the MREL).

In order to restore the MREL requirements, the Bank completed the Capital Increase, provided that it is still necessary to proceed with the issuance of MREL-eligible instruments, in line with the provisions of the Business Plan 2022-2026.

As the Bank has restored its compliance with the CBR on top of intermediate MREL and subordination requirements expressed in terms of TREA, via the capital increase operation, the SRB communicated the Bank that the Decision regarding the prohibition of the above distributions ceases to apply on the date of 7 December 2022.

With the decision dated 25 November 2022, the Bank of Italy identified also for the year 2023, BMPS as an other systemically important institutions (O-SIIs) authorized to operate in Italy. Bank of Italy exercised its supervisory judgment in identifying BMPS as an O-SII, even if the overall score of BMPS was below the threshold established for automatic identification as an O-SII indicated in the EBA guidelines. As a result, BMPS will still have to maintain from 1 January 2023 a capital buffer of 0.25 per cent. of its total risk-weighted exposure. The O-SII capital buffer is coherent with the Business Plan 2022-2026 projections.

On 17 December 2021, the Issuer's Board of Directors approved a draft version of the strategic plan 2022-2026. In its Letter of Intervention dated 14 January 2022, the ECB notified the Bank of its considerations with respect to the plan approved on 17 December 2021 and, in particular, its expectations with respect to whether the plan would ensure that the Group's key earnings indicators (including but not limited to return on equity (ROE), return on assets (ROA), and cost/income ratio) would reach or exceed by the end of 2024 the average values for significant Italian banks on a consolidated basis, as published on the ECB's website.

Following the approval of the Business Plan 2022-2026, a revision of the Capital Plan was sent to the ECB confirming, however, the amount of the underlying Capital Increase. On 2 September 2022, the ECB positively acknowledged the requests made by the Bank on 9 August 2022 concerning, among other things, the authorization to execute the Capital Increase; as part of this authorization, the ECB also authorized BMPS to classify the shares resulting from the Capital Increase as CET1, provided that only the shares for which the subscription price has been fully paid are issued and that the Bank does not contribute, directly or indirectly, to the subscription of such shares. In the letter approving the Capital Increase and subsequent resolutions, the ECB highlighted possible risks to the capital position arising mainly from some potentially optimistic macroeconomic assumptions of the Business Plan 2022-2026, such as expected GDP trends, expected inflation trends, and expected trends in the BTP-Bund spread, the possible effects of the pending ECB Decision related to the Internal Model Investigation on the EBA Repair Program, or acceptance levels higher than the originally envisaged voluntary redundancy program equal to approximately No. 3300.

In the context of and as part of the restructuring plan 2017-2021 (the "**Restructuring Plan**"), the Republic of Italy made certain commitments to the European Commission in order to be able to proceed, in accordance with Euro-Union and Italian regulations, with the precautionary recapitalisation of the Bank in 2017; these commitments (or "**Commitments**") were modified in September 2019 when, with respect to the non-compliance with Commitment #24 ("strengthening of the capital position"), Commitment #9 ("cost reduction measures") and Commitment #24 itself ("strengthening of the capital position") were amended. These amendments led to, *inter alia*, the establishment of new, more stringent targets relating to the number of target branches which decreased from 1,432 to 1,372 and the number of resources, decreased from 20,065 to 19,9853[2].

As of 31 December 2021, the deadline for formal monitoring of compliance with the commitments, part of the Commitments, had points of attention/criticism, including those relating to:

(i) cost reduction measures: the Group did not meet the end-of-plan targets for some performance indicators (Net Margin, Cost Income Ratio, ROE) and for the number of employees;

(ii) disposal of shareholdings and businesses: (1) as of the date of the Base Prospectus, the liquidation procedure of the French subsidiary MP Banque SA was still ongoing, made necessary after

[2] State aid SA55121 (2019/N) - Italy - Banca Monte dei Paschi di Siena - amendments to the list of the commitments of the Republic of Italy to the European Commission; p. 9. Exposed values related to the hypothetical sale of both foreign banks.

unsuccessful attempts for divestment; (2) with respect to the divestment activity of the leasing portfolio, the Bank did not reach the target of Euro 2.6 billion envisaged;

(iii) the divestment of real estate assets: the Group did not reach the target of Euro 500 million envisaged, having carried out divestments and entered into compromises amounting to approximately 80% of what was required in the Commitment;

(iv) the sale of non-core equity investments: the Bank has not completed the sale of the equity investments in Banca d'Italia, MPS Tenimenti Poggio Bonelli and Chigi Saracini S.p.A. and Immobiliare Novoli S.p.A;

(v) the commitment related to FRESH 2008 (as defined below), as some investors challenged before the Luxembourg Court the effectiveness of Legislative Decree No. 237 of 23 December 2016 ("Decree 237") with respect to that instrument;

(vi) the reduction of the interest rate on deposits, since as of 31 December 2021 there was still a deviation between the rates applied by BMPS on deposits and the rates applied by the rest of the banking system (measured through the use of a sample of banks identified by the Italian Banking Association) of 0.11% (11 basis points), thus highlighting a higher cost of BMPS's deposits;

(vii) the sale of the Italian State's stake in the Bank.

In connection with the failure to comply with the aforementioned Commitments, interlocutions were initiated between the MEF and the Directorate-General for Competition ("**DG COMP**") as a result of which, on 3 October 2022, the European Commission published a revision of the Commitments dated 2 August 2022 - ordering that the Issuer shall comply with, among other things:

- quantitative commitments and, in particular, targets for cost/income, total operating costs, number of employees, total assets, loans to deposits (loan to deposit ratio), NPL ratio, number of branches, size of the leasing portfolio, putting the business of the subsidiary MP Banque SA into liquidation, divestment of a portfolio of non-strategic equity investments, and constraints on the distribution of dividends; to the Bank's knowledge, the sale of the stake held by the MEF in the Bank must take place in a Business Plan 2022-2026 horizon;

- commitments in terms of competitive behaviour and, specifically, objectives in terms of prohibition of acquisition of companies, pricing of commercial masses, marketing and promotion activities, and level of remuneration of employees.

The Bank considers that the aforementioned commitments are reflected in the actions underlying the Business Plan 2022-2026, and the timing and measures for the execution of the Commitments required by the European Commission are consistent with the timing and measures of execution of Business Plan 2022-2026 actions.

As of the date of the Base Prospectus, the Group is exposed to the risk that in the event of non-compliance with the Commitments, the European Commission would impose the adoption of compensatory measures that would tighten the breached commitments or other commitments already disclosed. In the event of a serious breach of the Commitments, the European Commission may, in addition, initiate infringement proceedings against the Bank, which could have a significant impact on the Bank's capital position.

The Business Plan 2022-2026 does not consider business combination assumptions; the forecast data reported therein have been defined on the basis of assumptions regarding: (i) the effects of specific actions or concerning future events over which the Issuer can only partially exert influence and which may not occur, as well as (ii) certain aspects of the external scenario, subject to the risks and uncertainties that characterize the current and future macroeconomic and regulatory environment over which the Issuer cannot exert influence and whose occurrence would cause significant negative effects on the Group's economic and financial results with respect to the objectives indicated in the Plan. Therefore, it is highlighted that a part of the assumptions in the Business Plan 2022-2026 is beyond the control of the Issuer's directors. The Bank is exposed to the risk of failing to achieve part of the objectives set forth in the Business Plan 2022-2026.

In the event that the Group is unable - over the time horizon over which the Business Plan 2022-2026 is developed, to achieve the objectives set or to achieve them in accordance with the expected timeframes and measures, to meet its commitments - or in the event that over the Business Plan 2022-2026 period it incurs net losses to an extent that would significantly erode the capital held for regulatory purposes, then the Issuer could suffer the negative effects, even significant, of the repercussions of any measures adopted by the European Commission against the Republic of Italy; in each case, with possible impacts on the Issuer's and/or the Group's economic, capital and financial situation as well as on the going concern assumption.

As of the date of the Base Prospectus, the Business Plan 2022-2026's macroeconomic assumptions regarding the dynamics of GDP, inflation and the BTP-Bund spread are better than market assumptions. Any significant deviations between the actual and assumed macroeconomic dynamics underlying the Business Plan 2022-2026 would produce significant negative impacts on the Bank's economic, capital and financial position.

Following the approval by the Board of Directors on 9 March 2017 of the Restructuring Plan, on 17 December 2020, the Board of Directors approved the strategic plan 2021-2025, prepared having in mind, among other things, the commitments assumed by the Italian government on the basis of the Restructuring Plan and the consequent Prime Minister's Decree of 16 October 2020, in the context of which it was reported appropriate to "initiate a process of divestment of the shareholding held by the Ministry in the share capital of MPS". It should be noted that the objectives of the Restructuring Plan and the objectives of the aforementioned strategic plan 2021-2025 have not been fully achieved.

Furthermore, it should be noted that the auditor's reports relating to the 2021 Consolidated Financial Statements and 2020 Consolidated Financial Statements draw attention to the existence of material uncertainty that may cast significant doubt on the Group's ability to continue to operate as a going concern.

The positive conclusion of the capital increase of 2.5 billion euro, which took place on 4 November last and the implementation of some actions envisaged in the Business Plan 2022-2026, suggest that the significant doubts about the going concern that had been declared in the reports before the Consolidated Interim Report as at 30 September 2022 have been overcome, marking a positive turning point in the management of the Bank.

It should also be noted that, effective from 6 May 2021, in conjunction with the approval of the Consolidated Interim Report as at 31 March 2021, the Issuer is subject to, pursuant to Article 114(5) of the Consolidated Finance Act:

- publish to the market, by the end of each month, a press release containing updated information on the actions implemented and planned to maintain the company as a going concern, having regard in particular to the actions to overcome the capital shortfall, highlighting any significant deviations in the timing of the implementation of these actions compared to what was envisaged in the most recently published financial information; and

- supplementing the annual, half-yearly and interim financial reports with information regarding the status of implementation of the Business Plan 2022-2026 in force from time to time, highlighting any deviations in the actual figures from those forecasts.

Failure to implement the Business Plan 2022-2026 in accordance with the terms and measures set forth therein would entail the need to promptly take alternative actions in order not to jeopardize the continuation of the Issuer's and the Group's business activities.

In addition, the delay in the timely achievement of the objectives of the Business Plan 2022-2026, in relation to business aspects, would make it necessary to modify or reshape the objectives.

The occurrence of such events would have a material adverse effect on the Bank's and the Group's business and economic, capital and/or financial position as well as on the Issuer's and the Group's ability to continue as a going concern.

1.2. Risks related to the Group's earnings performance

During the three-year period 2019-2021 and the first half of 2022, the Group's income performance was affected by significant variability in results, mainly due to the negative impact originated by non-operating and non-recurring items, such as higher provisions for risks and charges and higher restructuring charges, as well as the worsening evolution of the macroeconomic scenario, which was reflected in lower revenues and higher cost of customer credit. The Group's income performance in the first half of 2022, although positive, is significantly lower than in the first half of 2021. The 2022 financial year has been impacted by restructuring costs estimated at more than Euro 0.8 billion, linked to a voluntary exit plan through the Solidarity Fund that will affect - in line with the provisions of the union agreement signed between BMPS and the trade unions on 4 August 2022 - approximately 3,500 resources and, therefore, it is estimated to close with a negative net result. With reference to the net result for 2022, considered gross of restructuring charges, it is expected to be positive in absolute terms and higher than the net result for 2021, which, also considered gross of restructuring charges, amounted to Euro 316 million. This dynamic is attributable, mainly, to the greater positive contribution of taxes and the growth in net interest income, only partially offset by a decrease in "Dividends, similar income and gains (losses) from equity investments" and in "Net result from trading, fair value measurements of assets/liabilities, and gains on disposals/repurchases" and to a higher cost of customer credit that, in 2022, incorporates the effects from the disposals of nonperforming loans.

For the period ended on 30 June 2022, the Group reported a profit of Euro 27 million (Euro 202 million for the same period of the previous year)[3]. For the profit of the Group as of 30 September 2022, please make reference to the Consolidated Interim Report as at 30 September 2022 incorporated by reference in the Base Prospectus.

The 2021 fiscal year closed with a net income of Euro 309.5 million (Euro 316 million excluding the restructuring costs), which has mainly benefited of a lower net provisions for risks and charges (Euro 99 million compared to Euro 984 million in 2020) and lower cost of customer credit (Euro 250 million compared to Euro 773 million in 2020).

For more information, please refer to the 2021 Consolidated Financial Statements incorporated by reference into this Base Prospectus.

For the sake of completeness, it should be noted that as of 31 December 2021, which is the date relating to the latest monitoring by the European Commission of the commitments included in the Restructuring Plan, the Group has not met the planned earnings performance targets. It should also be noted that as part of the analysis carried out on the individual SREP pillars, the 2021 SREP Decision highlighted among the Bank's weaknesses/concern profiles that related, among other things, to the business model, with particular reference to the structural short and medium/long-term earnings weakness, which remains exposed to unfavourable macroeconomic events and litigation risks. The observations and assessments of the 2021 SREP Decision regarding the Group's business model are given in more detail below. The Bank, in recent years, has consistently recorded net losses and expects to generate, based on relatively challenging assumptions, non-negligible returns only from 2023 onwards, given the budgeted cuts in staff expenses. According to the 2021 SREP Decision, the sustainability assessment confirms the fragility of the Bank's

[3] The following data on the Group's income performance are derived from the reclassification of data included in the 2022 Consolidated Half-Yearly Report and 2021 Consolidated Financial Statement.

profitability in the short term given the prolonged negative results experienced in the past, the major causes of which are the idiosyncratic weaknesses that still hamper the Bank's ability to generate stable profits.

The business model analysis conducted by the ECB on 31 December 2020, the findings of which were incorporated into the 2021 SREP Decision, highlighted the following risks and attention points:

- the sustainability assessment confirms the fragility of BMPS' profitability in the short term, in light of the prolonged negative results recorded in the past. Specifically, in 2020, the Group again recorded a substantial net loss of Euro 1.7 billion (Euro 1 billion in 2019), the fourth negative annual result since 2016; this situation can only be attributed to a lesser extent to the worsening macroeconomic environment following the coronavirus pandemic outbreak ("**COVID-19**"). Rather, the major factors behind this loss were structural weaknesses that still hinder the bank's ability to generate stable profits over time (e.g., provisions against legal risks and deferred tax assets written off due to lower expectations of future profits). On the positive side, the gross NPL ratio has been lowered to 3.4% at the end of 2020 due to the significant de-risking achieved in December 2020 through the demerger of a compendium of assets and liabilities (the "**Demerger Transaction**") to Asset Management Company S.p.A. ("**AMCO**") (so-called Hydra M transaction).

BMPS's profitability remains exposed to unfavourable macroeconomic events, exacerbated by uncertainties related to the COVID-19 pandemic, risks of narrowing net interest income, failure to achieve both the planned reduction in the cost of funding (due to the need to increase the amount of unsecured issuance to meet increasing MREL requirements) and of the target on fees (as it is based on challenging growth in assets under management volumes), to persistent operational oversizing despite staff reductions, and to litigation risks; volatility in both revenues and the cost of risk exposure, particularly as a result of changes in GDP, remains high, partly due to the BMPS business model and limited diversification.

The ECB also highlights the need for qualitative improvements in budget preparation and multi-year planning processes.

In the 2022 Final SREP Decision, ECB continues to assess the business model as a high-risk element, but updated its considerations in light of the Business Plan 2022-2026. In particular, the ECB highlighted, within a balanced set of assumptions and with potential upside elements (related, for example, to a higher rate hike than had been assumed in the Business Plan 2022-2026), a number of risks, such as:

a) the persistence of tensions on the BTP-Bund spread and market volatility, with potential negative effects on the cost of funding;

b) the expected dynamics of commissions which, although considered reasonable, depends on the success of planned commercial initiatives and is exposed to competitive pressure;

c) rising interest rates and a less favourable GDP scenario that may adversely affect borrowers' ability to repay;

d) the development of claims and lawsuits, which is not in the full control of BMPS, as well as the ability to prevent new emergencies related to litigation; and

e) cost savings of Euro 40 million as of 2024 due to branch closures, the Group's corporate reorganization, and IT investments in digitalization could be offset by inflationary levels related to the new macroeconomic scenario, which may be higher than expected and may not be limited to utilities, also reducing the savings from the same investments in digitalization.

Furthermore, the ECB comments that despite the staff reduction achieved through the activation of the "solidarity fund" for a number of full-time equivalent units (FTEs) well above of what was originally planned increases the extent by which administrative expenses will be reduced, it is yet to be confirmed that the reduction of staff will not negatively affect the productivity levels and/or the effectiveness of the internal control functions.

Based on the above, ECB's conclusion is that BMPS's ability to generate robust and stable profitability will be achieved only if, after the execution of the Capital Increase, management is able to achieve all the objectives of the Business Plan 2022-2026 in due time, demonstrating, over a sufficiently extended period of time, that structural weaknesses have been definitively overcome.

The year ended on 31 December 2020, recorded a loss for the year of Euro 1,687 million (Euro 1,532 million net of nonrecurring items). For more information please refer to the 2020 Consolidated Financial Statements incorporated by reference into this Base Prospectus.

In fiscal year 2019, there was a loss for the year of Euro 1,033 million and the same consolidated result net of nonrecurring items.

The losses recorded in fiscal years 2020 and 2019, cumulated with the previous ones, also resulted in exceeding the threshold set forth in Article 2446 of the Italian Civil Code, which, in the event of a reduction in the Issuer's share capital by more than one-third, provides for the need to convene the Issuer's shareholders' meeting. At the shareholders' meetings of 2020 and 2021 - in accordance with COVID-19 regulations - it was resolved to postpone decisions on the reduction of share capital to the shareholders' meeting called to resolve on the capital strengthening operation. Therefore, the shareholders, at 15 September 2022’s shareholders' meeting, following the resolutions of the 6 April 2021 and 12 April 2022 shareholders' meetings, resolved to approve the coverage of the total loss of Euro 4,240,892,704.41 by reducing the share capital by a corresponding amount, which thus stands at Euro 4,954,119,492.44. The reduction of the share capital consequently had no effect on the book equity, which was confirmed in an amount equal to that as of 30 June 2022, i.e., Euro 5 billion on an individual basis and Euro 5.8 billion on a consolidated basis. Following the completion of the aforementioned Capital Increase, the amount of share capital of the Bank will be increased accordingly.

Lastly, it should be noted that the Business Plan 2022-2026 envisages a net profit of Euro 1,003 million in fiscal year 2024 and Euro 833 million in fiscal year 2026; the expected operating results over the Business Plan 2022-2026 horizon include a benefit, resulting from the recognition of new DTAs, amounting to Euro 1,273 million.

Finally, it should be noted that the Group has not achieved, at the end of the year 2021, some targets of the Restructuring Plan summarized through some performance indicators (Net Margin, Cost Income Ratio, ROE) and also referring to the number of employees. With regard to operating expenses, the Group would have achieved the target set initially if this target had not been subsequently reduced by Euro 100 million as a result of the failure to achieve the 2019 performance targets.

If, also as a result of any further deterioration in the macroeconomic scenario, attributable, for example, to the escalation of the conflict between Russia and Ukraine, the Issuer is unable to achieve the targets set in the Business Plan 2022-2026, the Group may not be in a position to achieve the desired sustainable profitability as the ability to structurally generate a level of income, relative to equity, in line with banking system-wide expectations in the medium term. In this respect, as notified to the Issuer in the Letter of Intervention dated 14 January 2022, the ECB recommended to the Issuer that the Business Plan 2022-2026 ensure that the Group's key earnings indicators (including but not limited to ROE, ROA, and cost/income ratio) reach or exceed by the end of 2024 the average values for significant Italian banks on a consolidated basis, as published on the ECB's website[4]. In light of the above, as of the date of the Base Prospectus there is a risk that if the Group is unable to achieve the aforementioned sustainable profitability, there will be

[4] As stated in the Intervention Letter of 14 January 2022 sent by the ECB, "the ECB recommends that the Business Plan 2022-2026 ensures that the key profitability parameters (including but not limited to return on equity, return on assets, and cost-to-income ratio) of the BMPS Group reach or exceed, by the end of 2024, the average values of significant Italian institutions at the consolidated level published on the ECB's website."

negative impacts on the Group's equity and capital requirements and, more generally, even significant negative effects on the Group's economic, capital and/or financial position, to the point where the Group's ability to continue as a going concern will cease to exist.

1.3. Risks related to capital adequacy

In the 12-month evolution of capital adequacy, the Group is subject to some regulatory headwinds. In particular, these headwinds include: (i) the revision of internal models which, according to the Issuer's estimates, will lead to an overall increase of no more than Euro 5.5 billion in RWA (as defined below), postponed to the first quarter 2023, largely attributable to the adaptation of AIRB models to the EBA Guidelines (EBA-GL-2017-16) carried out during 2021 and subject to review by the ECB, and (ii) the planned capital reduction related to the IFRS9 phase-in, with a negative impact on capital of approximately Euro 330 million.

There is the risk that, at the conclusion of the inspection activity by the ECB, the supervisory authority may deem it necessary to impose additional requirements, in terms of RWA (as defined below), compared to those already provided by the Group's internal models, if these are not found to be satisfactory. In this case, it is possible that the Group may find itself operating below the Guidance level even following the full subscription of the Capital Increase.

Finally, even following the full subscription of the Capital Increase, there is the risk that, in the event that the assumptions of the Business Plan 2022-2026 or the actions underlying the Business Plan 2022-2026 are not or only partially implemented, including in terms of timing, the Group may fail to achieve the Business Plan 2022-2026's objectives, particularly in terms of profitability, with possible negative consequences on the ability to comply with the capital ratios and, therefore, with consequent significant adverse effects on the Group's economic, capital and/or financial position.

The assessment of capital adequacy from a regulatory perspective is based on the constant monitoring of current and prospective equity and risk-weighted assets ("**Risk Weighted Assets**" or "**RWA**"). The optimization of the capital adequacy profile is pursued through the "Risk Appetite Statement" process, during which business and risk strategies are defined and subjected to adequacy review.

The Issuer is subject to the capital adequacy requirements of the EU Directive 2013/36 of the European Parliament and European Council in relation to credit institutions' activities, credit institutions' prudential supervision and investment undertakings, as amended by Directive (EU) 2019/878 (the "**CRD IV**") and CRR. Specifically, with the 2021 SREP Decision, the ECB required the Bank to maintain, as of 1 March 2022, on a consolidated basis, a TSCR level of 10.75%, which includes the minimum P1R requirement of 8% under Article 92 of the CRR and an additional P2R requirement of 2.75%, on an ongoing basis, to be held at least 56.25% in the form of CET1 and 75% in the form of Tier 1.

In addition to the P1R and P2R requirements, the Group must also hold sufficient capital to meet a CBR of 2.75%[5]. Thus, the Group must meet, at the consolidated level, a CET1 Ratio of 8.80%, a Tier1 Ratio of 10.82%, and a Total Capital Ratio of 13.50% (Overall Capital Requirement - OCR). Considering Pillar II Capital Guidance ("**P2G**") as well, the Group has to comply, at the consolidated level, with a CET1 Ratio of 11.30%, a Tier1 Ratio of 13.32%, and a Total Capital Ratio of 16.00%.

These levels (requirements and guidance) are confirmed in the 2022 Final SREP Decision which the Bank announced it received on 27 December 2022. In the 2021 SREP Decision, as reitereted in the 2022 Final SREP Decision, the ECB has also highlighted among the Bank's weaknesses/points of attention, *inter alia*, those relating to (i) the risk related to capital adequacy, in order to ensure compliance with capital requirements, in a prospective framework of fragile capital position in stress situations; and (ii) the Internal

[5] CBR consists of Capital Conservation Buffer (2.50%) + O-SII Buffer (0.25% vs. 0.19% in 2021) + Countercyclical Capital Buffer (0.003% as of 30 September 2022.

Capital Adequacy Assessment Process ("**ICAAP**") process, highlighting the need for further improvements with reference to capital planning, scenario design and stress tests, which result in fragmented approaches, and the data and IT infrastructure to support such analyses.

In addition, in the 2022 Final SREP Decision, ECB highlights that, despite the finalisation of the Capital Increase, the Tier 1 level will marginally be above P2G throughout 2023, but could fall below that level as a result of tensions on the BTP - Bund spread, the higher-than-planned fees payable to the investment banks in the context of the rights issue, the hike in interest rates payable on senior and subordinated liabilities observed in the market over the recent months or in relation to limitations arising from the so-called "model change" of the AIRB internal models. If the Bank were to operate below P2G levels this could have negative repercussions on the cost of the issues planned in the Business Plan 2022-2026.

As part of the 2021 SREP Decision, ECB highlighted that even following the full subscription of the Capital Increase, the margins above the Guidance level still remain thin, even in light of the Business Plan 2022-2026's ambitious industrial goals, such that there is a real risk that, by 2023 at the latest, the Bank will be operating below the P2G level. These observations of the supervisory authority are reinforced by the gradual withdrawal of the state supports guaranteed during the COVID-19 period on loans to individuals and companies and the Group's high exposure to legal litigation, both of which could lead to a worsening of the Group's income statement and thus its prospective capital position. In addition, the increased vulnerability to a possible adverse scenario, as evidenced by the 2021 Stress Test, further confirms the Issuer's capital fragility.

In the 2022 Final SREP Decision, the ECB confirms these considerations, not reiterating the observation regarding the loss of guaranteed state supports, but emphasising, in addition to the previous observations, the gap that would remain at the end of 2024, between the Group's Tier 1 Ratio and that of its peers, since on the basis of the Business Plan 2022-2026 the Group's Tier 1 ratio would increase to 14.2 percent[6] at the end of 2024, still standing about 70 basis points below the average level of significant European banks and about 150 basis points below the current average level of significant Italian banks. The persistence of this gap, in the long run, could be a possible obstacle to future merger transactions with an industrial partner. Moreover, even following the full execution of the Capital Increase, BMPS would remain extremely vulnerable to any possible negative evolution of the scenario, even compared to its competitors.

Without prejudice to the foregoing, it should be noted that within the Business Plan 2022-2026 there are no plans for the Italian State to activate a new extraordinary credit moratorium or guarantee interventions in favour of businesses or consumers similar to what was implemented during the COVID-19 period, and that following the full implementation of the Capital Increase and the actions and assumptions of the Business Plan 2022-2026 as formulated, the Group would be operating above the P2G level over the entire Business Plan 2022-2026 horizon. However, given the uncertainties surrounding the Business Plan 2022-2026 assumptions, as of the date of the Base Prospectus there is the risk that even following the full subscription of the Capital Increase, the Issuer could incur breaches of regulatory capital adequacy requirements over the Business Plan 2022-2026 horizon.

In addition, in the 2022 Final SREP Decision, the ECB requested the Bank (a) to conduct a self-assessment of the adopted stress test framework by 28 February 2023, and send the relevant report to the ECB; (b) to evaluate the comments to be made by the ECB on the report referred to in (a) by 15 April 2023; (c) to prepare a remedial action plan by 31 May 2023; and (d) to implement such plan by 31 December 2023.

As of 30 September 2022, the Group has a CET 1 Ratio[7] and a Tier 1 ratio[8] of 10%, a Total Capital Ratio[9] of 13.9%.

[6] It should be noted that, based on the final costs of the capital increase, there will be a negative impact on this indicator until 2024 quantifiable at about 15 basis points
[7] Coefficient calculated considering the transitional provisions of the regulatory framework in force on the reference date.
[8] Coefficient calculated considering the transitional provisions of the regulatory framework in force on the reference date.
[9] Coefficient calculated considering the transitional provisions of the regulatory framework in force on the reference date.

The Group, on a consolidated basis, respects the TSCR; at the same date, it instead had a shortfall with respect to the CBR and the P2G. The CBR shortfall derives primarily from the recognition in the third quarter of the year of costs exceeding Euro 900 million for incentivised personnel departures, activated subject to the capital availability set forth in the Business Plan 2022-2026. The shortfall with respect to the P2G, already recognised starting from the first quarter of the year, is due to the third quarter loss as well as the increase in the value of the guidance set forth in the 2021 SREP Decision (2.50% vs. 1.30%) and the planned share capital reduction connected to the IFRS 9 phase-in (roughly Euro 325 million). Both shortfalls were remedied following the positive outcome of the Euro 2.5 billion Capital Increase concluded on 4 November 2022.

Taking into account the capital increase concluded on 4 November 2022 for approximately Euro 2.5 billion and the related costs, the Bank's capital ratios at consolidated level as at 30 September 2022, are equal to: 15.7% for CET 1 ratio, 15.7% for the Tier 1 ratio, 19.5% for the Total Capital ratio, calculated by applying the transitional criteria in force for 2022; 14.7% for the CET 1 ratio, 14.7% for the Tier 1 ratio, 18.5% for the Total Capital ratio, calculated by applying the fully loaded criteria.

In accordance with the provisions of CRR, the ratios as of 30 September 2022 were calculated considering the transitional regime, which represents the application of the calculation rules according to the regulatory framework in force on the reference date, while the "fully loaded" version incorporates the rules envisaged under the regime into the calculation. The transitional regime benefits from the application of certain prudential filters, including:

- the sterilization of the IFRS 9 impact related to the first-time application of the accounting standard;

- the sterilization of the capital impact related to the increase in loan adjustments recognized in the period 2020 - 2024 compared to 10 January 2020 for stage 1 and 2 portfolios;

- the application of the prudential filter related to the Other Comprehensive Income (OCI) Reserve on securities issued by states or central governments in the period from 10 January 2020 to 31 December 2022.

Finally, it should be noted that, as of the same date, the Group has a leverage ratio[10] of 3.3% above the minimum requirement of 3%. Taking into account the capital increase concluded on 4 November 2022 for approximately Euro 2.5 billion and the related costs, the leverage ratio at consolidated level is equal to 5.2% as at 30 September 2022.

It should also be noted that the SREP is carried out by the ECB at least annually. As noted above, the 2022 Final SREP Decision (effective from 1 January 2023) confirms the quantitative requirements and prescribes some qualitative requirements on processes supporting capital adequacy. However, there is a risk that, starting with the SREP 2023 process (effective from 1 January 2024), the supervisory authority will prescribe more stringent measures for the Issuer than those contained in the 2022 Final SREP Decision. In addition, the Group is exposed to the risk (i) as a result of the inspection activity on the internal AIRB models, the ECB identifies changes to the Issuer's proposed models that would result in an increase in RWA beyond what is expected, and (ii) that, as a result of the credit risk inspection activity (which has already been completed, and for which the usual exit meeting has already been held, and for which the final report is expected by the end of 2022), the classification criteria and, consequently, provisions on the portfolios inspected are revised, with consequent negative impacts on the Group's capital.

In 2021, the Group participated in the EU-wide stress test conducted by the EBA in cooperation with the ECB, the European Systemic Risk Board (ESRB) and the European Commission; the aforementioned stress test exercise is generally carried out every two years. On 8 December 2021, in line with the decision to conduct a biennial exercise, the EBA announced its decision to conduct the next EU-wide stress test in 2023,

[10] Coefficient calculated considering the transitional provisions of the regulatory framework in force on the reference date.

in which the Group will participate. Participation in the stress tests carries the risk of possible upward revision of the P2G, and thus of the levels of capital to be held by the Group in case of a negative result in the "baseline" scenario and/or the "adverse" scenario.

Any assessment of the level of capital adequacy is influenced by several variables, including the need to cope with the impacts resulting from the new and more demanding requirements at the regulatory level announced by the European regulator, the need to support functional plans for a more rapid reduction in the volume of impaired loans - even in addition to the disposal of the Bank's NPLs - and/or the assessment of market scenarios that are expected to be particularly challenging and will require the availability of adequate capital resources to support the Group's level of activity and investments.

For further information in such regard, please refer to the "*Capital adequacy*" paragraph of the Consolidated Interim Report as at 30 September 2022 and to the "*Capital adequacy*" paragraph of the 2022 Consolidated Half-Yearly Report.

1.4. Risks related to non-compliance with MREL requirements

Pursuant to Article 45 of Directive 2014/59/EU, as subsequently amended, institutions must meet at all times a MREL defined by the resolution authority for each institution, in order to ensure that a bank, in the event of the application of the bail-in procedure, has sufficient liabilities to absorb losses and to ensure compliance with the Primary Tier 1 Capital requirement for the authorization to conduct banking business, as well as to generate sufficient confidence in it in the market.

Based on the parameters specified by the MREL Decision 2021, as at 30 June 2022 the Bank is in violation of the following parameters: (a) MREL Subordination Requirement in terms of LRE which is 5.28% (compared to 6.22% LRE under the MREL Decision 2021); (b) CBR, considered in addition to the MREL requirement expressed in terms of TREA (which is -0.82%); the amount of equity and MREL-eligible liabilities on the TREA is 20.88% lower than the minimum requirement of 21.70%; and (c) CBR, considered in addition to the MREL subordination requirement expressed in terms of TREA (equal to -0.65%); the amount of equity and of subordinated instruments for MREL purposes on the TREA is 15.60% lower than the minimum requirement of 16.25%.

The above violation of MREL requirements was attributable to the postponement of the execution of the Capital Increase to 2022, jointly with the absence of issuance of MREL-eligible instruments during 2021.

In order to restore the MREL requirements, the Bank completed the Capital Increase, provided that it is still necessary to proceed with the issuance of MREL-eligible instruments, in line with the provisions of the Business Plan 2022-2026. Moreover, in the 2022 Final SREP Decision, ECB judges the Bank's program of senior issuances in 2023, aimed at meeting the MREL targets, as challenging, even considering that the Bank will access the non-preferred senior debt market for the first time.

In light of the above, the Group is exposed to the risk of incurring breaches of the MREL requirements again, in the event of failure to meet the institutional issuance targets set out in the Business Plan 2022-2026, which could be challenged by any systemic tensions in the debt markets and/or idiosyncratic circumstances of the Group. In addition, it cannot be ruled out that in the future the Group will again present a breach with respect to the MREL and/or CBR targets, due to, among other things, possible changes in bank resolution regulations and/or the criteria for determining MREL requirements by the resolution authorities such as raising the requirements or reducing the instruments eligible for MREL purposes. Such circumstance could lead, in addition to the prohibition on dividend distributions and the prohibition to perform certain activities already imposed by the resolution authorities, to the adoption of specific measures against the Issuer by the same authorities and, should the Issuer and/or the Group be unable to comply with such measures or to fulfil the obligations imposed by the same authorities, with significant consequences for the Issuer's and/or the Group's economic, equity and financial situation.

In this regard, it should be noted that in the event of a breach of MREL requirements, the Directive 2014/59/EU for the recovery and resolution of credit institutions ("**BRRD**") grants the resolution authorities the ability to exercise the following powers:

(i) the powers to address or remove impediments to the possibility of resolution through the adoption of specific measures (e.g., limitation of business line development; request to issue MREL-eligible liabilities; request to renegotiate eligible liabilities or AT1 and T2 instruments already issued; request to change the maturity of own funds instruments, subject to agreement with the ECB, and eligible liabilities);

(ii) the powers under Article 16(a) of the BRRD on the limitation of certain distributions;

(iii) the adoption of measures under Article 104 of CRD IV on additional Pillar II Capital Requirements;

(iv) the adoption of early intervention measures in accordance with Article 27 of the BRRD, such as the implementation of the adopted reorganization plan or the preparation of a plan to negotiate debt restructuring with all or some creditors, the modification of the corporate form; as well as the removal of members of the administrative and supervisory bodies and senior management; and

(v) the adoption of administrative sanctions and other administrative measures pursuant to Article 144 of the Consolidated Finance Act.

1.5. Risks related to deterioration in credit quality and the impacts of the worsening economic environment, particularly in Italy, on credit quality and banking in general

The Group is exposed to the risks inherent in lending activities, which take the form of the possibility that its contractual counterparties will fail to fulfil all or part of their payment obligations. In the data of the 2022 Consolidated Half-Yearly Financial Statements, significant concentrations are observed at the geographical level, detecting a concentration of counterparties in the Tuscany region, where the Bank is particularly rooted in the territory. In the data of the 2022 Consolidated Half-Yearly Financial Statements: (i) the Group has an amount of customer loans classified as non-performing exposures (i.e., including non-performing loans, probable defaults and impaired past due exposures) of Euro 4,082 million gross, Euro 1.966 million net (the percentage incidence of net impaired loans to total loans to customers is 2.5%); (ii) the Group's coverage ratio of impaired loans to customers for the Group as a whole is 51.8%; (iii) the incidence rates of net loans to customers at amortized cost classified as stage 1 (financial instruments that have not experienced a significant increase in credit risk since initial recognition) and stage 2 (financial instruments that have experienced a significant increase in credit risk since initial recognition but have no objective evidence of loss) are 82.9% and 14.5%, respectively. The occurrence of a deterioration in credit quality - taking into account the persistence of the COVID-19 pandemic and the uncertainties associated with the health emergency itself and the conflict in Ukraine, with the impacts it is generating in particular on commodity prices and on inflation more generally - could mean that the provisions set aside to cope with these risks result in significant adverse effects on the Group's operating results and economic, equity and/or financial position.

For more information on the above, please refer to the 2022 Consolidated Half-Yearly Financial Statements and the Consolidated Interim Report as at 30 September 2022 incorporated by reference into this Base Prospectus.

Please note that the 2021 SREP Decision contains certain recommendations in relation to exposures classified as non-performing exposures as of 31 March 2018 and, in particular, recommends that:

a) for non-performing exposures secured and classified as such for more than seven years, as per the recommendation included in the SREP decision regarding own funds requirements to be met starting from 1 January 2021 ("**2020 SREP Decision**"), 50% coverage be achieved by year-end 2021, with a linear path to full coverage by year-end 2026; and

b) for non-performing exposures that have been unsecured and classified as such for more than two years, 60% coverage be achieved by year-end 2021, with a linear path to full coverage by year-end 2025.

The Group is in line with the non-performance exposures coverage targets made explicit in the 2021 SREP Decision. In the event that the provisions in the financial statements, determined in accordance with the accounting standards, are not sufficient to align with the minimum coverage required by the so-called calendar provisioning, the Group proceeds to apply deductions from regulatory capital up to the amount necessary to adjust to the minimum coverage required, as provided by the regulations.

As part of the 2021 SREP Decision, ECB pointed out that the customers entrusted by the Group have benefited significantly from state public support measures, both in terms of moratoria and guarantees issued, and that therefore the Issuer is exposed to the risk that, when these measures are discontinued, the quality of the loan portfolio may significantly deteriorate.

Pursuant to the aforementioned 2021 SREP Decision, the Bank is also required to send the ECB an update of its three-year strategic and operational plan for managing nonperforming loans.

As part of the 2022 Final SREP Decision, the ECB updated, as expected, the recommended level for the coverage of exposures classified as non-performing exposures as of 31 March 2018 (70% for the secured component and 80% for the unsecured component, 50% and 60% respectively in the 2021 SREP Decision); these levels have already been factored into both the prospective calendar provisioning impact estimates in the Business Plan 2022-2026 and the non-performing exposure Strategy. The risk factor related to the lapsing of state support measures is not reiterated, but credit risk is still considered a key risk factor in the face of the delay in the implementation of the new early warning system of intercepting deterioration in creditworthiness, governance shortcomings of changes in the credit risk models used for the purpose of calculating capital requirements, and general uncertainties related to the impacts of the pandemic, the war in Ukraine, and evolving macroeconomic conditions. Finally, in the 2022 Final SREP Decision, ECB acknowledges that in light of accounting provisions and specific deductions from regulatory capital made after 31 December 2021, the Group is aligned with its calendar provisioning hedges.

The Bank is also exposed to the risk of deteriorating credit quality as a result of the domestic and international economic situation.

The Business Plan 2022-2026 considers a scenario characterized by a slowdown in Italian GDP dynamics in 2022, after rebounding in 2021, with acceleration in 2023. Compared to Bank of Italy expectations, the scenario assumes lower growth estimates for 2022 and higher ones for 2023. Failure of the Business Plan 2022-2026 scenario, which prefigures an improvement in default flow starting in 2023, could result in a less significant decrease in default rates than expected, with significant negative effects on the Group's credit quality.

In particular, in accordance with the provisions of the Business Plan 2022-2026, the Bank expects an inflationary peak in 2022 with a settlement on the 2% threshold in the following years; the growth of inflation - despite not being considered as a critical variable in the Business Plan 2022-2026 for the purposes of a deterioration of the credit scenario - could generate a progressive deterioration in the quality of assets attributable to the corporate and private system. In particular, for individuals, a scenario of high inflation along with an inadequate realignment of wages would lead to a progressive erosion of disposable income with resulting potential strains on instalment-income ratios in the payment of mortgages and personal loans. Compared with the assumptions referring to the evolution of inflation in the macroeconomic scenario underlying the elaboration of the Business Plan 2022-2026, Bank of Italy's expectations of medium-term inflation are higher; however, a higher level of expected prices leads to negative impacts on the real value of disposable income and households' propensity to save, but also to increases, in nominal terms, in the value of investments and working capital financing needs by businesses and nominal growth in household spending. Such strains, should a high inflation scenario persist, could result in counterparty default with a consequent increase in the riskiness of the Bank's assets.

To assess the effects of a worsening scenario, the Group estimated that a slowdown in the economic cycle, with rising interest rates and higher levels of inflation, could bring an increase in the cost of risk of about Euro 650 million over the three years, based on a cumulative negative change in GDP of about 500 basis points. The estimate was based on the assumption of a negative effect of about Euro 130 million for each point of GDP lost relative to Business Plan 2022-2026 assumptions. The isolated impact of this vulnerability on the Business Plan 2022-2026's pre-tax result would be about Euro 650 million over the three years.

A worsening of the domestic and international macroeconomic scenario could alter the ability of the Group's contractual counterparties to meet their payment obligations to the Group, thereby increasing the risk related to the Group's credit exposure, with significant adverse effects on the Group's operating results and economic, capital and/or financial position.

The Business Plan 2022-2026's macroeconomic assumptions regarding the dynamics of GDP, inflation and the BTP-Bund spread are more favourable than current market assumptions. Any significant deviations between the actual macroeconomic dynamics and the macroeconomic dynamics assumed as the basis for the Business Plan 2022-2026 could result in significant adverse effects on the Group's operating results and economic, capital and/or financial position.

The Issuer believes, however, that the observed changes in the macroeconomic scenario, even taking into account the IMF forecast updated in October 2022 about the trend of Italian GDP[11], would not produce negative impacts that could affect the validity of the Business Plan 2022-2026.

Moreover, as at the date of this Base Prospectus, the Bank of Italy's authority to set borrower based measures has recently been introduced into the Circular No. 285 (as defined below) and there is uncertainty as to how (and if) the Italian regulator would exercise such authority. Therefore, it is not yet clear what impact these regulatory changes will have on the Issuer's operations.

1.6. Risks related to impairment of goodwill, intangible assets and equity investments

In line with IAS 36, goodwill is subject to impairment testing at least once a year and in any case when there are signs of deterioration. The activity of testing goodwill for impairment is based on a preliminary allocation of the value of goodwill to the various cash generating units ("**CGUs**") to which it is attributable; the definition of the scope of the CGUs is carried out in a manner consistent with the segment reporting given in the financial statements, which in turn reflects management reporting.

In light of the circumstance that the Group's most significant equity investments (see below) pertain to the insurance business, which is particularly exposed to market variables (e.g. interest rates), the profiles of uncertainty that characterize the national and global macroeconomic framework, also due to the impacts and developments on public health and the economy resulting from the COVID-19 pandemic and the Russian war in Ukraine, could have significant negative effects on the estimated cash flows assumed, as well as on the main financial assumptions considered, and could consequently result in the need to provide for impairment losses of goodwill, intangible assets and equity investments, including significant ones.

For equity investments, the process of recognizing any impairment initially involves checking for impairment indicators and, in the event of violation of these indicators, the determination of any impairment is determined to the extent that the recoverable value is lower than the carrying value. The parameters and projections on which the estimates are based evolve with the updating of plans of associated equity

[11] International Monetary Fund, World Economic Outlook, October 2022

investments, which are significantly influenced by the macroeconomic environment and financial market dynamics.

As of 30 June 2022, monitoring of the main impairment indicators showed indications of potential impairment of the investments held in AXA-MPS Assicurazioni Vita S.p.A. and AXA-MPS Assicurazioni Danni. The recoverable value of the investee assets was then calculated using the Appraisal Value method for AXA-MPS Assicurazioni Vita S.p.A. and the Dividend Discount Model (DDM) method for AXA-MPS Assicurazioni Danni S.p.A. In both cases, the recoverable value was found to be higher than the corresponding book value, and the carrying value of the investments was therefore confirmed.

With regard to the 2021 Consolidated Financial Statements and the 2020 Consolidated Financial Statements, the results of the valuations did not result in the need to make value adjustments to the equity investments recorded in the financial statements.

In light of the foregoing, although the impairment tests carried out by the Issuer did not reveal the need to proceed with the recognition of value adjustments for goodwill, intangible assets with a finite useful life and, except as described above, equity investments recorded in the financial statements, it cannot, however, be ruled out that in the future it may be appropriate to proceed with the recognition of value adjustments and make write-downs of the aforementioned balance sheet items, even if significant.

For more information on the impairment of goodwill, intangible assets and equity investments please refer to the 2022 Consolidated Half-Yearly Financial Statements incorporated by reference into this Base Prospectus.

1.7. Liquidity risk for the 12-month period and risks related to the Issuer's indebtedness and system liquidity support measures

As of the date of the Base Prospectus, there is a risk that in a time horizon beyond 12 months from 16 January 2023, unexpected events of a macroeconomic nature, events that cause damage to the Bank's reputation, new prudential or regulatory requirements related to regulatory developments, which would have even significant adverse effects on the liquidity profile and the economic and financial situation of the Bank and the Group, will occur.

Without prejudice to the foregoing, the Group's liquidity position could be exposed, in a time horizon beyond 12 months from 16 January 2023, to a series of both exogenous and internal events that could generate a decrease in its customers' deposits, difficulties or inability to access markets, to receive funds from counterparties outside the Group, or result in the impairment of certain assets and/or the inability to finance or liquidate them. Among these, the possible systemic economic/financial crisis (*e.g.*, in case of escalation of the conflict initiated by Russia), the worsening of the Issuer's reputational profile, and possible tensions in the debt market (making the Group's issuance program more difficult to implement) is of particular relevance. As of the date of the Base Prospectus, the Issuer has reserves that are deemed sufficient for the twelve months following that date even in the face of the occurrence of severe adverse events.

As of the date of the Base Prospectus, there is a risk that, further to the 12-months period from 16 January 2023, severe strains may occur in the procurement of liquidity in the market, which could adversely affect the achievement of the Group's objectives, especially in view of the international geopolitical and pandemic environment, resulting in even more significant adverse effects on the Bank's and the Group's economic, financial and capital position. Failure to comply with the minimum requirements under the regulations applicable to the Issuer for liquidity indicators could result in the adoption of specific measures against the Issuer by the authorities and, if the Issuer and/or the Group were unable to comply with such measures or to fulfil the obligations imposed by the same authorities, this could lead to even significant adverse effects on the Issuer's and/or the Group's economic, financial and asset situation.

In particular, within the scope of liquidity risk, two types of risk can be identified, such as:

- market liquidity risk: related to the possibility that the Bank, in case of need, may not be able to liquidate an asset on the balance sheet without incurring capital losses or a significantly longer time to realization due to low liquidity or inefficiencies in the reference market; and
- funding liquidity risk: represents the possibility that the Bank may not be able to meet expected and unexpected payment commitments on a cost-effective basis and without impairing its core business or financial position.

With respect to risks related to the Issuer's indebtedness and interventions to support system liquidity, significant reduction or withdrawal of system liquidity support by governments and central authorities or reduction of liquidity obtainable through access to the Eurosystem could generate difficulties and/or higher costs in accessing market sources of liquidity, with potential even significant adverse effects on the Bank's and/or the Group's activities and economic, capital and/or financial position.

The ECB, within the SREP Decision 2021, also gave its opinion on the Internal Liquidity Adequacy Assessment Process ("**ILAAP**") implemented by the Group, concluding that no additional liquidity requirements are deemed necessary. The ECB also highlighted some areas for improvement: greater efficiency and incisiveness of internal inspection activities, the need for an update and rationalization of internal regulations in the area of liquidity management and risk, refinement in the calculation of a management indicator and greater automation in data management and processing. These weaknesses could call into question the Issuer's ability to properly assess the current and prospective liquidity position. In the 2022 Final SREP Decision, the ECB, while acknowledging that progress had been made with respect to most of the areas for improvement described in the 2021 SREP Decision, it highlighted the risk and IT data infrastructure as a major area for improvement.

The 2021 SREP Decision also highlighted, among the Bank's weaknesses/points of attention, the one related to liquidity risk and in particular funding risk, with reference to the Bank's limited ability to access the unsecured and wholesale market on competitive terms, along with the high level of asset encumbrance. These observations are also confirmed in the 2022 Final SREP Decision.

As of the date of the Base Prospectus, the Issuer's indebtedness to the ECB, which is attributable to the refinancing operations put in place by the ECB, is Euro 19.5 billion, represented entirely by targeted longer-term refinancing operations ("**TLTRO III**") operations, of which (i) Euro 11.0 billion called on 24 June 2020 with maturity on 28 June 2023, (ii) Euro 3.0 billion called on 30 September 2020 with maturity on 27 September 2023, (iii) Euro 2.5 billion called on 24 March 2021 with maturity on 27 March 2024, and (iv) Euro 3.0 billion called on 24 June 2021, with maturity on 26 June 2024.

For further information in such regard, please refer to the "*Funding strategy*" paragraph of the Consolidated Interim Report as at 30 September 2022 and to the "*Funding strategy and MREL capacity*" paragraph of the 2021 Consolidated Financial Statements.

If the collateral provided by the Bank to the ECB against the refinancing activity carried out by the ECB proves to be inadequate with respect to the amount of the refinancing operations, the ECB may request, subject to the Bank of Italy's notification to the Group, the early collectability of the refinancing operations carried out.

The occurrence of the aforementioned event would oblige the Group to immediately reduce the amount of refinancing transactions with the ECB by the same amount or to provide additional eligible assets and/or cash as collateral. Other causes of early collectability include corporate reorganisations and non-compliance with reporting requirements. The occurrence of such an event could result in the consequent risk of encountering difficulties in accessing sources of market liquidity or of having to incur greater, unbudgeted, charges for this purpose, with consequent, even significant negative effects on the Bank's and/or the Group's business and economic, equity and/or financial situation. As mentioned at the beginning of the paragraph, the maturity ladder is not affected by the ECB funding already carried out but by the level of eligible assets available for the purpose of refinancing operations with the ECB.

As a result of the monetary policy decisions taken by the Governing Council on 27 October 2022 in which the terms and conditions of the third round of TLTRO III were changed, neutralizing part of the economic benefits of maintaining TLTROs to the final maturity, the Group partially early repay TLTROIIIs in the December 2022 early redemption date (for the amount of Euro 6 billion, reducing the TLTRO III maturing on 28 June 2023 from Euro 17 billion to Euro 11 billion), in addition to the 4 billion maturying in December 2022 (for a total reimbursement of 10 billion). The early repayment does not substantially modify the liquidity and risk profile of the Bank, with respect to maintaining the initial amount until the original maturity (which was only 6 months later).

The possible failure to achieve the objectives of diversification of funding sources envisaged in the Business Plan 2022-2026 could be determined by external or BMPS' specific events.

Among the main external elements of uncertainty are, in particular, stress situations in the bank funding market or the institutional funding market, resulting from financial or macroeconomic shocks. Approximately Euro 6 billion of issuances of MREL eligible securities are envisaged during the period of the Business Plan 2022-2026 (in relation to subordinated loans, it should be noted that they are neutral for liquidity risk purposes since, in the event of a failure to issue, the call on existing subordinated loans would not be exercised and they would be brought to natural maturity). With reference to a time horizon beyond 12 months starting from 24 November 2022, failure to issue would make it appropriate to take compensatory actions, in order to achieve targets on key regulatory liquidity indicators (LCR/NSFR), such as increasing funding from deposits or from funding transactions such as repurchase agreements on paper other than high-quality liquid assets, such as to have a positive impact on the Bank's liquidity position. It should be noted that failure to implement such compensatory actions, in the absence of institutional issuances eligible for MREL purposes, would not allow the achievement of the Business Plan 2022-2026 targets on LCR/NSFR indicators, which would have a significant negative impact on the Group's economic, capital and/or financial position.

1.8. Risk of exposure to debt securities issued by sovereign states

The Group is exposed to the risk of exposure to debt securities issued by sovereign states and has exposure to bonds issued by central and local governments and government entities of the Republic of Italy. As of 30 June 2022, the Group's exposure in securities to the Italian government represented 10% of the Group's total assets, up from 9% as of 31 December 2021, 7% as of 31 December 2020, and down slightly from 11 percent as of 31 December 2019. Overall, securities issued by governments, central banks, and other public entities account for 63%, approximately, of total financial assets (Group's securities assets and net position in derivatives), a percentage that is essentially stable compared to the end of 2021 (64%), up from the end of 2020 (57%), and down slightly from the end of 2019 (65%).

Tensions in the sovereign bond market and the volatility of government bonds, significant increases in inflation, and increases in interest rates by the ECB may therefore have negative effects on the Group's business, economic, capital and/or financial position, operating results, and prospects. In particular, rising rates may have a negative effect on the Group's positions measured at fair value by virtue of the short exposure, in terms of sensitivity, to a +1 basis point change in interest rates (Euro -0.2 million on Trading Book - FVTPL, Euro -0.6 million on Banking Book - FVOCI, as of 30 June 2022).

Similarly, any deterioration in the yield differential of Italian government bonds compared to other European benchmark government bonds and/or any joint actions by the major rating agencies, such as to result in a credit rating of the Italian government below investment grade, could result in negative impacts on the Group's liquidity position and negative impacts on the value of the portfolio, as well as on capital ratios.

For more information on the Issuer's risks related to the exposure to debt securities issued by sovereign states, please refer to the 2022 Consolidated Half-Yearly Financial Statements incorporated by reference into this Base Prospectus.

1.9. Risks related to the application of Burden Sharing to FRESH 2008 Securities

The Bank is exposed to the risk that the unfavourable outcome of the litigation with the holders of the floating rate equity-linked subordinated hybrid preferred securities ("**FRESH 2008 Securities**") structure and the consequent failure to convert the FRESH 2008 Securities into ordinary shares of the Issuer - as a result of the Ministerial Decree of 27 July 2017 ("**Burden Sharing**") and/or the failure to apply to them Article 22, paragraph 4 of Decree 237 - pursuant to which contractual or other clauses entered into by the Issuer concerning its own shares or capital instruments and relating to the equity rights pertaining to the FRESH 2008 Securities, which prevent or limit their full eligibility for inclusion in Primary Tier 1 Capital, are ineffective - may have a negative impact in terms of the profitability of the investment in BMPS shares.

Certain holders of FRESH 2008 Securities maturing in 2099, by a document served on 19 December 2017, sued BMPS before the Luxembourg Court - together with certain additional companies that entered into a swap agreement with the Issuer having the FRESH 2008 Securities as underlying - to seek a declaration that the Decree 237 is inapplicable to the holders of FRESH 2008 Securities and, consequently, to obtain a ruling that: (a) said bonds cannot be forcibly converted into shares; (b) said bonds continue to remain valid and effective in accordance with the terms and conditions of their issuance, as governed by Luxembourg law; and (c) that BMPS is not entitled, in the absence of the conversion of the FRESH 2008 Securities, to obtain from JP Morgan the payment of Euro 49.9 million arising from the execution of the usufruct agreement signed by it in the context of the issuance of the Bank's shares against the forced conversion of the FRESH 2008 Securities.

In the event of an unfavourable outcome of the aforesaid litigation, the FRESH 2008 Securities will not be converted into BMPS shares and, consequently (i) the Bank will not collect the amount of Euro 49.9 million resulting from the issuance of the same; (ii) there would also be the non-application, to the issuance of the FRESH 2008 Securities, of the Burden Sharing principle and, consequently, the bondholders could request to receive the coupon (equal to Euribor 3M+425 basis points on a notional amount of Euro 1 billion) if the Bank is in a position to distribute dividends or, as a result of the sale of the stake held by the MEF, a merger with another company occurs. In this regard, it should be noted that the Bank has not paid dividends since the date of the Burden Sharing and, therefore, any unfavourable outcome of the litigation will only produce prospective effects and only in case of dividend distribution. The proceedings as of the date of the Base Prospectus are currently suspended pending a ruling by the Italian court; the Bank is carrying out preparatory activities for the resumption of the proceedings at the Court of Milan.

In November 2022 the bondholders' representative appealed against the judgment of suspension rendered by the Luxembourg Court asking to declare that the same District Court of Luxembourg has jurisdiction to hear all the claims formulated by the bondholders' representative and that there is no need to stay the proceedings, awaiting decisions of the Italian court.

For further information in this respect, pleas refer to sub-paragraph "*Legal dispute Banca Monte dei Paschi di Siena S.p.A. / the holders of FRESH 2008*" of the paragraph "*Civil Proceedings*" in the "*Banca Monte dei Paschi di Siena S.p.A.*" section of this Base Prospectus.

1.10. Risks associated with assignments of impaired loans

In the Business Plan 2022-2026, non-performing exposure disposals for a total of Euro 2 billion are envisaged; as of the date of the Base Prospectus, contracts have already been signed for the disposal of non-performing exposures for a total gross book value as of 31 March 2022 of Euro 0.9 billion, and the legal effectiveness of the relevant transfer has already occurred. In general, the conclusion of transfer transactions could lead to the charge to the income statement of higher loan impairments in a significant amount attributable to any differences between the value at which the transferred loans are recorded in the Bank's balance sheet and the consideration that market operators specialized in the management of impaired loans are willing to offer to purchase them. Given the same expectations of recovery of cash flows obtainable from the debtor and/or liquidation procedures, the difference between the book value and the sale consideration is in fact influenced by the high rates of return that investors intend to achieve, as well as by the management costs (costs of personnel and organizational structures dedicated to recovery activities) that potential buyers must cover, factors that, consistently with market practice, are discounted in determining the purchase price of the receivables themselves.

With exclusive reference to the sales of impaired receivables already completed as of the date of the Base Prospectus, the Group is also exposed to risks attributable to (a) any potential indemnity obligations to which it would be subject if the representations and warranties issued in relation to each portfolio of receivables sold turned out to be untrue or incorrect; (b) the risk that the claims already notified to it would be deemed well-founded or, in any case, founded to a greater extent than estimated by the same.

In this regard, it should be noted in particular that as of the date of the Base Prospectus: (i) in relation to certain sale transactions, all claims notified to the Bank have not yet been analyzed; (ii) the terms for the notification of claims arising from the incorrectness of the representations and warranties of the Issuer have not yet expired; (iii) there is uncertainty as to the occurrence of a future and uncertain event that could expose the Bank to indemnifications[12]; and (iv) there is no certainty as to the fate of the claims assessed as unfounded by the Issuer (both in the event that such assessment has been rejected by the counterparties and in the event that the counterparties have not expressed an opinion in this regard).

It should be noted that as of the date of the Base Prospectus, the Group has received notifications of disputes amounting to Euro 824 million, of which approximately Euro 821 million related to:

- the securitization transaction "Valentine/Crystal" carried out by the Group in December 2017 in favour of Siena NPL 2018 S.r.l., in the context of which more than 10,300 claims have been received as of 31 July 2021 – i.e. the expiration date of the representations and warranties and the deadline for the notification of claims for breach of the same - for a *petitum* of approximately Euro 711 million. As of 30 November 2022, the Group has analyzed 39% of the total number of claims notified, equal to 84% of the total petitum, considering as founded only a limited percentage of the claims analyzed. With regard to the claims considered unfounded, while on one hand, the Issuer has promptly communicated the reasons for which it considers them to be so, on the other hand, Siena NPL 2018 S.r.l. in its replies has reiterated, for the majority of such claims, the original arguments;

- the Demerger Transaction finalized in fiscal year 2020 concerning Euro 7.2 billion of impaired loans and whose deadline for sending claims expired on 1 December 2022;

  In the context of this operation as of 1 December 2022, 230 claims have been notified for a petitum of approximately Euro 105 million, of which the Bank has analysed a number equal to 33% of the petitum, deeming a minority share to be founded and initiating the negotiating tables necessary for the amicable settlement of those considered unfounded;

- the securitisation "Fantino" (as better described below), in the context of which - on 19 October 2022 – illimity Bank S.p.A. sent to the Issuer an indemnification notice for an indemnity amount of approximately Euro 5 million.

[12] In particular, in relation to the assignment in favour of Siena NPL 2018 S.r.l. (Pjt. "Valentine/Crystal"), the Bank is exposed to the risk of receiving further claims since: (i) in relation to certain receivables in respect of which are pending passive judicial proceedings (listed in a specific annex of the relevant receivables transfer agreement), Siena NPL 2018 S.r.l. has the right to notify a claim until the conclusion of the afore-mentioned judicial proceedings; and (ii) Siena NPL 2018 S.r.l. has notified, before 31 July 2021 (i.e. the deadline for the notification of claims), certain claims having a "preventive" nature (so called "pre-claims"), which could give right to indemnification, also beyond the afore mentioned date, upon the occurrence of the future and uncertain event deducted in the relevant pre-claim

It is also worth mentioning that the assignment of probable defaults called "Bravo" under which the Group is exposed to disputes for a maximum of Euro 9 million arising from a declaration due in July 2023. In this regard, it should be noted that as of the date of the Base Prospectus no dispute attributable to this assignment has been received.

Finally, it should be noted that the provisions set aside by the Group for the overall disposal transactions are also determined through the use of statistical techniques to take into account the overall expected risk. It cannot be ruled out that the provisions set aside by the Group will prove to be insufficient, or with possible negative effects on the Bank's and/or Group's economic, equity and/or financial situation.

In addition, on 4 August 2022, the Group entered into three receivables transfer agreements in relation to a portfolio of impaired loans, called "Fantino", for a total gross book value of Euro 0.9 billion. The legal transfer and consequent derecognition by the Group of the portfolio has already taken place. The representations and warranties set out in the receivables transfer agreements entered into with the counterparties to the transaction (i.e., illimity Bank S.p.A., Intrum Holding S.r.l. and AMCO - Asset Management Company S.p.A.) expose the Group to the following disbursement risks:

- illimity Bank S.p.A.: maximum outlay amounting to Euro 13.9 million;

- Intrum Holding S.r.l. (through the securitisation vehicle Alicudi SPV S.r.l.): maximum outlay amounting to Euro 3.1 million;

- AMCO: maximum outlay amounting to Euro 7.2 million.

In particular, the representations and warranties given by the banks of the Group have a duration of: (i) with regard to the portfolio transferred to illimity Bank S.p.A., 15 months from the transfer of the relevant receivables (i.e. 6 November 2022 or 4 December 2022) (with the exception of some limited hypotheses in which the term, regardless of the transfer date of the relevant receivable, starts from 4 December 2022); (ii) with regard to the portfolio transferred to Intrum, 12 months from the date of the certified e-mail by which the Issuer confirms that it has made available the documentation in electronic format; and (iii) with regard to the portfolio transferred to AMCO, 18 months from the transfer of the receivables. As a consequence, the assignees will have the right to notify claims until the above-mentioned deadlines.

In this regard, it should be noted that as of the date of the Base Prospectus further disputes to the detriment of the Group could emerge from the aforementioned transactions.

1.11. Risks related to the distribution of dividends

As of the date of the Base Prospectus, as provided by 2022 Final SREP Decision, following the successful outcome of the Capital Increase for 2.5 billion Euro, the ECB removed the ban on the distribution of dividends, replacing it with the obligation for the Bank to obtain prior authorization from the authority of supervision. As of the date of the Base Prospectus, the Bank is therefore exposed to the risk that, even if it achieves the required capital requirements, the supervisory authority will decide not to give the aformentioned authorization or that it will still fail to make distributable profits.

The Issuer was also subject to the limits on the possibility of distributing dividends provided for in Article 16(a) of Directive 2019/879/EU ("**BRRD II**"), transposed in Italy by Legislative Decree No. 193 of 8 November 2021 in the event of a violation of the CBR considered in addition to the MREL. The Commitments published by the European Commission on 3 October 2022 also prohibited the Bank - assuming that no dividend distribution prohibitions set by the ECB or the SRB are already in place - from making dividend distributions unless the CET 1 ratio and Total Capital Ratio are higher than the SREP guidance provided by the ECB by at least 50 to 100 basis points.

In connection with the temporary violation of the CBR, considered in addition to the existing MREL requirements, recorded by the Group as of 31 March 2022, by a letter notified on 2 May 2022, the Single Resolution Board, pursuant to Article 10(a) of Regulation (EU) No 806/2014 of the European Parliament and Council of 15 July 2014 (so-called SRM), notified the Bank of its decision regarding the prohibition of:

- distributing dividends;
- paying coupons on AT1 instruments;
- assumption of obligations to pay variable compensation or discretionary retirement benefits or payment of variable compensation against commitments made when the combined capital reserve requirement was not met (the CBR-MREL violation), beyond the limit of the so-called "M-MDA" (Maximum Distributable Amount in relation to MREL);

As the Bank has restored its compliance with the CBR on top of intermediate MREL and subordination requirements expressed in terms of TREA, via the capital increase operation, the SRB communicated the Bank that the Decision regarding the prohibition of the above distributions ceases to apply on the date of 7 December 2022.

It should be noted that, although the Business Plan 2022-2026 envisages, upon the occurrence of the relevant assumptions, the distribution of dividends starting from 2026 (30% pay-out ratio on 2025-2026 results), the Issuer may not be able to proceed with the distribution of dividends due to legislative and regulatory prohibitions and/or limitations or resulting from measures of the relevant supervisory authorities.

In this regard, it should be noted that the ECB, in a note published on 23 July 2021, decided not to extend beyond 30 September 2021 its recommendation addressed to all banks to limit the distribution of dividends, published in order for banks to preserve their capital and preserve their ability to support the economy in the context of great uncertainty resulting from the COVID-19 pandemic (Recommendation ECB/2020/19, most recently replaced by Recommendation ECB/2020/62). However, the ECB continues to recommend that banks (i) adopt prudence in their decisions on dividends (as well as on share buybacks), carefully considering the sustainability of their business model, and (ii) do not underestimate the risk that additional losses may later affect the evolution of their capital profile when the support measures come to an end. As of the date of the Base Prospectus, however, it is not possible to exclude the risk of events occurring that would result in the publication of new recommendations by the supervisory authorities.

Notwithstanding the above, finally, it cannot be ruled out that, even in the face of distributable operating profits, the distribution of dividends to shareholders will not be resolved, thereby having a negative impact on the return on investment in the Bank's shares.

1.12. Risks Related to Assumptions and Methodologies for Fair Value Measurement of the Issuer's Assets and Liabilities

The preparation of the financial statements also requires the use of estimates and assumptions that may have a significant effect on the amounts recorded in the balance sheet and income statement. In particular, the Group is exposed to the risk that changes in the current values recorded at fair value in the financial statements as a result of changes in the main factors considered and the subjective assessments used may generate potential negative impacts on the Issuer's profitability.

In line with IFRS 13, which governs fair value measurement rules, the Group classifies assets and liabilities carried at fair value in the financial statements, based on a threefold hierarchy that reflects the reliability of the inputs used in making valuations.

Level 1 fair value assets and liabilities (L1) consist exclusively of financial instruments listed in active markets, and as the valuation is made on the basis of market prices (so-called "active markets"), the riskiness of the portfolio is typically related to fluctuations in market prices.

Level 2 (L2) and Level 3 (L3) fair value valuations of assets and liabilities that are not based on market quotations require the selection of market information (including interest rates, exchange rates, valuations of comparable instruments), if available, and/or the adoption of subjective valuations also based on historical experience or internal valuation models, which by their very nature may vary. Changes in the current values recorded in the financial statements as a result of changes in the main factors considered and the subjective valuations used could generate negative impacts on the Group's profitability.

The preparation of financial disclosures also requires the use of other estimates and assumptions that can have significant effects on the amounts recognized in the balance sheet and income statement. The other main instances for which the use of subjective judgements by management is most required are:

a) the quantification of impairment losses on receivables and, in general, other financial assets;

b) the assessment of the appropriateness of the value of equity investments and other non-financial assets (goodwill, tangible assets, including the value in use of assets acquired through leasing, and intangible assets);

c) the estimate and assumptions on the recoverability of DTAs;

d) the estimation of liabilities arising from defined-benefit corporate pension funds;

e) the quantification of provisions for legal and tax liabilities; and

f) the quantification of the fair value of properties held for investment and properties used in the business.

As anticipated, the measurement of fair value Level 2 and fair value Level 3 involves the use of market information, if available, and/or the adoption of subjective assessments, also based on historical experience or internal valuation models. Estimates and assumptions may be different from year to year and, therefore, it cannot be ruled out that, in subsequent years, the current values recorded in the financial statements may change, even significantly, with potential negative impacts on the Group's profitability.

For more information on the assumptions and methodologies for Fair Value Measurement of the Issuer's assets and liabilities, please refer to the 2022 Consolidated Half-Yearly Financial Statements incorporated by reference into this Base Prospectus.

1.13. Risks related to the impairment of DTAs

As of the date of the Base Prospectus, the Issuer is exposed to the risk that the recorded DTAs may in the future be subject to partial or full impairment in the financial statements (i) should the Issuer's future profitability levels be lower than estimated and insufficient to ensure the reabsorption of DTAs (including in view of the possible impacts resulting from the COVID-19 pandemic and the conflict in Ukraine), or (ii) should significant changes in current tax legislation and related practice occur. As of 30 June 2022, DTAs at the Group level amounted to Euro 1,115.3 million (compared to Euro 1,046.4 million as of 31 December 2021, Euro 1,183.7 million as of 31 December 2020, and Euro 1,809.4 million as of 31 December 2019), of which Euro 577.5 million can be converted into a tax credit under Law of 22 December 2011, no. 214 ("**Law 214/2011**") (Euro 577.5 million as of 31 December 2021, Euro 760.2 million as of 31 December 2020, and Euro 975.9 million as of 31 December 2019). The recognition was made to the extent that the contingent DTAs were deemed, under the assumption of continuity of current tax legislation and related practice, recoverable (so-called probability test) either because they can be transformed into tax credits pursuant to

Law 214/2011 (DTAs with guaranteed recovery), or because they can be offset against the taxes that will be due against estimated future taxable income. As a result of the aforementioned probability test as of 30 June 2022, DTAs amounting to an additional Euro 3,520.7 million are unrecognized.

With regard to insufficient future taxable income, the risk of impairment would concern only the DTAs that cannot be transformed into tax credits (amounting to Euro 537.8 million as of 30 June 2022), since the recovery of the transformable DTAs is irrespective of the Issuer's future earning capacity. In the event of future regulatory changes, on the other hand, the risk of impairment could affect the total amount of DTAs recorded in the financial statements; for example, with reference to the balances recorded in the Issuer's 2022 Consolidated Half-Yearly Financial Statements as of 30 June 2022, a one-point reduction in the nominal IRES rate would result in a partial impairment of the relevant DTAs in the amount of Euro 35.6 million, and the possible repeal of IRAP would result in the full cancellation of DTAs referring to this tax in the amount of Euro 135.8 million.

The effects of the aforementioned write-downs (as well as any revaluations) on capital ratios for regulatory supervisory purposes would differ depending on the type of DTAs affected, depending on the different prudential treatment provided. Specifically:

- with regard to DTAs from tax losses and/or from "ACE" (Aid to Economic Growth under Art. 1 Law Decree 201/2011) surpluses, the impact of any write-down on capital ratios would be nil, as this type of DTA is deducted in full from regulatory capital (the effect on the income statement would be sterilised by the deduction);

- with regard to DTAs that can be transformed into tax credits under Law 214/2011, the impact would be high because such DTAs are not negative elements of capital and are included in Risk Weighted Assets (RWA) with a 100% weighting (the effect on the income statement would be only partially offset by the opposite effect on RWA); and

- with respect to DTAs having a different nature from the previous ones, the impact on capital ratios would be nil up to the point at which said DTAs exceed the allowance and relevant for the part included in it.

Finally, it should be noted that any write-down of unrecognized DTAs would have no impact on capital ratios.

In addition, the Issuer is exposed to the risk that unrecognized DTAs could also be subject to partial or total write-downs in the future, resulting in the non-existence of the associated latent assets. In particular, they could be subject to reduction if significant changes to current tax regulations and related practices occur, as well as a result of any denials made by the tax authorities with respect to disapplicative interpellations that may be proposed by the Issuer pursuant to current applicable legal provisions in connection with the business combination transactions envisaged in the Business Plan 2022-2026. In particular, Articles 172 and 173 of the T.U.I.R. provide, inter alia, limitations on the carry-forward of tax losses and "ACE" surpluses (with respect to merger and demerger transactions, respectively). In this last regard, moreover, it should be noted that the recent clarifications provided by the Agenzia delle Entrate (in Circular No. 31/E of 1 August 2022) regarding the carryover of tax positions in demerger transactions, expose the issuer to the risk that DTAs potentially bookable on the subjective positions being transferred by MPS Capital Services Banca per le Imprese S.p.A. as part of the demerger transaction finalized on 19 November 2020, may be subject to impairment in the amount of approximately Euro 4 million. This amount is to be considered non-material, however, compared to the amount of DTAs that could potentially be recognized (amounting to Euro 3,520.7 million).

2. *Risk factors related to the operating activity and the industry in which the Issuer and the Group operate*

2.1. Risks related to outstanding legal proceedings

The Group is involved in various capacities in certain legal proceedings (civil, labor, criminal and administrative). In particular, the criminal proceedings originate in an extraordinary and exceptional context related to the criminal investigations that specifically affected the Issuer in the years 2012, 2013, and from 2015 until the date of the Base Prospectus.

As of 30 September 2022, the Group is a party to court proceedings arising from the conduct of its business (excluding labour and tax proceedings) with a total petitum, where quantified, of Euro 5.2 billion and out-of-court claims for a petitum of approximately Euro 2.3 billion, mainly pertaining to claims classified as "probable" at risk of losing.

In light of the foregoing, it cannot be ruled out that any investigative and procedural findings significantly different from these estimates, such as the establishment in the future of further significant litigation, could - also in light of developments in case law - lead to the need for a revision of the same, resulting in even significant risk to the economic, financial and equity situation and prospects of the Issuer and/or the Group.

It should also be noted that, as of the date of the Base Prospectus, the Group's image is damaged by the events related to the judicial proceedings initiated by the Public Prosecutor's Office in the last decade against the Bank and certain individuals at the time who were exponents of the same, including the structured finance transactions called "Alexandria" and "Santorini" and the real estate reorganization transaction of the Group called "Chianti Classico" (please also refer to sub-paragraph "*"FRESH 2008", "Alexandria", "Santorini", "Chianti Classico" transactions – criminal proceedings before the Courts of Milan (Proceedings no. 29634/14)*" of paragraph "*Criminal investigations and proceedings*" of "*Banca Monte dei Paschi di Siena S.p.A.*" section of this Base Prospectus). Negative perceptions of the Group's image on the part of customers, counterparties, shareholders, investors or the competent supervisory authorities could affect the ability of BMPS and/or the Group to maintain, or create, new business relationships and continue to access "funding" resources, with even significant repercussions for its activities and volume of profits and capital. Such negative perception could also result from the possible emergence of new judicial, tax or arbitration proceedings against the Issuer and/or the other banks of the Group as well as its employees or exponents or from possible administrative sanctions, significant financial losses, regardless of the grounds for the claims made.

In this regard, it should be noted that as part of the analysis carried out on the individual SREP pillars, the 2021 SREP Decision highlighted among the Bank's weaknesses/points of attention profiles that relate, among other things, to operational risk, where legal risk explains most of the exposure. Legal risk is due both to past events that have weakened the Group's reputation and to the high number of ongoing lawsuits, to which were added insufficient governance and control processes compared to the size and complexity of this risk, which was identified by the ECB as higher than the corresponding risk affecting the Bank's competitors. The size of the pending proceedings is also identified by the ECB as an obstacle to a merger transaction on market terms and may still result in a significant negative impact on the Issuer's future profitability. The supervisory authority expects that this exposure will continue to be high in the years ahead and that the path to normalizing the Bank's reputation and litigation risk will be a long one. These assessments were also confirmed by the supervisory authority in the 2022 Final SREP Decision according to which, moreover, while noting the reduction in exposure pursued in 2021 due to the settlement with the MPS Foundation and other minor transactions, a new increase in out-of-court claims in the middle part of 2022 is highlighted due to the initiative of a single company. In addition, the ECB highlights that although a possible further reduction in exposure to legal risks may materialize due to the development of one of the criminal proceedings in which BMPS is a civil party and in which some former executives are involved, it cannot be excluded that new strands of litigation against the Bank may open up, particularly in relation to another criminal proceeding concerning alleged irregularities in the accounting of NPLs (please also refer to sub-paragraph "*Audits of the 2012, 2013, 2014 and 2015 interim financial statements in respect of the Non-performing loans– Proceeding 33714/2016*" of paragraph "*Criminal investigations and proceedings*" of "*Banca Monte dei Paschi di Siena S.p.A.*" section of this Base Prospectus).

2.2. Risks related to the administrative liability of legal persons and the possible inadequacy of the Issuer's organization and management model pursuant to Legislative Decree No. 231/2001

As of the date of the Base Prospectus, the Bank is involved in four criminal proceedings with respect to which the Bank has been charged with liability under Legislative Decree 231/2001, specifically:

- in criminal proceeding no. 955/16, concerning the accounting of the Alexandria and Santorini transactions; the Bank's allegation of liability is based on the alleged offences of market manipulation and false corporate communications (please also refer to sub-paragraph "*Proceedings before the Court of Milan no. 955/2016*" of paragraph "*Criminal investigations and proceedings*" of "*Banca Monte dei Paschi di Siena S.p.A.*" section of this Base Prospectus);

- in criminal proceeding no.1874/14 before the Court of Forlì attributable to the conduct of some employees of the Forlì branch; the contestation of administrative offences under Legislative Decree 231/2001 is based on the predicate offences of obstructing the exercise of the functions of public supervisory authorities, money laundering and transnational criminal association;

- in criminal proceeding No. 429/22 currently before the Court of Siena in relation to the sale of investment diamonds under the assumption of the crime of self-laundering;

- in criminal proceeding no. 33714/2016 before the Court of Milan, on 14 December 2022 a request for indictment was issued against three former members of the Bank (two chairmen of the board of directors and a managing director) and a former executive (responsible for preparing the corporate accounting documents); on 12 December 2022 the Bank's position as administrative manager pursuant to Model 231 has been eliminated (please also refer to sub-paragraph "*Audits of the 2012, 2013, 2014 and 2015 interim financial statements in respect of the Non-performing loans– Proceeding 33714/2016*" of paragraph "*Criminal investigations and proceedings*" of "*Banca Monte dei Paschi di Siena S.p.A.*" section of this Base Prospectus).

In light of the above, BMPS is exposed to the risk of incurring convictions as a responsible party pursuant to Legislative Decree 231/2001 with significant negative effects on its economic, financial and equity situation as a result.

The Issuer and the Group are therefore exposed to the risk of incurring penalties arising from any assessment of the inadequacy of the models adopted, including the organization, management and control model envisaged by the provisions of Legislative Decree 231/2001 and subsequent amendments and additions (the "**231 Model**") and/or from the commission of an offence that provides for the administrative liability of the Issuer and the Group pursuant to Legislative Decree 231/2001 as well as pursuant to similar provisions applicable in the countries in which the Group operates.

In this regard, it should be noted that the adoption of the 231 Model does not exclude the applicability of the sanctions provided for in Legislative Decree 231/2001 and that the adequacy and suitability of the model to prevent the crimes covered by the legislation is ascertained from time to time by the judicial authority called who verifies the individual cases of crime. If the 231 Model is not considered adequate by the judicial authority, and in the event of an offence, it is not recognized that the Issuer is exempt from liability; a fine and confiscation of any price or profit of the offence is foreseen against the Issuer, in addition to publication of the conviction and, for more serious cases, the possible application of disqualification sanctions, such as disqualification from conducting business, the suspension or revocation of authorizations, licenses or concessions, the prohibition to contract with the public administration, the exclusion from facilitations, financing, contributions or subsidies and the possible revocation of those already granted as well as, finally, the prohibition to advertise goods and services, with consequent significant negative effects on the activity, prospects, reputation as well as the economic, equity and financial situation of the Issuer and the Group.

2.3. Risks related to bancassurance relationships

As of the date of the Base Prospectus, the Group carries out bancassurance activities on the basis of an agreement with the group headed by AXA S.A. concerning the development of activities in the bancassurance, life and non-life and supplementary pension business, effective until 2027, the date of natural dissolution, unless otherwise agreed between the parties. As of 30 June 2022, the incidence of agreements arising from the JVs' bancassurance business with AXA S.A. on the Group's total revenues is approximately 7.9 percent[13].

The shareholders' agreement originally entered into between MPS Finance Banca Immobiliare S.p.A. ("**MPS Finance**") (which was later universally succeeded by the Bank) and AXA Mediterranean Holding S.A. ("**AXA MH**") with the Bank and AXA S.A. also participating, aimed at regulating the governance of certain joint ventures between the two companies, provides that upon the occurrence of certain material events - such as change of control, breach of lock-up clauses, natural expiration of the agreement, serious default of one of the parties and/or invalidity of the agreement itself - the following rights arise: (a) the right of AXA MH to sell to the Bank the shares of AXA MPS Assicurazioni Vita S.p.A. and AXA MPS Assicurazioni Danni S.p.A. held by AXA MH (the "**Put Option**") as well as (b) the right of MPS Finance (as of the date of the Base Prospectus, the right is of BMPS) to purchase the shares of AXA MPS Assicurazioni Vita S.p.A. and AXA MPS Assicurazioni Danni S.p.A. held by AXA MH (the "**Call Option**"). Depending on the relevant event that triggers the exercise of the Call Option or the Put Option, it is expected that the sale or purchase price of the shares AXA MPS Assicurazioni Vita S.p.A. and AXA MPS Assicurazioni Danni S.p.A. will vary between 80% and 120% of the value of the shares of the two aforementioned companies, as determined by the Bank and AXA MH and/or a team of independent experts. This value of the shares will be determined (i) for the life business, taking into consideration the embedded value and goodwill, whereas (ii) for the non-life business, using the discounted cash flow methodology.

Should the relevant framework agreement terminate (as a result of the activation of the Put Option or the Call Option arising from the occurrence of one of the relevant events), the Bank would be required to purchase the entire share capital of the existing joint ventures with AXA S.A., under the terms and conditions described above. The resulting investment is not envisaged under the Business Plan 2022-2026 and, as of the date of the Base Prospectus, cannot be quantified, even taking into account existing contractual provisions; such an investment could hinder the Bank's ability to pursue the Business Plan 2022-2026's capital targets, making it necessary to revise the Business Plan 2022-2026.

The actual exercise of the Put Option by AXA MH - on the occurrence of one of the relevant events provided for in the shareholders' agreement, including the change of control in the Bank resulting from the sale by the MEF of the stake held in it - and consequently the obligation of BMPS to purchase the shares of AXA MPS Assicurazioni Vita S.p.A. and AXA MPS Assicurazioni Danni S.p.A. held by AXA MH could result in even significant negative effects on the Bank's and/or the Group's economic, equity and/or financial situation. In particular, said purchase transactions could have significant impacts on the Issuer's solvency ratios based on the rules in force from time to time relating to the prudential treatment of insurance holdings.

As of the date of the Base Prospectus, there is a risk that any conflicting situations between the parties participating in said alliance initiatives could lead, among other things, to operational deadlocks, resulting in the Group's inability to pursue the economic benefits derived from them and with possible even significant negative effects on the Bank's and/or the Group's activities and economic, equity and/or financial situation.

[13] Revenues from the afore-mentioned agreements are included in the reclassified Income Statement items "Net Commissions" and "Dividends, Similar Income and Gains (Losses) from Equity Investments.

Finally, it should be noted that the agreement in place with AXA MH - having terms and conditions in line with market practice for similar transactions - provides for an obligation of indemnification by the Bank in the event of a breach of the provisions contained therein up to a maximum limit of 10% of the Life Branch Price, with an absolute deductible of Euro 5,000,000, in relation to AMAV and within the maximum limit of 10% of the consideration paid by AXA MH for the purchase of ordinary shares representing 50% of the capital of AXA MPS Assicurazioni Danni S.p.A., with an absolute deductible of Euro 2,000,000. In this regard, it should be noted that although the indemnification obligation relating to the general guarantees expired in 2008, as of the date of the Base Prospectus the Bank is exposed to the risk that, in the event of a breach of the declarations made in tax, social security, insurance, labour law as well as concerning compliance with anti-money laundering, regulatory and supervisory regulations, it will be required to bear the charges arising from the aforementioned indemnification obligations.

2.4. Operational risks

The Group is exposed to operational risk, which consists of the risk of incurring losses resulting from internal or external fraud, the inadequacy or improper functioning of business procedures, errors or deficiencies in human resources and internal systems, interruptions or malfunctions of services or systems, errors or omissions in the provision of services offered, or exogenous events.

The Group determines the capital requirement for operational risk using the advanced method (Advanced Measurement Approach) for major Group companies and the basic method (Base Indicator Approach) for smaller subsidiaries. Operational loss events to which the Group is exposed fall into the following regulatory categories:

- internal fraud;
- external fraud;
- labour relations;
- business practices;
- property damage;
- IT systems; and
- process execution.

Within the operational risks there are risks of incurring economic, reputational and market share losses in connection with the use of information and communication technology. Types of information technology risks include:

- risks related to malfunctions, errors, deficiencies and environmental events, which may compromise the availability and integrity of data and systems, the continuity of business processes, or the implementation of evolutions and changes on systems;
- cyber (or cybersecurity) risks related to the success of external attacks or malicious activities of internal parties, which may compromise the confidentiality, integrity and authenticity of corporate data and information, and the continuity of services provided; and
- risks related to the use of IT services/systems provided by third parties. The main factors of exposure to IT risk concern:

- the continuous evolution and sophistication of the cyber threat, also fueled by geopolitical tensions at the international level;

- the expansion of the attack surface, related to the digitization of services and business processes, and the transformation of the corporate information system into a "technology hub," with the increasing use of outsourcing and cloud solutions; and

- the need to achieve business objectives through the implementation of digital transformation and data enhancement plans from a business perspective.

The ECB, in the 2021 SREP Decision, stressed the need to strengthen cyber risk prevention and mitigation processes with a view to minimizing the risk of the occurrence of major cyber incidents. In the 2022 Final SREP Decision, the ECB acknowledged the implementation of the remedial actions defined by the supervisory authority, but considers that the IT risk is still high, with areas of focus in organizational structure, implementation of technical solutions, assertiveness of control functions, and in general IT risk culture, considering the high exposure to cybersecurity, availability and continuity risks of IT resources and outsourcing risks. In addition, the low quality of IT and data quality operational management controls is highlighted.

The ECB also stressed the relevance of the tightness of anti-money laundering safeguards to operational risk, considering that during the pandemic period, partly due to repeated lockdowns, the reduction in customer contacts slowed down the improvement actions implemented by the Bank.

Finally, the ECB, again as part of the 2021 SREP Decision, considered the Bank's governance and risk sphere system to be improvable, highlighting the need to strengthen certain compliance, internal audit and data quality processes. In particular, the ECB requested the extension of the compliance function's activities to all regulated areas of the Bank and its systematic involvement in the decision-making process of the Board of Directors, while for the internal audit function it called for some additions to the methodology used in carrying out audits of the branch network and general management structures. As of the date of the Base Prospectus, the relevant remedial actions have been completed and are being applied. In the 2022 Final SREP Decision, the ECB acknowledged the implementation of these remedial actions from an organisational and methodological point of view, but points out that, to be fully effective, processes and behaviours must also improve in the same way; therefore, there is a risk that the supervisory authority may not consider them satisfactory, requiring further remedial actions, resulting in significant adverse effects on the Bank's business and capital and/or financial position of the Bank and/or the Group. Furthermore, in the 2022 Final SREP Decision, the ECB highlighted weaknesses in the governance of IT infrastructure, data aggregation and reporting, which need to be significantly improved in light of the low capacity to produce necessary information in a timely and effective manner.

Should the operational risk management processes prove to be inadequate, the Issuer and the Group could be exposed to unforeseen risks, including due to unforeseeable events wholly or partially beyond the control of the Issuer or the Group, resulting in the possibility of incurring losses, including significant losses, and potentially detrimental effects on the Group's economic, asset and/or financial position.

2.5. Market risks

The Group is exposed to market risk represented by potential losses in the value of financial instruments held by the Issuer, including securities of sovereign states, as a result of movements in market variables (such as, by way of example, interest rates, credit spreads, share prices, exchange rates, inflation levels) or other factors, which could generate a deterioration in the Issuer's and/or the Group's capital strength, both with regard to the trading portfolio (c. so-called "trading book"), and with regard to the portion of the banking portfolio (so-called "banking book") subject to market risks.

The Issuer quantifies this type of risk through the use of a "Value to Risk" measure (the "VaR"); with reference to the trading book as of 30 June 2022, the VaR at the 99% is approximately of Euro 5.14 million at the Group level (approximately Euro 3.38 million as of 31 December 2021, Euro 5.24 million as of 31 December 2020 and Euro 8.72 million as of 31 December 2019).

The Group believes that it is particularly exposed to market risks, both with reference to external elements (the potential volatility of underlying risk factors) and to internal factors related, for example, to the VaR methodology used to estimate unexpected losses related to the overall trading and banking book portfolio.

Banking portfolios, in particular, represent the main component of the Group's market in terms of internal capital, mainly attributable to BMPS' exposure to debt securities, concentrated on the component of Italian government securities measured at amortized cost (i.e., positions in amortizing cost (AC)).

With regard to the trading book, the market risk, measured in terms of VaR, is lower than in the past and stems from liquidity providing/market making activities in the markets concerned, from trading with customers with a related risk taking activity, from offering products and services for corporate and institutional customers (bancassurance products, hedging derivatives, structured bonds and certificates) with active risk management from a risk warehousing perspective, and from the Bank's treasury hedging activities for customer service transactions. The short/medium-term proprietary trading component is insignificant, limited to liquid instruments with low transaction costs.

As anticipated, market risk could be generated by changes in the general performance of the economy and national and international financial markets, monetary and fiscal policies, market liquidity on a global scale, availability and cost of capital, interventions by rating agencies, political events at both local and international levels, war and acts of terrorism, and the spread of epidemics that impact public health and the economy. In the current context, this risk may also manifest itself as a result of the global increase in inflation and commodity prices in the face of, among other things, the continuation of hostilities in Ukraine, as well as the further expected increase in interest rates that may be implemented by the ECB, which is already evident in market expectations as of the first quarter of the year.

Finally, it should be noted that as part of the analysis carried out on the individual SREP pillars, the 2021 SREP Decision highlighted, among the Bank's weakness, profiles/points of attention that related, among other things, to market risk, in relation to the Bank's significant exposure to government bonds. In the 2022 Final SREP Decision, while acknowledging the reduction in the risk profile on Italian government bonds implemented by the Bank, the ECB continued to highlight this element as a significant risk factor in light of the significant volatility of the BTP credit spread.

2.6. Risks related to supervisory authority investigations

Since the Issuer carries out banking activities and provides investment services, it is subject to extensive regulation and supervision by, among others, the ECB, Bank of Italy, and Consob, each for the aspects under its jurisdiction. In particular, as of the date of the Base Prospectus, inspections of the Bank by Consob and the ECB are ongoing.

In particular, as of 4 November 2014, the Single Supervisory Mechanism (the "**SSM**") was launched, which includes the ECB and the competent national authorities of the participating member states, including the Bank of Italy, and is responsible for the prudential supervision of all "significant" credit institutions in the participating member states. As of that date, therefore, BMPS as a "significant" bank is subject to the direct supervision of the ECB, which exercises its powers in close cooperation with the national supervisory authorities (in Italy, the Bank of Italy, which has retained supervisory powers over the Issuer, in accordance with the rules of the Consolidated Finance Act). In the exercise of their supervisory powers, the ECB and the Bank of Italy subject the Issuer to various ordinary and extraordinary inspection and/or verification activities on a periodic basis in order to carry out their prudential supervisory tasks. Regarding verification activities in particular, reference is made to those with a system-wide scope of investigation ("Thematic

Review") or those related to the management of internal risk models for the purpose of calculating capital requirements. The aforementioned inspection and/or verification activities feed into the annual prudential review and assessment process, the purpose of which is to ascertain that the credit institution is equipped with appropriate capital and organizational safeguards with respect to the risks assumed, ensuring the overall management balance.

As of the date of the Base Prospectus, the following assessment procedures are still open, pending the final outcome:

(i) Consob inspection activity, initiated on 3 May 2022, aimed at ascertaining the state of compliance with the new regulations resulting from the transposition of MiFID II with regard to the following profiles: (1) the procedural structures defined in terms of product governance; (2) the procedures for assessing the adequacy of transactions carried out on behalf of clients;

(ii) inspection activity on internal models - Internal Model Investigation by the European Central Bank initiated in February 2022. As a result of these proceedings, whose decision is expected during the first quarter of 2023, the Group is in particular exposed to the risk that additional obligations in terms of RWA will be determined, with consequent implications, *ceteris paribus*, for the Bank's capital ratios;

(iii) credit and counterparty risk inspection activities initiated by the European Central Bank in April 2022. The outcome of these proceedings could lead to a revision of the classification criteria and, consequently, provisions on the portfolios under inspection with consequent negative impacts on the Group's capital.

For further information on the assessment procedures on the Issuer please refer to sub-section "*ECB/Bank of Italy and Consob inspections during the period 2015-2022*" under section "*Banca Monte dei Paschi di Siena S.p.A.*" of the Base Prospectus.

In light of the foregoing, the Group is exposed to the risk that as a result of the aforementioned inspections, procedural deficiencies may emerge that could imply the need to take organizational actions and reinforce safeguards aimed at addressing these deficiencies. Any inadequacy of the corrective actions and remedial plans undertaken by the Bank to implement any recommendations made by the supervisory authorities could lead to significant negative effects on the Group's economic, equity and/or financial situation and possible sanction proceedings, including those of an interdictory nature, with consequent reputational repercussions.

Specifically, in relation to on-site inspections, failure to comply with the implementation of remedial actions within the required timeframe exposes the Bank to the risk of a negative assessment by the Authority, which may incorporate such a judgment as part of the broader annual SREP assessment process, even applying specific requirements to achieve the target set, if necessary. In relation to internal models inspections, failure to comply with findings requirements exposes the Bank to the risk of sanctions, limitations and/or RWA add-on requests.

Such remedial actions, where not formally accepted by the ECB, are not final in nature, and could therefore be subject to future requests for review by the supervisory authority.

Finally, it should be noted that in the context of the 2021 SREP Decision, the ECB highlighted - inter alia - the need for the Bank to (a) improve processes and practices related to the formulation of authorization petitions to the ECB itself, with reference, in particular, to the assessment of suitability of corporate officers and amendments to the by-laws, and (b) strengthen the oversight of the compliance function towards certain business processes, such as authorization petitions to the ECB and resolutions of the Board of Directors. The relevant remedial actions have been completed and represented to the ECB, which is assessing the content and the effectiveness of these remedial actions.

2.7. Risks related to the speculative rating assigned to the Issuer and its debt

The Issuer and its debt are subject to ratings by Moody's Investors Service (“**Moody's**”), Fitch Ratings Ireland Limited (“**Fitch**”), and DBRS Morningstar (“**DBRS**”, and together with Moody’s and Fitch, the “**Agencies**”), which, as of the date of the Base Prospectus, have assigned ratings to the Issuer that fall into the non-investment grade category, which is characterised by an accentuated risk profile and includes debt securities that are particularly exposed to adverse economic, financial, and sectoral conditions. Specifically, the ratings assigned and are:

(i) for Fitch: b+ (Viability Rating), BB- (Long-term Deposit Rating), B+ (Long-term Senior Debt Rating) and B (Short-term Deposit Rating) as per the latest Rating action dated 24 November 2022. The outlook is classed as "stable". According to the rating agency Fitch, the upgrade occurred in the latest Rating action reflects the Bank’s strengthened capitalisation following the capital increase which restored adequate capital buffers over regulatory requirements and gives the Bank the necessary resources to complete its restructuring plan, including crucial cost cuts and investments. The upgrade also considers a reduced stock of impaired loans and lower capital encumbrance by the unreserved portion since MPS asset-quality clean-up. The rating agency Fitch expects the cost reductions, in combination with rising interest rates, to lead to higher and more sustainable profitability and more than offset the impact from expected deterioration in the operating environment in Italy in 2023;

(ii) for Moody's: b3 (standalone Baseline Credit Assessment), B1 (long-term deposit rating) and Caa1 (long-term senior debt rating), NP (short-term deposit rating), as per the latest rating action dated 17 March 2022. The outlook is stable. According to Moody's, the rating reflects weakness in the business network, capital position, and profitability albeit with improvements realized in the last period; the bank's performance remains volatile and subject to losses that can erode capital. In addition, the cost structure remains higher than other Italian banks;

(iii) for DBRS: B (high) (Intrinsic Assessment), BB(low) (long-term deposit rating) and B (high) (long-term senior debt rating), R-4 (short-term deposit rating) as per the latest rating action dated 15 June 2022. The outlook is qualified as "stable." According to the rating agency DBRS, the ratings reflect weakness and volatility in profitability, despite a return to profit in 2021; however, due to the significant de-risking achieved in recent years, pressures from the cost of risk have decreased. The ratings also reflect low capital levels.

It should be noted that the aforementioned agencies consider the Group's capitalization levels to be vulnerable to possible impacts arising from the macroeconomic environment; impacts that the rating agencies indicated could be exacerbated by already weak profitability and difficulties in restoring full commercial capacity in the market.

In determining the rating assigned to the Issuer, the rating agencies consider and examine various indicators of the Group's performance, and in particular the results of the commercial network, the Bank's profitability, cost structure, capital levels, asset quality, legal risks, funding and liquidity.

The main factors that may lead to a possible rating downgrade are:

- a failure to implement the Bank's new strategy envisaged in the Business Plan 2022-2026, with a focus on both profitability levels and its sustainability over time; and

- a deterioration in asset quality above rating agencies’ expectations, large unexpected cost items such as from pending legal claims or the restructuring.

Should the Issuer experience a deterioration (so-called downgrading) in the ratings assigned by the agencies, there could be a greater burden in raising financing, less easy recourse to the capital market and, more generally, potential negative repercussions for the Group's liquidity.

The Issuer's rating may also be affected by the rating of the Italian State which, as of the date of the Base Prospectus, is Baa3 for Moody's with a negative outlook, BBB for S&P with a stable outlook, BBB for Fitch with a stable outlook, and BBBh for DBRS with a stable outlook. Any significant downgrade in Italy's sovereign rating could adversely affect the Issuer's ratings, with consequent negative effects on the Bank's and/or the Group's business and economic, capital, and/or financial position.

2.8. Interest Rate Risk in the Banking Book (IRRBB)

The Group is exposed to interest rate trends in the markets in which it operates, changes in which (both positive and negative) can have a negative impact on the value of the Group's assets and liabilities and on net interest income. As part of the analysis carried out on the individual SREP pillars, the 2021 SREP Decision highlighted some of the Bank's weaknesses/points of attention profiles that related to the interest rate risk of the banking book, highlighting the need to improve the effectiveness of the measurement system (in fact, the Bank should not only include in the measurement the impact of a movement in rates on net interest income, but also on instruments held on the balance sheet whose value impacts the income statement or directly on equity), ex-ante assessment and ex-post reporting. This weakness could reduce the effectiveness of the Bank's internal control system and thus the Board's ability to effectively guide the Group's positioning with respect to rate curve movements, with possible negative effects on the income statement and thus also on the Issuer's capital position. This assessment was reiterated in the 2022 Final SREP Decision. It should be noted that the point has been addressed by the Bank throughout 2022.

The banking book identifies all the Group's commercial operations related to the maturity transformation of balance sheet assets and liabilities, treasury, foreign branches, and reference hedging derivatives. The Group is exposed to interest rate trends in the markets in which it operates, changes in which (both positive and negative) can have an impact on the value of the Group's assets and liabilities and on net interest income. In turn, interest rate trends are driven by a number of factors outside the Group's control, such as monetary policies, macroeconomic trends, and political conditions in the relevant countries. In addition, consider that the results of banking and financing operations also depend on the management of the Group's exposure to interest rates.

The banking book's interest rate risk measurements are mainly based on the exposure to interest rate risk for a change in the interest margin (short-term perspective) and economic value (long-term perspective) of assets and liabilities in the banking book, applying both parallel shifts, of varying magnitude, to all rate curves and non-parallel shifts in rate curves.

2.9. Risks related to the impact of current uncertainties in the macroeconomic, financial and political environment on the performance of the Issuer and the Group

The economic results of the Issuer and the Group companies, in view of their activities, are significantly influenced by the dynamics of the financial markets as well as by the macroeconomic environment (with particular regard to growth prospects) of Italy. In particular, the national and global macroeconomic framework is marked by significant profiles of uncertainty, including of the economic fallout from the conflict affecting Ukraine and Russia, especially in terms of price dynamics, monetary and economic policy responses to high inflation, growing geopolitical tensions, the possible impacts and developments of the COVID-19 pandemic. With particular reference to the aforementioned war conflict, in addition to the plausible return to a scenario characterized by power blocs with negative effects on trade exchanges and the possibility of conflict escalation on a global scale, the war and sanctions imposed on the Russian Federation impact international price dynamics.

Indeed, the Russian Federation emerges as the main supplier of gas to Europe and Italy. The continuation of the aforementioned hostilities has therefore generated an increase in energy costs with a consequent increase in costs and financial requirements at the head of industrial companies. Despite government efforts to preserve households and companies from high energy costs, the persistence of this scenario over time could jeopardize the companies that could be impacted by the trend in the prices and availability of energy and raw materials (identified by the Group in companies belonging to the transport and logistics, refining and wholesale of fuels and fuels, those related to electric power, plus some specific production chains such as wool and milling industries, cold processing of steel, and production and processing of chemical fibres). As of 30 June 2022, the Group has a portfolio of credit exposures to such potentially impacted companies equal to less than Euro 2 billion.

From a financial perspective, it also cannot be ruled out that the continuation of sanctions will push Russia into default on foreign debt, increasing instability in international markets.

The global macroeconomic picture is also affected by uncertainty about: (a) the magnitude of the monetary policy thighetening conducted by the authorities and the spillover effects of a restrictive policy on the global economic and financial system; (b) an announcement of EU fiscal policies that may return to a less expansionary stance in the medium term with risk of political fragmentation in Europe; (c) geopolitical tensions between the U.S. and China; and (d) a resurgence of the COVID-19 pandemic emergency expecially in China that would afflict supply in many global supply chains.

With reference to the COVID-19 pandemic emergency, despite the fact that the Italian government lifted the state of emergency on 31 March 2022, the risk cannot be ruled out, albeit significantly reduced, that new variants of the virus will lead to a resurgence of the pandemic, with new repercussions on the national economic cycle, while at the international level limitating supply in many global supply chains.

There are also specific risks related to the Italian financial and political situation and the implementation of the National Recovery and Resilience Plan that, in a context of a gradual withdrawal of monetary stimulus, affects investors' perception of country risk by being reflected in a high yield differential between the Italian 10-year and the German bund.

Should these risks lead to a stagnation or recessionary trend in the Italian economy in the short to medium term, this could adversely affect the dynamics of the main banking aggregates and the specific impacts on the Bank's and Group's economic, financial and capital position could be significant. In particular, a contraction in demand for credit could manifest itself for the banking sector, with a decrease in customer deposits mainly with reference to companies, a slowdown in ordinary banking activity, a deterioration of the loan portfolio with a concomitant increase in the stock of impaired loans and insolvency situations, decrease in the value of assets due to the decrease in stock and bond prices, deterioration of revenues and increase in loan adjustments, with negative effects on the Group's activities and economic, financial and equity position. In this context, it notes, in particular, the possibility that the economic slowdown will lead to a deterioration in the quality of the loan portfolio, with a consequent increase in the incidence of non-performing loans and the need to increase provisions in the income statement; there is also the possibility of a negative impact on the Group's ability to generate revenues, due to the weakening of demand for both financing and investment services and products from customers.

This recessionary scenario would also have negative impacts on: (i) commissions, with negative effects due to the volatility of financial markets, which are reflected in securities prices and on the contribution from indirect deposits, operations and products placed; (ii) net interest income, which, in addition to the reduction in intermediated volumes, would suffer a higher cost of "funding"; the result of securities portfolio management activities due to the aforementioned volatility of financial markets; and (iii) the fair value measurements of financial assets and liabilities, due to their lower market value.

It should be borne in mind that the Business Plan 2022-2026, approved by the Board of Directors on 22 June 2022, considers a macroeconomic scenario that is consistent, in terms of Italian economic growth, with the estimates of the main national and international institutions (e.g., ECB, Bank of Italy, Istat) available at the date of approval of the Business Plan 2022-2026; however, it cannot be excluded that the evolution of the main phenomena that characterize the current macroeconomic context will produce significant deviations from the assumptions of the Business Plan 2022-2026 considered valid at the date of the Base Prospectus, with significant negative impacts on the achievement of the expected sustainable profitability.

For further information with respect to the risks described in this paragraph please also see the sections "*Reference context*", "*Russia – Ukraine Conflict*" and "*COVID-19*" of the Consolidated Interim Report as at 30 September 2022.

2.10. Counterparty Risks

As part of its operations, the Group trades derivative contracts on a wide variety of underlyings, such as interest rates, foreign exchange rates, prices in equity indices, commodity derivatives, and credit rights both with counterparties in the financial services sector, commercial banks, government departments, financial and insurance companies, investment banks, funds, and other institutional clients, and with non-institutional clients.

The Group, as required by supervisory regulations, for the purpose of measuring counterparty risk exposure, uses, from June 2021, in accordance with the provisions of Regulation (EU) 2019/876 (the "CRR II"), the Standardized Approach for Counterparty Credit Risk (SA CCR) method for the determination of Exposure at Default (EAD) for all transactions in Over the Counter (OTC) derivatives, Exchange Traded Derivatives (ETD) and LST, and the comprehensive method as defined by Regulation (EU) 2013/275 for the determination of EAD for SFT transactions. For the purpose of mitigating the value of EADs, Credit Risk Mitigation techniques (i.e. netting agreement, collateral agreement) are widely used in the Group, in compliance with the requirements set by current regulations. The Group also oversees the counterparty risk associated with derivative and repo transactions through the definition of guidelines and policies for management, measurement and monitoring differentiated according to counterparty characteristics. These policies ensure that the counterparty risk measurement system, in relation to the definition of the calculation methodology, production and analysis of EAD measures, is integrated into business processes, with exposure levels subject to daily monitoring by the control functions and presiding over specific limits, defined and deliberated by the Bank for derivative and SFT positions. The above contributes to maintaining counterparty risks at low levels, resulting in the Issuer's estimate of low materiality. Operations with financial institutions are almost entirely assisted by netting contracts with collateral exchange. With regard to operations with ordinary customers, the process is based on the distinction of roles and responsibilities between the different entities of the Group. Derivatives operations with customers involve the centralization of the product factory and market risk oversight in the subsidiary MPS Capital Services, with allocation, management and oversight of counterparty credit risk to customers in the Group's banks.

In light of the above, the Group is exposed to the risk of default by its counterparties to derivative contracts, or that they become insolvent before the maturity of the relevant contract. This risk, which has been exacerbated as a result of the volatility of financial markets, may also arise in the presence of collateral, when any such collateral provided by the counterparty in favor of the Bank, or other Group company, against derivative exposures is not realized or settled at a value sufficient to cover the exposure with respect to the relevant counterparty.

2.11. Risks related to the purchase and use of Superbonus/Ecobonus/Sismabonus tax credits

The Bank is exposed to the risk of non-recoverability of tax credits acquired for transactions under Article 121, of Decree Law No. 34/2020. As of 30 June 2022, the nominal amount of the acquired credits present in the balance sheet assets is Euro 460.5 million. As of the same date, the aforementioned receivables have already been offset, under the conditions of the law, in the amount of Euro 62.3 million; the remaining amount recorded in the assets (Euro 398.2 million) will be subject to recovery in subsequent annual instalments (up to a maximum of ten annual instalments).

Pursuant to Article 121 of Decree Law No. 34/2020 ("Urgent measures on health, support for labor and the economy, as well as social policies related to the epidemiological emergency from COVID-19"), the Issuer purchased tax credits arising from transactions related to interventions in the construction sector (so-called superbonus, ecobonus, sismabonus, bonus facciate, etc.). Purchased tax credits must be used to offset payments of taxes and contributions due (the so-called "Tax Capacity"), within deadlines established by law, or transferred to third parties in time for use by the transferees. Failure to use or transfer within the terms results in a loss equal to the value not used or not transferred. Without prejudice to the controls imposed by the regulations and the rigorous preliminary verifications aimed at ascertaining the existence of all the requirements prescribed by law for the regular accrual of credits in the hands of taxpayers that the Issuer carries out as part of the credit acquisition process, in the event that the tax authorities challenge the Issuer for "complicity" in any violations put in place by the taxpayers from which the acquired credits originate, the same would be subject to administrative sanctions, as well as joint and several liability for the payment of taxes and interest with the taxpayer.

It should be noted that if, for any reason, (i) significant changes in the current tax legislation were to occur or (ii) the payments on which to offset were less than the amount of the credits acquired, and the credits acquired in excess of the offsetting capacity (Tax Capacity) were not sold to third parties in a timely manner or (iii) co-responsibility emerged with respect to violations committed by taxpayers, or, again, (iv) credits were purchased despite the fact that there are situations for which the conditions set forth in Art. 35 ("obligation to report suspicious transactions") and 42 ("abstention") of Legislative Decree 231/2007 apply, the unrecovered value of the purchased receivables would have to be charged to loss, with negative effects on the Issuer's economic, asset and/or financial situation. The Bank has identified a non-significant amount of the aforementioned purchased receivables (amounting to Euro 1.7 million) that could result from suspicious transactions and, therefore, this amount of the receivable cannot be used, constituting an unrecoverable loss.

With reference to the risk that the tax authorities may challenge the Issuer for "aiding and abetting" any violations put in place by the taxpayers from which the purchased receivables originate, it should be noted that certain clarifications recently provided by the Revenue Agency (in Circular No. 23/E of 23 June 2022 and better clarified by Circular No. 33/E of 6 October 2022) in terms of the declination of "complicity in the violation" by the transferee of receivables, which have been widely criticized by sector operators, the trade associations that represent them and the most authoritative doctrine, could lead to an aggravation of said risk, despite the adoption in the Issuer's operations of rigorous document verification processes.

2.12. Risks related to transactions with related parties

The Issuer and its subsidiaries have entered into transactions and have various kinds of relationships with related parties. As of 30 June 2022, the incidence of transactions with related parties in relation to balance sheet items was 14.5% of asset items and 2.4% of liability items almost entirely attributable to transactions concluded with the MEF - mainly related to the purchase of government bonds - and the latter’s its subsidiaries and/or associates.

Transactions with related parties present the typical risks associated with transactions that take place between parties whose ownership or otherwise proximity to the Issuer and/or its decision-making structures could compromise the objectivity and impartiality of decisions on such transactions.

Although the Group continuously applies the safeguards aimed at managing conflicts of interest provided for in the Bank's Procedure for Related Party Transactions, there is, however, no certainty that, if such transactions had been concluded with third parties, the latter would have negotiated and entered into the relevant contracts, or executed the same transactions, under the same conditions and in the same manner.

2.13. Risks related to the territorial concentration of the Group's activities

As of 30 September 2022, BMPS's commercial network is present throughout the country and divided into five territorial areas; due to presidium and historicity, one of the five areas coincides with the region of Tuscany, from which it takes its name, while the other four areas appear to cover a wider territory represented on average by four to five Italian regions.

The operations of BMPS's commercial network show a concentration of branches and volumes of deposits and loans in the Tuscan territorial area, with average incidences fluctuating in a range between 21% and 27%, on average higher than the other territorial areas of about 20%. Similarly, the Group's distribution network is strongly rooted in the reference territories, as is also evident from the market shares in Tuscany of loans (14.91% compared to 4.35% of all of total Italy as of 30 June 2022) and deposits (13.72% compared to 3.59% of all of total Italy as of 30 June 2022).

There is therefore a potential risk that any change for the worse in the economic picture of the Tuscany region, in partial or total misalignment with the general national picture, could generate negative economic, financial and capital repercussions for the Group.

In the face of this risk, it is particularly important for the Group to constantly monitor economic trends, in order to catch any signs of deterioration referring to specific territories, and to diversify its activities across the various economic sectors, with particular regard to those with corporate customers and lending as counterparts.

In light of the above, it cannot be ruled out that the specific regional context may change and deteriorate, even in relative terms compared to the trend of the national economy, with possible negative effects on the Group's activities and economic, equity and/or financial situation.

Among the important events that occurred after 30 September 2022, starting from 28 November 2022, the layout of the commercial structures of Territorial Network was affected by a reorganization that, in summary, entailed:

- the creation of 14 "*Direzioni Territoriali Retail*", reporting to the Chief Commercial Officer Retail, in turn divided into 132 Districts each of which coordinates the commercial activities of about 10 branches;

- the creation of 14 "*Direzioni Territoriali Imprese e Private*", reporting to the Chief Commercial Officer Imprese e Private, with the follow-up of 127 Specialist Centres, of which 73 Business Centres and 54 Private/Family Office Centres.

The new organizational model of the commercial structures of the Territorial Network reduces the organizational levels, with the aim of simplifying and speeding up decision-making processes and, at the same time, strengthening the territorial garrison.

The credit supply chain is also reorganised in line with the restructuring of the commercial chain. In fact, 14 "*Direzioni Credito Territoriali Retail*" and 14 "*Direzioni Credito Territoriali Imprese*" are set up, respectively, of the Retail Lending Department and the Corporate Lending Department.

2.14. Risks related to Sanctioned Countries

The Issuer and the Group have customers and partners who are located in various countries around the world. Some of these countries are, or may become, subject to comprehensive country-wide or territory-wide sanctions issued by the United States of America, the European Union and/or the United Nations ("**Sanctioned Countries**"). Such sanctions may limit the ability of the Issuer and/or the Group to continue operating with such customers and partners in the future.

In particular, since January 2016, the Bank has undertaken and, as at the date of this Base Prospectus, continues to undertake minor commercial transactions involving a limited number of private and state-owned banks having registered addresses in Iran, Cuba and Syria. Such commercial transactions have all been, and are, carried out in full compliance with all sanction laws applicable to the Bank and the Bank's internal sanctions-related policies and procedures for the purpose of supporting the Bank's selected Italian customers. Neither the Bank nor the Group maintains any physical presence in Iran, Cuba and/or Syria, and the Bank's existing activities as described above are undertaken solely through the use of correspondent banking relationships. The Bank and/or the Group do not otherwise conduct any other material business with any such sanctioned person or entity. As at the date of this Base Prospectus, it is also not expected that this position will materially change moving forward.

All of the activities described in the preceding paragraph have been, and are, conducted in compliance with all laws applicable to the Bank, and are not believed to have caused any person to violate any sanctions or the Blocking Statute (as defined below). Nor are they expected to result in the Bank and/or any member of the Group themselves becoming subject to such sanctions. However, following the unilateral decision of the United States to exit the Joint Comprehensive Plan of Action ("**JCPOA**"), the agreement originally entered into between, amongst others, Iran, the US and EU, and following the imposition of renewed extraterritorial US sanctions which were suspended pursuant to the JCPOA, there may be prejudicial effects on these operations as well as on the reputation of the Issuer and/or the Group. In particular, to mitigate against the impact of the renewed US sanctions on Iran, the European Commission updated Council Regulation (EC) No 2271/96 of 22 November 1996 (the "**Blocking Statute**"). The Blocking Statute prohibits EU entities from complying with the extraterritorial US sanctions on Iran and Cuba. Actual or alleged violations of existing or future European, US or other international sanctions (including the Blocking Statute) could result in negative impacts on the capital, financial and economic situation of the Issuer and/or the Group.

Furthermore, following the large-scale invasion of Ukraine launched by the Russian Federation on 24 February 2022, NATO and other countries have implemented unprecedented financial and economic sanctions and export controls against Russia in response to the invasion of Ukraine, and are likely to impose additional ones, against certain Russian organisations and/or individuals (the "**New Russian Sanctions**"). The New Russian Sanctions constrain in various manners transactions with certain Russian entities and individuals, transactions in Russian sovereign debt and investment, trade and financing. The scope and scale of the New Russian Sanctions and voluntary actions by companies remain subject to rapid and unpredictable change and may have considerable negative impacts on global macroeconmic conditions and European economies and counterparties. At present, it is difficult to ascertain how long the conflict between Russia and Ukraine may last, or how severe its impacts may become. The Group operates in compliance with the sanctions regime imposed on the Russian Federation since 2014, constantly adapting its operations to the international regulatory development on sanctions, including the New Russian Sanctions. Since February 2022, the operations of the Group in Russia have drastically decreased and are likely to further reduce should the New Russian Sanctions on the Russian Federation be maintained or other forms be implemented.

The Groups' ability to engage in activity with certain custormers and institutional businesses in the above mentioned Sanctioned Countries or involving certain businesses and customers in these countries, is dependent in part upon whether such engagements are restricted under any current or future new sanctions and may be discontinued in light of any developments.

For further information with respect to the risks deriving from the Russo-Ukrainian war, please also see the section "*Russia – Ukraine Conflict*" of the Consolidated Interim Report as at 30 September 2022.

3. Risk factors related to environmental, social and governance factors

3.1. Risks related to the Group's key figures and the Group's ability to retain or attract certain professional skills

The Group's results and the future success of its activities depend to a significant extent on the Group's ability to attract, retain and motivate qualified personnel with considerable experience in the business sectors in which the Group operates, as well as on the work of certain key figures, who, in view of their consolidated experience in the sector in which the Group operates, as well as their technical and professional skills, have contributed and continue to contribute significantly to the development of the Group's activities and its business strategies.

In particular, the Issuer counts among the key figures within its Board of Directors and key managers the Managing Director Luigi Lovaglio and the members of the Management Committee.

In this regard, it should be noted that, in view of the regulations applicable to the Bank, its ability to attract and retain key personnel could be hindered by:

(i) any limitations on remuneration (so-called "salary cap") imposed on the Issuer by the relevant authorities;

(ii) the provisions pursuant to Part One, Title IV, Chapter 2, Section V of the supervisory provisions, for banks and banking groups benefiting from exceptional public interventions; in such cases, in fact, variable remuneration is strictly limited as a percentage of net operating income when it is not compatible with the maintenance of an adequate level of capitalization and with a timely exit from public support; moreover, no variable remuneration must be paid to corporate officers unless justified;

(iii) the European Commission's Commitments published on 3 October 2022, pursuant to which, among other things, the Bank shall implement stringent executive compensation policies and the remuneration of any employee shall not exceed ten times the average remuneration of the Bank's employees.

On the topic of remuneration, BCE highlights in the 2022 Final SREP Decision that some shortcomings related to remuneration procedures and the lack of alignment between remuneration framework and risk, already highlighted in previous SREP cycles, persist. In particular, BCE highlights how there are, in BMPS policies, instruments called "benefits" with discretionary management and not linked to specific objective criteria.

In fact, the aforementioned conditions could lead to a reduction in the Group's competitive capacity, hindering its ability to retain key personnel and undermining the activities, where necessary, of identifying, in a short time, equally qualified persons capable of replacing them and providing the same operational and professional contribution to the Issuer. The occurrence of the aforementioned circumstances could therefore lead to a slowdown in the Group's growth and development process, a reduction in the Group's competitive ability, and affect its achievement of its set objectives, with potential negative effects on its economic, equity and/or financial situation and/or prospects.

4. Risk factors related to the legal and regulatory framework of the sector of business in which the Issuer and the Group operate

4.1. Risks related to the entry into force of the new accounting standard IFRS 17 "Insurance Contracts"

On 18 May 2017, the IASB issued the new accounting standard IFRS 17 governing the accounting treatment of insurance contracts, which was endorsed on 19 November 2021, with the publication of Regulation No. 2036/2021 in the Official Gazette. On 25 June 2020, the IASB published a number of amendments that, among other things, provided for postponement of the first application to 1 January 2023. Compared to the previous IFRS 4 standard, which allowed insurance companies some discretion in identifying and measuring insurance assets and liabilities at the expense of comparability of financial statement disclosures, the new IFRS 17 standard introduces an integrated approach to accounting for insurance contracts, with the aim of ensuring relevant disclosures that faithfully represent the effects of insurance contracts on an entity's financial position, results of operations, and cash flows.

Changes in the carrying amount of insurance contracts due to the transition to IFRS 17 will be accounted for as an offset to equity on 1 January 2023.

The introduction of the new standard is indirectly relevant for the Group since, although it does not carry out insurance activities, it holds shareholdings in the capital of the associated insurance companies AXA

MPS Assicurazioni Danni SpA and AXA MPS Assicurazioni Vita Spa, which are consolidated in the Group Financial Statements with the equity method. The first time adoption of the aformentioned standard will therefore have an impact on the valuation of the investment held by the Group in insurance companies, that are unforeseeable at the date of this Base Prospectus.

4.2. Risks associated with uncertainty about the future results of stress tests or asset quality review (AQR) exercises

The SSM is responsible for the prudential supervision of all credit institutions in participating member states and ensures that the EU policy on the prudential supervision of credit institutions is implemented consistently and effectively and that credit institutions are subject to the highest quality of supervision. In this context, the ECB has been entrusted with specific prudential supervisory tasks over credit institutions by, among other things, providing for the possibility for credit institutions to conduct, where appropriate in coordination with the European Banking Authority ("**EBA**"), stress tests (supervisory stress tests) to ascertain whether the measures, strategies, processes and mechanisms put in place by credit institutions and the own funds they hold would enable sound risk management and hedging in dealing with future, but plausible, adverse events. The stress tests are designed to serve as inputs to the SREP: the outcome of the SREP could result in an additional own funds requirement, as well as other qualitative and quantitative measures.

The EBA conducted an EU-wide stress test for 2021 (following the postponement of the 2020 exercise due to the COVID-19 pandemic) aimed at assessing the resilience of the European banking sector, including the Group. The results were published at the end of July 2021 and are available on the EBA website. On 8 December 2021, the EBA, in line with its decision to conduct a two-year exercise, announced its decision to conduct the next EU-wide stress test in 2023, in which the Group will participate. The features of the exercise are largely overlapping with the one carried out in 2021; the most significant new elements are a specific focus on energy-intensive economic sectors and the way in which fee income is stressed, which will not be based on banks' internal models but will be carried out centrally by the authority. Participation in the stress tests carries the risk of possible upward revision of the P2G, and thus the levels of capital to be held by the Group, in the event of a negative result in the "baseline" scenario and/or the "adverse" scenario.

In addition, the EBA, in cooperation with the relevant Supervisory Authorities, may in the future decide to recommend a new asset quality review (or "Asset Quality Review" or "AQR") on the most important European banks, including the Issuer, in order to verify the classifications and assessments they have made on their loans in order to address concerns related to deteriorating asset quality. Such an asset quality review exercise may, possibly, also be combined with an additional stress test conducted by the ECB as part of a new global assessment exercise.

Given the impossibility of quantifying the impacts arising from the stress tests before the stress tests are conducted, there can be no assurance where the EBA and other relevant Supervisory Authorities conduct new comprehensive assessment exercises (or stress test exercises or asset quality review exercises) that the Issuer will meet the minimum parameters. In the event of bankruptcy, the Issuer could be subject to ECB measures that, among other things, could require the implementation of new capitalization actions or other appropriate measures to address the capital shortfalls found in the Bank's own funds, with potentially negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

4.3. Risks related to changes in banking and financial sector regulations and additional regulations to which the Group is subject

The Group is subject to compliance with a complex set of regulations and supervision by, among others, the Bank of Italy, Consob and, from 4 November 2014, the ECB, which is entrusted, pursuant to the regulations establishing the SSM, with the task of, inter alia, ensuring the homogeneous application of the regulatory provisions of the Euro Area and is responsible for the prudential supervision of all "significant" credit institutions in the participating member states. Supervision by the aforementioned Authorities covers various areas of the Issuer's and the Group's activities and may concern, among other things, levels of liquidity, capital adequacy and leverage, regulations on transactions with related parties and connected persons, prevention and combating of money laundering, protection of privacy, transparency and fairness in customer relations, and reporting and record-keeping obligations.

Any changes in the regulations, or even in the manner in which they are applied, as well as the eventuality that the Issuer and/or Group companies fail to ensure compliance with the applicable regulations, could result in adverse effects on the Bank's and/or Group's activities, assets, liabilities, and financial position, as well as on the products and services they offer. The impacts of the continuous evolution of the regulatory framework - including, but not limited to, the introduction of more stringent rules on exposures to Sovereign States and NPLs, the application of the Fundamental Review of the Trading Book (FRTB), the adoption of the Standardized Measurement Approach (SMA) for operational risks, the introduction of output floors for the reduction of benefits from internal models or the introduction of changes to the calculation of the capital requirement on credit risk (so-called "regulatory headwinds") represent elements of uncertainty with specific reference to the required capitalization profiles and, more generally, to the valuation parameters applied by supervisory bodies.

With reference to the evolution of prudential supervision regulations, it should be noted that on 27 October 2021, the European Commission adopted a new package of reforms aimed at the banking sector to further strengthen the resilience of banks (known as the "Banking Package 2021"), with the proposed transposition into CRR and Directive 36/2013/EU of the final standards approved by the Basel Committee at the end of 2017, in relation to the treatment of the main risks (credit, market and operational) and the so-called "output floor" that aims to counter the possible underestimation of risk resulting from the use of banks' internal models. As of the date of the Base Prospectus, the aforementioned banking reform package is under consideration by the EU Parliament and Council, which will respectively work on possible amendments before agreeing on a common text (so-called Trilogue). Once the approval process is completed, transposition of the directive will have to be carried out within 18 months from the date of publication in the EU Official Journal, while the new CRR provisions are expected to come into force from 1 January 2025 (with a five-year transitional arrangement), *i.e.* two years beyond the Basel-agreed deadline, which has already been deferred by one year in response to the pandemic crisis.

In light of the ongoing banking reform, it cannot be ruled out that the changes to the prudential supervisory framework may lead to an increase in RWAs, resulting in the inability of the Issuer and the Group to meet the minimum capital adequacy requirements, with possible adverse effects on the Issuer's and the Group's capital, economic and financial situation that may necessitate the adoption of additional capital strengthening measures.

In addition, it should be noted that as part of the EU-wide process of defining legislative measures aimed at supporting the development of sustainable finance, regulations and directives implementing MiFID II regulations have been, through delegated acts, amended with a view to encouraging the integration of sustainable investment profiles; if the Bank is unable to achieve timely compliance with the European regulations, it could be subject to measures and/or sanctions with possible negative impacts on its reputation, as well as on the Group's operating results and economic, capital and financial situation.

Moreover, as at the date of this Base Prospectus, the Bank of Italy’s authority to implement a systemic risk buffer has recently been introduced into the Circular No. 285 (as defined below) and there is uncertainty as to how (and if) the Italian regulator would exercise such authority. Therefore, it is not yet clear what impact these regulatory changes will have on the Issuer’s operations.

The Issuer is also participated in by the MEF in an amount of 64.23% of the capital; for this reason at present it has a particularly extensive perimeter of related parties and connected persons whose management, due to the relative structure and breadth, constitutes a particularly heavy burden for

the Issuer for the purposes of its application of the regulations on transactions with related parties and connected persons.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

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 certain features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

1. Risks applicable to all notes

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

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

BMPS 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.

1.2. If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

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

1.3. Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

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

1.4. Early Redemption of the Notes for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with, and subject to the provisions of, the Terms and Conditions of the Notes. See also "*If the Issuer has the right to redeem any Notes at its option or there is a perception that this is the case, this may limit the market value of the Notes concerned and should the Notes be redeemed an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*" above.

1.5. Waiver of set-off

As specified in Condition 2(a) (*Status of the Senior Notes*) of the Terms and Conditions of the Notes, each holder of a Senior Note will unconditionally and irrevocably waive any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Senior Note.

As specified in Condition 2(b) (*Status of the Non-Preferred Senior Notes*) of the Terms and Conditions of the Notes, each holder of a Non-Preferred Senior Note will unconditionally and irrevocably waive any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Non-Preferred Senior Note.

As specified in Condition 2(c) (*Status of the Subordinated Notes*) of the Terms and Conditions of the Notes, each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

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

If so specified in the applicable Final Terms, the Issuer may issue Notes under the Programme described as "green bonds" ("**Green Bonds**"), "social bonds" ("**Social Bonds**") and/or "sustainability bonds" ("**Sustainability Bonds**") in accordance with the principles set out by the International Capital Market Association ("**ICMA**") (respectively, the Green Bond Principles ("**GBP**"), the Social Bond Principles ("**SBP**") and the Sustainability Bond Guidelines ("**SBG**")) for the purposes of financing and/or refinancing, in whole or in part, respectively, Green Projects, Social Projects and/or Sustainability Projects (each of such terms as defined in the "*Use of proceeds*" section).

In such a case, prospective investors should have regard to the information in the applicable Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investors deem necessary and must assess the suitability of that investment in light of their own circumstances. In particular, no assurance is given by the Issuer or the Dealers that the use of such proceeds for the funding of any Green Projects, Social Projects or Sustainability Projects, as the case may be, will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law, regulations or standards (including, amongst others, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy Regulation**") or any standards resulting from the proposal for a European green bond standard (EUGBS) adopted by the European Commission on 6 July 2021) or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of, or related to, the relevant Green Projects, the relevant Social Projects or the relevant Sustainability Projects).

Furthermore, it should be noted that there is currently no clearly established definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "social" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "social" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. The EU Taxonomy Regulation is subject to further developments, by way of implementation by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the EU Taxonomy Regulation (the "**EU Sustainable Finance Taxonomy Delegated Acts**"). A first delegated act on sustainable activities for climate change adaptation and mitigation objectives was approved in principle on 21 April 2021, and formally adopted on 4 June 2021. A second delegated act for the remaining objectives will be published in 2022. On 6 July 2021, a delegated act supplementing Article 8 of the EU Taxonomy Regulation was adopted by the Commission, then published in the Official Journal on 10 December 2021 and it is applicable since January 2022. This delegated act specifies the content, methodology and presentation of information to be disclosed by financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities. On 9 March 2022, the European Commission adopted a complementary climate delegated act including, under strict conditions, specific nuclear and gas energy activities in the list of economic activities covered by the EU Taxonomy Regulation. It was published in the Official Journal on 15 July 2022 and will apply as of January 2023. The criteria for the specific gas and nuclear activities are in line with EU climate and environmental objectives and will help accelerate the shift from solid or liquid fossil fuels, including coal, towards a climate-neutral future.

Even if a definition or market consensus as to what constitutes, a "green", "social" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green", "social" or "sustainable" or such other equivalent label, should develop or be established, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Green Projects, Social Projects or Sustainability Projects will meet any or all investor expectations regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives (including those set out under the EU Taxonomy Regulation and the EU Sustainable Finance Taxonomy Delegated Acts) or that any adverse green, social, sustainable and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Green Projects, Social Projects or Sustainability Projects, as the case may be, towards which proceeds of the Notes are to be applied. Moreover, in light of the continuing development of legal, regulatory and market conventions in the green, sustainable and positive social impact markets, there is a risk that the legal frameworks and/or definitions may (or may not) be modified to adapt any update that may be made to the GBP and/or the SBP and/or the SBG and/or the EU Taxonomy Regulation and the EU Sustainable Finance Taxonomy Delegated Acts. Any such changes could have an adverse effect on the liquidity and value of and return on any such Green Bond, Social Bond or Sustainability Bond.

As at the date of this Base Prospectus, the Issuer has not published a framework relating to an investment in Green Projects, Social Projects and Sustainability Projects (the "**Sustainability Bond Framework**") although the Issuer intends to publish such Sustainability Bond Framework prior to the issuance of any Notes which specify that the relevant proceeds will be used for Green Projects, Social Projects and Sustainability Projects.

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

In the event that any such Green Bonds, Social Bonds or Sustainability Bonds are listed or admitted to trading on any dedicated "green", "social", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Green Projects, Social Projects and Sustainability Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Green Bonds, Social Bonds or Sustainability Bonds or, if obtained, that any such listing or admission to trading will be maintained during the life of the Green Bonds, Social Bonds or Sustainability Bonds (as the case may be).

While it is the intention of the Issuer to apply the proceeds of any issue of Green Bonds, Social Bonds or Sustainability Bonds for Green Projects and/or Social Projects and/or Sustainability Projects in, or substantially in, the manner described in the applicable Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Green Projects, Social Projects and Sustainability Projects (either resulting from the original application of the proceeds of the Notes or a subsequent reallocation of such proceeds) will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly the proceeds of the relevant issue of Green Bonds, Social Bonds or Sustainability Bonds will be totally or partially disbursed for the specified Green Projects, Social Projects and Sustainability Projects. Nor can there be any assurance that (i) such Green Projects or such Social Projects or such Sustainability Projects, will be completed within any specified period or at all or (ii) with the results or outcome as originally expected or anticipated by the Issuer or (iii) the originally designated green project or social project or sustainable project (or any project(s) resulting from any subsequent reallocation of some or all of the proceeds of the relevant Green Bonds, Social Bonds or Sustainability Bonds) will not be the potentially or actual disqualified as such.

Any such event or failure by the Issuer (including to comply with its reporting obligations in relation to Green Bonds, Social Bonds or Sustainability Bonds) will not (i) give rise to any claim of a Noteholder against the Issuer; (ii) constitute an Event of Default under the Notes; (iii) lead to an obligation of the Issuer to redeem such Notes or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights in respect of any Notes; (iv) affect the qualification of such Notes as Senior Notes, Non-Preferred Senior Notes, Subordinated Notes, or as eligible liabilities instruments (as applicable); or (v) prevent the applicability of the general bail-in tool. Neither the proceeds of any Green Bonds, Social Bonds or Sustainability Bonds nor any amount equal to such proceeds or asset financed with such proceeds will be segregated by the Issuer from its capital and other assets. For the avoidance of doubt, payments of principal and interest (as the case may be) on the relevant Green Bonds, Social Bonds or Sustainability Bonds shall not depend on the performance of the relevant Green Project, Social Project or Sustainability Project (as the case may be) nor have any preferred or any other right against the green, social or sustainable assets towards which proceeds of the relevant Green Bonds, Social Bonds or Sustainability Bonds are to be applied.

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

In addition, Green Bonds, Social Bonds or Sustainability Bonds may also qualify as own funds or eligible liabilities. The fact that Notes which qualify as own funds or eligible liabilities (which may include, for the avoidance of doubt, Senior Notes, Non-Preferred Senior Notes, and Subordinated Notes) are also Green Bonds, Social Bonds or Sustainability Bonds shall not impact (i) any of the features of such Notes, including (without limitation, as applicable) features relating to ranking, permanence, loss absorption and/or flexibility of payments or enhance the performance of the relevant Notes in any way, (ii) the availability of the Notes (or the proceeds thereof) to absorb all losses (whether or not related to any green, social or sustainable assets towards which proceeds of the relevant Notes may have been applied or, if relevant, reallocated) in accordance with their terms (if applicable) or the Regulatory Capital Requirements, (iii) the relevant CRR eligibility criteria applicable to the qualification of the relevant Notes as own funds or eligible liabilities (as appropriate) or applicability of the relevant BRRD requirements for own funds and eligible liabilities or (iv) the risks related to the qualification of such Notes as own funds or eligible liabilities (as appropriate). Among the risks applicable to the Issuer's Notes, the Issuer's Green Bonds, Social Bonds or Sustainability Bonds may be subject to mandatory write-down or conversion to equity in the event a resolution procedure is initiated in respect of the BMPS Group (including the Issuer) and, with respect to Green Bonds, Social Bonds or Sustainability Bonds qualifying as Tier 2 Capital, even before the commencement of any such procedure if certain conditions are met, in which cases the fact that such Notes are designated as Green Bonds, Social Bonds or Sustainability Bonds does not provide their holders with any priority compared to other Notes, nor is their level of subordination affected by such designation.

1.7. Potential conflicts of interest with the Calculation Agent

Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a calculation agent), including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

1.8. The Notes have limited Events of Default and remedies

The Events of Default in respect of the Notes, being events upon which the Noteholders may declare the Notes to be immediately due and payable, are limited to circumstances in which the Issuer (i) is liquidated (including when the Issuer becomes subject to *Liquidazione Coatta Amministrativa* as defined in Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the "**Italian Consolidated Banking Act**")) or (ii) is insolvent as set out in Condition 8 (*Events of Default*) of the Terms and Conditions of the Notes. Accordingly, other than following the occurrence of an Event of Default, even if the Issuer fails to meet any of its obligations under the Notes, including the payment of any interest, the Noteholders will not have the right of acceleration of principal and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

2. Risks applicable to the Senior Notes and the Non-Preferred Senior Notes

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

The Issuer's obligations under Non-Preferred Senior Notes will be unsecured, unsubordinated and non-preferred obligations and will rank junior in priority of payment to Senior Liabilites and claims arising from the excluded liabilities within the meaning of Article 72a(2) of the CRR. **Senior Liabilities** means any direct, unconditional, unsecured and unsubordinated indebtedness or payment obligations (or indebtedness or obligations which rank, or are expressed to rank by their terms, senior to the Non-Preferred Senior Notes) of the Issuer for money borrowed or raised or guaranteed by the Issuer, as the case may be, and any indebtedness or mandatory payment obligations preferred by the laws of the Republic of Italy. Although Non-Preferred Senior Notes may pay a higher rate of interest than comparable Notes which rank senior to the Non-Preferred Senior Notes, there is a real risk that an investor in Non-Preferred Senior Notes will lose all or some of his investment should the Issuer become insolvent.

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

If at any time an MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Notes or Non-Preferred Senior Notes, and the Form of Final Terms for the Senior Notes or the Non-Preferred Senior Notes of such Series specify that Issuer Call due to MREL Disqualification Event is applicable, the Issuer may (subject to Condition 5(j) (*Conditions to Redemption and Purchase of Senior Notes and Non-Preferred Senior Notes*) of the Terms and Conditions of the Notes, elect to redeem all, but not some only, of the Senior Notes or the Non-Preferred Senior Notes of such Series. An MREL Disqualification Event means that, at any time, all or part of the aggregate outstanding nominal amount of such Series of Senior Notes or Non-Preferred Senior Notes it or will be excluded fully or partially from the eligible liabilities available to meet the MREL Requirements, subject to as set out in Condition 5(e) (*Issuer Call due to MREL Disqualification Event*) of the Terms and Conditions of the Notes. The applicability of the minimum requirements for eligible liabilities is subject to the application, in the EU and in Italy, of the new EU regulatory framework under the BRRD II, SRM II Regulation, CRD V and CRR II (the "**EU Banking Framework**").

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

See also "*If the Issuer has the right to redeem any Notes at its option or there is a perception that this is the case, this may limit the market value of the Notes concerned and should the Notes be redeemed an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*" above.

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

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

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

- on or before such early redemption or purchase of the Senior Notes or Non-Preferred Senior Notes, the Issuer replaces the Senior Notes or Non-Preferred Senior Notes with own funds instruments or eligible liabilities of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer;

- the Issuer has demonstrated to the satisfaction of the Competent Authority that its Own Funds and eligible liabilities would, following such redemption or purchase, exceed the requirements for own funds and eligible liabilities set out in the CRD V or the BRRD II (or, in either case, any relevant provisions of Italian law implementing the CRD V or, as appropriate, the BRRD II) or the CRR II by a margin that the Competent Authority considers necessary; or

- the Issuer has demonstrated to the satisfaction of the Competent Authority that the partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the CRR II and in the CRD V for continuing authorisation.

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

2.4. Senior Notes and Non-Preferred Senior Notes may be subject to modification without Noteholder consent.

If Variation is specified as being applicable in the circumstances described in (i) and/or (ii) below in the applicable Final Terms for any Series of Senior Notes or Non-Preferred Senior Notes , then (i) at any time an MREL Disqualification Event occurs and/or as applicable (ii) in order to ensure the effectiveness and enforceability of Condition 16 (*Statutory Loss Absorption Powers*) of the Terms and Conditions of the Notes, then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority and/or as appropriate the Relevant Resolution Authority (without any requirement for the consent or approval of the holders of the Senior Notes or Non-Preferred Senior Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the Agent and the holders of the Notes of that Series (or such other notice periods as may be specified in the applicable Final Terms), at any time vary the terms of such Senior Notes or Non-Preferred Senior Notes provided that such variation does not itself give rise to any right of the Issuer to redeem the varied securities.

Qualifying Senior Notes or Qualifying Non-Preferred Senior Notes, as applicable, are securities issued by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 16 (*Statutory Loss Absorption Powers*) of the Terms and Conditions of the Notes, have terms not materially less favourable to the Noteholders (as reasonably determined by the Issuer) than the terms of the relevant Senior Notes or Non-Preferred Senior Notes, as applicable. However, no assurance can be given as to whether any of these changes (including, without limitation, any changes to governing law and/or jurisdiction) will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such variation.

2.5. Senior Notes and Non-Preferred Senior Notes may be subject to loss absorption on any application of the general bail-in-tool

Investors should be aware that Senior Notes and Non-Preferred Senior Notes may be subject to write-down or conversion into equity capital instruments on any application of the general bail-in tool, which may result in such holders losing some or all of their investment. The exercise of the general bail-in tool, or any other power under the BRRD or any suggestion or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of holders Senior Notes and Non-Preferred Senior Notes, the price or value of their investment in any such Notes and/or the ability of the Issuer to satisfy its obligations under such Notes. Any shares issued to holders of Senior Notes or Non-Preferred Senior Notes upon any such conversion into equity capital instruments may be of little value at the time of conversion and may also be subject to any future application of the BRRD.

3. Risks applicable to the Subordinated Notes

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

BMPS's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Liabilities. "**Senior Liabilities**" means any direct, unconditional, unsecured and unsubordinated indebtedness or payment obligations (or indebtedness or obligations which are subordinated but to a lesser degree than the obligations under the relevant Subordinated Notes) of BMPS for money borrowed or raised or guaranteed by BMPS, as the case may be, and any indebtedness or mandatory payment obligations preferred by the laws of the Republic of Italy. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated (including Non-Preferred Senior Notes), there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should BMPS 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.

3.2. Subordinated Notes could be subject to redemption for regulatory reasons

The intention of BMPS is for Subordinated Notes to qualify on issue as "Tier 2 capital" for regulatory purposes. However, current regulatory practice by the Bank of Italy does not require (or customarily provide) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such.

If Regulatory Call is specified as applicable in the Final Terms, upon the occurrence of a Capital Event (as defined in Condition 5(d) (*Redemption for Regulatory Reasons*)) of the Terms and Conditions of the Notes, the Issuer may (subject to the provisions of Condition 5(i) (*Conditions to Early Redemption and Purchase of Subordinated Notes*) of the Terms and Conditions of the Notes), elect to redeem the Subordinated Notes. In the event of a redemption for regulatory reasons, there can be no assurance that an investor will be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Subordinated Notes being redeemed. Potential investors should consider reinvestment risk in light of other investments available at that time.

See also "*If the Issuer has the right to redeem any Notes at its option or there is a perception that this is the case, this may limit the market value of the Notes concerned and should the Notes be redeemed an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*" above and "*Subordinated Notes may be subject to modification without Noteholder consent*" below.

3.3. 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 or, in certain circumstances, the Group or may be the subject to the burden sharing requirements of the EU State aid framework and the BRRD.

Investors should be aware that, in addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to write-down permanently/convert into equity capital instruments such as the Subordinated Notes at the point of non-viability and before any other resolution action is taken, with losses absorbed in accordance with the priority of claims under normal insolvency proceedings ("**Non-Viability Loss Absorption**"). Any shares issued to holders of Subordinated Notes upon any such conversion into equity capital instruments may also be subject to any future application of the BRRD.

Furthermore, the BRRD provides for a Member State as a last resort, after having assessed and applied the resolution tools (including the general bail-in tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirements of the EU state aid framework and the BRRD. As an exemption from these principles, the BRRD allows for three kinds of extraordinary public support to be provided to a solvent institution without triggering resolution: 1) a State guarantee to back liquidity facilities provided by central banks according to the central banks' conditions; 2) a State guarantee of newly issued liabilities; or 3) an injection of own funds in the form of precautionary recapitalisation. In the case of precautionary recapitalization EU state aid rules require that shareholders and junior bond holders (such as holders of the Subordinated Notes) contribute to the costs of restructuring.

As a result, Subordinated Notes may be subject to a partial or full write-down or conversion to Common Equity Tier 1 instruments of the Issuer or one of the Group's entities or another institution. Accordingly, trading behaviour may also be affected by the threat that Non-Viability Loss Absorption (or the general bail-in tool) may be applied to Subordinated Notes or the burden sharing requirements of the EU state aid framework and the BRRD may be applied and, as a result, Subordinated Notes are not necessarily expected to follow the trading behaviour associated with other types of securities. Noteholders should consider the risk that they may lose all of their investment, including the principal amount plus any accrued interest if the Non-Viability Loss Absorption (or the general bail-in tool) is applied to the Subordinated Notes or the burden sharing requirements of the EU state aid framework and the BRRD are applied or that such Subordinated Notes may be converted into ordinary shares which ordinary shares may be of little value at the time of conversion.

In addition, on 30 November 2021, Legislative Decree No. 193 of 8 November 2021 (the **193 Decree**) implementing the BRRD II was published in the *Gazzetta Ufficiale* and entered into force on 1 December 2021. The 193 Decree introduces point c-ter) under Article 91 paragraph 1-bis) of the Italian Banking Act transposing Article 48(7) of the BRRD II. The amended Article 91 of the Italian Banking Act provides for the following ranking:

- subordinated instruments which do not qualify (and no part thereof is recognized) as own funds items (*elementi di fondi propri*) shall rank senior to own funds items (including any instruments only partly recognized as own funds items (*elementi di fondi propri*)) and junior to senior non-preferred instruments (*strumenti di debito chirografario di secondo livello*);

- if instruments which qualified in whole or in part as own funds items (*elementi di fondi propri*) cease, in their entirety, to be classified as such, they will rank senior to own fund items (*elementi di fondi propri*) but junior to senior non-preferred instruments.

In light of the above, if Subordinated Notes of the Issuer (which qualify or qualified at any time either in whole or in part as own fund items) were to be disqualified entirely as own funds items in the future, their ranking would improve compared to Subordinated Notes which at the relevant time qualify as own funds items (in whole or in part) and would rank pari passu with Subordinated Notes which at the relevant time are not qualified in whole or in part as own funds items. In the event of a liquidation or bankruptcy of the Issuer, the Issuer would, inter alia, be required to pay subordinated creditors of the Issuer, whose claims rank in priority to the Subordinated Notes, including those whose claims arise from liabilities that no longer fully or partially are recognized as an own funds instrument in full before it can make any payments on the

Subordinated Notes which, at the relevant time, qualify as own funds items (in whole or in part). Furthermore, if the Subordinated Notes are fully disqualified as own funds items, such Notes would not be subject to a write-down or conversion into common shares at the point of non-viability even though they would continue to be subject to bail-in, and, in the event the Issuer were to receive extraordinary financial support in accordance with the EU state aid framework and the BRRD, may be subject to the burden sharing requirements of such legislation.

3.4. Early redemption and purchase of the Subordinated Notes may be restricted

Any early redemption or purchase of Subordinated Notes is subject to compliance with the then applicable Regulatory Capital Requirements, including for the avoidance of doubt:

(a) the Issuer giving notice to the relevant Competent Authority and such Competent Authority granting prior permission to redeem or purchase the relevant Subordinated Notes (in each case in the manner required by the relevant Regulatory Capital Requirements, including Articles 77 and 78 of CRR, as amended or replaced from time to time), where either:

(i) on or before such redemption or purchase (as applicable), the Issuer having replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or

(ii) the Issuer has demonstrated to the satisfaction of the Competent Authority that its own funds and eligible liabilities would, following such repayment or purchase, exceed the minimum requirements (including any capital buffer requirements) required under the Regulatory Capital Requirements by a margin that the Competent Authority considers necessary at such time; and

(b) in respect of a call, redemption repayment or repurchase prior to the fifth anniversary of the Issue Date of the relevant Subordinated Notes, if and to the extent required under Article 78(4) of the CRR or the Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014:

(i) in the case of redemption pursuant to Condition 5(b) (*Redemption for tax reasons*), the Issuer having demonstrated to the satisfaction of the Competent Authority that the change in the applicable tax treatment of the Subordinated Notes is material and was not reasonably foreseeable as at the Issue Date; or

(ii) in case of redemption pursuant to Condition 5(d) *(Redemption for Regulatory Reasons)*, if there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion from "Tier 2" capital at individual or consolidated basis (in whole or in part), provided that, in case of exclusion in part, such exclusion is not as a result of amortisation or any limits on the amount of "Tier 2" capital applicable to the Issuer and, in respect of any redemption of the relevant Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, both of the following conditions are met: (i) the Competent Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Competent Authority that the change in the regulatory classification of the Subordinated Notes was not reasonably foreseeable by the Issuer as at the date of the issue of the relevant Subordinated Notes; or

(iii) on or before such redemption or repurchase (as applicable), the Issuer having replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer and the Competent Authority having permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(iv) the Notes being repurchased for market making purposes,

subject in any event to any alternative or additional conditions or requirements as may be applicable from time to time under the Regulatory Capital Requirements for the time being.

There can be no assurance that the relevant Competent Authority will permit such redemption or purchase. In addition, the Issuer may elect not to exercise any option to redeem any Subordinated Notes early or at any time. Holders of Subordinated Notes should be aware that they may be required to bear the financial risks of an investment in such Notes for a period of time in excess of the minimum period.

3.5. Subordinated Notes may be subject to modification without Noteholder consent.

If Variation is specified as being applicable in the applicable Final Terms for any Series of Subordinated Notes under Condition 16 (*Statutory Loss Absorption Powers*) of the Terms and Conditions of the Notes, then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority and/or as appropriate the Relevant Resolution Authority (without any requirement for the consent or approval of the holders of the Subordinated Notes of that Series), and having given not less than 30 nor more than 60 days' notice to the Agent and the holders of the Notes of that Series (or such other notice periods as may be specified in the applicable Final Terms), at any vary the terms of such Subordinated Notes so that they remain or, as appropriate, become, Qualifying Subordinated Notes, as applicable, provided that such variation does not itself give rise to any right of the Issuer to redeem the varied securities.

Qualifying Subordinated Notes are securities issued by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 16 (*Statutory Loss Absorption Powers*) of the Terms and Conditions of the Notes, have terms not materially less favourable to the Noteholders (as reasonably determined by the Issuer) than the terms of the relevant Subordinated Notes. However, no assurance can be given as to whether any of these changes (including, without limitation, any changes to governing law and/or jurisdiction) will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such substituted varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such variation.

4. The interest rate on Reset Notes will reset on each Reset Date, which can be expected to affect the interest payment on an investment in Reset Notes and could affect the market value of the Reset Notes

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

5. Risks applicable to certain types of Exempt Notes

5.1. Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of its investment.

5.2. Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities.

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

5.3. The Notes are not covered by the Italian Inter-Bank Fund for the Protection of Deposits.

The obligations in respect of the Notes (Senior Notes, Non-Preferred Senior Notes and Subordinated Notes) are not covered by the *Fondo Interbancario di Tutela dei Depositi* (i.e. depositor insurance fund).

6. Risks related to Notes generally

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

6.1. The conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

6.2. Call options are subject to the prior consent of the Competent Authority.

In addition to the call rights described under "*Subordinated Notes could be subject to redemption for regulatory reasons*" above, Subordinated Notes may also contain provisions allowing BMPS to call them after a minimum period of, for example, five years. To exercise such a call option, BMPS must obtain the prior written consent of the Competent Authority.

Holders of such Notes have no rights to call for the redemption of such Notes and should not invest in such Notes in the expectation that such a call will be exercised by BMPS. The Competent Authority must agree to permit such a call, based upon its evaluation of the regulatory capital position of BMPS and certain other factors at the relevant time. There can be no assurance that the Competent Authority will permit such a call. Holders of such Notes should be aware that they may be required to bear the financial risks of an investment in such Notes for a period of time in excess of the minimum period.

6.3. The value of the Notes could be adversely affected by a change in legislation or administrative practice.

The Terms and Conditions of the Notes are based on Italian law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Italian law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

6.4. Risk relating to the governing law of the Notes

The Terms and Conditions of the Notes are governed by Italian law and Condition 15 (*Governing Law and Submission to Jurisdiction*) of the Terms and Conditions of the Notes provides that contractual and non-contractual obligations arising out or in connection with them are governed by, and shall be construed in accordance with, Italian law, pursuant to EU and Italian private international law provisions as applicable from time to time. Article 59 of Law No. 218 of 31 May 1995 (the "**Italian Private International Law**") provides that "other debt securities" (titoli di credito) are governed by the law of the State in which the security was issued". The Temporary Global Notes or the Permanent Global Notes, whether issued in CGN or NGN form, as the case may be, representing the Notes are signed by the Issuer in the UK and are, thereafter, delivered to Citibank, N.A., London Branch as Paying Agent, being the entity in charge of, *inter alia*, completing, authenticating and delivering the Temporary Global Note and Permanent Global Notes and (if required) authenticating and delivering Definitive Notes.

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

6.5. Holders of Notes held through Euroclear and Clearstream, Luxembourg must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of the Notes and vote at meetings of Noteholders.

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, BMPS will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing systems and their participants to receive payments under the Notes. BMPS has no responsibility or liability for the records relating to, or payment made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

6.6. Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

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 ICSD 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 ICSD 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.

6.7. The regulation and reform of "benchmarks" may adversely affect the value of Floating Rate Notes or Reset Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks", (including EURIBOR) are the subject of national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark, such as Floating Rate Notes and Reset Notes.

The EU Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the UK Financial Conduct Authority ("**FCA**") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a rate or index deemed to be a benchmark, including, without limitation, any Floating Rate Notes linked to or referencing EURIBOR or any Reset Notes referencing the relevant swap rate for swap transactions in the Specified Currency (as specified in the applicable Final Terms or Pricing Supplement with respect to the relevant Reset Notes), in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

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

Several workstreams are underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate ("**€STR**") as the new risk free rate. €STR has been published by the ECB since 2 October 2019. In addition, the euro risk free-rate working group for the euro area has published a set of guidelines principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Investors should be aware that, if the EURIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes or Reset Notes which reference such benchmark will be determined for the relevant period by the fallback provisions applicable to such Notes. Depending on the manner in which the EURIBOR rate is to be determined under the Terms and Conditions of the Notes, this may (i) if ISDA Determination applies, result in the application of a backward-looking, risk-free overnight rate, whereas is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when the EURIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes or Reset Notes which reference the EURIBOR.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, including the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Rate determined by an Independent Adviser in consultation with the Issuer or failing that, by the Issuer, and that such Successor Rate or Alternative Rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark. In certain circumstances the ultimate fallback of interest for a particular Interest Period or Reset Period (as applicable) may result in the rate of interest for the last preceding Interest Period or Reset Period (as applicable) being used. This may result in the effective application of a fixed rate for Floating Rate Notes or Reset Notes (as applicable) based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of Successor Rates and Alternative Rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time. If the Independent Adviser or, as applicable, the Issuer determines that amendments to the Terms and Conditions of the Notes and the Agency Agreement are necessary to ensure the proper operation of any Successor Rate or Alternative Rate and/or Adjustment Spread or to comply with any applicable regulation or guidelines on the use of benchmarks or other related document issued by the competent regulatory authority, then such amendments shall be made without any requirement for the consent or approval of Noteholders, as provided by Condition 3(d)(iv) (*Benchmark Amendments*) of the Terms and Conditions of the Notes.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or Reset Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes or Reset Notes. Investors should consider these matters with their own independent advisers when making their investment decision with respect to any Floating Rate Notes or Reset Notes linked to or referencing a benchmark.

7. Risks related to the market

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

7.1. An active secondary market 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. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

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 and may be sensitive to changes in financial markets. 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 should the Issuer be in financial distress, which may result in any sale of the Notes having to be at a substantial discount to their principal amount or 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.

7.2. 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.

BMPS will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate 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.

7.3. 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.

7.4. Credit ratings assigned to BMPS or any Notes may not reflect all the risks associated with an investment in those Notes.

One or more independent credit rating agencies may assign credit ratings to BMPS or the Notes. The ratings 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. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country 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, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the 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.

Investors regulated in the UK are subject to similar restrictions under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Documents incorporated by reference

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

(a) the consolidated audited annual financial statements of the Group for the financial year ended 31 December 2021, contained in the 2021 audited consolidated annual report (https://www.gruppomps.it/static/upload/ann/annual-report-gmps-20211.pdf) (see cross-reference table below);

(b) the consolidated audited annual financial statements of the Group for the financial year ended 31 December 2020, contained in the 2020 audited consolidated annual report (https://www.gruppomps.it/static/upload/_con/consolidated-financial-statement_gmps_2020.pdf) (see cross-reference table below);

(c) the consolidated half yearly financial statements of the Group for the period ended 30 June 2022, contained in the consolidated half yearly report as at 30 June 2022 (https://www.gruppomps.it/static/upload/_con/consolidated-half-yearly-report-gmps-as-at-30-june-2022.pdf) (see cross-reference table below);

(d) the consolidated interim financial statements of the Group for the period ended 30 September 2022, contained in the consolidated interim report as at 30 September 2022 (https://www.gruppomps.it/static/upload/_con/consolidated-interim-report-as-at-30-09-2022_gmps.pdf) (see cross-reference table below);

(e) the press release headed "Business Plan 2022 – 2026 "A clear and simple commercial bank"" (https://www.gruppomps.it/static/upload/pr-/pr-23-06-2022-1.pdf) (see cross reference table below).

The documents listed above will also be available, without charge, on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Cross-reference table

Please find below the relevant page references in respect of each of the following documents incorporated by reference:

Document	Information incorporated by reference	Pages
Group's Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December 2021 (the "**2021 Consolidated Financial Statements**")	Control Bodies and Independent Auditors	p 4
	Consolidated Report on Operations	pp 5-154
	Consolidated balance sheet	pp 157-158
	Consolidated income statement	pp 159-160
	Consolidated statement of comprehensive income	p 161
	Consolidated Statement of Changes in Equity – 2021	p 162
	Consolidated Statement of Changes in Equity – 2020	p 163
	Consolidated cash flow statement: indirect method	pp 164-165
	Notes to the Consolidated Financial Statements	pp 166-559

Document	Information incorporated by reference	Pages
	Certification of the consolidated financial statements pursuant to art. 81-ter of Consob regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented	pp 568-582
	Independent Auditor's Report	pp 569-582
Group's Audited Consolidated Annual Financial Statements for the Financial Year Ended 31 December 2020 (the "**2020 Consolidated Financial Statements**")	Control Bodies and Independent Auditors	p 4
	Consolidated Report on Operations	pp 5-154
	Consolidated balance sheet	pp 157-158
	Consolidated income statement	p 159
	Consolidated statement of comprehensive income	p 160
	Consolidated Statement of Changes in Equity – 2020	pp 161-162
	Consolidated Statement of Changes in Equity – 2019	pp 163-164
	Consolidated cash flow statement: indirect method	pp 165-166
	Notes to the Consolidated Financial Statements	pp 167-538
	Certification of the consolidated financial statements pursuant to art. 81-ter of Consob regulation no. 11971 of 14 May 1999, as subsequently amended and supplemented	p 542
	Independent Auditor's Report	pp 543-555
Group's Consolidated Half Yearly Report as at 30 June 2022 (the "**2022 Consolidated Half-Yearly Report**")	Half-Yearly Report on Operations	pp. 3-24
	Condensed Consolidated Half-Yearly Financial Statements	pp. 25-32
	Explanatory Notes	pp. 33-137
	Certification of condensed consolidated half-yearly financial statements pursuant to art. 81-ter of CONSOB Regulation No. 11971 of 14 May 1999, as subsequently amended and supplemented	p. 138
	Independent Auditors' Report	p. 139
Group's Consolidated Interim Report as at 30 September 2022 (the "**Consolidated Interim Report as at 30 September 2022**")	Introduction	p. 3
	Results in brief	pp. 4-6
	Executive summary	pp. 7-8
	Reference context	pp. 9-12
	Russia – Ukraine Conflict	pp. 12-13
	COVID-19	pp. 13-14
	Shareholders	p. 15
	Information on the BMPS share	pp. 15-16
	Significant events in the first nine months of 2022	pp. 16-18
	Significant events after 30 September 2022	pp. 18-19
	2022-2026 Group Business Plan	pp. 19-26
	Commitments connected to the 2022-2026 Business Plan	pp. 26-28

Document	Information incorporated by reference	Pages
	Explanatory Notes	pp. 29-34
	Income statement and balance sheet reclassification principles	pp. 35-37
	Reclassified Income Statement	pp. 38-46
	Reclassified Balance Sheet	pp. 47-62
	Disclosure on risks	pp. 62-75
	Results by Operating Segment	pp. 76-87
	Prospects and outlook on operations	pp. 88-89
	Declaration of the financial reporting officer	p. 90
Press release headed "*Business Plan 2022 – 2026 "A clear and simple commercial bank'*" (the "**Business Plan 2022-2026 – Press Release**")	Entire document	All

The Issuer confirms that the profit forecasts and estimates contained in the Business Plan 2022-2026 – Press Release incorporated by reference herein have been compiled and prepared on the basis which is both comparable with historical financial information of the Issuer and consistent with the Issuer's accounting policies.

Following the publication of this Base Prospectus, supplements may be prepared by BMPS and approved by the CSSF in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, 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.

Those parts of the documents incorporated by reference in this Base Prospectus which are not specifically mentioned in the cross-reference list above shall not be deemed to be incorporated by reference in this Base Prospectus and are either not relevant for investors or covered elsewhere in the Base Prospectus.

Any websites, save for those listed as documents incorporated by reference above, included in the Base Prospectus are for information purposes only and do not form part of the Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Base Prospectus, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of the Notes to be listed on the Luxembourg Stock Exchange.

Form of the Notes

Any reference in this section to "Form of Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a "**Temporary Global Note**") or, if so specified in the Form of Final Terms, a permanent global note (a "**Permanent Global Note**") which, in either case, will:

(i) if the Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the Form of Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"); and

(ii) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the Form of Final Terms will also indicate whether such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the form of Final Terms.

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 or confirmation (based on the certifications it has received) to the Agent in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg.

On and after the date (the "**Exchange Date**") which is 40 days after the 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 (i) interests in a Permanent Global Note of the same Series or (ii) definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the form of Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the Form of Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The Form of 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 the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 8 (*Events of Default*) of the Terms and Conditions of the Notes) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system 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 12 (*Notices*) of the Terms and Conditions of the Notes 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 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 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 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 Form of Final Terms or Pricing Supplement, as the case may be:

"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.

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 Form of Final Terms.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 8 (*Events of Default*) of the Terms and Conditions of the Notes. 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 the Notes 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 the Global Note will become void at 8.00 p.m. (London time) on such day.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, other than where such Notes are Exempt Notes, a new Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

Form of Final Terms

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][14]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA [("**UK MiFIR**")]; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][15]

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the [Notes] has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[**UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in [Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 / UK MiFIR]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person

14 Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared in the EEA or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

15 Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared in the UK or the issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][16]

[Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**"**)** - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes as [prescribed capital markets products] / [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [Excluded Investment Products] / [Specified Investment Products] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)][17]

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme which are not Exempt Notes and which (1) have a denomination of at least €100,000 (or its equivalent in any other currency) or more, and/or (2) are to be admitted to trading only on a regulated market, or a specific segment of a regulated market, to which only qualified investors (as defined in the Prospectus Regulation) have access.

[Date]

Banca Monte dei Paschi di Siena S.p.A.

Legal entity identifier (LEI): J4CP7MHCXR8DAQMKIL78

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the €50,000,000,000

Debt Issuance Programme

16 Legend to be included on front of the Final Terms if following the ICMA 1 "all bonds to all professionals" target market approach.

17 For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

PART A ‑ CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated 16 January 2023 [and the supplement[s] to it dated [*date*] [and [*date*]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus is available for viewing at the registered office of the Issuer and has been published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and copies are available for inspection or collection during normal business hours at the specified office of each of the Paying Agents or may be provided by email to a Noteholder following their prior written request to the relevant Paying Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent, as the case may be.

[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 subparagraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.]

(1)	(i)	Series Number:	[ ]
	(ii)	Tranche	[ ]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [*Provide issue amount/ISIN/maturity date/issue date of earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph (24) below, which is expected to occur on or about [*date*]][Not Applicable]
(2)	Specified Currency or Currencies:		[ ]
(3)	Aggregate Nominal Amount:		
	(i)	Series:	[ ]
	(ii)	Tranche:	[ ]
(4)	Issue Price of Tranche:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*in the case of fungible issues only, if applicable*)]
(5)	(i)	Specified Denominations:	[ ]
			(*N.B. Senior Notes must have a minimum denomination of EUR 100,000 (or equivalent) unless they are to be admitted to trading only on a regulated market, or a specific segment of a regulated market, to which only qualified investors have access). In the case of Non-Preferred Senior Notes, Notes must have a minimum denomination of €150,000 (or equivalent). In the case of Subordinated Notes, Notes*

must have a minimum denomination of €200,000 (or equivalent))

(*Note – where multiple denominations above [€100,000/€200,000/€150,000] or equivalent are being used the following sample wording should be followed*:

"[€100,000/€200,000/€150,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000/€399,000/€299,000]. No Notes in definitive form will be issued with a denomination above [€199,000/€399,000/€299,000].")

(ii) 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) (i) Issue Date: [ ]

(ii) Interest Commencement Date: [ ]

(7) Maturity Date: [*Specify date or for Floating rate notes* - Interest Payment Date falling in or nearest to [*specify month and year*]]

(*Unless otherwise permitted by current laws, regulations, directives and/or requirements applicable to the issue of Notes by BMPS, Non-Preferred Senior Notes must have a maturity of not less than twelve months and Subordinated Notes must have a minimum maturity of five years*).

(8) Interest Basis: [ ]] per cent. Fixed Rate]

[[ ] per cent. to be reset on [ ] [and [ ]] and every [ ] anniversary thereafter]

[[[ ] month EURIBOR +/- [ ] per cent. Floating Rate]

[Zero Coupon]

(see paragraph [(13)]/[(14)]/[(15)]/[(16)] below)

(9) Redemption/Payment Basis: [100 per cent.] [[ ] in case of Zero Coupon Notes]

(10)	Change of Interest Basis:		[*Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs (13) and (16) and identify there*][Not Applicable]
(11)	Call Options:		[Not Applicable] [Regulatory Call] (*N.B. Only relevant in the case of Subordinated Notes*) [Issuer Call] [Clean-Up Redemption Option] [Issuer Call due to MREL Disqualification Event] (*N.B. Only relevant in the case of Senior Notes or Non-Preferred Senior Notes*) [(see paragraph [(18)]/[(19)]/[(20)]/[(21)] below)]
(12)	(i)	Status of the Notes:	[Senior Notes / Non-Preferred Senior / Subordinated Notes]
	(ii)	Date of [Board] approval for issuance of Notes obtained:	[ ] (*N.B. Only required where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

(13)	Fixed Rate Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) (*Amend appropriately in the case of different interest rates for different interest periods*)
	(i)	Rate(s) of Interest for Fixed Rate Notes:	[ ] per cent. per annum payable in arrear on [each] [the] Interest Payment Date[s] [falling on [ ]]
	(ii)	Interest Payment Date(s):	[ ] in each year up to and including [ ] / [the Maturity Date] (*Amend appropriately in the case of a irregular coupons*)
	(iii)	Fixed Coupon Amount(s): (Applicable to Notes in definitive form)	[ ] per Calculation Amount[payable on the Interest Payment Date[s] falling on [ ]]

	(iv)	Broken Amount(s): (Applicable to Notes in definitive form)	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(v)	Day Count Fraction:	[30/360] [Actual/Actual (ICMA)]
	(vi)	Determination Date(s):	[[ ] in each year] [Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.*)
(14)	Reset Note Provisions:		[Applicable/Not Applicable]
	(i)	Initial Rate of Interest:	[ ] per cent. per annum payable in arrear [on each Interest Payment Date]
	(ii)	First Margin:	[+/-][ ] per cent. per annum
	(iii)	Subsequent Margin:	[[+/-][ ] per cent. per annum] [Not Applicable]
	(iv)	Interest Payment Date(s):	[ ] [and [ ]] in each year up to and including the Maturity Date [until and excluding [ ]]
	(v)	Fixed Coupon Amount up to (but excluding) the First Reset Date:	[[ ] per Calculation Amount][Not Applicable]
	(vi)	Broken Amount(s):	[[ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(vii)	First Reset Date:	[ ]
	(viii)	Second Reset Date:	[ ]/[Not Applicable]
	(ix)	Subsequent Reset Date(s):	[ ] [and [ ]]
	(x)	Relevant Screen Page:	[ ]/[Not Applicable]
	(xi)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
	(xii)	Mid-Swap Maturity	[ ]
	(xiii)	Day Count Fraction:	[Actual/Actual / Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360/360/360/Bond Basis] [30E/360/Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual ICMA]

	(xiv)	Determination Dates:	[ ] in each year
	(xv)	Business Centre(s):	[ ]
	(xvi)	Calculation Agent:	[the Agent] / [ ]
(15)	Floating Rate Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) (*Amend appropriately in the case of different interest rates for different interest periods*)
	(i)	Specified Period(s)/ Specified Interest Payment Dates:	[ ][, subject to adjustment in accordance with the Business Day Convention set out in ((ii) below /, not subject to adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
	(ii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
	(iii)	Additional Business Centre(s):	[*insert name and address*]
	(iv)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(v)	Calculation Agent:	[the Agent] / [ ]
	(vi)	Screen Rate Determination:	[Applicable/Not Applicable]
		• Reference Rate:	[ ] month EURIBOR.
		• Interest Determination Date(s):	[ ] (*The second day on which the TARGET2 System is open prior to the start of each Interest Period*)
		• Relevant Screen Page:	[ ] (*If not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	(vii)	ISDA Determination:	[Applicable/Not Applicable]
		• ISDA Definitions:	[2006 ISDA Definitions]/[2021 ISDA Definitions]
		• Floating Rate Option:	[ ]

			(*If 2021 ISDA Definitions is selected, ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions)*)
	•	Designated Maturity:	[ ]
	•	Reset Date:	[ ]
			(*In the case of a EURIBOR based option, the first day of the Interest Period*)
	(viii)	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 short or long interest period)]
	(ix)	Margin(s):	[+/-] [ ] per cent. per annum
	(x)	Minimum Rate of Interest:	[ ] per cent. per annum
	(xi)	Maximum Rate of Interest:	[ ] per cent. per annum
	(xii)	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)]
(16)	Zero Coupon Note Provisions:		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Accrual Yield:	[ ] per cent. per annum
	(ii)	Reference: Price:	[ ]
	(iii)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

(17)	Notice periods for Condition 5 (*Redemption and Purchase*) of the Terms and Conditions of the Notes:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice, 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)
(18)	Issuer Call:	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[ ]
		(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, the Optional Redemption Date shall not be earlier than five years after the Issue Date.)
	(ii) Optional Redemption Amount: amount(s):	[[ ] per Calculation Amount]
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[ ]
	(b) Maximum Redemption Amount:	[ ]
(19)	Regulatory Call:	[Applicable/Not Applicable]
		(*If not applicable, delete the remaining sub-paragraphs of this paragraph.*) (*N.B. Only relevant in the case of Subordinated Notes*)
	(i) Early Redemption Amount of each Note payable on redemption for regulatory reasons as contemplated by Condition 5(d) (*Redemption for Regulatory Reasons*) of the Terms and Conditions of the Notes and/or the method of calculating the same (if required or if different from that set out in Condition 5(g) (*Early Redemption Amounts*) of the Terms and Conditions of the Notes:	[ ] per Calculation Amount
(20)	Clean-Up Redemption Option	[Applicable/Not Applicable]
	Clean-Up Percentage	[75 per cent. / [ ] per cent.]

	Clean-Up Redemption Amount and method, if any, of calculation of such amount	[ ] per Note / [ ]
(21)	Issuer Call due to MREL Disqualification Event	[Applicable]/[Not Applicable] *(Only relevant in the case of Senior Notes or Non-Preferred Senior Notes)*
	(i) Early Redemption Amount	[[ ] per Calculation Amount/as set out in [Condition 5(g) (*Early Redemption Amounts*) of the Terms and Conditions of the Notes]
(22)	Final Redemption Amount:	[ ] per Calculation Amount
(23)	Early Redemption Amount payable on redemption for taxation reasons or on event of default:	[ ] 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 (19) (Regulatory Call)] (*Delete this cross-reference unless the Notes are Subordinated Notes and the Regulatory Call is applicable*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

(24)	Form of Notes:	
	(i) Form:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event] *(N.B. The option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph (5)(i) includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000].")*

	(ii)	New Global Note:	[Yes]/[No]
(25)	Additional Financial Centre(s):		[Not Applicable] [ ] (*Specify Additional Financial Centres, if any*)] (*Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest to which sub-paragraph (15)(iii) relates*)
(26)	Talons for future Coupons to be attached to Definitive Notes:		[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made]/[No]
(27)	Variation of Notes:		[Not Applicable] / [Applicable [only][in relation to MREL Disqualification Event][and]/[in order to ensure the effectiveness and enforceability of Condition 16 (*Statutory Loss Absorption Powers*) of the Terms and Conditions of the Notes]]
	(i)	Notice period:	[ ]

THIRD PARTY INFORMATION RELATING TO THE NOTES

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

[Signed on behalf of Banca Monte dei Paschi di Siena S.p.A.:

By: ....
Duly authorised]

PART B – OTHER INFORMATION

(1) **LISTING AND ADMISSION TO TRADING**

(i)	Listing and admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on Luxembourg Stock Exchange's regulated market and 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 Luxembourg Stock Exchange's regulated market and 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:	[Not Applicable.] [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]: [*insert details*]] by [*insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms*]. Each of [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**").] [*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]/[The rating [*Insert legal name of particular credit rating agency entity providing rating*] has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the UK and registered under Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**").] (*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 23 of the Prospectus Regulation.)*]

(4) **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i)	Reasons for the Offer:	[for its general corporate purposes, which include making a profit, and for general capital requirements] / [ ]. [Further details on [Green Bonds] / [Social Bonds] / [Sustainability Bonds] are included in the [*Sustainability Bond Framework*], made available on the Issuer's website in the investor relations section at [ ]] See "*Use of proceeds*" wording in Base Prospectus *(If reasons for offer different from making profit or general corporate purposes (for example for a Green Bond, a Social Bond, or an issuance of a Sustainability Bond, will need to include those reasons here)*
(ii)	Estimated Net Proceeds:	[ ] (If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(5) **YIELD (Fixed Rate Notes only)**

Indication of yield:	[ ]

(6) **OPERATIONAL INFORMATION**

(i)	ISIN:	[ ]
(ii)	Common Code:	[ ]
(iii)	CFI:	[[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(iv)	FISN:	[[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies

		(ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(v)	Any clearing system(s) other than Euroclear and Clearstream Luxembourg and the relevant identification number(s):	[Not Applicable/[*give name(s), address(es) and number(s)*]]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[ ]/[Not Applicable]
(viii)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

(7) **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/give names]
(iii)	Date of [Subscription] Agreement:	[ ]
(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]]
(vii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)
(viii)	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)

Applicable Pricing Supplement

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][18]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.][19]

MIFID II/UK MIFIR product governance / target market – [*appropriate target market legend to be included*]

[**Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) (Chapter 289) of Singapore, as modified or amended from time to time** (the "**SFA**") - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes as [prescribed capital markets products] / [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [Excluded Investment Products] / [Specified Investment Products] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)][20]

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18 Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared in the EEA or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

19 Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared in the UK or the issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

20 For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

EXEMPT NOTES OF ANY DENOMINATION

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 16 January 2023 [as supplemented by the supplement[s] dated [*date*[s]]] (the "**Base Prospectus**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus may be obtained from [*address*]. Stamp duty is paid virtually, if due, to Auth. Agenzia delle Entrate, Ufficio di Roma 1, No. 143106/07 of 21 December 2007.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus.

[*Date*]

Banca Monte dei Paschi di Siena S.p.A.

Legal entity identifier (LEI): J4CP7MHCXR8DAQMKIL78

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the €50,000,000,000

Debt Issuance Programme

PART A – CONTRACTUAL TERMS

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to either of Article 3 of the Prospectus Regulation or section 85 of the FSMA or to supplement a prospectus pursuant to either of Article 23 of the Prospectus Regulation or Article 23 of the UK Prospectus Regulation, in each case, in relation to such offer.

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 16 January 2023 [as supplemented by the supplement[s] dated [*date[s]*]] (the "**Base Prospectus**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus are available for inspection or collection during normal business hours at the specified office of each of the Paying Agents or may be provided by email to a Noteholder following their prior written request to the relevant Paying Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent, as the case may be).

[*Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.*]

1.	(a)	Issuer:	Banca Monte dei Paschi di Siena S.p.A.
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ]
	(c)	Date on which the Notes will be consolidated and form a single Series:	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 25 below, which is expected to occur on or about [*date*]][Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	Issue Price:		[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6.	Specified Denominations:		[ ] (*N.B. Senior Notes must have a minimum denomination of EUR 100,000 (or equivalent). In the case of Non-Preferred Senior Notes, Notes*

			must have a minimum denomination of €150,000 (or equivalent). In the case of Subordinated Notes, Notes must have a minimum denomination of €200,00 (or equivalent))
	(a)	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.*)
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] (*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.	Maturity Date:		[*Specify date or for Floating rate notes - Interest Payment Date falling in or nearest to [specify month and year]*] (*Unless otherwise permitted by current laws, regulations, directives and/or requirements applicable to the issue of Notes by BMPS, Non-Preferred Senior Notes must have a maturity of not less than twelve months and Subordinated Notes must have a minimum maturity of five years*).
9.	Interest Basis:		[[ ] per cent. Fixed Rate] [[ ] per cent. to be reset on [ ] [and [ ] and every [ ] anniversary thereafter] [[*specify Reference Rate*] +/- [ ] per cent. Floating Rate] [Zero Coupon] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:		[Redemption at par] [Partly Paid] [Instalment] [*specify other*]
11.	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]
12.	Call Options:		[Not Applicable] [Issuer Call] [Regulatory Call]

			(*N.B. Only relevant in the case of Subordinated Notes*) [Clean-Up Redemption Option] [Issuer Call due to MREL Disqualification Event] (*N.B. Only relevant in the case of Senior Notes or Non-Preferred Senior Notes*) [(see paragraph [19]/[20]/[21]/[22] below)]
13.	(a)	Status of the Notes:	[Senior Notes / Non-Preferred Senior / Subordinated Notes]
	(b)	[Date [Board] approval for issuance of Notes obtained:	[ ] (*N.B. Only required where Board (or similar) authorisation is required for the particular tranche of Notes*)]

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) (Amend appropriately in the case of different interest rates for different interest periods)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on [each] [the] Interest Payment Date[s] [falling on [ ]]
	(b)	Interest Payment Date(s):	[ ] in each year up to and including [ ] / [the Maturity Date] (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s): (*Applicable to Notes in definitive form.*)	[ ] per Calculation Amount[payable on the Interest Payment Date[s] falling on [ ]]
	(d)	Broken Amount(s): (*Applicable to Notes in definitive form.*)	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(e)	Day Count Fraction:	[30/360/Actual/Actual (ICMA)/*specify other*]
	(f)	[Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*]
	(g)	[Ratings Step-up/Step-down:	[Applicable/Not Applicable]

			(*If not applicable, delete the remaining subparagraphs of this paragraph*)]
	(h)	Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes:	[None/*Give details*]
15.	Reset Note Provisions:		[Applicable/Not Applicable]
	(a)	Initial Rate of Interest:	[ ] per cent. per annum payable in arrear [on each Interest Payment Date]
	(b)	First Margin:	[+/-][ ] per cent. per annum
	(c)	Subsequent Margin:	[[+/-][ ] per cent. per annum] [Not Applicable]
	(d)	Interest Payment Date(s):	[ ] [and [ ]] in each year up to and including the Maturity Date [until and excluding [ ]]
	(e)	Fixed Coupon Amount up to (but excluding) the First Reset Date:	[[ ] per Calculation Amount][Not Applicable]
	(f)	Broken Amount(s):	[[ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
	(g)	First Reset Date:	[ ]
	(h)	Second Reset Date:	[ ]/[Not Applicable]
	(i)	Subsequent Reset Date(s):	[ ] [and [ ]]
	(j)	Relevant Screen Page:	[ ]/[Not Applicable]
	(k)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
	(l)	Mid-Swap Maturity	[ ]
	(m)	Day Count Fraction:	[Actual/Actual / Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360/360/360/Bond Basis] [30E/360/Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual ICMA]
	(n)	Determination Dates:	[ ] in each year
	(o)	Business Centre(s):	[ ]
	(p)	Calculation Agent:	[the Agent] / [ ]
16.	Floating Rate Note Provisions		[Applicable/Not Applicable]

		(*If not applicable, delete the remaining subparagraphs of this paragraph*) (*Amend appropriately in the case of different interest rates for different interest periods*)
(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 any 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):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
(e)	Calculation Agent:	[the Agent] / [ ]
(f)	Screen Rate Determination:	
	• Reference Rate:	[ ] month [EURIBOR/*specify other Reference Rate*]. *(Either EURIBOR or other, although additional information is required if other, including fallback provisions in the Agency Agreement)*
	• Interest Determination Date(s):	[ ] (*The second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR*)
	• 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)*
(g)	ISDA Determination:	
	• ISDA Definitions:	[2006 ISDA Definitions]/[2021 ISDA Definitions]
	• Floating Rate Option:	[ ] (*Ensure this is a Floating Rate Option included in the Floating Rate Matrix (as defined in the 2021 ISDA Definitions)*)

	•	Designated Maturity:	[ ]
	•	Reset Date:	[ ] (*In the case of a EURIBOR based option, the first day of the Interest Period*)
	(h)	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 short or long interest period*)]]
	(i)	Margin(s):	[+/-] [ ] per cent. per annum
	(j)	Minimum Rate of Interest:	[ ] per cent. per annum
	(k)	Maximum Rate of Interest:	[ ] per cent. per annum
	(l)	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*]
	(m)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Terms and Conditions:	[ ]
17.	Zero Coupon Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes:	[ ]
	(d)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]

PROVISIONS RELATING TO REDEMPTION

18.	Notice periods for Condition 5 (*Redemption and Purchase*) of the Terms and Conditions of the Notes:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice, 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*)
19.	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ] (*If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Bank of Italy's requirements, applicable to the issue of Subordinated Notes, 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:	[ ]
20.	Regulatory Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*) (*Only relevant in the case of Subordinated Notes*)
	(a) Early Redemption Amount payable on redemption for regulatory reasons as contemplated by Condition 5(d) (*Redemption for Regulatory Reasons*) of the Terms and Conditions of the Notes and/or the method of calculating the same (if required or if different from that set out in Condition 5(g) (*Early*	[ ] per Calculation Amount

	Redemption Amounts) of the Terms and Conditions of the Notes:	
21.	Clean-Up Redemption Option	[Applicable/Not Applicable]
	Clean-Up Percentage	[75 per cent. / [ ] per cent.]
	Clean-Up Redemption Amount and method, if any, of calculation of such amount	[[ ] per Note / [ ]]
22.	Issuer Call due to MREL Disqualification Event:	[Applicable]/[Not Applicable] (*Only relevant in the case of Senior Notes or Non-Preferred Senior Notes*)
	(i) Early Redemption Amount	[[ ] per Calculation Amount/as set out in [Condition 5(g) (*Early Redemption Amounts*) of the Terms and Conditions of the Notes]]
23.	Final Redemption Amount:	[[ ] per Calculation Amount/*specify other*/see Appendix]
24.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same:	[[ ] per Calculation Amount/*specify other*/see Appendix] (*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.*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	
	(a) [Form:]	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event] [Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]

			(*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]]
26.	Additional Financial Centre(s):		[Not Applicable/*give details*] (*Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 16(c) relates*)
27.	Talons for future Coupons to be attached to Definitive Notes:		[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment.		[Not Applicable/*give details. N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
29.	Details relating to Instalment Notes:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Instalment Amount(s):	[*give details*]
	(b)	Instalment Date(s):	[*give details*]
30.	Other terms or special conditions:		[Not Applicable/*give details*]
31.	Variation of Notes:		[Not Applicable] / [Applicable [only][in relation to MREL Disqualification Event][and]/[in order to ensure the effectiveness and enforceability of Condition 16 (*Statutory Loss Absorption Powers*) of the Terms and Conditions of the Notes]
	(i)	Notice period:	[ ]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

[Signed on behalf of Banca Monte dei Paschi di Siena S.p.A.:

By: ....
Duly authorised]

PART B – OTHER INFORMATION

1.	**LISTING**	[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [*specify market - note this must not be an EEA regulated market or the London Stock Exchange's main market*] with effect from [ ].][Not Applicable]

2. RATINGS

Ratings:	[Not Applicable.] [The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*] Each of [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**").] [*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]/[The rating [*Insert legal name of particular credit rating agency entity providing rating*] has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the UK and registered under Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**").] (*The above disclosure is only required if the ratings of the Notes are different to those stated in the Base Prospectus*)

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*]

4. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	CFI:	[[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(iv)	FISN:	[[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
(v)	Any clearing system(s) other than Euroclear and Clearstream Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[ ]/[Not Applicable]
(viii)	[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosytem 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.]]

5. DISTRIBUTION

(i)	Method of distribution:	[Syndicated/Non-syndicated]
(ii)	If syndicated, names of Managers:	[Not Applicable/*give names*]
(iii)	Stabilisation Manager(s) (if any):	[Not Applicable/*give name*]
(iv)	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name*]

(v)	U.S. Selling Restrictions:	Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable]
(vi)	Additional selling restrictions:	[Not Applicable/*give details*] (*Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes*)
(vii)	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)
(viii)	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.*)

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 rules of the relevant stock exchange (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 Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The Form of Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of 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 Banca Monte dei Paschi di Siena S.p.A. (the "**Issuer**" or "**BMPS**") pursuant to the Agency Agreement (as defined below).

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

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

(ii) any Global Note; and

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

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement dated 16 January 2023 (such Agency Agreement as further amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**"), and made between the Issuer, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the "**Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the "**Conditions**") or, if this Note is a Note which is neither admitted to trading (i) on a regulated market in the European Economic Area ("**EEA**") or (ii) a United Kingdom ("**UK**") regulated market as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended, nor offered in (i) the EEA or (ii) the UK in circumstances where a prospectus is required to be published under the Prospectus Regulation or the Financial Services and Markets Act 2000,as amended, as the case may be (an "**Exempt Note**"), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the "Form of Final Terms" are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference in the Conditions to Form of Final Terms shall be deemed to include a reference to "applicable Pricing Supplement" where relevant. The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended.

Interest bearing definitive Notes have interest coupons ("**Coupons**") and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, 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. Exempt Notes in definitive form which are repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a global Note, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Agency Agreement (i) are available for inspection or collection during normal business hours at the specified office of each of the Paying Agents or (ii) may be provided by email to a Noteholder following its prior written request to the relevant Paying Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent). If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the Form of Final Terms will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu). If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable via email by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent, as applicable, as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the Form of 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 Agency Agreement or used in the Form of Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Form of Final Terms, the Form of Final Terms will prevail.

1. Form, Denomination and Title

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the "**Specified Currency**") and the denominations (the "**Specified Denomination(s)**") specified in the Form of Final Terms, provided that (i) the minimum Specified Denomination of each Note which is specified in the Form of Final Terms as being a Senior Note shall be Euro 100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes), (ii) the minimum Specified Denomination of each Note which is specified in the Form of Final Terms as being a Non-Preferred Senior Note shall be Euro 150,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes) and (iii) the minimum Specified Denomination of each Note which is specified in the Form of Final Terms as being a Subordinated Note shall be Euro 200,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Unless this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Reset Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the Form of Final Terms.

If this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Reset Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

If this Note is an Exempt Note, this Note may also be an Instalment Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the Form of Final Terms.

This Note is a Senior Note, a Non-Preferred Senior Note or a Subordinated Note, depending on the Status of the Notes specified in the Form of Final Terms.

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

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

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

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 Form of Final Terms.

2. Status of the Notes and Subordination

(a) Status of the Senior Notes

This Condition 2(a) applies only to Senior Notes (and, for the avoidance of doubt, does not apply to Non-Preferred Senior Notes).

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

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

(iii) For the avoidance of doubt, there is no negative pledge provision in these Conditions.

(b) Status of the Non-Preferred Senior Notes

This Condition 2(b) applies only to Non-Preferred Senior Notes (and, for the avoidance of doubt, does not apply to Senior Notes).

(i) The Non-Preferred Senior Notes (notes intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under Article 12-*bis* of the Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended (the "**Italian Consolidated Banking Act**"), any related Receipts and Coupons constitute direct, unconditional, unsubordinated, and unsecured and non-preferred obligations of the Issuer, ranking:

(a) junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Non-Preferred Senior Notes, including claims arising from the excluded liabilities within the meaning of Article 72a(2) of the CRR;

(b) *pari passu* without any preferences among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Non-Preferred Senior Notes; and

(c) in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-*bis*, letter c-*bis* of the Italian Consolidated Banking Act, as amended from time to time.

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

(iii) For the avoidance of doubt, there is no negative pledge provision in these Conditions.

(c) Status of the Subordinated Notes

This Condition 2(c) applies only to Subordinated Notes.

(i) Subject as set out below, the Subordinated Notes (notes intended to qualify as Tier 2 capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Bank of Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time (the "**Bank of Italy Regulations**"), including any successor regulations, and Article 63 of the CRR) (the "**Subordinated Notes**") and the Receipts and Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and rank:

(a) after all unsubordinated, unsecured creditors (including depositors and holders of Senior Notes and Non-Preferred Senior Notes) of the Issuer and after all creditors of the Issuer holding instruments that are less subordinated than the relevant Subordinated Notes

(b) at least *pari passu* without any preference among themselves and with all other present and future subordinated obligations of the Issuer that are not expressed by their terms to rank or which do not rank junior or senior to the relevant Subordinated Notes; and

(c) in priority to the claims of shareholders of the Issuer and to all other present and future subordinated obligations of the Issuer which do not rank or and are not expressed by their terms to rank senior or pari passu to the relevant Subordinated Notes.

(ii) In relation to each Series of Subordinated Notes all Subordinated Notes of such Series will be treated equally and all amounts paid by BMPS in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.

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

(iv) For the avoidance of doubt, there is no negative pledge provision in these Conditions.

In the event the Subordinated Notes of any Series cease to qualify, in their entirety, as own funds in the form of Tier 2 Capital, such Subordinated Notes shall rank subordinated and junior to unsubordinated unsecured creditors (including depositors and holders of Senior Notes and Non-Preferred Senior Notes) of the Issuer, pari passu among themselves and with the Issuer's obligations in respect of any other instruments which have ceased to qualify, in their entirety, as own funds items (*elementi di fondi propri*) and with all other present and future subordinated obligations of the Issuer which do not rank or are not expressed by their terms and/or by mandatory and/or overriding provisions of law to rank junior or senior to the relevant Subordinated Notes (which have so ceased to qualify, in their entirety, as own funds in the form of Tier 2 Capital) and senior to own fund items (*elementi di fondi propri*).

3. Interest

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the relevant Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the Form of Final Terms, the amount of interest payable on the relevant Interest Payment Date will amount to the Fixed Coupon Amount specified in the Form of Final Terms. Payments of interest on any Interest Payment Date will, if so specified in the Form of Final Terms, amount to the Broken Amount so specified.

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

(i) 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, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) 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 relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple 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 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(a):

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

(a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date on which interest was paid (or, if none, the Interest Commencement Date), the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and

(ii) if "**30/360**" is specified in the Form of 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:

"**Determination Period**" means the period from and including a Determination Date to but excluding the next Determination Date; and

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

(b) Interest on Reset Notes

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

Each Reset Note bears interest:

(A) from (and including) the Interest Commencement Date until (but excluding) the First Reset Date at the Initial Rate of Interest;

(B) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the Form of Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and

(C) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on the each Interest Payment Date and on the Maturity Date if that does not fall on an Interest Payment Date. The Rate of Interest and the Interest Amount payable shall be determined by the Calculation Agent, (i) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, subject to Condition 3(d) (*Benchmark Discontinuation*) below, and (ii) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 3(a) (*Interest on Fixed Rate Notes*). Unless otherwise stated in the applicable Final Terms the Rate of Interest (inclusive of the First or Subsequent Margin) shall not be deemed to be less than zero.

For the purposes of the Conditions:

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

"**First Reset Date**" means the date specified in the Form of Final Terms;

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

"**First Reset Rate of Interest**" means, in respect of the First Reset Period and subject to Condition 3(b)(ii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin;

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

"**Interest Commencement Date**" means the date specified as such in the Form of Final Terms;

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

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

"**Mid-Swap Floating Leg Benchmark Rate**" means EURIBOR if the Specified Currency is euro;

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to Condition 3(b)(ii), either:

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

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

   (ii) commencing on the relevant Reset Date,

   which appears on the Relevant Screen Page; or

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

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

   (ii) commencing on the relevant Reset Date,

   which appear on the Relevant Screen Page,

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

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

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

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

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

"**Second Reset Date**" means the date specified in the Form of Final Terms;

"**Subsequent Margin**" means the margin specified as such in the Form of Final Terms;

"**Subsequent Reset Date**" means the date or dates specified in the Form of Final Terms;

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

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period and subject to Condition 3(b)(ii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin.

(ii) *Fallbacks*

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Issuer (or an agent appointed by the Issuer) shall, subject as provided in Condition 3(d) (*Benchmark Discontinuation*), request each of the Reference Banks (as defined below) to provide the Issuer (or an agent appointed by the Issuer) with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

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

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

For the purposes of this Condition 3(b)(ii) "**Reference Banks**" means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

(c) Interest on Floating Rate Notes

(i) *Interest Payment Dates*

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

(A) the Specified Interest Payment Date(s) (each an "Interest Payment Date") in each year specified in the Form of Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the Form of Final Terms, each date (each an "Interest Payment Date") which falls the number of months or other period specified as the Specified Period in the Form of Final Terms 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. In the Conditions, "**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).

If a Business Day Convention is specified in the Form of 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:

(1) in any case where Specified Periods are specified in accordance with Condition 3(c)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of paragraph (B) above shall apply mutatis mutandis or (ii) 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 (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) 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

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

(3) 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

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

In the Conditions, "**Business Day**" means:

(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 each Additional Business Centre specified in the Form of Final Terms; and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which Trans-European Automated Real-Time Gross Settlement Express Transfer ("**TARGET2**") System or any successor or replacement for that system (the "**TARGET2 System**") is open.

(ii) *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 Form of Final Terms.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Form of Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for the relevant Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Form of Final Terms) the Margin (if any) provided that in any circumstances where under the ISDA Definitions the Calculation Agent would be required to exercise any discretion, including the selection of any reference banks and seeking quotations from reference banks, when calculating the relevant ISDA Rate, the relevant determination(s) which require the Calculation Agent to exercise its discretion shall instead be made by the Issuer (or an agent appointed by the Issuer). For the purposes of this sub paragraph (A), "**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 (i) if "2006 ISDA Definitions" is specified in the applicable Final Terms, the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), as amended and updated as at the Issue Date of the first Tranche of the Notes and as supplemented by the 2006 ISDA Definitions Benchmarks Annex to the ISDA Benchmarks Supplement, as published by ISDA on 19 September 2018; or (ii) if "2021 ISDA Definitions" is specified in the applicable Final Terms, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions as available on ISDA Library as at the Issue Date of the first Tranche of the Notes (together, the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the applicable Final Terms;

(2) the Designated Maturity is a period specified in the applicable Final Terms; and

(3) the relevant Reset Date is the day specified in the applicable Final Terms.

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

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

(B) 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 the relevant Interest Period will, subject to Condition 3(d) (*Benchmark Discontinuation*) below, be either:

(1) the offered quotation; or

(2) 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 the Eurozone inter-bank offered rate ("**EURIBOR**"), as specified in the relevantFinal Terms, which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Brussels time) 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 (or such replacement page on that service which displays the information), 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.

If the Relevant Screen Page is not available or if, in the case of paragraph (1) above, no offered quotation appears or, in the case of paragraph (2) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Issuer shall request each of the Reference Banks to provide the Issuer (or an agent appointed by the Issuer) 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 and the Issuer shall provide such offered quotations promptly to the Calculation Agent. If two or more of the Reference Banks provide the Issuer (or an agent appointed by the Issuer) 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 Issuer (or an agent appointed by the Issuer) with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be 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 the Issuer (or an agent appointed by the Issuer) 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 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 Issuer (or an agent appointed by the Issuer) 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 Issuer (or an agent appointed by the Issuer) it is quoting to leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any), 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).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than EURIBOR, the Rate of Interest in respect of the Notes will be determined as provided in the applicable Final Terms.

For the purposes of this Condition 3(c)(ii), "**Reference Banks**" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market selected by Issuer.

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

If the Form of 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 Condition 3(c)(ii) 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 Form of 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 Condition 3(c)(ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *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.

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 to:

(i) 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, if they are Partly Paid Notes, the aggregate amount paid up); or

(ii) 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 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 to reach the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any Interest Period:

(i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the Form of 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 (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) 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 Form of Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "**Actual/365 (sterling)**" is specified in the Form of 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 Form of 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 Form of Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

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

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

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

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

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

where:

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

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

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

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

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

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

(v) *Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the Form of Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the Form of Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the Form of Final Terms), one of which 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 the other of which 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, then the Calculation Agent shall calculate the Rate of Interest at such time and by reference to such sources as the Issuer, in consultation with an Independent Adviser appointed by the Issuer, and such Independent Adviser acting in good faith and in a commercially reasonable manner as an expert, determines appropriate.

"**Designated Maturity**" means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

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

Subject to Condition 3(d) (*Benchmark Discontinuation*), the Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange (or listing agent as the case may be) 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 12 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. 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 promptly be 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 12 (*Notices*). For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vii) *Certificates to be final*

All certificates, communications, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3(c), by the Calculation Agent shall (in the absence of manifest error) be binding on the Issuer, the Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and no liability to the Issuer (subject to the provisions of the Agency Agreement), the Noteholders, the Receiptholders or the Couponholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(d) Benchmark Discontinuation

This Condition 3(d) is applicable to Notes only if the Floating Rate Note Provisions or the Reset Note Provisions are specified in the applicable Final Terms as being applicable.

(i) *Independent Adviser*

Notwithstanding the provisions above in Condition 3(c) (*Interest on Floating Rate Notes*) or Condition 3(b) (*Interest on Reset Notes*), if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 3(d)(ii) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 3(d)(iii) (*Adjustment Spread*)) and whether any Benchmark Amendments (in accordance with Condition 3(d)(iv) (*Benchmark Amendments*)) are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

An Independent Adviser appointed pursuant to this Condition 3(d)(i) shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer. In the absence of bad faith, fraud and gross negligence, the Independent Adviser shall have no liability whatsoever to the Issuer, the Agent, any Paying Agent, the Calculation Agent, the

Noteholders, the Receiptholders or the Couponholders for any determination made by it pursuant to this Condition 3(d).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 3(d)(i) prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, failing which, an Alternative Rate, provided however that if the Issuer is unable or unwilling to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 3(d)(i) prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be, it shall provide notice of that fact to the Calculation Agent and the Noteholders not less than 2 Business Days prior the relevant Interest Determination Date or Reset Determination Date and (i) in the case of the Rate of Interest on Floating Rate Notes, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period or (ii) in the case of the First Reset Rate of Interest on Reset Notes, the Rate of Interest shall be equal to the Initial Rate of Interest or (iii) in the case of the Subsequent Reset Rate of Interest on Reset Notes, the Rate of Interest shall be equal to the Subsequent Reset Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Reset Period or if the immediately preceding Reset Period is the First Reset Period, the First Reset Rate of Interest. If there has not been a first Interest Payment Date or First Reset Date, the Rate of Interest for Floating Rate Notes shall be the initial Rate of Interest and the Rate of Interest for Reset Notes shall be the Initial Rate of Interest (as applicable). Where a different Margin or Maximum or Minimum Rate of Interest or First Margin or Subsequent Margin (as applicable) is to be applied to the relevant Interest Period or Reset Period (as applicable) from that which applied to the last preceding Interest Period or Reset Period (as applicable), the Margin or Maximum or Minimum Rate of Interest or First Margin or Subsequent Margin (as applicable) relating to the relevant Interest Period or Reset Period (as applicable) shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest or First Margin or Subsequent Margin relating to that last preceding Interest Period or Reset Period (as applicable). For the avoidance of doubt, this Condition 3(d)(i) shall apply to the relevant next succeeding Interest Period or Reset Period (as applicable) only and any subsequent Interest Periods or Reset Periods (as applicable) are subject to the subsequent operation of, and to adjustment as provided in, this Condition 3(d)(i).

(ii) *Successor Rate or Alternative Rate*

If the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 3(d)(i) (*Independent Adviser*) prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be) acting in good faith and in a commercially reasonable manner determines that:

(a) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 3(d)(iii) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 3(d)); or

(b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 3(d)(iii) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the Rate of

Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 3(d)).

(iii) *Adjustment Spread*

If the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 3(d)(i) (*Independent Adviser*) prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be) acting in good faith and in a commercially reasonable manner determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(iv) *Benchmark Amendments*

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 3(d) and the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 3(d)(i) (*Independent Adviser*) prior to the relevant Interest Determination Date or Reset Determination Date, as the case may be) acting in good faith and in a commercially reasonable manner determines (i) that amendments to these Conditions and the Agency Agreement, including but not limited to Relevant Screen Page, are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread and/or necessary or appropriate to comply with any applicable regulation or guidelines on the use of benchmarks or other related document issued by the competent regulatory authority (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 3(d)(v) (*Notices*) and subject (to the extent required) to giving any notice required to be given to, and receiving any consent required from, or non-objection from, the Competent Authority, without any requirement for the consent or approval of Noteholders, Receiptholders or Couponholders vary these Conditions and the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 3(d)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 3(d), no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any other amendment to the terms and conditions of any Series of Notes be made to effect the Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the relevant Series of Subordinated Notes as Tier 2 Capital of the Issuer and/or the Group and/or (i) result in the exclusion of the relevant Series of Senior Notes or Non-Preferred Senior Notes from the eligible liabilities available to meet the MREL Requirements or (ii) (in the case of Senior Notes or Non-Preferred Senior Notes only) result in the Competent Authority and/or the Relevant Resolution Authority treating the Interest Payment Date or Reset Date, as the case may be, as the effective maturity date of the Notes, rather than the relevant maturity date. In such cases (i) the Rate of Interest on Floating Rate Notes applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period or (ii) in the case of the First Reset Rate of Interest on Reset Notes, the Rate of Interest shall be equal to the Initial Rate of Interest or (iii) in the case of the Subsequent Reset Rate of Interest on Reset Notes, the Rate of Interest shall be equal to the Subsequent Reset Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Reset Period or if the immediately preceding Reset Period is the First Reset Period, the First Reset Rate of Interest. If there has not been a first Interest Payment Date or First Reset Date, the Rate of Interest for Floating Rate Notes shall be the initial Rate of Interest and the Rate of Interest for Reset Notes shall be the Initial Rate of Interest (as applicable).

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

The Agents shall not be obliged to effect any Benchmark Amendment if in the reasonable opinion of the relevant Agent doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the relevant Agent in these Conditions and/or the Agency Agreement in any way.

In no event shall the Calculation Agent be responsible for determining any Successor Rate, Alternative Rate, Adjustment Spread, Benchmark Amendments or Benchmark Event. The Calculation Agent will be entitled to conclusively rely on any determinations made by the Issuer or the Independent Adviser and will have no liability for such actions taken at the direction of the Issuer or the Independent Adviser.

Notwithstanding any other provisions of this Condition 3(d), if in the Calculation Agent's reasonable opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this condition 3(d), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determinations for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

(v) *Notices*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 3(d), or as applicable, any determination by the Issuer that no Successor Rate, Alternative Rate or Adjustment Spread will be adopted and that no amendments to the Terms and Conditions of any series of Notes to effect any Benchmark Amendments shall be made and that the fallbacks provided under Condition 3(d)(iv) above shall apply, will be notified promptly (but in any event no later than 2 Business Days prior to the relevant Interest Determination Date or Reset Determination Date) by the Issuer to the Calculation Agent, the Agent and each Paying Agent and, in accordance with Condition 12 (*Notices*), the Noteholders, Receiptholders or Couponholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(vi) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Conditions 3(d)(i) (*Independent Adviser*) to 3(d)(iv) (*Benchmark Amendments*), the Original Reference Rate and the fallback provisions provided for in Condition 3(b)(ii) (*Interest on Reset Notes – Fallbacks*) and Condition 3(c)(ii)(B) (*Screen Rate Determination for Floating Rate Notes*) will continue to apply unless and until a Benchmark Event has occurred.

(vii) *Definitions*

For the purposes of this Condition 3(d):

"**Adjustment Spread**" means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders, Receiptholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(b) the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner), is recognised or acknowledged as being the industry standard for international debt capital market transactions or over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged); or

(c) the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) in accordance with Condition 3(d)(ii) (*Successor Rate or Alternative Rate*) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes;

"**Benchmark Amendments**" has the meaning given to it in Condition 3(d)(iv) (*Benchmark Amendments*);

"**Benchmark Event**" means:

(a) the Original Reference Rate ceasing be published for a period of at least 5 Business Days or ceasing to exist; or

(b) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(c) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or

(d) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months; or

(e) it has become unlawful for the Agent, any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder, Receiptholder or Couponholder using the Original Reference Rate;

provided that in the case of sub-paragraphs (b), (c) and (d) above, the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 3(d)(i) (*Independent Adviser*);

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

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

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

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

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

(e) Exempt Notes

In the case of Exempt Notes which are also Floating Rate Notes where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than EURIBOR, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Pricing Supplement.

In the case of Exempt Notes which are not also Fixed Rate Notes or Floating Rate, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement.

Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(f) 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 date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

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

(ii) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12 (*Notices*).

4. Payments

(a) Method of payment

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively); and

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

(b) Payments Subject to Fiscal and Other Laws

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 6 (*Taxation*), and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 6 (*Taxation*)) any law implementing an intergovernmental approach thereto.

(c) Presentation of definitive Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 4(a) 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 and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below) and save as provided in Condition 4(e) 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 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

Upon the date on which any Floating Rate Note 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.

(d) 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, where applicable, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg as applicable.

(e) Specific provisions in relation to payments in respect of certain types of Exempt Notes

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 4(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 4(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

(f) General provisions applicable to payments

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

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

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

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

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

(g) Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 7 (*Prescription*)) is:

(i) 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):

(A) in the relevant place of presentation, in the case of Notes in definitive form only; and

(B) in each Additional Financial Centre specified in the Form of Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(h) Interpretation of principal and interest

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

(i) any additional amounts which may be payable with respect to principal under Condition 6 (*Taxation*);

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

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

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

(vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5(g) (*Early Redemption Amounts*); and

(vii) 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 (*Taxation*).

5. Redemption and Purchase

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer (i) at least *at par* in case of Fixed Rate Notes, Reset Notes, Floating Rate Notes and Zero Coupon Notes, as specified in the Form of Final Terms in the relevant Specified Currency and on the Maturity Date specified in the Form of Final Terms (ii) in the case of Exempt Notes, at its Final Redemption Amount specified in the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date specified in the Applicable Pricing Supplement.

(b) Redemption for tax reasons

Subject to Condition 5(f) below, Notes may be redeemed at the option of the Issuer (subject to, in the case of Subordinated Notes, the provisions of Condition 5(i) below and, in the case of Senior Notes and Non-Preferred Senior Notes, to the provisions of Condition 5(j) below) in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the Form of Final Terms to the Agent and, in accordance with Condition 12 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

(i) on the occasion of the next payment due under the Notes (in the case of Subordinated Notes, in respect of payments of interest only), the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) and, in making payment itself, would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 6 (*Taxation*)) or any political subdivision of, or any authority in, or of, a Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, provided that in the case of Subordinated Notes the Issuer demonstrates to the satisfaction of the relevant Competent Authority that such change or amendment is material and was not reasonably foreseeable by BMPS as at the date of the issue of the relevant Subordinated 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 Agent to make available at its specified office for inspection or collection by, or delivery via email to, the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (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 such change or amendment.

The Agent is not responsible, nor shall it incur any liability, for monitoring or ascertaining as to whether any certifications and/or opinions required by this Condition 5(b) is provided, nor shall it be required to review, check or analyse any certifications and/or opinions produced nor shall it be responsible for the contents of any such certifications and/or opinions or incur any liability in the event the content of such certification is inaccurate or incorrect.

Each Note redeemed pursuant to this Condition 5(b) will be redeemed at its Early Redemption Amount referred to in Condition 5(f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in in the Form of Final Terms, the Issuer may (subject to, in the case Subordinated Notes, the provisions of Condition 5(i) below and, in the cases of Senior Notes and Non-Preferred Senior Notes, the provisions of Condition 5(j) below), having given not less than the minimum period nor more than the maximum period of notice specified in the Form of Final Terms to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the Form of 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 Form of Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will, subject to compliance with applicable law, (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected 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 definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 (*Notices*) not less than 15 days prior to the date fixed for redemption.

(d) Redemption for Regulatory Reasons

In respect of any Series of Subordinated Notes, if Regulatory Call is specified in the Form of Final Terms, upon occurrence of a Capital Event, the Issuer may (subject to the provisions of Condition 5(i) below), on any Interest Payment Date (if this Note is a Floating Rate Note), or at any time (if this Note is not a Floating Rate Note), on giving not less than 15 nor more than 30 days' notice to the Agent and in accordance with Condition 12 (*Notices*) irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all (but not some only) of the Notes then outstanding at any time at their Early Redemption Amount referred to in Condition 5(f) below together (if appropriate) with interest accrued to (but excluding) the date fixed for redemption.

For the purpose of these Conditions:

a "**Capital Event**" is deemed to have occurred if, as a result of any change in the regulatory classification of the Notes under the Regulatory Capital Requirements, the Notes are (or would be) excluded (in whole or in part) from the Tier 2 Capital of the Issuer and/or the Group and, in respect of any redemption of Subordinated Notes proposed to be made prior to the fifth anniversary of the Issue Date, both of the following conditions are met: (i) the Issuer demonstrates to the satisfaction of the relevant Competent Authority that the change in the regulatory classification of the Subordinated Notes was not reasonably foreseeable by the Issuer as at the Issue Date of the Notes and (ii) the Competent Authority considers such a change to be reasonably certain;

"**Competent Authority**" means the Bank of Italy and/or, to the extent applicable in any relevant situation, the European Central Bank or any successor or replacement entity to either, or other authority or authorities having primary responsibility for the prudential oversight and supervision of the Issuer at the relevant time; and

"**Tier 2 Capital**" has the meaning given to it by the Regulatory Capital Requirements from time to time.

(e) Issuer Call due to MREL Disqualification Event

In respect of any Series of Senior Notes or Non-Preferred Senior Notes where Issuer Call due to MREL Disqualification Event is specified as being applicable in the Form of Final Terms, then the Issuer may (subject to the provisions of Condition 5(j) below) on any Interest Payment Date (if this Note is a Floating Rate Note), or at any time (if this Note is not a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the Form of Final Terms to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable), redeem all (but not some only) of the Notes then outstanding at any time at their Early Redemption Amount as described in Condition 5(f) below (if appropriate) with interest accrued to (but excluding) the date fixed for redemption, if the Issuer determines that a MREL Disqualification Event has occurred and is continuing.

As used in these Conditions:

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

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

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

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

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

"**CRR**" means Regulation (EU) No. 2013/575 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 (including by CRR II);

"**CRR II**" means Regulation (EU) 2019/876 of the of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2022, as amended or replaced from time to time;

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

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

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

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

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

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

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

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

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

"**SRM II Regulation**" means Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institution capacity of credit institutions and investment firms.

(f) Clean-up redemption at the option of the Issuer

If Clean-Up Redemption Option is specified as being applicable in the Form of Final Terms, and if 75 per cent. or any higher percentage specified in the relevant Form of Final Terms (the "**Clean-Up Percentage**") of the initial aggregate nominal amount of the Notes of the same Series (which, for the avoidance of doubt, includes any additional Notes issued subsequently and forming a single series with the first Tranche of a particular Series of Notes) have been redeemed or purchased by, or on behalf of, the Issuer and cancelled, then the Issuer may at any time, at its option, and having given to the Agent and the Noteholders not less than 5 nor more than 30 calendar days' notice (the "**Clean-Up Redemption Notice**"), in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem such outstanding Notes, in whole but not in part, at their clean-up redemption amount ("**Clean-Up Redemption Amount**") together, if appropriate, with accrued interest to (but excluding) the date of redemption, on the date fixed for redemption identified in the Clean-Up Redemption Notice.

(g) Early Redemption Amounts

For the purpose of Conditions 5(b), (d) and (e) above and Condition 8 (*Events of Default*):

(i) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(ii) each Zero Coupon Note will be redeemed at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

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

where:

"**RP**" equals the Reference Price;

"**AY**" equals the Accrual Yield; and

"**y**" is the Day Count Fraction specified in the Form of Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption of (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

(h) Purchases

Subject to Condition 5(j) below in respect of Senior Notes and Non-Preferred Senior Notes and Condition 5(i) below in respect of Subordinated Notes, the Issuer or any Subsidiary (as defined below) of the Issuer may purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent for cancellation. References in the Conditions to the purchase of Notes shall not include the purchase of Notes by the Issuer or any of their Subsidiaries in the ordinary course of business of dealing in securities, as nominee or as a bona fide investment.

"**Subsidiary**" means any entity which is a subsidiary within the meaning of Section 1159 of the Companies Act 2006.

(i) Conditions to Early Redemption and Purchase of Subordinated Notes

Any redemption or purchase of Subordinated Notes in accordance with Conditions 5(b), (c), (d), (f) or (h) above or Condition 13 (*Meetings of Noteholders, Modification, Waiver*) (including, for the avoidance of doubt, any modification or variation in accordance with Condition 13) is subject to:

(i) the Issuer giving notice to the Competent Authority and the Competent Authority granting permission to redeem or purchase the relevant Subordinated Notes (in each case to the extent, and in the manner, required by the Regulatory Capital Requirements (as defined in Condition 5(e) above, including Articles 77(b) and 78 of CRR); and

(ii) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the Regulatory Capital Requirements for the time being.

(j) Conditions to Redemption and Purchase of Senior Notes and Non-Preferred Senior Notes

Any redemption or purchase of Senior Notes and Non-Preferred Senior Notes in accordance with Conditions 5(b), (c), (e), (f) or (h) above or Condition 13 (*Meetings of Noteholders, Modification, Waiver*) (including, for the avoidance of doubt, any modification or variation in accordance with Condition 13 (*Meetings of Noteholders, Modification, Waiver*)) is subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the MREL Requirements at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes or Non-Preferred Senior Notes at such time as eligible liabilities available to meet the MREL Requirements) and, including, as relevant, the condition that the Issuer has obtained the prior permission of the Relevant Resolution Authority in accordance with Article 78a of the CRR.

(k) Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph 5(h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(l) Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 5(a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 8 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 5(g)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

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

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero

Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12 (*Notices*).

6. Taxation

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

(a) with respect to any Notes, Receipts or Coupons for or on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1 April 1996 and in all circumstances in which the procedures set forth in Legislative Decree No. 239 have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents;

(b) with respect to any Note, Receipt or Coupon presented for payment:

   (i) in the jurisdiction of incorporation of the Issuer; or

   (ii) by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

   (iii) 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 of non-residence or other similar claim for exemption to the relevant taxing authority; or

   (iv) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 4(g) (*Payment Day*)); or

(c) in respect of any Note where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983.

As used herein:

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

(ii) "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 12 (*Notices*).

7. Prescription

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 6 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 4(b) (*Payments Subject to Fiscal and Other Laws*) or any Talon which would be void pursuant to Condition 4(b) (*Payments Subject to Fiscal and Other Laws*).

8. Events of Default

(a) Events of Default relating to Senior Notes and Non-Preferred Senior Notes

This Condition 8(a) applies only to Senior Notes and Non-Preferred Senior Notes.

If any one or more of the following events (each an "**Event of Default**") shall occur with respect to any Senior Note or Non-Preferred Senior Note:

(i) the Issuer shall be liquidated (including becoming subject to "*Liquidazione coatta amministrativa*" as defined in the Italian Consolidated Banking Act (as amended from time to time)); or

(ii) the Issuer shall be insolvent,

then any holder of a Senior Note or Non-Preferred Senior Notes may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Senior Notes or Non-Preferred Senior Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount (as described in Condition 5(g) (*Early Redemption Amounts*)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

(b) Event of Default relating to Subordinated Notes

This Condition 8(b) applies only to Subordinated Notes.

If any one or more of the following Events of Default shall occur with respect to any Subordinated Note:

(i) the Issuer shall be liquidated (including becoming subject to "*Liquidazione coatta amministrativa*" as defined in the Italian Consolidated Banking Act (as amended from time to time)); or

(ii) the Issuer shall be insolvent,

then any holder of a Subordinated Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any such Subordinated Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount (as described in Condition 5(g) (*Early Redemption Amounts*)), 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, Receipts, Coupons and Talons

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

10. Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the Form of Final Terms.

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

(a) there will at all times be an Agent; and

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

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(g) (*Early Redemption Amounts*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 12 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

11. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the 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 (*Prescription*).

12. Notices

All notices regarding the Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London, and (ii) if and for so long as the Notes are admitted to trading on, and listed on, the Official List of the Luxembourg Stock Exchange, in a daily newspaper of general circulation in Luxembourg and/or on the Luxembourg Stock Exchange's website (www.bourse.lu). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or *Tageblatt* in Luxembourg. 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 any other relevant authority) on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

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

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

13. Meetings of Noteholders, Modification, Waiver

The Agency Agreement contains provisions for convening meetings of the Noteholders, including by way of conference call or by use of a videoconference platform, to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than three-quarters in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one half in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

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

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

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

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 12 (*Notices*) as soon as practicable thereafter.

For the avoidance of doubt, any variation of the Conditions and the Agency Agreement to give effect to the Benchmark Amendments in accordance with Condition 3(d) (*Benchmark Discontinuation*) shall not require the consent or approval of Noteholders, Receiptholders or Couponholders, subject (to the extent required) to the Issuer giving any notice required to be given to, and receiving any consent required from, or non-objection from, the Competent Authority.

In addition, with respect to (i) any Series of Senior Notes or Non-Preferred Senior Notes, if at any time a MREL Disqualification Event occurs, and if Variation is specified as being applicable in the Form of Final Terms, or (ii) all Notes, if Variation is specified as being applicable in the Form of Final Terms, in order to ensure the effectiveness and enforceability of Condition 16 (*Statutory Loss Absorption Powers*), then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Competent Authority and/or as appropriate the Relevant Resolution Authority (without any requirement for the consent or approval of the holders of the relevant Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the Agent and the holders of the Notes of that Series (or such other notice periods as may be specified in the Form of Final Terms, at any time vary the terms of such Notes so that they remain or, as appropriate, become, Qualifying Senior Notes, Qualifying Non-Preferred Senior Notes or Qualifying Subordinated Notes, as applicable, provided that such variation does not itself give rise to any right of the Issuer to redeem the varied securities.

In these Conditions:

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

(a) other than in respect of the effectiveness and enforceability of Condition 16 (*Statutory Loss Absorption Powers*), have terms not materially less favourable to a holder of the Non-Preferred Senior Notes (as reasonably determined by the Issuer) than the terms of the Non-Preferred Senior Notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) have a ranking at least equal to that of the Non-Preferred Senior Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Non-Preferred Senior Notes; (D) have the same redemption rights as the Non-Preferred Senior Notes; (E) preserve any existing rights under the Notes to any accrued but unpaid interest in respect of the period from (and including) the Interest Payment Date immediately preceding the date of variation; and (F) in the event the Notes carry a rating immediately prior to such variation, are assigned (or maintain) the same or higher credit ratings as were assigned to the Non-Preferred Senior Notes immediately prior to such variation (save that, for the avoidance of doubt, where any credit rating was, as a result of Condition 16 (*Statutory Loss Absorption Powers*) becoming ineffective and/or unenforceable, amended prior to such variation, reference in this sub-clause (F) shall be to such credit rating prior to such amendment);

(b) are listed on a recognised stock exchange if the Non-Preferred Senior Notes were listed immediately prior to such variation; and

(c) comply with the requirements provided by Article 12-*bis*, paragraph 1 of the Italian Consolidated Banking Act, as amended from time to time.

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

(a) other than in respect of the effectiveness and enforceability of Condition 16 *(Statutory Loss Absorption Powers*), have terms not materially less favourable to a holder of the Senior Notes (as reasonably determined by the Issuer) than the terms of the Senior Notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) have a ranking at least equal to that of the Senior Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Notes; (D) have the same redemption rights as the Senior Notes; (E) preserve any existing rights under the Notes to any accrued but unpaid interest in respect of the period from (and including) the Interest Payment Date immediately preceding the date of variation; and (F) in the event the Notes carry a rating immediately prior to such variation, are assigned (or maintain) the same or higher credit ratings as were assigned to the Senior Notes immediately prior to such variation (save that, for the avoidance of doubt, where any credit rating was, as a result of Condition 16 (*Statutory Loss Absorption Powers*) becoming ineffective and/or unenforceable, amended prior to such variation, reference in this sub-clause (F) shall be to such credit rating prior to such amendment); and

(b) are listed on a recognised stock exchange if the Senior Notes were listed immediately prior to such variation.

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

(a) other than in respect of the effectiveness and enforceability of Condition 16 (*Statutory Loss Absorption Powers*), have terms not materially less favourable to a holder of the Subordinated Notes (as reasonably determined by the Issuer) than the terms of the Subordinated Notes, and they shall also (A) comply with the then-current requirements of the Regulatory Capital Requirements in relation to Tier 2 capital, (B) have a ranking at least equal to that of the Subordinated Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Subordinated Notes; (D) have the same redemption rights as the Subordinated Notes; (E) preserve any existing rights under the Notes to any accrued but unpaid interest in respect of the period from (and including) the Interest Payment Date immediately preceding the date of variation; and (F) in the event the Notes carry a rating immediately prior to such variation, are assigned (or maintain) the same or higher credit ratings as were assigned to the Subordinated Notes immediately prior to such variation (save that, for the avoidance of doubt, where any credit rating was, as a result of Condition 16 (*Statutory Loss Absorption Powers*) becoming ineffective and/or unenforceable, amended prior to such variation, reference in this sub-clause (F) shall be to such credit rating prior to such amendment); and

(b) are listed on a recognised stock exchange if the Subordinated Notes were listed immediately prior to such variation.

For avoidance of doubt, any modification or variation pursuant to this Condition 13 is subject to the provisions of Condition 5(i) (*Conditions to Early Redemption and Purchase of Subordinated Notes*) (in respect of Subordinated Notes) and Condition 5(j) (*Conditions to Redemption and Purchase of Senior Notes and Non-Preferred Senior Notes*) (in respect of Senior Notes and Non-Preferred Senior Notes).

14. Further Issues

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

15. Governing Law and Submission to Jurisdiction

(a) Governing law

The Agency Agreement, the Terms and Conditions of the Notes, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with any of the above shall be governed by, and construed in accordance with, Italian law.

(b) Submission to jurisdiction

(i) Subject to Condition 15(b)(iii) below, the courts of Milan are to have jurisdiction to settle any dispute arising out of or in connection with the Notes, the Receipts and/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, the Receipts and/or the Coupons (a "**Dispute**") and accordingly the Issuer and any Noteholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(ii) For the purposes of this Condition 15(b) the Issuer hereby irrevocably waives any objection to the courts of Milan on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(iii) To the extent allowed by law, the Noteholders, the Receiptholders 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.

(c) Other documents

The Issuer has in the Agency Agreement submitted to the jurisdiction of the courts of Milan.

16. Statutory Loss Absorption Powers

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

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

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

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Loss Absorption Power to the Notes.

Use of proceeds

The net proceeds from each issue of Notes will be applied by the Issuer, as indicated in the applicable Final Terms or Pricing Supplement relating to the relevant Tranche of Notes, either:

(a) for its general corporate purposes, which include making a profit, and for general capital requirements; or.

(b) to finance or refinance, in whole or in part, Green Projects, Social Projects or Sustainability Projects (each as defined below).

According to the definition criteria set out by the International Capital Market Association ("**ICMA**") Green Bond Principles ("**GBP**"), only Tranches of Notes financing or refinancing Green Projects (mentioned at ((b)) above) will be denominated Green Bonds.

According to the definition criteria set out by ICMA Social Bond Principles ("**SBP**"), only Tranches of Notes financing or refinancing Social Projects (mentioned at paragraph ((b)) above) will be denominated Social Bonds.

According to the definition criteria set out by ICMA Sustainability Bond Guidelines ("**SBG**"), only Tranches of Notes financing or refinancing Sustainability Projects (mentioned at paragraph ((b)) above) will be denominated Sustainability Bonds.

In relation to any Green Projects, Social Projects or Sustainability Projects the Issuer will make available under the investor relations section on its website (www.gruppomps.it/en) (i) a sustainability framework (the "**Sustainability Bond Framework**"), as amended and supplemented from time to time, which will set out the categories of Green Projects, Social Projects or Sustainable Projects identified by the Issuer and (ii) a second party opinion assessing the alignment of the Sustainability Bond Framework with the GBP, SBP and/or SBG (the "**Second Party Opinion**").

For the avoidance of doubt, any such Sustainability Bond Framework or Second Party Opinion (once adopted) is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus.

Definitions:

"**Green Projects**" will be defined in accordance with the the broad categorisation of eligibility for Green Projects as set out in the GBP or as from time to time otherwise specified in the applicable Final Terms.

"**Social Projects**" will be defined in accordance with the the broad categorisation of eligibility for Social Projects as set out in the SBP or as from time to time otherwise specified in the applicable Final Terms.

"**Sustainability Projects**" will be defined as a combination of both Green Projects and Social Projects as set out in the SBG or as from time to time otherwise specified in the applicable Final Terms.

Banca Monte dei Paschi di Siena S.p.A.

1. General

BMPS was incorporated on 14 August 1995 as a joint stock company (*Società per Azioni*) under Italian legislation. On 23 August 1995, BMPS was registered with the Bank of Italy's Register (No. 5274) and with the Companies Register (No. 00884060526). BMPS has its registered office in Piazza Salimbeni 3, 53100, Siena, Italy (telephone number: +39 0577 294 111). BMPS' duration is currently limited to 31 December 2100 though this may be extended by shareholders' resolution. The LEI code of BMPS is J4CP7MHCXR8DAQMKIL78. BMPS' website is https://www.gruppomps.it/en/.

BMPS's corporate purpose, as set out under article 3 of its by-laws, is as follows: "*The purpose of BMPS is to collect and maintain savings and issue loans and credit, in various forms in Italy and abroad, including any related activity permitted to lending institutions by current regulations. BMPS can carry out, in accordance with the laws and regulations in force, all permitted banking and financial activities and any other transaction which is instrumental, or in any case linked, to the achievement of the company's purpose*".

BMPS is the parent company of an Italian banking group operating throughout the Republic of Italy. BMPS Group offers a wide range of financial services and products to private individuals and corporations. The products and services include ordinary and specialised deposit-taking and lending including leasing and factoring; payment services (home banking, cash management, credit or debit cards and treasury services for public entities); and asset management (through joint venture), brokerage services and corporate finance (project finance, merchant banking, financial consulting).

Pursuant to article 2497 and subsequent articles of the Italian Civil Code, the role of the parent company is carried out by BMPS which directs and coordinates the activities of its subsidiaries, including companies that, under current regulations, do not belong to the BMPS Group. BMPS has been a member of FTSE Italia Mid Cap since June 2018 with a share capital of Euro 7,453,450,788.44 as at the date of this Base Prospectus. On June 1999, BMPS was listed on the Italian stock exchange. As at the date of this Base Prospectus, the Ministry of Economy and Finance is BMPS's majority shareholder.

2. History

BMPS, which is believed to be the oldest bank in the world, has been in continuous operation since 1472, when the General Council of the Republic of Siena approved its original charter. The Bank, then known as "Monte di Pietà", was originally established by the Republic of Siena for the purpose of providing a controlled source of lending for the local community and to fight usury. In 1624, the Bank changed its name to "Monte dei Paschi di Siena" after the paschi, the grazing fields owned by the Grand Duchy of Tuscany, which generated income that was pledged to support the Bank's capital. Following the unification of the Republic of Italy, the Bank extended its activities beyond the immediate outskirts of Siena. However, significant expansion of the Bank's activities occurred only after World War I, both geographically (with the opening of approximately 100 additional branches) and in terms of activities undertaken (with the commencement of various tax collection activities on behalf of national and regional governments). In 1936, the Bank was declared a public credit institution (*Istituto di Credito di Diritto Pubblico*) organised under a new charter, which, although modified during this period, remained in force until 1995.

In 1995, the Bank was reorganised in accordance with Law No. 218 of 30 July 1990 (the "**Amato Law**") and was incorporated as a *Società per Azioni* or joint stock company owned by Monte dei Paschi di Siena — Istituto di Diritto Pubblico (the "**Foundation**").

3. Events

3.1 Major Events

a) *Precautionary Recapitalisation*

On 28 July 2017, the MEF, through a ministerial decree (the "**Burden Sharing Decree**"), ordered the application of the burden sharing measures set out by article 22, subsections 2 and 4 of Decree 237, and the strengthening of the Bank's capital for an amount equal to Euro 4,472,909,844.60 with issuance of 517,099,404 ordinary shares assigned to the holders of certain subordinated notes and other subordinated liabilities (the "**Burden Sharing Notes**"), which were converted into shares at the unitary price of Euro 8.65.

On the same date, another ministerial decree (the "**Recapitalisation Decree**") provided for the Bank's Capital Increase for an amount equal to Euro 3,854,215,456.30, to serve the subscription of 593,869,870 shares by the MEF executed on 3 August 2017 at the unitary price of Euro 6.49. On 11August 2017, the capital increase transaction for a combined total of Euro 8,327 million was finalized.

In addition to the above, the Bank also carried out a Public Offering for Exchange and Settlement pursuant to Decree 237 and providing for the purchase by the Bank, in the name and on behalf of the MEF, of the new shares assigned to former holders of Burden Sharing Notes pursuant to the Burden Sharing Decree. Following the completion of this transaction, the MEF's ownership share of MPS increased from 52.184% to 68.247%.

b) *2017-2021 Restructuring Plan*

On 26 June 2017, the board of directors approved the Restructuring Plan, prepared according to the European legislation on State aid applicable to banks' capital reinforcement measures in the context of the financial crisis.

The Restructuring Plan which set out the assumptions for the Precautionary Recapitalisation and Capital Enhancement, together with the relevant implementing measures, was notified to the European Commission, which in July 2017 issued a positive decision on the compatibility of the intervention with the EU legislative framework.

The Restructuring Plan furthermore listed a number of commitments made by the Italian State to DG Comp – as required by European legislation – with regard to several aspects of the Restructuring Plan, among which:

- cost reduction: annual constraints in terms of number of branches, employees, cost/income and total operating costs, additional cuts up to a maximum of Euro 100 million in case the operating result targets (gross of LLPs) were not met;

- disposals of non-strategic assets: disposal of foreign subsidiaries, disposal of a list of company stakes over the Restructuring Plan's horizon, provided that the disposal price resulted in a capital neutral impact, and disposal of part of the Bank's real-estate property;

- contingency risk: in addition to the mentioned bulk deconsolidation of the most of the bank's bad loan portfolio, strengthened risk control, limitations on trading activity in terms of value at risk and of the nature of the traded instruments;

- prohibition to carry out transactions in connection with the acquisition of companies; and

- a remuneration cap equal to 10 times the average salary of BMPS employees.

A monitoring trustee, appointed by the Bank with the approval of DG Comp, was entrusted to verify the compliance with these Commitments on a quarterly basis.

c) *Partial, non-proportional demerger with asymmetric option from BMPS in favour of AMCO*

On 29 June 2020, the Board of Directors of BMPS and the Board of Directors of AMCO, a wholly-owned subsidiary of the MEF, approved the project related to the Demerger Transaction and relating to a compendium of NPEs, DTAs, other assets, financial debts, other liabilities and net equity, subject to certain conditions, first of all the positive scrutiny by the ECB. On 25 November 2020 the deed for the partial non-proportional demerger from BMPS in favour of AMCO with the granting of an asymmetric option to BMPS' shareholders, other than the MEF, was executed following the assessment, by the Board of Directors of BMPS, on the fulfilment of the conditions precedent which such demerger is subject to, including – in particular – the enrolment with the Companies' Register of Arezzo-Siena of the deed for the partial demerger of MPS Capital Services in favour of the Bank which was executed on 19 November 2020, enrolled with such Companies' Register on 20 November 2020 and was effective as of 26 November 2020. The Demerger Transaction was effective (towards third parties) as of 1 December 2020. At the end of the exchange transactions, the MEF owned 64.23% of BMPS share capital, while BMPS directly and indirectly held 3.62% of its own shares. For more information in this respect, reference is made to the 2020 Consolidated Financial Statements. On 4 October 2021, BMPS concluded the sale of 36,280,748 own shares (equal to approximately 3.62% of the share capital of BMPS), which had been initiated on 22 February 2021.

d) *2021-2025 Group Strategic Plan*

On 17 December 2020, the Board of Directors of BMPS approved the 2021-2025 strategic plan, which has been prepared taking into account, *inter alia*, the Commitments assumed by the Italian Government in 2017 pursuant to the Restructuring Plan and the Prime Minister's Decree dated 16 October 2020 relating to the disposal of the investment held by the MEF in the share capital of BMPS to be carried out through the market and also through operations aimed at consolidating the banking system. For more information in this respect, reference is made to paragraph "*2021-2025 Group Strategic Plan*" of the section "*Consolidated Report on Operations*" of the 2020 Consolidated Financial Statements that is incorporated by reference to this Base Prospectus.

e) *2022-2026 Business Plan*

On 22 June 2022, the Board of Directors of BMPS approved the Business Plan 2022-2026. Through this plan, BMPS intends to strengthen its role as leading commercial bank in Italy with a clear and simple business model. The Business Plan 2022-2026 is centered around the following pillars: 1) achieve business model sustainability; 2) build a solid and resilient balance sheet; 3) tackle the legacy issues.

For more information with respect to the contents of the Business Plan 2022-2026, reference is made to the Business Plan 2022-2026 – Press Release and the Business Plan 2022-2026 Presentation, which are both incorporated by reference into this Base Prospectus.

f) *Transactions for the assignment of non-performing loans*

On 4 August 2022, BMPS, MPS Capital Services and MPS Leasing & Factoring S.p.A. entered into three agreements for the disposal of a NPL portfolio for more than Euro 0.9 billion as a further step in the implementation of the 2022-2026 Business Plan.

3.2 Recent developments

a) *Completion of the share capital increase of Euro 2.5 billion with the full subscription of the new shares*

On 4 November 2022, BMPS announced that the capital increase, concerning no. 1,249,665,648 newly issued BMPS ordinary shares, is fully subscribed for the total amount of Euro 2,499,331,296. BMPS's new share capital is therefore equal to Euro 7,453,450,788.44, divided into no. 1,259,689,706 ordinary shares with no indication of par value. On 15 November 2022, the relevant statement pursuant to Article 2444 of the Italian Civil Code will be filed with the Company Register of Arezzo-Siena in accordance with applicable law.

For more information please refer to the Capital Increase - Press Release incorporated by reference into this Base Prospectus.

b) *Merger by incorporation of Consorzio Operativo Gruppo Montepaschi S.c.p.a. into BMPS*

On 2 December 2022, it was announced that, in execution of the resolutions passed on 10 November 2022, respectively by the Board of Directors of BMPS and the Extraordinary Shareholders' Meeting of Consorzio Operativo di Gruppo (hereinafter the "**COG**", a company wholly-owned by BMPS), BMPS and COG have entered into the merger deed relating to the merger by incorporation of COG into BMPS. The Merger is effective as of 5 December 2022, and as of 1 January 2022 with respect to the accounting and tax effects.

3.3 SREP Decisions

The Issuer, to the extent it exercises the banking activity and provides investment services, is subject to complex regulation and to the specific supervision of, among others, the ECB and the Bank of Italy, each for the relevant aspects of competence. In exercising supervisory powers, the ECB and the Bank of Italy subject the Issuer, on a periodic basis, to various investigation and/or verification activities, both ordinary and extraordinary, for the purpose of fulfilling prudential supervision duties.

In particular, the ECB carries out the SREP at least once a year to verify that credit institutions have adequate capital and organisational control measures compared against the risks they take, ensuring effective risk management. Specifically, the SREP process is based on the following four pillars: (i) assessment of feasibility and sustainability of the business model; (ii) assessment of the adequacy of governance and risk management; (iii) assessment of capital risks; and (iv) assessment of liquidity risks. At the end of the annual SREP process, the supervisory authority expresses a decision (the "**SREP Decision**") on quantitative capital and/or liquidity requirements together with any other organisational and control recommendations that credit institutions are required to comply with.

3.3.1 2021 SREP Decision

On 3 February 2022, the Bank has announced that it has received the ECB's final decision regarding own funds requirements to be met starting from 1 March 2022.

According to this decision, as from 1 March 2022, MPS Group must fulfil a total SREP capital requirement ("**TSCR**") of 10.75% on a consolidated basis, which includes:

- a Pillar 1 minimum requirement ("**P1R**") of 8% (of which 4.50% in terms of CET1); and
- an additional Pillar 2 requirement ("**P2R**") of 2.75% (remaining at the same level required for 2021), of which at least 56.25% must be met in terms of CET1 and at least 75% must be composed of Tier 1.

The overall minimum requirement in terms of total capital ratio is 13.50%, obtained by adding a 2.75% CBR to the TSCR.

The overall minimum requirement in terms of CET1 ratio is 8.80%, the sum of P1R (4.50%), P2R (1.55%) and CBR (2.75%); the overall minimum requirement in terms of Tier 1 is 10.82%, inclusive of P1R of 6%, P2R of 2.06% and CBR of 2.75%.

On the basis of the capital ratios as of 31 December 2020, in the context of the 2021 SREP Decision the ECB confirmed for the Issuer the decision - already in force - to dividend restrictions.

3.3.2 2022 Final SREP Decision

On 27 December 2022 BMPS has announced it has received the 2022 Final SREP Decision of the ECB regarding the capital requirements to be respected starting from 1 January 2023. For 2023 ECB confirms srep capital requirements in line with 2022 and already complied with. Following the successful outcome of the Capital Increase for 2.5 billion Euros, the ECB also removed the ban on the distribution of dividends, replacing it with the obligation for the Bank to obtain prior authorization from the supervisory authority. In 2023 for the MPS Group - at consolidated level - a total SREP capital requirement (TSCR) of 10.75% is envisaged, which includes:

- a minimum requirement of own funds - P1R of 8% (of which 4.50% of CET1); and
- an additional P2R of 2.75%, which is at the same level that was required for 2022, to be held for at least 56.25% in the form of Common Equity Tier 1 - CET1 - and 75% in the form of Tier 1 capital.

The overall minimum requirement in terms of total capital ratio, obtained by adding a CBR of 2.75% to the TSCR, is 13.50%.

The overall minimum requirement in terms of CET 1 ratio is 8.80%, the sum of P1R (4.50%), P2R (1.55%) and CBR (2.75%); the overall minimum requirement in terms of Tier 1 is 10.82%, inclusive of P1R of 6%, P2R of 2.06% and CBR of 2.75%.

The Bank's capital ratios at consolidated level as at 30 September 2022, taking into account the capital increase concluded on 4 November 2022 for approximately Euro 2.5 billion and the related costs, are equal to: 15.7% for Common Equity Tier 1 ratio, 15.7% for the Tier 1 ratio, 19.5% for the Total Capital ratio, calculated by applying the transitional criteria in force for 2022; 14.7% for the Common Equity Tier 1 ratio, 14.7% for the Tier 1 ratio, 18.5% for the Total Capital ratio, calculated by applying the fully loaded criteria.

As regards P2G, it is confirmed at 2.50%, to be met with Common Equity Tier 1.

4. Ratings

On 24 November 2022 Fitch completed its annual review, resulting in the decision to upgrade the Long-Term Issuer Default Rating ("IDR") to "B+" from "B" and the Viability Rating ("VR") to "b+" from "b". The outlook has improved to "stable" from "evolving".

On 15 June 2022 DBRS completed its annual review, resulting in the decision to confirm all BMPS ratings, including the Long-Term Issuer Rating of "B (high)", Long-Term Senior Debt Rating of "B (high)" and Long-Term Deposits Rating of "BB (low)". The trend on all ratings was confirmed stable.

On 17 March 2022 Moody's Investors Service concluded its review for the upgrade confirming BMPS "b3" standalone Baseline Credit Assessment and long-term ratings (including the "B1" long-term bank deposits rating and "Caa1" long-term senior unsecured rating).

Ratings Agencies	Long term rating	Outlook	Short term rating	Outlook	Last updated
Moody's	Caa1	Stable	(P)NP[21]	-	17 March 2022

[21] Pursuant to the rating scale of Moody's Investor Service, "NP" rating refers to issuers rated "Not Prime", *i.e.* that do not fall within any of the "Prime" rating categories. The short-term rating is on the issuance programme and is therefore provisional (P).

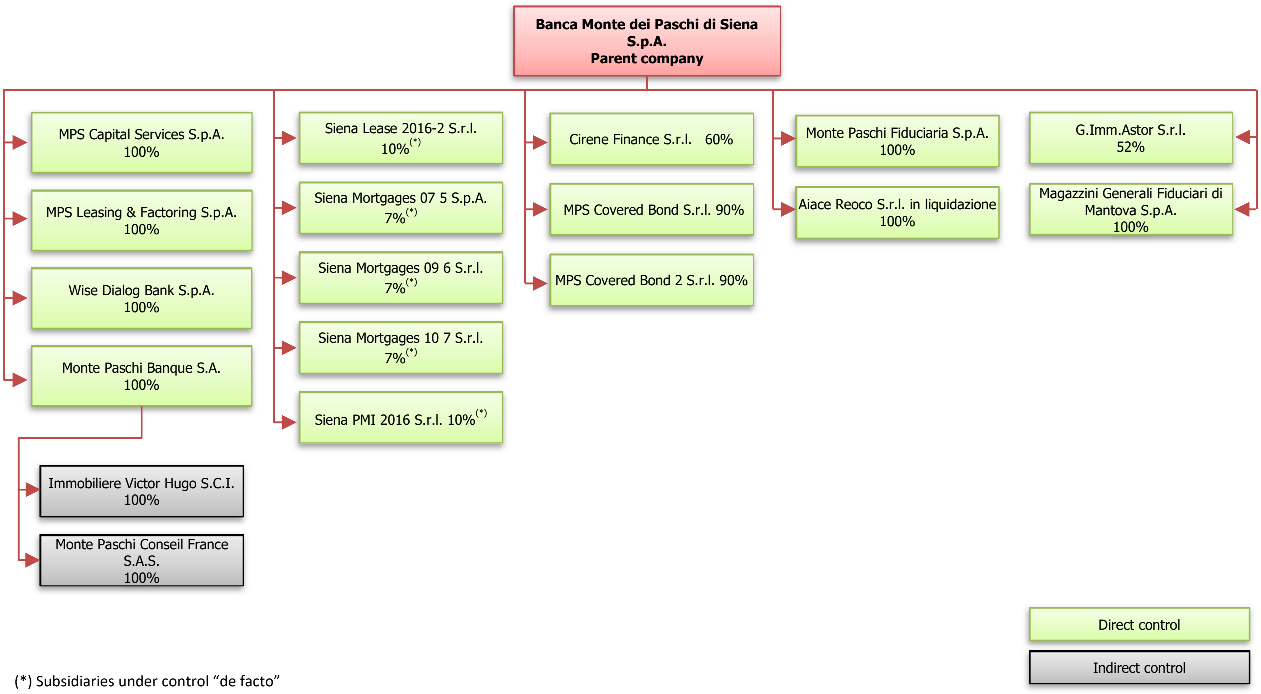
Fitch	B+	Stable	B[22]	-	24 November 2022
DBRS	B (High)	Stable	R-4[23]	Stable	15 June 2022

5. Principal companies of the BMPS Group

BMPS, as the parent company of the BMPS Group, performs the functions of policy, governance and control of the controlled financial companies and subsidiaries in addition to its banking activities.

BMPS, as the bank that exercises the management and coordination activities of the BMPS Group, pursuant to the fourth paragraph of article 61 of the Italian Consolidated Banking Act, issues, in the performance of the activities of management and coordination, instructions to the companies within the Group, including executing the instructions given by the relevant supervisory bodies and in the interest of maintaining the Group's stability.

The list below sets out the main companies of the Banking Group and their percentage ownership as at the date of this Base Prospectus.



6. BMPS Group Profile

As at 30 June 2022, the BMPS Group is an Italian banking institution with approximately more than 3.7 million customers, assets of Euro 131.4 billion (rounded) and significant market shares in all the areas of

22 Pursuant to the rating scale of Fitch Ratings, "B" rating refers to minimal capacity for timely payment of financial commitments, plus heightened vulnerability to adverse changes in financial and economic conditions in the in short term.

23 Pursuant to the rating scale of DBRS, "R-4" rating refers to a short-term security (or to a short-term securities portfolio) with a highly speculative grade whose short-term redemption capacity is uncertain.

business in which it operates.

Based on the agreement reached on 4 August 2022 with the trade unions for the management of about 3,500 voluntary exits as of 1 December 2022, thanks to an early-retirement scheme and the activation of the sector's Solidarity Fund, as of the date of the Base Prospectus BMPS Group counts approximately 17,000 employees due to the exit of more than 4,000 resources.

The Group's main activity is retail banking which involves the provision of banking services for individuals, such as financial and insurance products, financial promotion, wealth management and third entities' securities offers. Other areas of business are: leasing and factoring; consumer lending; corporate finance and investment banking.

Customers are divided by target segments to which an *ad hoc* service model is applied in order to best respond to the specific needs and demands expressed, and are served through an integrated combination of "physical" and "remote" distribution channels.

The Group mainly operates in the Republic of Italy through, as at 9 December 2022, 1,368 branches, 127 specialised centres, 109 Widiba financial advisory offices.

The foreign network includes, as at 30 June 2022, an operational branch in Shanghai, eight representative office boards located in various "target areas" (Central-Eastern Europe, North Africa, India and China) and a bank under foreign law, Monte Paschi Banque S.A., in respect of which the Issuer has already resolved in 2018 to start an orderly winding-down process by setting up a plan in compliance with the provisions set out in Commitment no.14 "Disposal of Participations and business".

Organisational structure

<u>Group overview</u>

The BMPS Group is a financial, credit, insurance, integrated and multi-market entity, characterised by an organisation based on four pillars:

- a central direction and management coordination structure represented by BMPS as parent company of the Group, which also carries out operational activities on behalf of the commercial network;

- a production structure, consisting of the product companies, dedicated to the development of specialist financial instruments to offer the market;

- a distribution structure, consisting of the business units of both BMPS and Banca Widiba, with a network of financial advisors.

The BMPS Group's operations focus on traditional retail and commercial banking services, with activities prevalent in Italy.

The Group is also active through its specialised product companies in business areas such as leasing, factoring, corporate finance and investment banking. The insurance-pension sector is covered by a strategic partnership with AXA while asset management activities are based on the offer of investment products of independent third parties.

The Group combines traditional services offered through the network of branches and specialised centres with an innovative self-service and digital services system enhanced by the skills of the Widiba financial advisor network.

Foreign banking operations are focused on supporting the internationalisation processes of corporate clients in all major foreign financial markets.

BMPS Group is also present in specific non-banking business areas with the aim of directly controlling economic areas of particular interest, such as companies operating in the viticulture sector (MPS Poggio Bonelli) and the agricultural sector (Magazzini Generali).

Intragroup transactions primarily regard the financial support from the Bank as parent company to other companies, outsourcing services relative to the auxiliary activities provided by the Bank as parent company (IT services, administrative services and property administration).

The BMPS Group's organisational structure as at the date of this Base Prospectus is set out below

BMPS as parent company of the Group

Through its Head Office, BMPS performs functions of direction, coordination and control over the Group's companies, as part of the more general guidelines set out by the board of directors and in the interest of the Group's stability.

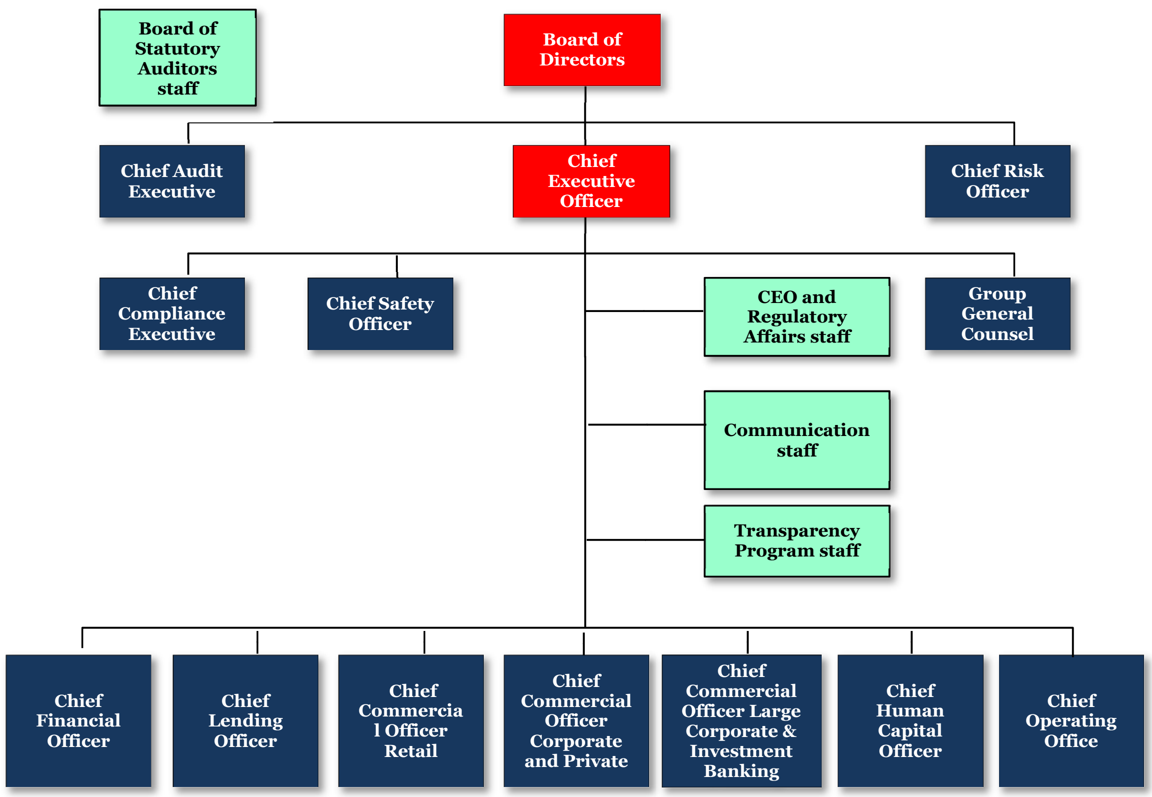
The monitoring and control functions (Chief Audit Executive department and Chief Risk Officer department) report to the Board of Directors, the business, governance and support functions, in addition to the compliance department, are directly supervised by the chief executive officer, strengthening the specialisation of the departments dedicated to the individual business segments.

As at the date of this Base Prospectus, the Bank is divided into the following structures reporting directly to the Chief Executive Officer:

- the Chief Lending Officer department;
- the Chief Commercial Officer Retail department;

- the Chief Commercial Officer Corporate and Private;
- the Chief Commercial Officer Large Corporate & Investment Banking;
- the Chief Safety Officer department;
- the Group General Counsel department;
- the Chief Financial Officer department;
- the Chief Operating Officer department;
- the Chief Human Capital Officer department;
- the Chief Compliance Executive department;
- the Communication staff;
- the CEO and Regulatory Affairs staff; and
- the Transparency Program staff.

The organisational chart of the Bank's head offices as at the date of this Base Prospectus is set out below:



7. Funding

As at the date of this Base Prospectus, the Group employs various sources of funding, on the domestic market and international markets, both from retail customers and qualified/institutional investors.

Retail domestic funding is mainly composed by current accounts and time deposits, while institutional funding is mainly raised through public bond issues executed under dedicated programmes ("Euro 50 billion Debt Issuance Programme" - Euro Medium Term Notes, for senior and/or subordinated notes and "Euro 20 billion Covered Bond Programme", for covered bonds) and repurchase agreements (repo).

As at the date of this Base Prospectus, outstanding issues under the Euro Medium Term Note Programme are equal to a total aggregate notional amount of Euro 4 billion (rounded); outstanding issues under the Covered Bond Programme, placed on the market, are equal to a total aggregate notional amount of Euro 4.3 billion (rounded).

A significant funding source is also represented by ECB's TLTROs III guaranteed by assets pledged by the Bank, within the limits and according to the rules established in the Eurosystem. As at the date of this Base Prospectus, TLTROs III outstanding amount to Euro 19,500 million maturing on on 28 June 2023 for an amount equal to Euro 11,000 million, on 27 September 2023 for an amount equal to Euro 3.000 million, on 27 March 2024 for an amount equal to Euro 2.500 million and on 26 June 2024 for an amount equal to Euro 3.000 million.

8. Competition

The BMPS Group faces significant competition from a large number of banks throughout the Republic of Italy.

A period of consolidation has created larger, more effective and competitive banking groups. Competition in both deposit-taking and lending activities has intensified, contributing to the narrowing of spreads between deposits and loan rates.

In attracting retail deposits and financing retail customers, the Bank primarily competes at the local level with medium-sized local banks, and to a lesser extent, with super-regional banks. The Bank's major competitors in other areas of the Italian banking market are Italian national and super-regional banks, such as UniCredit, Intesa SanPaolo, Banco BPM, BPER and Credit Agricole Italia.

Moreover incumbent fintech operators add competitive pressure in the domestic market in specific business areas (i.e. payment systems and liquidity management services).

9. ECB/Bank of Italy and Consob inspections during the period 2015-2022

9.1 Verification activity on banking transparency

On 7 October 2019, the Bank of Italy started a new inspection with the aim of verifying compliance with the transparency regulations and the fairness of the Bank's relationship with its customers. The audit ended on 21 January 2020. Meanwhile, based on the findings of the verification, the Bank launched an action plan, including refunds to customers, of which the Bank of Italy was informed.

On 12 June 2020, the Bank of Italy presented its findings with an evaluation "predominantly non-compliant" and notified a formal challenge of the sanctioning procedure for violations subject to administrative sanctions under article 145 of the Consolidated Banking Act. At the same time, with a note signed by the governor of the Bank of Italy, it was requested to supplement the remedial plan already started.

On 11 August 2020, the Bank transmitted to the Bank of Italy its observations with regard to the audit report and its response to the decision to initiate the sanctioning procedure. At the same time a new remedial action plan was activated and completed by 31 December 2020. As a result of the remedial actions, the Bank refunded customers for a total amount of Euro 40 million (rounded), of which Euro 4,6 million (rounded) referring to sums made available by means of a notice published in the Official Gazette of the Republic of Italy and in two national newspapers. A follow-up plan of residual activities is currently being carried out.

On 3 May 2021, the Bank was imposed a pecuniary administrative sanction of Euro 2.9 million, pursuant to article 144 of the Italian Consolidated Banking Act.

On 6 July 2021, the Bank of Italy sent a further notice inviting the Bank to provide additions and clarifications regarding (i) the mechanisms adopted to ensure the timely delivery of the European standardised information sheet; (ii) the transfer of payment services; (iii) the remuneration of the credit lines; and (iv) the application of charges in the event of withdrawal from the current account. In September 2021, the Bank provided the expected clarifications.

The new inspection activity that started on 7 October 2019 and ended on 21 January 2020 regarding the transparency matter mentioned above was also conducted with respect to Banca Widiba S.p.A.. Two of the Bank of Italy's findings concerned Banca Widiba which, as the Bank did, launched and completed its own remedial action plan by 31 December 2020.

The sanctioning procedure that involved the Bank did not involve Banca Widiba S.p.A.

9.2 Inspection activity on anti-money laundering

In October 2021, the supervisory division of the Venice branch of the Bank of Italy carried out inspections at three BMPS branches, mainly aimed at investigating the operations of a number of cooperative companies subject to bankruptcy proceedings, which are active in the goods transportation sector.

In August 2022, Bank of Italy communicated the findings of the anti-money laundering desk audit, which revealed some areas of weaknesses that resulted in the dependencies' lack of ability to intercept the overall phenomenon of cash transactions of cooperatives. The aforementioned weaknesses concerned the process of adequate verification and active cooperation, which need the strengthening of safeguards in order to identify, characterize and, consequently, address the objective and subjective elements of anomaly in the operations of cooperatives, referring both to corporate characteristics and modus operandi.

The findings of the Supervisory Authority were duly taken into consideration, and the Bank's response letter, accompanied by the ongoing and planned corrective measures, and the contents of which were approved by the Board of Directors, was sent to the Bank of Italy on 20 December 2022.

9.3 Bank of Italy inspection on advisory activities to customers in relation to investment diamonds

In the context of the same inspection activity initiated on 6 June 2018, it is stated that the supervisory authority also provided the Bank with findings with regard to the reporting of investment diamonds to customers, carried out by the Bank until February 2017. With reference to these findings, it is specified that the Issuer provided timely responses to the supervisory authority within a letter dated 29 March 2019.

9.4 Targeted Review of Internal Models ("TRIM") Investigation Activity

The TRIM is a multi-annual project, launched by the ECB in 2016 and concluded in 2019, aimed at assessing compliance with regulatory requirements of the internal models currently used by banks, as well as their reliability and comparability.

In the period from November 2017 to April 2018, the ECB conducted an on-site investigation of the credit risk models ("**TRIM 2939**"), covering the Probability of Default ("**PD**") and Loss given Default ("**LGD**") parameters of the retail portfolio. On 21 November 2019, the ECB sent a final decision containing 21 observations, followed by a remediation plan sent to the ECB on 19 December 2019.

In a letter dated 15 January 2018, the ECB sent feedback to the Bank on the TRIM General Topics self-assessment phase in which seven deviations from the regulatory requirements were identified. On 22 March 2018, the Bank sent a reply setting forth the remedial actions that were subsequently implemented in 2019.

From 21 January 2019 to 29 March 2019, the ECB conducted a Group-wide on-site investigation ("**TRIM 3917**") covering the internal credit risk models of the Bank related to PD, LGD, and Credit Conversion Factor on corporate and other exposures. On 10 May 2021 the ECB sent the Bank its final decision allowing the continued adoption of the internal models implemented to determine capital requirements on the portfolio under investigation. The ECB's final decision also sets out ten observations with their recommendations and obligations to be implemented within certain deadlines. On 31 May 2021, the Bank sent the relevant corrective action plan.

As part of the "Model Change 2021" process, the Group submitted to the ECB a full review of the AIRB models, covering PD, LGD and EAD risk parameters, in which it completed the alignment required by the European Banking Authority by 1 January 2022 with respect to the guidelines on PD assessment, LGD estimation, and treatment of defaulted assets. In the application package submitted for an assessment review on 9 November 2021, all actions to remedy the complaints received on the internal models re-envied by TRIM/IMI have been carried out and have remained pending.

9.5 Inspection activity in relation to the IT Risk (OSI 3832)

From 26 March 2018 to 26 June 2018, the ECB conducted a Group-wide on-site computer risk investigation (the "**IT risk**"). On 15 November 2018, a report was issued identifying 15 complaints with varying degrees of impact mainly relating to IT security areas, the execution by control functions, business continuity, the definition of IT strategies and the organization of development projects. It was found that the Group's IT structure was adequate to support the requirements within the horizon of the Restructuring Plan.

In August 2019, a follow-up letter was sent with recommendations associated with the deficiencies highlighted in the report. In April 2020, the Bank informed the ECB of the timely implementation of the recommended remedial actions. In addition, plans have been made to improve IT security, with particular focus on the management of personal information technology and the management of data classified as confidential. In November 2019, a data protection project was also presented to the Bank's board of directors. The project, which is to be implemented over several years, is divided into four phases: (i) formalization of data privacy rules and accountability, (ii) implementation of software tools to support data protection, (iii) generation of summary reports, and (iv) the introduction of data protection standards on relevant areas of information. The first phase, aimed at updating the internal regulations, has been completed, while the subsequent ones are still ongoing.

9.6 Inspection activity on internal governance (Deep Dive Internal Governance)

During the 2018 and 2019 fiscal years, the ECB conducted a deep-dive investigation of internal governance with a specific focus on the operations of the Bank's board of directors to verify compliance with current legislation and best practices (e.g., EBA guidelines on internal governance). The investigations covered various elements of discussing and organizing the relevant work, including the level of deepening and analysis of the topics discussed, the interaction between the board of directors and the management, the accuracy and effectiveness of the board of directors' preparation process (i.e., the formation of the agenda and the timing for the distribution of documentation). In its follow-up letter, sent by the ECB on 31 August 2020, the Joint Supervisory Team ("**JST**") highlighted the achievement of some areas of improvement compared to what was noted in a thematic review in 2015. Nevertheless, five complaints were reported, mainly relating to the operating processes of the board of directors and the effectiveness of the latter's involvement and supervisory action in the management of the Bank, which confirm what was already stated in the SREP decision in 2019.

The Bank's Board of Directors has analyzed and discussed the contents of this letter, taking a number of measures and behaviors in line with the recommendations made.

9.7 Inspection activity on legal risk (OSI 4125)

In the period from 28 January 2019 to 26 April 2019, the ECB conducted a Group-wide on-site investigation involving legal risk. In November 2019, the ECB sent a report, which included 11 observations on, inter alia, the handling of proceedings, litigation management aspects, and the monitoring of legal risk, the procedures for setting the provisions and the activities carried out by the internal control function.

On 7 May 2020, the ECB sent a follow-up letter setting forth its recommendations. The Bank completed the implementation of the recommendations by 30 June 2021, in line with the timetable provided by the ECB.

9.8 Inspection activity on interest rate risk inspection (OSI 3834)

In the period from 24 June 2019 to 27 September 2019, the ECB conducted a Group-wide on-site investigation of Interest Rate Risk in the Banking Book ("**IRRBB**"). On 12 February 2020, the ECB sent the final version of the report, which included six observations relating to the management processes and rate risk quantification models.

On 21 October 2021, the ECB sent a follow-up letter setting forth its recommendations. On 29 November 2021, the Bank sent the ECB the action plan to address the recommendations made with clear evidence of the activities already in place. A number of initiatives aimed at strengthening the system of internal controls, internal quantification metrics, and the IRRBB risk measurement system remain to be completed by the scheduled deadline on 31 December 2022.

9.9 Inspection activity on liquidity allocation and internal funds' transfer pricing (OSI 4356)

From 23 October 2019 to 29 January 2020, an on-site investigation was conducted on the liquidity allocation and internal transfer rate. On 16 September 2020, the ECB sent its report on the results of the investigation, which included 10 findings, mainly relating to the measurement of liquidity risk, data quality controls and the FTP framework, the latter being the set of methodologies that preside over the calculation of the TIT (i.e., the corporate internal rate at which funds are exchanged between business units and the unit that centrally manages interest rate and liquidity risk (the Centralized Treasury)).

On 16 November 2021, the ECB sent a follow-up letter setting forth its recommendations. On 21 December 2021, the Bank sent the ECB the action plan to address the recommendations made with clear evidence of the activities already in place.

As of 30 September 2022, the remediation program in place to address the ECB's recommendations is completed with the exception of the actions related to the performance monitoring system of the Bank's business units, which envisage the isolation of treasury and ALM operations as standalone activities in order to measure their economic performance. In this regard, the Bank will inform the supervisory authority indicating the new expected deadline for the full implementation of the aforementioned interventions.

9.10 Inspection activities relating to the revision of the internal models on credit risk (Internal Model Investigation IMI 4357 IMI 5258)

During August and October 2019, the ECB conducted two investigations, one off-site ("**IMI 5258**") and one on-site ("**IMI 4357**"), for the approval of an application for the authorization of material changes for credit risk models used for the determination of capital requirements. The investigations were completed in November 2019. On 10 May 2021 the ECB sent the Bank its final decision on the verifications carried out, authorizing the implementation of the requested changes, and indicating twenty-six observations with related recommendations and obligations to be implemented within certain deadlines. On 31 May 2021, the Bank responded by sending a remedial action plan, in which many actions were implemented and submitted for approval to the ECB on 9 November 2021.

In particular, a comment remains open related to the r equest to prepare a backtesting analysis on the LGD parameter with a whole-life logic. These additional analyses consider, for defaulted positions closed in a given period, the comparison between the value of the LGD parameter assigned on the date of transition to default and the value of the loss observed from that date. This investigation will be completed by May 2023.

9.11 Bank of Italy on-site inspection ECAF\IRB systems

On 13 November 2019, the Bank of Italy reported the result "*In Prevalenza Soddisfacente*" of its inspection on "*Utilizzo del sistema IRB di Banca MPS in ambito ECAF*" that was carried out during the period 21-23 May 2019.

9.12 Inspection activity on internal governance and risk management (OSI 4834)

In February 2020, the ECB conducted an on-site investigation as part of the Bank's internal governance and risk management processes.

On 27 October 2021, the ECB sent a follow-up letter setting forth its recommendations related to the compliance and internal audit processes. The remediation action plan was implemented by the first quarter of 2022, in line with the ECB's deadlines.

9.13 Inspection activity relating to the new definition of default "DoD" (Internal Model Investigation IMI 4857)

From November 2020 to January 2021, the ECB conducted an off-site investigation of the credit risk models ("**IMI**"), which aimed to analyze application model change as part of the New Definition of Default ("**NDOD**"). On 22 July 2021 the ECB sent the Bank its decision on the investigation carried out, authorizing the implementation of the changes in the NDOD aspects, and indicating 18 findings with related recommendations and obligations to be implemented within certain deadlines. On 20 August 2021, the Bank responded by sending a plan of remedial actions in respect of the reported securities. All "Advanced Internal Rating Based" ("**AIRB**") findings were resolved with the submission of the Model Change 2021 instance to the regulator in the fourth quarter of 2021. All findings have been resolved, except for findings 10 and 18 related to the issue of "Data Quality", which expired on 31 December 2022, and finding 8 "Extension New Pef to MspLF and Widiba", which expired on 30 June 2022 and was rescheduled in line with the objectives and timing of the Business Plan 2022-2026. With respect to this finding, the Business Plan 2022-2026 provides for the integration of product companies into the Bank, whose IT systems already meet NDOD requirements. The Bank communicated this change to the remediation plan to the ECB in the first week of October 2022.

9.14 Operational Act on Liquidity Risk Control and ILAAP

On August 30, 2021, the JST, as part of its investigation of the adequacy of liquidity management processes for the purposes of determining the scope of the 2021 SREP Decision, communicated to the Bank two recommendations, one of which refers to the updating of the document installation, while the other is a request for information on the state of progress of remedial actions following an anomaly already reported by the internal validation function. Both recommendations were addressed within the specified deadlines.

9.15 Investigation of the Management of the Credit Portfolio during the Pandemic

By letter dated 4 December 2020, the ECB provided all banks with a guidance on the identification and measurement of credit risk in the context of the COVID-19 pandemic. In the course of 2021, ECB investigations to verify the Bank's operational capacity in credit management during the pandemic continued. With respect to this, a "Horizontal Targeted Review" was also conducted on the "Food and Accommodation Service" sector. The Bank subsequently informed the supervision of initiatives specifically dedicated to the supervision of credit risk during the pandemic

9.16 Internal Model Investigation (IMI-2022-ITMPS-0197502)

In February 2022, the ECB conducted an on-site investigation to approve the application for authorization (submitted by the Bank to the ECB on 9 November 2021) for material changes to the credit risk models. The material changes relate to the adaptation of the AIRB models (PD and LGD) to the new regulatory reference legislation (EBA/GL/2017/16), to the resolution of observations from previous investigations (IMI 2939, TRIM 3917, IMI 4357, IMI 5258 and IMI 4857) and to the roll-out of the EAD parameter. The investigation activities ended on 13 May 2022. On 10 October 2022 the Bank received the final inspection report. The draft decision is therefore expected in the first quarter of 2023 with the descriptions of the obligations that the Bank will have to remedy after sharing with the ECB a remediation plan for each of them.

9.17 Supervisory assessment, implementation plan and ECB Thematic Review on climate and environmental risks

Following publication of the expectations of banking supervision for a robust, effective, transparent and comprehensive approach to climate and environmental risk, the ECB, in its communication of 21 January 2021, requested the Bank to carry out a self-assessment of compliance with the formulated guidelines and to prepare an implementation plan for climate and environmental risk management. The results of the self-assessment were transmitted to the ECB on 26 February 2021 and the implementation plan was subsequently transmitted to the ECB on 26 May 2021. On 30 September 2021 the ECB communicated its assessment, pointing out some weaknesses regarding the self-assessment process and the implementation plan, which will be subject to specific follow-up.

Always in the field of climate and environmental risks, on 13 January 2022, the ECB sent the outcome of the gap analysis conducted on the Bank in the field of disclosure, with a number of recommendations, with respect to which a review of the implementation plan was conducted and a specific design was developed to address the expectations of the risk management framework and disclosure. The project in question, called "ESG Risk Action", was formally launched on 29 June 2022.

On 18 March 2022, following the ECB request, a new self-assessment of expectations on climate and environmental risks was conducted at the opening of the upcoming thematic review, in particular to provide a state of progress with the already reported planning and its possible revisions.

The announced thematic review on climate and environmental risks was conducted by the ECB in the first quarter of 2022 and continued in the second quarter of 2022. In a first feedback report draft, a progress was noted on the various planned interventions, in substantial consistency with the path outlined on the subject, already shared with the ECB, with some points of focus. Pending the final version with the formalization of the observations and deadlines, the draft feedback report highlights deficiencies with respect to which a series of remedial actions are required to be carried out with different deadlines between March 2023 and December 2024. Moreover, in large part these remedial actions are covered by the deliverables our Business Plan 2022-2026.

The remedial action, summarized below, concerns:

(i) Materiality assessment: forward-looking quantitative assessment with a deadline of March 2023;

(ii) Business environment and strategy: strengthening of climate-related and environmental ("**C&E**") risk indicators and necessary related portfolio management strategies with a deadline between March and December 2023;

(iii) Governance and risk appetite: inclusion of C&E risks in compensation practices, involvement of all three lines of control, analysis of IT systems development needs, and development of reporting of C&E risk impacts on the business model with a deadline between March and December 2023;

(iv) Risk management framework: full inclusion in the ICAAP process, expansion of the scope of environmental risks covered and development of mitigation measures by us and our counterparties with a deadline between December 2023 and December 2024;

(v) Credit risk: strengthening of C&E risk assessment at credit policy level and on individual counterparties, assessment of transmission of C&E factors to quantitative metrics, and a credit pricing framework;

(vi) Operational risk: impacts of C&E risks on operations in quantitative measure and related planned business continuity and recovery measures, and C&E related reputational/dispute risk metrics with deadline at December 2023; and

(vii) Stress testing framework: implementation of a comprehensive C&E stress testing framework with deadline at December 2024.

The Bank has, in addition, participated and completed the 2022 stress test exercise on climate risks. The Bank participated among the banks that provided the so-called starting points, that is the relevant credit and market exposures as a starting point for the simulation and for which the actual simulations ("scenario projections") were developed by the ECB. The Bank reported an overall score, over the entire year, of an "orange" level, in line with the average result of the entire sample of banks.

As represented in the ECB communications initiating the Thematic Review as well as the Climate Stress Test, both exercises are not expected to reflect directly quantitative requirements strictly speaking, however, the outcomes, qualitatively, could have indirect relevance on Pillar 2 through the SREP assessments. In the 2022 Final SREP Decision, the ECB highlighted weaknesses in the materiality assessment of this risk, strategy, governance and risk appetite, overall risk management framework, and specific operational risk framework, adding the need to accelerate the implementation of the evolution plan already submitted by the Bank to address these strong weaknesses in a timely manner.

9.18 Credit and Counterparty Credit Risk Investigation Activity (OSI 0198380)

On 19 April 2022, the ECB conducted a credit and counterparty risk investigation with the aim of (i) identifying and quantifying any deterioration effects on surveyed portfolios, (ii) verifying the IFRS 9 provisioning model for the portfolios under consideration, (iii) review the credit classification and provisioning process. The inspection activity has been completed and on the final inspection report was presented to the Bank in the exit meeting held on 20 December 2022. In the course of 2023, the Bank will receive from the ECB the final OSI Letter with the recommendations and the request of remediation for each finding.

9.19 Letter of intervention – ECB's expectations regarding our prospective financials

On 14 January 2022, the ECB gave notice to the Bank of its expectations that the plan would ensure income performance (at least) equal to that of significant Italian institutions and that it would be adequately detailed on the measures envisaged, including through the setting of quarterly targets, the achievement of which will be specifically monitored by the ECB.

With respect to on-site inspections, failure to comply with the implementation of remedial actions within the required timeframe exposes the Bank to the risk of a negative assessment by the ECB, which may incorporate this assessment as part of the broader annual SREP assessment process, including applying specific requirements to achieve the target as necessary. With respect to internal model inspections, failure to comply with findings requirements exposes the Bank to the risk of penalties, limitations or RWA add-on requests.

9.20 Consob inspection on certain profiles of the state of compliance with the new legislation resulting from the transposition of MiFID II

On 3 May 2022, a Consob inspection of BMPS began with the aim of ascertaining the state of compliance with the new regulations consequent to the transposition of MiFID II with regard to the following profiles: (i) the procedural arrangements defined in the field of product governance; (ii) the procedures for assessing the adequacy of transactions carried out on behalf of clients.

10. Legal Proceedings

10.1 Judicial and arbitration proceedings

Save as disclosed in this section, in the course of the 12 months preceding the date of this Base Prospectus there have been no governmental, legal or arbitration proceedings (including pending or threatened proceedings known to BMPS) which may have, or which had in the recent past, significant impact on the Bank's financial condition or profitability.

As at the date of this Base Prospectus there were various legal proceedings pending against the Bank, including civil, criminal and administrative actions.

These proceedings mainly relate to the financial transactions carried out to fund the acquisition of Banca Antonveneta, various financial transactions carried out by the Bank to restructure the "Alexandria" notes and the "Santorini" transaction, previous capital increases carried out by the Bank in 2008 and 2011 and the FRESH 2008 transaction. These events also led to disciplinary procedures being filed by supervisory authorities against the management in office at the time of such events (which, should sanctions be imposed, would imply that the Bank will be held jointly liable with no certainty that the latter will be able to recover any amounts paid as a result of such obligation after the bringing of recourse actions) and certain legal actions brought against the Bank by consumer associations and individual investors who have subscribed for financial instruments in the context of the share issuances carried out by the Bank. This context also includes corporate liability lawsuits brought by the Bank against the Chairman of the Board of Directors and the General Manager in office at the time of events and suits for damages against Nomura and Deutsche Bank in connection with the restructuring of the "Alexandria" notes and the "Santorini" transaction, respectively.

In addition to this litigation, there are also (i) disputes deriving from the Bank's ordinary course of business, and concerning, *inter alia*, claw-back actions, compound interest, placement of bonds issued by Governments and companies that have defaulted, placement of other financial instruments and products, (ii) labour disputes, (iii) tax disputes and (iv) disputes in various manners related to the Burden Sharing, please see paragraph 10.2.4 "*Disputes relating to securities subject to the Burden Sharing*" of section *Banca Monte dei Paschi di Siena S.p.A.* of this Base Prospectus.

On 30 September 2022, the following legal disputes and out-of-court claims were pending:

- legal disputes with a *petitum*, where quantified, of Euro 5.2 billion (rounded). In particular:
    - Euro 2.1 billion (rounded) in claims regarding disputes for which there is a "probable" risk of losing the case;
    - Euro 1.5 billion (rounded) in claims attributable to disputes for which there is a "possible" risk of losing the case;
    - Euro 1.6 billion (rounded) in claims attributable to the remaining disputes, for which there is a "remote" risk of losing the case;
- out-of-court claims totalling, where quantified, Euro 2.3 billion (rounded), almost exclusively related to claims classified at "probable" risk of losing the case.

The overall *petitum* for tax proceedings of the Group is equal to Euro 79.2 million (rounded) while the overall *petitum* relating to the passive labour proceedings is equal to Euro 90.7 million (including the labour proceedings brought by certain employees of Fruendo S.r.l.) almost entirely relating to the Bank.

Allocations to the "provision for risks and charges" have been made for amounts representing the best possible estimate relating to each dispute, quantified with sufficient reasonableness and, in any case, in accordance with the criteria laid down by the Bank's policies.

The components of the overall "provision for risks and charges" include, in addition to the allocations provided for "legal and tax disputes", allocations versus expected losses on estimated disbursements for client complaints.

The estimate of liabilities is based on the information available from time to time and implies in any case, several uncertain factors characterising the different judicial proceedings, and multiple and significant evaluation elements. In particular, it is sometimes not possible to produce a reliable estimate as an example and without limitation in case of proceedings that have not been instituted, in case of possible cross-claims or in the presence of uncertainties in law or in fact such as to make any estimate unreliable.

Accordingly, although the Bank believes that the overall "provision for risks and charges" posted in the Financial Statement should be considered adequate in respect of the liabilities potentially consequent to negative impacts, if any, of the aforementioned disputes, it may occur that the provision, if any, may be insufficient to fully cover the charges, expenses, sanctions and compensation and restitution requests associated with the pending proceedings or that the Group may in the future be called to satisfy compensation and restitution costs and obligations not covered by provisions, with potential negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

For more information in this respect, reference is made to the paragraph "*Main types of legal, employment and tax risks*" of the 2021 Consolidated Financial Statements, paragraph "*Main types of legal, employment and tax risks*" of the 2022 Consolidated Half-Yearly Report and paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Interim Report as at 30 September 2022.

10.2 Disputes related to criminal investigations and legal affairs in 2012 and 2013

Following the aforementioned criminal investigations involving the Bank in 2012 and 2013, several criminal, sanctioning and civil proceedings were instituted by judges, supervisory authorities, the Bank itself, consumer associations and investors.

As at the date of this Base Prospectus, the Issuer and some of its representatives (including the former), are involved in several criminal proceedings and/or, according to the Issuer's knowledge, subject to investigations by the competent authorities for possible profiles of liability related to various criminal offences concerning banking operations, including, for example, those relating to the verification of liability of potential hypothesis of usury offence as referred to in article 644 of the Criminal Code.

Moreover, from time to time, directors, representatives and employees, including former directors, representatives and employees, may be involved in criminal proceedings arising from disputes connected with the performance of their activities at the Bank. The Bank is not entitled to know or communicate details of these proceedings.

As at the date of this Base Prospectus, although such criminal proceedings have not negatively affected the Bank's income statement, balance sheet and/or financial position, there is a risk that, if the Bank and/or the other companies of the Group, or their representatives (including the former), are convicted following a finding of violating provisions that result in criminal liability, such event may have an impact, significant or otherwise, on the reputation of the Bank and/or the Group.

The Bank's position in respect of such proceedings is aligned with the principles of business and managerial discontinuity which influenced the renovation actions undertaken by the management which took over from the previous management in office at the time of the events. These were aimed at identifying the best initiatives for the protection of the Bank, its assets and its image thereof, even through taking direct legal actions against the former top executives.

In particular, following the criminal investigations involving the Bank in 2012 and 2013, several criminal, sanctioning and civil proceedings were instituted by judges, supervisory authorities, consumer associations, investors and the Bank itself. In this regard, it is worth highlighting that the Bank has been involved in two criminal proceedings that are pending before the Courts of Milan (identified as no. 29634/14 and no. 955/16), summarized and described below.

For more information in this respect, reference is made to the paragraph "*Main types of legal, employment and tax risks*" of the 2021 Consolidated Financial Statements, paragraph "*Main types of legal, employment and tax risks*" of the 2022 Consolidated Half-Yearly Report and paragraph "*Main types of legal, employment and tax risks*" of the Consolidated Interim Report as at 30 September 2022).

10.2.1 Criminal investigations and proceedings

(A) "FRESH 2008", "Alexandria", "Santorini", "Chianti Classico" transactions – criminal proceedings before the Courts of Milan (Proceedings no. 29634/14)

With respect to the criminal proceeding related to the structured term repurchase agreements for the "Alexandria" and "Santorini" transactions that the Bank entered into with Nomura International PLC ("**Nomura**") and Deutsche Bank AG and Deutsche Bank AG London Branch, respectively, the criminal acts alleged to have been committed by the persons under investigation are related to the financial statements as of 31 December 2009, 2010, 2011 and 2012 and the financial statements as of 31 March 2012, 30 June 2012 and as of 30 September 2012.

During March 2016, this proceeding was combined with the other criminal proceedings pending before the Court of Milan relating to the "Santorini", "FRESH 2008" and "Chianti Classico" transactions. With its order of 13 May 2016, the Milan Court of the Preliminary Hearing ("**GUP**") admitted the filing and the admissibility of claims made by civil parties against entities already party to the proceedings pursuant to 231 Model.

On 2 July 2016, with the consent of the public prosecutor's office, the Bank submitted a plea agreement in the criminal proceedings before the GUP in response to the prosecutor's charges relating to 231 Model compliance.

Following the acceptance of the plea agreement, the criminal charges against the Bank were dismissed and the Bank was fined a total of Euro 10.6 million without the possibility of further criminal sanctions related to the matter. During the trial, with its order of 6 April 2017, the Court of Milan ruled on the requests for the exclusion of civil parties made by the defendants and civilly liable parties, excluding some of them. Thereby, the Bank was excluded from being deemed a civilly liable party with respect to an assumption of collective responsibility towards the defendants Mr. Mussari, Mr. Vigni, Mr. Pirondini, and Mr. Baldassarri. At the hearings on 23 and 30 May 2019, the civilly liable parties who sued the Bank as a civilly liable party made their claims. The MPS Foundation, which did not sue the Bank as a civilly liable party, did not make any direct claims against the Bank, but instead made requests to the representatives of the Bank as well as to the representatives of Nomura. These claims, following the transaction with the Bank in October 2021, were waived. Like the MPS Foundation, the Bank of Italy, which did sue the Bank as a civilly liable party, requested that the defendants be ordered to pay a sum in an equitable way.

CONSOB, which sued the Bank as a civilly liable party, made a claim for an equitable determination for almost all damage items, except for that relating to the supervisory costs of approximately Euro 0.749 million. Provisional damages are requested in an amount not lower than Euro 0.298 million. The final hearing was held on 8 November 2019. At that time, the Court handed down the operative part of the ruling in the first instance and sentenced all natural person defendants as well as, under 231 Model, the entities Deutsche Bank and Nomura. The opinion was published on 12 May 2020.

As the civil liable party, the Bank was sentenced to pay damages in favor of the civil parties, to be quantified and settled in a separate civil trial. Against the judgment in the first instance, the Bank, as a civilly liable party, jointly and severally sentenced with the defendants, filed an appeal before the Court of Appeal in Milan. During the first hearing before that court, held on 2 December 2021, several civil parties withdrew from the proceeding as a result of their settlement transactions with the Bank. On 6 May 2022, the Court of Appeal of Milan acquitted the defendants, finding that the facts did not support the conviction. On 16 November 2022, the Attorney General filed an appeal with the Court of Cassation against the acquittal appeal sentence.

(B) *Proceedings before the Court of Milan no. 955/2016*

On 12 May 2017, Mr. Profumo, Mr. Viola and Mr. Salvadori were requested to be brought to trial before the Court of Milan to face allegations of (i) false corporate communications (pursuant to article 2622 of the Civil Code) in relation to the accounting of the "Santorini" and "Alexandria" transactions included in our financial statements, reports, and other corporate communications from 31 2012 to 31 December 2014 and relating to the half-yearly report as of 30 June 2015 and (ii) market manipulation (pursuant to article 185 of the Consolidated Finance Act) relating to the public notices concerning the approval of the relevant financial statements.

At the hearing on 24 November 2017, the GUP issued an order by which it:

- declared the request for referral to trial against Mr. Salvadori invalid;
- ordered the separation of the relevant position from the main proceeding (pending against Mr. Viola and Mr. Profumo, as well as the Bank) with regard to the alleged offense pursuant to article 185 of the TUF; and
- withheld judgment with regard to questions relating to regional jurisdiction until such time as the public prosecutor makes a determination regarding the matter.

At the hearing on 9 February 2018, we have filed the following documents:

- our response with respect to regional jurisdiction;
- the documentary productions of the defense of Mr. Viola and Mr. Profumo;
- the pleadings of Mr. Bivona and Mr. Falaschi; and
- a request of prior seizure order by Mr. Bivona and Mr. Falaschi towards Mr. Viola and Mr. Profumo.

Following our formal involvement in the proceeding, the public prosecutor requested a decision be issued stating that the Bank could not be prosecuted due to a lack of factual support or because the facts did not support a conviction.

At the outcome of the preliminary hearing, the GUP noted that the conditions for a decision were not valid and ordered the deferral to trial of Mr. Viola, Mr. Profumo, and Mr. Salvadori as well as the Bank (as defendant pursuant to 231 Model). With respect to Mr. Salvadori, a decision was issued that there is no need to proceed in relation to the indictment pursuant to article 185 of the Consolidated Finance Act.

At the hearing on 17 July 2018, 2,243 civil parties joined the proceeding. Some of these have formally requested that the Bank be called as a civilly liable party, while most of the defenders have asked for the extension of the effects of the constitution of their own assistance to the Bank, as a civilly liable party already in place. Other civil parties, on the other hand, have brought formal claims against the Bank, pursuant to 231 Model.

A number of hearings were held. At the hearing on 16 June 2020, representatives of the public prosecutor's office requested the acquittal of the defendants. On 15 October 2020, the Court of Milan handed down the operative part of the ruling, condemning all defendants and the Bank pursuant to 231 Model. The opinion was filed on 7 April 2021.

The Court, in its opinion, analyzed the conduct alleged against the defendants in relation to the criminal cases pursuant to article 2622 of the Civil Code (false corporate communications) and article 185 of the Consolidated Finance Act (market manipulation) and found that the administrative offences alleged against the Bank were justified pursuant to articles 5, 6, 8 and 25–ter, letter b) of the 231 Model. The ruling was limited to the offence of false corporate communications in relation to the 2012 budget and the 2015 half-yearly report, as well as pursuant to articles 5, 8 and 25-sexies of the 231 Model on market manipulation relating to press releases concerning the approval of financial statements as of 31 December 2012, 31 December 2013, 31 December 2014 and the half-yearly report as of 30 June 2015, resulting in the application of a financial penalty of Euro 0.8 million.

With regard to the position of the Bank as a civilly liable party, the judgment also explains the reasons for the general order for the payment of damages and the claim for payment by the civil parties, pursuant to article 2049 of the Civil Code, in separate civil proceedings. The Bank, as a civilly liable party, sentenced jointly and severally with the defendants, and was held administratively liable pursuant to 231 Model, brought an action against the first instance judgment before the Court of Appeal in Milan. The appeal is expected to commence in 2023.

(C) *<u>Audits of the 2012, 2013, 2014 and 2015 interim financial statements in respect of the Non-performing loans– Proceeding 33714/2016</u>*

In relation to criminal proceeding 33714/16 pending before the Court of Milan, the Bank was originally involved as an administratively liable party pursuant to 231 Model with respect to allegations of false corporate communications (pursuant to article 2622 of the Civil Code) relating to financial statements of 31 December for fiscal years 2012, 2013, 2014 and the financial statements of 30 June for fiscal year 2015.

Specifically, the relevant financial statements were alleged to have contained an overvaluation of NPLs. On 4 May 2018, the Bank's position was dismissed by the prosecutor's office due to the groundlessness of the offence (measure also confirmed by the General Prosecutor's Office on 15 March 2019).

On 25 July 2019, the preliminary investigation judge ("**GIP**") of the Court of Milan ordered the termination of the proceedings against the Bank, as a liable entity pursuant to 231 Model. Simultaneously, the GIP ordered the continuation of investigations against the natural persons (i.e. chairman of the board of directors, managing director and chairman of the board of supervisory body *pro tempore*), thus rejecting the request made by the public prosecutor that was supported by an expert witness not to conduct further investigations. The investigations continued, during which two experts who were appointed by the GIP and the aforementioned expert witness were questioned on 6 May 2021. The questions demonstrated that it was necessary to determine whether the corrections made by the Bank during the period from 2012 to 2017 were detected in a timely manner in accordance with the principle of accruals and with the accounting standards applicable at the time of the event.

The expert witnesses' findings (which contradicted those of the experts initially approached by the Public Prosecutor's Office) were later incorporated into the notice of completion of the investigation. At the hearing on 8 June 2021, the preliminary hearings were closed, and the GIP forwarded the documents to the public prosecutor's office and gave an indicative period of 45 days to the public prosecutor to carry out any further investigations and make its determinations. On 25 February 2022, the GIP, upon request of the public prosecutor, ordered an extension of the deadline for investigations until 31 May 2022. As of the date of the Base Prospectus, the decision to close preliminary investigations has not been issued. On 16 September 2022, a notice of conclusion of the preliminary investigation of three former members of the Bank (two presidents of the Board of Directors and a managing director) and a former manager (responsible for drafting corporate accounting documents) pursuant to article 415-bis of the Code of Criminal Procedure was issued. The Bank, despite the previous filing, still received the same notice as an administratively liable party pursuant to 231 Model. On 14 December 2022 a request for indictment was issued against the aforementioned representatives; on 12 December 2022 the Bank's position as administrative manager pursuant to Model 231 has been eliminated.

The individuals were charged with the offences of false corporate communications (pursuant to article 2622 of the Civil Code) and market manipulation (pursuant to article 185 of the Consolidate Finance Act) with respect to the financial statements from 2013 to 2015 and the half-yearly reports from 2015 to 2016 as well as false prospectus (pursuant to article 173-bis of the Consolidated Finance Act) with respect to the prospectuses from 2014 to 2015. According to the plaintiff's claim, in the aforementioned corporate communications, the defendants allegedly entered adjustments related to impaired loans in violation of the applicable accounting standards, thus resulting in a false representation of the Bank's economic, equity and financial position. Also, this misrepresentation would have also been reflected in the announcements and prospectuses contemporaneously issued by the Bank. The Bank, as administratively liable party, was charged with the administrative offenses pursuant to articles 5, 6, 7, 8 and 25-ter, letter b) and 25-sexies of 231 Model, arising from the aforementioned claims of false corporate communications and market manipulation.

The proceeding is also relevant with respect to the additional role of civilly liable party that the Bank could play in the event that indictment is requested. The Bank could not make any predictions on the possible outcome of the proceedings, but reserves the right to assert in the competent venues arguments (confirmed by the verifications carried out on the valuation process of the impaired loan portfolio under investigation and also supported by preliminary analyses by its consultants) seeking to demonstrate the correctness of its actions, including the absence of any indications demonstrating an intent to provide the market with an incorrect representation of its economic, equity and financial situation. Among other things, this can also be seen from the presence in all relevant prospectuses of clear warnings and risk warnings for investors precisely with reference to the uncertainties inherent in the valuation of the loan portfolio and the possible impacts of the verification processes underway by the Supervisory Authorities. Notably, while the expert's report was not yet available, in the context of civil legal proceedings brought by the Alken fund, on one hand, and a retail investor, on the other hand, who complained, among other things, about the incorrect accounting for impaired loans in the period from 2012 to 2016, the Court of Milan and the Court of Florence rejected all the claims made against the Bank on this specific matter, ordering the plaintiffs to reimburse all the costs.

Since June 2021, after the filing of the expert's report, the Bank, in the context of civil proceedings also dealing with issues overlapping with the criminal proceedings under review, has adopted a prudential policy of risk management by resorting to a specific policy of provisions.

10.2.2 Civil Proceedings

(A) Litigation and Out-of-Court Requests Related to Financial Information Disseminated in the 2008-2015 period

The Bank is exposed to civil proceedings, the effects of judgments arising from criminal proceedings (29634/14 and 955/16) and out-of-court requests with regard to financial information disseminated in the period from 2008 to 2015. On 30 September 2022, the overall petitum in relation to disputes and out–of-court claims related to financial information distributed in the 2008-2015 period, amounted to Euro 4 billion (rounded). Specifically Euro 1.77 billion (rounded) of the civil proceedings related to the suits brought by the shareholders in the context of 2008, 2011, 2014 and 2015 capital increases, of which Euro 0.27 billion requested by civil claimants, where quantified, related to the criminal proceedings no. 29634/14 and no. 955/16.

With reference to criminal proceedings 29634/14, on 29 September the Milan Court of Appeal filed the grounds of its acquittal verdict of 6 May 2022. The analysis of the grounds of the verdict resulted in the reclassification of the risk of losing from "likely" to "possible" for legal disputes, civil actions in criminal proceedings 29634/14 and out-of-court claims concerning disputes relating to the 2008-2011 period. Therefore, in the third quarter, the provisions for risks recognised previously were released to the income statement. At the moment, litigation and out-of-court claims concerning the 2012-2015 period were reclassified to "likely" risk following the ruling of 15 October 2020 concerning criminal proceedings 955/2016 and those connected to "non-performing loans".

(i) Legal dispute Banca Monte dei Paschi di Siena S.p.A. / the holders of FRESH 2008

Certain holders of FRESH 2008 Securities maturing in 2099, in a complaint notified on 15 November 2017, sued the Bank, Mitsubishi UFJ Investors Services & Banking Luxembourg SA, JP Morgan Securities PLC, and JP Morgan Chase Bank NA before the Court of Luxembourg, to: (i) establish that the Burden Sharing Decree is not applicable to holders of FRESH 2008 securities and, consequently, to determine that these securities cannot be forcibly converted into shares, (ii) establish that the securities are validly established in accordance with the terms and conditions of their issue, and (iii) state that the Bank is not entitled, in the absence of the conversion of 2008 FRESH Securities, to receive from JP Morgan a payment of Euro 49.9 million.

The Court of Luxembourg, with an order in January 2022, rejected the Bank's request to suspend the proceedings until the international courts have given a ruling on the Bank's objections to the Court's jurisdiction.

However, it accepted that the Court lacked jurisdiction with respect to the trust contract signed by the Bank with JP Morgan Securities PLC and JP Morgan Chase in the context of the 2008 rights offering. In relation to that contract, the Court of Luxembourg withheld judgment pending the decision of the Italian court. At the same time, it determined that it had jurisdiction with respect to the swap contract signed by the Bank with the same counterparties in the context of the 2008 rights offering.

In November 2022 the bondholders' representative appealed against the judgment of suspension rendered by the Luxembourg Court asking to declare that the same District Court of Luxembourg has jurisdiction to hear all the claims formulated by the bondholders' representative and that there is no need to stay the proceedings, awaiting decisions of the Italian court.

After the proceeding began, the holders of 2008 FRESH Securities brought a complaint on 19 April 2018 in the GIP asking the court to determine that the Italian court is the only one with jurisdiction to decide on the contracts entered into between the Bank, JP Morgan Securities PLC, and JP Morgan Chase in relation to the 2008 rights offering. In response, the Bank asked the court for:

- a determination of the invalidity of the contracts providing for payments to JP Morgan Securities PLC and JP Morgan Chase Bank pursuant Decree 237 of 23 December 2016; and

- a determination of invalidity or termination of the trust agreement or termination of the trust agreement by reason of the capital deficiency of 30 June 2017.

The first hearing was held on 18 December 2018 and the GIP, in view of the prejudicial nature of the question of jurisdiction raised by the parties and the presence of a pending dispute concerning the same claim and the same pending case before the Court of Luxembourg, granted the parties time to reply only to the procedural objections and postponed until a hearing scheduled for 16 April 2019 the assessment of the merits. At the subsequent hearing on 2 July 2019, the case was held in judgment and, with an order dated 2 December 2019, the GIP ordered the proceedings to be suspended pending the decision of the Court of Luxembourg.

Against that order, the Bank made an appeal with respect to the question of jurisdiction before the Supreme Court of Italy. The Supreme Court of Italy dismissed our appeal on 31 March 2021.

The Bondholders challenged the first degree of judgement issued by the Court of Luxemburg. The Deed of appeal has been filed at the end of November 2022. The Bank – in parallel – on the basis of the virdict issued by the Court of Luxembourg will file before the Italian Court an application for asking the Italian judge to rule on the reasons concerning the termination of the Usufruct Agreement.

(ii) Dispute Banca Monte dei Paschi di Siena S.p.A./ Alken Fund Sicav and Alken Luxembourg S.A.

Through a complaint delivered on 22 November 2017, Alken Fund SICAV and Alken Luxembourg S.A. brought, the Bank and Nomura International, Mr. Mussari, Mr. Vigni, Mr. Profumo, Mr. Viola, and Mr. Salvadori before the Court of Milan. The complaint set forth:

- an allegation of liability of the Bank pursuant to article 94 of the TUF and Mr. Mussari, Mr. Vigni, Mr. Profumo, and Viola pursuant to article 2935 of the Civil Code;

- an allegation of liability of Mr. Mussari and Mr. Vigni in relation to the investments made by the funds in 2012 on the basis of false information;

- an allegation of liability of Mr. Viola, Mr. Profumo, and Mr. Salvadori in relation to the investments made by the funds after 2012; and

- an allegation of liability of Nomura pursuant to article 2043 of the Civil Code.

The court jointly and severally ordered the Bank and Nomura to compensate the plaintiffs for the loss of Euro 423.9 million for Alken Funds SICAV and Euro 10 million in lost management fees and reputational damages of the management company Alken Luxembourg SA. The court also held liable, jointly and severally with the Bank and Nomura, Mr. Mussari and Mr. Vigni for the damages resulting from the investments made in 2012 and Mr. Viola, Mr. Profumo, and Mr. Salvadori for the damages after 2012. The plaintiffs also asked that the defendants be ordered to pay compensation for non-property damage after the offence of false corporate communications had been established. The Bank appeared before the court asking, in the alternative, for recourse against Nomura for the rejection of opposing claims.

By separate acts of intervention, four individuals claimed total damages of approximately Euro 0.7 million. At the hearing of 11 December 2018, the court reserved judgment with respect to the preliminary rulings raised by the parties and with respect to the objections made by the defendants. The court declared (i) the invalidity of Alken's complaint for not specifying the dates of the relevant stock purchases and (ii) the invalidity of the prosecutor's complaint, giving the parties a deadline until 11 January 2019 to supplement the applications and remedy the deficiencies of the complaint. At the same time, the court considered Alken's claims concerning incorrect accounting of the claims to be sufficiently specific and the objection against the intervention measures was rejected. Following the additions of the parties, the defendants reiterated the objections of invalidity of the complaint and the interventions. After the initial reservation of judgment, the court, which decided that these preliminary questions should be decided together with the merits, granted the terms of instruction pursuant to article 183, comma 6, of the Code of Civil Procedure and postponed until the hearing on 2 July 2019 arguments on the requests. At that hearing, the Bank requested and was granted an extension until 8 July 2019, to contest the applications submitted by an intervener and the parties argued their pleadings and their petitions. With an order dated 24 July 2019, the court rejected the expert witness of Alken, determining that the case was ripe for the decision on the basis of the subjective characteristics of the plaintiff (professional investor) and Alken's transactions in the Bank shares (with purchases which continued after October 2014). At the hearing on 7 July 2020, the court rejected Alken's request to refer the case to the court for investigation and admitted the new documents produced by Alken.

On 7 July 2021, the court rejected all the requests made by the funds and ordered the funds to pay our legal fees related to the dispute. A request from an intervener was partially granted, in respect of which the Bank was ordered to pay approximately Euro 53,000.00 jointly and severally with Nomura and partly with Vigni and Mussari.

Both the Bank and Nomura and the funds appealed against the ruling before the Court of Appeal of Milan, in which the intervener also made an appeal against the Bank. On 13 July 2022, the first hearing was held in the three pending appellate proceedings. The Court scheduled a hearing with respect to the joined cases on 5 July 2023.

(iii) *Dispute York funds / BMPS, Alessandro Profumo, Fabrizio Viola, Paolo Salvadori and Nomura International plc*

Through a complaint served on 11 March 2019, at the registered office of the Bank, the York Funds sued Banca MPS S.p.A., Mr. Profumo, Mr. Viola, Mr. Salvadori, and Nomura International PLC before the Court of Milan, section specialized in business. The complaint asked for the defendants to be sentenced jointly and severally to compensation for damages quantified in total of Euro 186.7 million and – after an incidental finding of the crime of false corporate communications – to compensation for non-property damage to be settled in the process pursuant to article 1226 of the Civil Code, plus interest, revaluation, pursuant to article 1284, comma 4, of the Civil Code and compound interest pursuant to article 1283 of the Civil Code. The claims of the plaintiffs arise from the alleged losses incurred in the investment transactions of a total of Euro 520.3 million through the purchase of shares (investment of Euro 41.4 million by York

Luxembourg) and through derivatives (investment of Euro 478.9 million from York Fund). Losses are quantified by the plaintiffs as totaling Euro 186.7 million.

The relevant investments challenged would have been made in March 2014, when Mr. Viola and Mr. Profumo respectively served as Chief Executive Officer and Chairman of the Bank. The plaintiffs allege that our top management behaved illegally, which would have resulted in misstatements in our financial statements and would have significantly altered the perceived value of the securities we issued.

The first hearing, originally scheduled for 29 January 2020, was postponed to 4 February 2020. The Bank has duly appeared before the court and on 3 February 2020, the parties filed pleadings of inquiry and, at the next hearing, discussed their respective requests, on the admission of which the court reserved the right to act. At the hearing of 15 July 2022, the Court of Milan: (i) declared the evidence requested by York, Nomura, Mr. Profumo, and Mr. Viola inadmissible and (ii) referred to the college – upon the outcome of the decision on causation – the assessment of the need to set up the court-appointed expert as requested by York. The case was postponed to 23 November 2023.

(iv) *Banca Monte dei Paschi di Siena S.p.A./Caputo + 24 other names*

Through a complaint dated 4 December 2020, Mr. Giuseppe Caputo and 25 other persons (which became 24 following the death of one of the plaintiffs) sued the Bank before the Court of Milan to challenge the investments made by the Bank in connection with the previous rights offering (i.e. through purchases on the telematics-secondary market between 2014 and 2015). The plaintiffs complain that they were damaged by misrepresentations spread on the market by the Bank (here referring, *inter alia*, to the criminal proceeding R.G.N.R. 29634/14, concluded at first instance by ruling 13490/2019, and the criminal proceeding R.G.N.R. 955/16, concluded at first instance by ruling 10748/2020). The plaintiffs also complain of misvalued impaired loans from the 2013 financial statements (i.e., criminal proceeding 33714/16 under investigation at the Court of Milan). They also allege that we have engaged in unfair business practices, made investments in diamonds, maintained a completely unreasonable business plan, and maintained a non-compliant business organization.

The plaintiffs therefore requested full compensation for the damages suffered, which they estimated to be the full consideration paid for the purchase of the Bank shares (i.e., approximately Euro 25.8 million) as well as compensation for non-pecuniary damage to be settled pursuant to article 1226 of the Civil Code. Following the first hearing, the parties lodged their pleadings and, at the next hearing, discussed the pleadings submitted by the lead plaintiff. Subsequently, the court determined that it had to refer the case to the lower court in order to define the dispute or to pursue further details on the matter. It therefore scheduled a hearing for 4 November 2022 with the purpose of clarifying the pleadings in response. In that hearing the parties specified their conclusions.

(B) *Out-of-Court Restitution of Sums or Damages Claims by Banca Monte dei Paschi di Siena S.p.A. investors and shareholders regarding Financial Information Released in the 2008-2015 Period*

In relation to capital increases and the allegedly incorrect financial information contained in the prospectuses and/or in the financial statements and/or in the price sensitive information for the period 2008-2011, as at 30 September 2022 the Parent Company had received out-of-court claims for a total relief sought of Euro 52 million in quantified claims, net of those converted into judicial initiatives. In addition to these claims, also out-of-court, claims which in addition to the 2014-2015 period also regard longer time periods were received for total relief sought as at 30 September 2022 of Euro 2.195 billion, of which roughly Euro 1.232 billion for complaints and Euro 963 million for civil mediation, net of claims that have been converted into judicial initiatives. These claims – brought individually or collectively – although naturally heterogeneous, are mostly justified by generic references to the Parent Company's alleged violation of the industry legislation governing disclosure and, therefore, were rejected by the Parent Company in that they were considered generic, unfounded, not backed by suitable documentary evidence, and in some cases past the statute of limitations. The grand total amount claimed as at 30 September 2022 was equal to Euro 2.247 billion. The mediations mentioned also include two proceedings, for total relief sought of Euro 0.8 billion, lodged by institutional investors which were closed in October due to inactivity on the part of the petitioning parties. This event was evaluated for the purposes of the Interim Report on Operations as at 30 September 2022 in accordance with IAS 10.

10.2.3 Disputes relating to securities subject to the Burden Sharing

As of 30 September 2022, the overall *petitum* for such disputes amounted to Euro 39.7 million.

It should be highlighted that, for part of the litigation, the plaintiffs are no longer holders of the securities as they sold the securities prior to the entry into force of Decree 237. It should also be noted that the opposing parties' objections are focused on the alleged lack of any notice and/or on the breach of the applicable legislation as in any other "similar" case concerning financial matters commenced against the Bank. Indeed, the plaintiffs claimed misselling occurred, i.e. distributing the above financial instruments in breach of the Consolidated Finance Act (and its implementing regulations), as well as in breach of the general principles of fairness, transparency and diligence.

10.2.4 Disputes deriving from ordinary business

While carrying out its ordinary business, the Group, similar to other banking groups, is involved in various judicial proceedings concerning, *inter alia*, allegations relating to: claw-back, compound interest, placement of bond securities that are issued by governments and defaulted by companies and the placement of schemes and financial products. The latter types show a consistent overall decrease that is not material in terms of the sum and related civil funds.

With respect to the proceedings regarding bankruptcy claw-backs, the reform that was implemented in 2005 reduced and limited the scope of insolvency claw-backs, especially those concerning direct payments in accounts. For those still eligible for proposal or already pending at the date of entry into force of the reform, the Bank uses all available arguments to defend its position.

With respect to disputes concerning compound interests, interest and conditions, since 1999 there has been a progressive increase in claims brought by account holders for the retrocession of interest expenses due to quarterly compound interest. In such cases, plaintiffs contest the legality of the interest rate and the calculation method for the fees. In this latter respect, the interpretation introduced by the Supreme Court, with effect from 2010 in the matter of usury, on the basis of which the maximum overdraft fees, even before the entry into force of Law 2/2009, had to be taken into account in the calculation of the global effective rate, in contrast with the guidance of the Bank of Italy, is frequently the basis for lawsuits brought by customers. Most of the cases involve claims related to the balances of current accounts, but increasingly frequent are disputes concerning compound interests, referring to the legitimacy of the so-called "French compound interests" of mortgage loans, and the violations of Law 108/1996 on usury, on maturing loans.

In relation to compound interests, the reform of article 120 of the Italian Banking Act, as amended first by

Law no. 147 of 27 December 2013 and, then, by Law no. 49 of 8 April 2016, introduced relevant novelties in the matter of computation of interests and prohibition of their capitalisation (such as, *inter alia*, the provisions according to which: (i) interests accrued in a current account or in a payment account (both in favour of the Bank and in favour of the account holder) are calculated with the same frequency in any case not lower than one year and that (ii) accrued interests do not give rise to further interests, except for delay interests, and are calculated exclusively on capital and, in case of opening of credit lines settled in the current account, for overdrafts even in the absence of a credit line or in excess of the credit line).

10.2.5 Civil disputes arising in connection with the ordinary business of the Issuer

Below are listed the most relevant proceedings in terms of the *petitum* and the state of the case.

(A) *Civil dispute brought by Fatrotek S.r.l. before the Courts of Salerno*

This case, where the Bank was sued together with other credit institutions and companies with the summons of 27 June 2007, seeks the assessment of alleged monetary and non-monetary damage suffered by the plaintiff, as a result of an alleged unlawful report filed with the Italian Central Credit Register. The relative claim amount is Euro 157 million. The plaintiff also asks that the defendant banks be found jointly liable, each proportionately to the seriousness of its behaviour. The Bank’s defence was based on the fact that the company’s extremely severe financial situation fully justified the Bank’s initiatives.

At the hearing on 31 May 2018, the Judge reserved his decision on the challenges raised by the convened parties. On 5 June 2018, the Company declared bankruptcy. On 25 July 2018, upon the lifting of the reservation made during the hearing of 31 May 2018, the case was adjourned to 31 October 2018, for the court-appointed expert to take the oath. In the meantime, the receivership of the Fatrotek S.r.l. bankruptcy again took up the case. The proceedings were adjourned first to the hearing on 4 December 2019 and then to the hearing on 13 February 2020, where a court-appointed expert investigation was ordered and an expert witness was appointed. At the hearing of 25 November 2020 an extension was granted to the expert witness for the filing of the expert opinion and the case was postponed to 5 May 2021.

At this hearing, the Court set a deadline for the expert witness to respond to the objections made by the plaintiff and at the same time sheduled the hearing for the closing arguments for 4 November 2021, then postponed to 6 October 2022. On 11 November 2022, the Court of Salerno issued a sentence liquidating only the non-pecuniary damage of Euro 20,000 for each bank for a total of Euro 100,000.00 with interest and litigation costs. Banca MPS's total outlay is Euro 34,151.69. The essentially victorious outcome of the trial indicates that the appeal is not usefully feasible.

(B) *Civil disputes instituted by Riscossione Sicilia S.p.A. and the Assessorato of Economy of Sicily before the Courts of Palermo*

Through the complaint received on 15 July 2016, Riscossione Sicilia S.p.A. (today the Agenzia delle Entrate-Riscossione (“**ADER**”), which has been the universal successor in all the Riscossione Sicilia S.p.A. legal relationships since 1 October 2021, pursuant to article 76 of the Legislative Decree 73/2021 converted into Law 106/2021) notified the Bank that it had brought an action before the Court of Palermo seeking an order to pay the total sum of Euro 106.8 million.

The claim of Riscossione Sicilia S.p.A. referred to in the complaint is framed within the complex relations between the Bank and the plaintiff company, which derive from the sale of Riscossione Sicilia S.p.A. (pursuant to Legislative Decree 203/2005 converted into Law 248/2005) of the participation already held by the Bank in Monte Paschi Serit S.p.A. (later Serit Sicilia S.p.A.). An *ex officio* technical advice was used during the trial phase, in which the results were favorable to the Bank. Indeed, the CTU not only concluded that nothing was due by the Bank to Riscossione Sicilia S.p.A., but also identified a credit to the Bank of approximately Euro 2.9 million as the balance of the sale of 60% of Serit Sicilia S.p.A. to Riscossione Sicilia S.p.A. by the Bank (dated September 2006), a sum which so far had been withheld by Riscossione Sicilia

S.p.A. as a guarantee deposit. By ruling 2350/22, lodged on 30 May 2022, the Court of Palermo, in substantial agreement with the conclusions of the *ex officio* technical advice, rejected the applications submitted by Riscossione Sicilia S.p.A. and ordered the latter to pay the Bank the sum of approximately Euro 2.9 million in addition to legal interest and the court proceedings' fees.

On 17 July 2018, the Department of Economy of the Region of Sicily notified the Bank of an order of injunction pursuant to article 2 of the Regional Decree 639/1910 and restitution pursuant to article 823, comma 2, of the Civil Code of the sum of Euro 68.6 million, giving the Bank a period of 30 days to make the payment with the warning that, in the absence thereof, it would proceed with the compulsory registration.

The Region of Sicily brought a claim against Riscossione Sicilia S.p.A., with the consequent deferral of the first hearing of appearance, held on 26 September 2019, at which the court, having taken note of the statements made by the parties, granted the time limits for the filing of pleadings pursuant to article 183 of the Civil Code and referred the case to the hearing on 26 November 2020. On that occasion, the Bank requested the setting of the hearing with the purpose of clarifying the conclusions, requesting the Court to establish that the dispute had ceased to exist because Riscossione Sicilia S.p.A., during the proceedings, had proved that the claim by the Region of Sicily had been fully written off. By ruling 3649/2021, published on 4 October 2021, the Court of Palermo dismissed our opposition to the revised order and ordered the Bank to pay the dispute's fees. Against that decision, the Bank appealed to the Court of Appeal of Palermo to suspend the provisional enforceability of the order and the judgment of the first instance. The Court of Appeal of Palermo by order dated 21 December 2021, dismissed the application for a suspensive measure by deferring the appeal to the first-appearance hearing on 11 February 2022, for processing. By order lodged at the same time, the Court of Appeal ordered the adversarial procedure to be incorporated in respect of ADER, as successor to Riscossione Sicilia S.p.A., by setting the new appearance for the collegiate hearing on 1 July 2022, in the context of which the case was referred to the hearing on 22 November 2024, with the purpose of clarifying their pleadings. If the Bank, having confirmed the enforceability of the order, makes payment of the amount of approximately Euro 68.6 million which is the subject of the dispute in response to the request of the Region of Sicily, it is entitled to request from the *Agenzia delle Entrate-Riscossione*, as the universal successor of Riscossione Sicilia S.p.A., a payment of the same amount.

In response to the confirmation of the enforceability of the order by the court, the Region of Sicily issued a tax bill for Euro 68,573,105.83, for a total amount of Euro 71,333,215.61 (including Euro 2,077,682.91 for tax collection charges) for which the Agenzia delle Entrate-Risciscione notified the Bank of a payment notice on 21 September 2022. Against this notice, the Bank will claim the sum of Euro 68,573,105.83, to Agenzia delle Entrate-Riscossione, against which the Bank is entitled to claim as universal successor of Riscossione Sicilia.

The Bank has also brought before the regional administrative Court of Sicily, seat of Palermo, an application for administrative judgment for the declaration of invalidity or annulment of the order of injunction pursuant to article 2 of the Regional Decree 639/1910 published by the department on 17 July 2018.

The application relates to an appeal against injunction which, "alternatively, pursuant to article 823, comma 2 of the Civil Code, orders to the Bank, within the same period of 30 days from the receipt of this letter, to pay back to the Region of Sicily the amount of Euro 68,573,105.83, in addition to interest on the basis of the special legislation for late payment in commercial transactions, pursuant to article 1284, comma 4 of the Civil Code".

Following service of the application on 16 October 2018, the application was lodged by the Bank on 12 November 2018. The Department appeared as a party through the state advocate on 15 November 2018. The order setting the hearing requested by the Bank in a petition filed on 28 October 2019 is still awaited.

(C) *Civil Case brought by Marcangeli Giunio S.r.l.*

Through a complaint delivered on 28 November 2019, Marcangeli Giunio S.r.l. requested, primarily to the Court of Siena, to ascertain the contractual liability of the Bank for not providing financing of Euro 24.2 million for a development project and, consequently, that the Bank be ordered to pay compensation for damages amounting to Euro 43.3 million. In the alternative, in view of the facts abovementioned, the plaintiff requested that the pre-contractual liability of the Bank be established for having interrupted the negotiations with it and failed to provide the financing agreed, and the Bank be sentenced to compensate the plaintiff for damage in respect of the same amount as the principal claim.

By judgment lodged on 6 June 2022, the Court of Siena dismissed the claims for damages under contractual and non-contractual liability submitted by the plaintiff company. The Court only accepted the restitution application submitted by the counterparty in respect of alleged illegal interest charged in respect of the advances in the land, quantified at Euro 58,038.27 plus legal interest, by offsetting the costs. The deadline for filing any appeal is 7 January 2023. Our willingness to acquiesce and comply with the decision has already been expressed to legal counsel for the plaintiff.

(D) *<u>Civil Case brought by Nuova Idea S.r.l.</u>*

Through a complaint delivered on 21 December 2021, Nuova Idea S.r.l. sued the Bank before the Court of Caltanissetta for the purpose of establishing liability for damages, both property and non-property, suffered by the plaintiff as a result of our protest against a bill of exchange of Euro 2,947 held by our subsidiary, for which, it was argued, we are exclusively responsible.

In particular, the plaintiff argues that our illegitimate protest against the bill of exchange led to a series of events described in the complaint which resulted in a clear reduction of the plaintiff's participation in a temporary grouping of undertakings awarded service contracts with ASL Napoli 1 Centro. Therefore, the plaintiff calls, primarily, for the court to order the Bank to pay a total claim of Euro 60.1 million for lost earnings, in addition to compensation for damage to the corporate image and the commercial reputation to be paid off on an equitable basis.

The first-appearance hearing, set forth in the complaint dated 29 April 2022, was postponed to 4 May 2022. The Bank appeared before the court and argued that its protest was legitimate and there was no causal link between our actions and the alleged damage. At the hearing on 4 May 2022, the court reserved judgement on the requests and objections made by the parties and subsequently granted the parties time limits for the lodging of pleadings of inquiry by referring the case to a hearing on 29 March 2023.

(E) *<u>Civil dispute instituted by the receivership of CO.E.STRA. S.p.A. before the Courts of Florence</u>*

On 4 December 2014, CO.E.STRA. S.p.A., within the context of the arrangement with creditor procedures, served a writ of summons on the Bank and the other banks participating in a pool, to ascertain and declare their contractual or non-contractual liability in relation to the restructuring agreement signed by CO.E.STRA. S.p.A. on 30 November 2011, with a subsequent request for the banks to be held jointly liable in relation to the alleged damages suffered which caused/worsened the distress of CO.E.STRA. S.p.A.. These damages were calculated to amount to Euro 34.6 million. The decision of the judge has been challenged by the Supreme Court on the basis of a lack of competence pursuant to article 42 of the Italian Code of Civil Procedure. The proceedings are still ongoing.

(F) *<u>Complaint to the Board of Statutory Auditors pursuant to article 2408 of the Italian Civil Code</u>*

During 2021, five complaints were lodged to the Board of Statutory Auditors pursuant to article 2408 of the Civil Code, the content of which, the initiatives taken by the supervisory body and the results thereof, are detailed in the statutory reports to shareholders' meetings convened for the approval of the 2020 Consolidated Financial Statements and 2021 Consolidated Financial Statements, pursuant to article 2429, comma 2, of the Civil Code and article 153, paragraph 1 of the Consolidated Finance Act.

The Board of Statutory Auditors (as a result of its verifications and investigations) confirmed that the grounds of dismissal set out in the complaints of 31 March 2021 and 3 April 2021 were unfounded, since it did not detect the right of minority shareholders to deliberate informed as being affected.

To the best of the Board of Statutory Auditors' knowledge, no further complaints pursuant to article 2408 of the Civil Code were received from 3 April 2021 until 24 November 2022.

(G) *Anti-money laundering*

As at 30 September 2022, 24 judicial proceedings are pending before the ordinary judicial authority in opposition to sanctioning decrees issued by the MEF in the past years against some employees of BMPS and the Bank (as a jointly liable party for the payment) for infringements of reporting obligations on suspicious transactions pursuant to Legislative Decree No. 231/2007. The overall amount of the opposed monetary sanctions is equal to Euro 3.5 million (rounded), of which Euro 1.7 (rounded) has already been paid. The total amount collected for the positive outcome of the subsequent degrees of such opposed monetary sanctions is equal to Euro 0.5 million (rounded).

The Bank's defence in the context of such proceedings aims, in particular, at illustrating the impossibility to detect, at the time of events, the suspicious elements of the transactions/subject matter of the allegations, usually emerging only after an in-depth analysis carried out by the tax authority and/or other competent authority. The upholding of the Bank's position may entail the avoidance by the judicial authority of the sanctioning measure imposed by the MEF and, in case the payment of the sanction has already been executed, the recovery of the related amount.

For the sake of completeness, it is worth noting that, as at 30 September 2022, 37 administrative proceedings are pending in addition to the abovementioned proceedings in respect of which the opposition proceedings are in progress and are instituted by the competent authorities for the alleged violation of the anti-money laundering regime. The overall amount of the *petitum* (the maximum amount of the applicable penalties) related to the abovementioned administrative proceedings is equal to Euro 0.83 million (rounded).

10.2.6 Labour disputes

As at the date of this Base Prospectus, the Bank is involved in numerous judicial proceedings, both active and passive that relate to labour and concern *inter alia*, appeals against individual dismissals, declaration requests of subordinate employment relations with indefinite duration, challenge of the sale of the business unit, request for double remuneration following the illegitimate sale of the business unit, compensation for damages due to professional setbacks, requests for higher positions and miscellaneous economic claims.

As at 30 November 2022, the overall *petitum* relating to the passive labour proceedings is equal to Euro 90.7 million (Euro 81.8 million as at 31 December 2021) almost entirely relating to the Bank.

It has to be further specified that, after the transfer of the back-office activities business unit to Fruendo S.r.l., which occurred in January 2014 and concerned 1,064 resources, 634 employees (subsequently reduced to 242 as a results of reconciliations, deaths and retirements) sued the Bank before the Courts of Siena, Rome, Mantua and Lecce seeking, *inter alia*, the continuation of their employment relationship with the Bank, subject to prior declaration of ineffectiveness of the transfer agreement entered into with Fruendo S.r.l..

As of the date of this Base Prospectus for 223 workers involved, the judgment was defined as unfavourable to the Bank. With regard to the remaining 19 employees, a judgment of first and/or second instance unfavourable to the Bank was issued.

It is worth noting that in the event the illegitimacy of the transfer of the employment relationship pursuant to article 2112 of the Italian Civil Code is ascertained, the Supreme Court, with reference to the remuneration obligation of the transferor, has recently ruled in a different way in relation to the approach that has been consolidated over time before the Supreme Court itself. In fact, with recent rulings, it has been held that the transferor employer bears the remuneration obligation in addition to that fulfilled by the transferee employer, since the principle of the liability discharge of the executed payment made by the latter does not apply to the present case.

Due to this amended jurisprudential opinion (so-called "double remuneration"), as at 30 November 2022, 215 employees, involved in the transfer of the branch and recipients of the judgments in their favour, have sued the Bank in order to claim the due remuneration. The legal proceedings have been brought before the Courts of Siena, Florence, Mantova and Roma with hearings scheduled between December 2022 and December 2023.

Noting the change of law on the "double remuneration" topic and verified the increasing number of judgements that differ from the previous consolidated approach, it has been decided, on a prudential basis, to allocate to the provision for risks and charges the company's cost relating to remunerations requested in court, in addition to a lump sum for out-of-court claims received to date.

It should also be noted that the Court of Siena - Labour Section, with a judgment of 25 January 2019, rejected the appeals of 52 Fruendo workers (later reduced to 32 following waivers/conciliations) who sued the Bank to request the continuation of the employment relationship with the latter, subject to declaration of the illegal interposition of labor (so-called illegal contract) in the context of the services outsourced by the Bank to Fruendo.

This judgment was appealed by no. 16 workers before the Court of Appeal of Florence - Labour Section which, on the other hand, ascertained the illegality of the contract, ordering the readmission to service of no. 14 workers (as in relation to 2 workers the cessation of the matter of the dispute was declared following waivers / conciliations), which was given effect with effect from 1 March 2022.

Furthermore, further actions were initiated to ascertain the illegality of the contract by 45 workers of Fruendo:

1. no. 13 applicants have appealed to the Court of Padua - Labour Section: the 2 cases were reconciled at the hearing on 24 October 2022;

2. 32 workers appealed to the Court of Siena - Labour Section. We summarize below the situation of the related judgments:

    - for two groups of applicants (no. 18 in total) who brought class actions, favorable judgments were issued at first instance by the Court of Siena - Labour Section which were appealed before the Court of Appeal of Florence: next hearing on 6 April 2023;

    - for another group of applicants (no. 13 in total), the appeal was notified to the Bank on 29 June 2022 and the first appearance hearing is scheduled for 21 December 2022;

    - for the only applicant who has brought an individual case, the Court of Siena - Labour Section has set the next hearing for 5 June 2023.

10.2.7 Sanctioning procedures

(I) CONSOB and Bank of Italy

During the twelve months preceding the date of this Base Prospectus, the Bank has not received any sanctions from CONSOB for aspects falling within the responsibility area of the supervisory authority.

With regard to the sanctioning procedures falling within the competence of the Bank of Italy, during 2020 the Bank of Italy started a sanctioning proceeding against the Bank with respect to the alleged breach of banking transparency provisions.

On 11 August 2020, the Bank transmitted to the Bank of Italy its observations with regard to the audit report and its response to the decision to initiate the sanctioning procedure. At the same time a new remedial action plan was activated and completed by 31 December 2020, for which a follow-up plan was created. As a result of such remedial actions, the Bank refunded customers for a total amount of approximately Euro 40 million, of which approximately Euro 4.6 million refer to sums made available by means of a notice published in the Official Gazette of the Republic of Italy and in two national newspapers.

On 6 May 2021, the Bank was imposed a pecuniary administrative sanction of Euro 2.9 million pursuant to art. 144 of the Italian Consolidated Banking Act.

In the meantime, the Bank of Italy has asked further information to the Bank (last communication of 8 February 2022) regarding: (i) the mechanisms adopted to ensure the timely delivery of the European Standardized Information Prospectus (PIES); (ii) the transfer of payment services; (iii) the remuneration of the credit lines; and (iv) the application of charges in the event of delayed termination of the current account. During 2021 and 2022, the Bank provided the required clarifications and carried out the additional interventions requested by the Supervisory Authority, which are completed.

For further information in relation to sanctioning proceedings deriving from the inspection activities carried out by the supervisory authorities, reference is made to paragraph "*Audits*" of the section "*Consolidated Report on Operations*" of the 2020 Consolidated Financial Statements.

In December 2019, the Bank received the penalty notification from the Bank of Italy for an amount of Euro 1.32 million highlighting deficiencies in customer due diligence requirements as well as in the identification of beneficial owners and suspicious transaction reporting. The supervisory authority took into consideration for the quantification of the penalty the remedial actions initiated and largely implemented by the Bank.

For further information in relation to inspection activity on anti-money laundering carried out by the Bank of Italy on the Bank, reference is made to this in paragraph 9.2 "*Inspection activity on anti-money laundering*" of this section *Banca Monte dei Paschi di Siena S.p.A.*.

* * *

For the sake of completeness, it should be noted that, in the period between 2012 and 2016, the Bank was subject to various sanction proceedings initiated by the CONSOB and the Bank of Italy supervisory authorities. These proceedings related to events that concerned the accounting of the "Alexandria" and "Santorini" operations, the FRESH 2008 and the acquisition of Banca Antonventa in addition to other events that were attributable to the behaviour of the management in office at the time of the individual infringements. These infringements were challenged and then subsequently sanctioned.

In the context of the sanction proceedings, the natural persons sanctioned and, in some cases, directly the Bank, as a legal entity, were found to be in violation of regulatory and prudential provisions. As at the date of this Base Prospectus, these proceedings have concluded and the related sanctioning measures have been published by the authorities in accordance with current legislation. As a consequence thereof, the Bank paid the following amounts:

(i) Euro 9.9 million (rounded) with respect to 4 (four) sanctioning measures imposed by the Bank of Italy directly on natural persons and paid by the Bank under the solidarity obligation pursuant to article 145 of the Italian Consolidated Banking Act;

(ii) Euro 7.5 million (rounded) for 9 (nine) sanctioning measures imposed by CONSOB of which (i) Euro 6 million (rounded) imposed by the supervisory authority directly on natural persons and paid by the Bank under the solidarity obligation pursuant to article 195 of the Consolidated Finance Act and (ii) Euro 1.5 million (rounded) paid as a directly sanctioned legal entity.

With regard to the proceedings for which the Bank is both jointly and severally liable (with respect to which the Bank executed the payment of the administrative sanctions imposed by the supervisory authorities on the individuals in office as at the time the facts subject to the sanction occurred), the Bank exercised mandatory recourse actions against such individuals subject to sanctions granting the suspension of such actions against those individuals in respect of which (i) no wilful default or gross negligence conduct was detectable in relation to the alleged irregularities; (ii) no corporate liability action was brought; and (iii) there were no requests for a trial with criminal proceedings connected thereto within the time limits provided for lodging any appeal by the applicable relevant legislation. Some of the concerned individuals, after the letters of formal notice were sent, failed to fulfil the payment obligation and it was therefore necessary to take civil actions aimed at recovering amounts paid.

These activities and the related jurisprudential orientation could influence the duration of proceedings and decrease the possibility of recovery of the sums paid. With regard to the individuals who have benefited from the suspension of the recourse action and have brought the relevant appeals, it appears that various proceedings against the sanction by the sanctioned persons are still in progress at the various levels of judgment, according to what has been disclosed to the Issuer by the various individuals involved due to the fact that the Bank is not a party to the aforementioned proceedings. It should also be noted that, over the years, a number of sanctioned individuals have died and some of the measures have also been challenged before the European Court of Human Rights after the rulings issued by the Supreme Court.

(II) Competition and Market Authority ("AGCM")

Proceedings I794 of the AGCM – Remuneration of the SEDA service

On 21 January 2016, the AGCM opened proceedings I794 against the Italian Banking Association in respect of the remuneration of the SEDA service. Such proceedings were subsequently extended (on 13 April 2016) to the 11 most important Italian banks, amongst which was BMPS. According to AGCM the interbank agreement for the remuneration of the SEDA service may represent an agreement restricting competition pursuant to article 101 of the Treaty on the Functioning of the European Union, since it would imply "the absence of any competitive pressure", with a consequent possible increase in overall prices borne by enterprises, which may in turn be charged to consumers.

The proceedings were closed by the AGCM on 28 April 2017 and notified on 15 May 2017. The authority resolved: (i) that the parties (including BMPS) put in place an agreement restricting competition, in breach of article 101 of the Treaty on the Functioning of the European Union; (ii) that the same parties should cease such activity and file a report illustrating the measures that were adopted to prevent such infringement by 1 January 2018 and should refrain from undertaking such activity in the future; and (iii) as a result of this not being a serious infringement in respect of the legislative and economic framework in which it had been implemented, no sanctions are applied.

BMPS challenged the measure before the Administrative Regional Court ("**TAR**"), which upheld the appeal and annulled the challenged measure with a judgment published on 1 July 2021. AGCM challenged the TAR's judgment before the Administrative National Court (*Consiglio di Stato*) on 2 November 2021. BMPS joined the appeal proceeding.

10.2.8 Judicial proceedings pursuant to Italian Legislative Decree 231/2001

In the context of a proceeding instituted by the public prosecutor's office at the Courts of Forlì against several natural persons and three legal persons for money laundering and obstructing the exercise of public supervisory functions, the Bank was charged with three administrative offenses for obstruction of the exercise of public supervisory functions pursuant to article 2638 of the Italian Civil Code, money laundering pursuant to article 648-*bis* of the Italian Criminal Code and transnational criminal association (article 416 of the Italian Criminal Code).

In particular, the public prosecutor believed that the employees of the Forlì branch of the Bank, subject to the direction and supervision of persons in senior positions within the Bank, committed the above described crimes in the interest and to the advantage of the Bank.

According to the indictment, the commission of these offences would have been possible due to the breach of the direction and supervision obligations for the adoption and effective implementation by the Bank, prior to the commission of such offences, of an organisation, management and control model suitable to prevent crimes such as those at hand.

BMPS's activities, subject to disputes, which are within the time period 2005-2008, relate to operations carried out by the branch of Forlì, on behalf of the Cassa di Risparmio of San Marino, on a management account opened with the Bank of Italy, Forlì branch on behalf of BMPS.

In consideration of the particular location within the Republic of San Marino, the Cassa di Risparmio of San Marino had in fact required the Forlì branch of BMPS to use such account to meet its cash demands, through the cash deposit/withdrawal operations at the relevant branch of the Bank of Italy.

Such operations, characterised by a strong movement of cash, and the anomalies charged by the judicial authority on the registration in the single digital archive (*Archivio Unico Informatico* – "**AUI**") of the relating transactions, which at that time, considering unequivocal legislation on the relations between the Republic of Italy and the Republic of San Marino, led BMPS to consider the Cassa di Risparmio of San Marino as a "licensed intermediary", representing the basis of the allegations against the Bank.

According to the judicial authority, such operations would have been put in place to prevent the identification of the criminal origin of such amounts, as well as the traceability of all hidden exchange operations related to illicit amounts.

In particular, the employees of the Forlì branch have been jointly charged with the crime of obstructing the functions of public supervisory authorities, money laundering, violation of the Italian anti-money laundering regime and criminal association in relation to the transnational crime pursuant to Law 146/2006, the commission of which is assumed to have been permitted because of the breach of the direction and supervision obligations of the Bank in the alleged absence of a suitable and effective organisational model.

The conduct put in place by employees, according to the opinion of the judicial authority, would have permitted to concealment of the commission of money laundering offenses, not to acquire accurate information on the actual beneficiaries of such transactions nor on the real characteristics, purpose and nature of the related accounting movements with effects on the recordings in the AUI. The Bank's defence in these proceedings seeks to prove the non-existence of the crimes as the basis of the allegations against it and to demonstrate the adoption and effective implementation, already in place at the time of the events, of an organisation, management and control model suitable to prevent crimes such as those at hand.

The PHJ at the Courts of Forlì ordered the indictment of the defendants, including BMPS, on grounds of administrative liability of entities. At the hearing of 14 December 2021, the Court of Forlì highlighted the radical vagueness of the charges – also with respect to the specific charges against BMPS – and therefore annulled the indictment decree and ordered the transmission of the acts of the proceedings to the Public

Prosecutor.

Following the compulsory charges ordered by the judge of the preliminary investigations of Milan for the crimes of false corporate communications and market manipulation, the Bank has been included in the register of the suspects for the administrative offences pursuant to article 25-*ter*, lett. *b)* and article 25-*sexies* of Legislative Decree 231/2001.

In such matter, relating to the process of accounting of the "Santorini" and "Alexandria" transactions following the restatement that occurred in 2013, the Public Prosecutor's office at the Courts of Milan requested to withdraw the charges made in respect of Mr. Profumo, Mr. Viola and Mr. Salvadori. Such request was not granted. The abovementioned officers have been charged along with the Bank, as an administrative accountable entity pursuant to Legislative Decree 231/2001.

Following the preliminary hearing, the PHJ recognised that there were no grounds for the issuance of a judgment not to proceed and it declared indictment of Mr. Viola, Mr. Profumo and Mr. Salvadori and BMPS (as an entity indicted pursuant to Legislative Decree 231 of 2001).

On 15 October 2020 the Court of Milan condemned Banca Monte dei Paschi di Siena SpA to the pecuniary administrative sanction of Euro 800,000 and to the payment of the legal costs for administrative liability, pursuant to art. 21 and 69 of Legislative Decree No. 231/2001, for the offenses committed by Mr Profumo and Mr Viola.

Some of the civil claimants that joined in the proceedings formally asked that the Bank be summoned as the entity liable to pay for damages, while most of the defending counsel merely requested that their clients, by appearing before the Court, benefit from their participation in the proceedings. Some civil claimants joined in the proceedings against the Bank, seeking a declaration of liability under Legislative Decree No. 231/2001. The *petitum* relating to this proceeding, where quantified in connection with the filing of damaged civil parties, was equal to Euro 177 million (rounded).

10.2.9 Administrative offences pursuant to Legislative Decree 231/2001 challenged in relation to the sale of investment diamonds based on alleged self-laundering crime (article 648-ter of the Italian Criminal Code)

On 19 February 2019, the Bank was notified by the office of the GIP of the Court of Milan of a prior seizure order concerning this matter. The decree was issued to a large number of natural persons, two diamond companies (Intermarket Diamond Business S.p.A. and Diamond Private Investment S.p.A. ("**DPI**")), and five banking institutions, including the Bank, and led to the prior seizure order related to the profit of a continuing aggravated scam offence of Euro 35.5 million. A prior seizure order was also made pursuant to article 53 of 231 Model of Euro 0.2 million for the offence of self-money laundering.

On 6 April 2021, the public prosecutor's office to the Court of Milan issued a request for referral to court against 110 persons, including five managers – four of whom are no longer in service – and eight branch managers, in connection with aggravated and continued fraud offences and, concerning only five managers, in connection with the use of money (self-money laundering). The Bank was charged with an administrative offence pursuant to articles 5 and 25-octies of the 231 Model in relation to the offence of self-money laundering pursuant to article 648-ter 1 of the Criminal Code.

At the hearing held on 20 December 2021, preliminary questions were discussed and at the subsequent hearing held on 21 January 2022, the GUP accepted the question of regional incompetence raised by the parties, removing the proceeding from the jurisdiction of the Ambrosian court and providing for the transmission of documents:

- to the public prosecutor of Rome, with respect to the allegations of fraud against the representatives of the DPI and the Bank (as well as the employment and money laundering cases concerning the accused representatives of DPI); and
- to the public prosecutor of Siena, regarding the allegations of money laundering against the management of the Bank and the corresponding administrative offence, contested by the Bank in its request for referral to trial.

On 8 June 2022, in the context of this new procedure in Siena, the public prosecutor issued the notice of conclusion of the preliminary hearings and the simultaneous notice of guarantee towards 4 former managers and a sole manager, still in service, already involved in the main proceedings in Milan, for the offence of self-money laundering pursuant to articles 81, 110, and 648-ter 1 comma 1, 2 and 5 of the Criminal Code. The notice confirmed that the Bank has been charged in connection with the administrative offence pursuant to articles 5, comma 1, lett. b) and 25-ocities of the 231 Model.

On 23 February 2022, the Court of Siena, and on 10 March 2022, the Court of Rome – GIP Office, ordered the validation of the prior seizure order of Euro 0.2 million, issued against the Bank for the administrative offence pursuant to article 25-octies of the 231 Model in relation to article 648-ter 1 of the Criminal Code (money laundering), and Euro 35.5 million for the fraud crime.

On 16 June 2022, the public prosecutor of Rome, following a specific application filed by the Bank, ordered the release of the abovementioned sum of Euro 35.5 million. On 12 September 2022, the Public Prosecutor's Office of Siena, with reference to the criminal proceeding concerning the offences of self-money laundering, filed a request for dismissal against the individuals (4 former managers and the only manager in service), investigated for self-money laundering as well as ordered the dismissal of the Bank as administratively liable party.

The revocation of the prior seizure order of Euro 0.2 million in connection with the self-money laundering offence pursuant to 231 Model was also ordered. The order of dismissal against the Bank was forwarded to the Attorney General of the Court of Appeal of Florence, pursuant to Article 58 of 231 Model, while the GIP will rule on the request for dismissal made against the individuals.

With regard to the Bank's sale of diamonds, further criminal proceedings have been instituted before the public prosecutor's office at the Milan court for offences of aggravated fraud, money laundering, and obstacles to the exercise of the functions of public supervisory authorities. On 28 September 2021, the public prosecutor made a request that seven former managers (including five in the main line) and the Chief Executive Officer and General Director *pro tempore* of the Bank, stand trial.

The preliminary hearing was set for 30 September 2022. At that hearing, the Preliminary Hearing Judge postponed the hearing to 25 January 2023 for any civil action and the relative matters as well as for further preliminary matters, including regarding jurisdiction. In these new proceedings, the Bank is not involved as party with administrative liability pursuant to Italian Legislative Decree 231/2001. To meet the initiatives taken, the Bank has set aside provisions which take into account, among other things, the anticipated number of requests and the current wholesale value of the stones to be collected.

As at 30 September 2022, more than 12 thousand claims had been received for a total value of around Euro 316 million; while the cases concluded were equal to a total of roughly Euro 315.5 million (of which around Euro 1.5 million in the first nine months of 2022, covered for the total value net of the market value of the stones by the 73 Interim Report on Operations as at 30 September 2022 the Bank provision for risks and charges allocated in previous years) and represent 91.6% of the total volume of diamond offers reported by the Parent Company. Residual provisions for risks and charges recognised against the relief initiative were equal to Euro 4.6 million at the end of September 2022. As at 30 September 2022 the stones returned were recognised for a total value of Euro 76.9 million.

10.2.10 Tax disputes

The Bank and the main group companies are involved in a number of tax disputes. As at 30 June 2022 approximately 170 cases are pending, for a total amount at a consolidated level of Euro 79.5 million (rounded) for taxes, sanctions and interests set out in the relevant claim (of which Euro 75.9 million relate to the Bank). The value of disputes also include that associated with tax verifications closed for which no dispute is currently pending since the tax authority has not yet formalised any claim or contention.

In relation to pending tax disputes, which are associated with "likely" unfavourable outcomes, as at 30 June 2022 the Bank allocated to the overall provision for risks and charges an amount equal to Euro 12.1 million (rounded).

Please find below an overview of the most significant pending proceedings in terms of the *petitum* (over Euro 5 million for taxes and penalties), and the main investigations in progress.

(A) *Revaluation of substitute tax*

Following a tax audit carried out during 2011, the Italian Tax Authority alleged that the merged MPS Immobiliare S.p.A. made an incorrect determination of the basis for calculating the substitute tax on the redemption balance of the monetary revaluation for the 2006 tax period. The resulting contingent liability (i.e., taxes and penalties) amounted to approximately Euro 31 million. In response, we have disputed the claim. The dispute is currently pending before the Italian Supreme Court despite the fact that the reasons put forward by us have prevailed in both the trial and appellate court. As a consequence of the circular letter no. 6/E issued on 1 March 2022 by the Italian Tax Authority, in which the same acknowledged the existence of several court opinions unfavorable to their position with respect to the tax claim under analysis, certain discussions have been carried out with the Italian Tax Authority, in order to obtain the waiver of the tax claim and a resolution of the dispute. On 29 December 2022, following a self-defense order by which the Italian Tax Authority fully cancelled the claim, the dispute has been settled.

The risk of a negative outcome was classified as remote by the company and its advisors.

(B) *Deductibility and pertinence of some costs of the former consolidated company Prima SGR S.p.A.*

The Bank is party to litigation brought by Anima SGR S.p.A. (which, at the time of the relevant events, was a shareholding of the Bank) in relation to tax claims brought by the Italian Revenue Agency, Regional Department of Lombardy against Prima SGR S.p.A. (already adhering to the tax consolidation, subsequently merged into Anima SGR S.p.A.). The tax claims related to non-compliance with the accrual principle of certain costs, considered also not pertaining to the business, deducted in the fiscal years 2006, 2007 and 2008. The Italian Revenue Agency has assessed Euro 20.6 million in total for taxes and penalties as follows: (i) for fiscal year 2006, taxes of approximately Euro 4.3 million and penalties of approximately Euro 5.1 million; (ii) for fiscal year 2007, taxes of approximately Euro 2.8 million and penalties of approximately Euro 3.6 million; (iii) for fiscal year 2008, taxes of approximately Euro 2.1 million and penalties of approximately Euro 2.7 million.

With respect to this matter, two separate proceedings are currently pending before the Italian Supreme Court: (i) one proceeding related to the fiscal year 2006 (brought by the Italian Revenue Agency against the appellate court judgment in favor of the company) and (ii) one related to the fiscal years 2007 and 2008 (brought by the company against the appellate court judgment in favor of the Italian Revenue Agency). As a consequence of partial cancellation stemming from an internal review of the tax claims by Italian Revenue Agency and the payment of taxes in relation to a tax claim that was accepted by the company, the overall amount at issue has been reduced from Euro 20.6 million to Euro 18.8 million.

In the opinion of the Bank and its advisors, a negative outcome is probable as to a portion of the claim amounting to approximately Euro 1.8 million and possible as to a portion of the amounting to approximately Euro 17 million.

(C) *Tax disputes involving the former consolidated company AXA MPS Assicurazioni Vita in respect of the securities held thereby in Monte Sicav*

The Bank is party to litigation initiated by AXA MPS Assicurazioni Vita S.p.A. in relation to tax claims brought by the Italian Revenue Agency, Regional Department of Lazio. The claims related to the tax treatment of the write-downs carried out in respect of the shares held in Luxembourg's SICAV Monte SICAV. The Regional Department of Lazio assessed higher taxes and penalties amounting to Euro 26.2 million (plus interest) against the company, for fiscal year 2004.

The IRES dispute was settled on a favorable basis by AXA MPS Assicurazioni Vita S.p.A. pursuant to the Legislative Decree 119/2018 ("**Fiscal Peace**") for Euro 11.6 million. The IRAP dispute was settled by the Italian Supreme Court, which dismissed the company's appeal on 12 December 2019.

The same applies to the fiscal year 2003, in respect of which the Italian Revenue Agency contested the full deductibility, for IRPEG (corporate income tax) and IRAP purposes, of the value adjustments entered by AXA MPS Assicurazioni Vita S.p.A. and relating to Monte SICAV securities. This dispute was settled by the Italian Supreme Court, which dismissed the company's appeal on 26 July 2019. The total liability arising from the litigation amounts to approximately Euro 7.5 million (plus interest). With regard to the tax disputes, the Bank is liable due to the guarantee clauses contained in the contracts for the sale of AXA MPS Assicurazioni Vita S.p.A.. In this respect, during 2020, AXA Mediterranean Holding S.A. made a claim for approximately Euro 8.2 million and reserved the right to request additional sums as a result of any subsequent events that would increase the damage related to the tax disputes. The Bank responded to the request by challenging most of the amounts that make up the total amount claimed.

In the Bank and its adviser's view, a negative outcome is probable as to a portion of the claim amounting to approximately Euro 6.6 million and remote as to a portion of the claim amounting to approximately Euro 1.6 million.

(D) *IRAP assessment for tax year 2015*

Following a tax audit concluded in 2018, the Italian Revenue Agency served the Bank with a notice of assessment for IRAP purposes for the fiscal year 2015. In the notice, the Italian Revenue Agency challenged the non-taxation of certain revenue accounted in the financial statements. The Bank appealed the notice of assessment, the total claim of which was approximately Euro 8 million (Euro 3.9 million in taxes, Euro 3.5 million in penalties and Euro 0.6 million in interest) before the competent tax court. On 18 January 2022, the initial tax claim was subsequently revised by the Italian Revenue Agency stemming from an internal review thereby cancelling all claims for additional tax, penalties and interests and reduced the tax claim to Euro 3.9 million. On 23 June 2022, the court issued a ruling partially unfavorable to the Bank, accepting only part of the appeal (for an amount of Euro 0.4 million) and rejecting the other petitions. The time limits for filing the appeal are pending.

In the Bank and its adviser's view, the likelihood of a negative outcome is possible.

10.3 New legal proceedings

10.3.1 Civil Case brought by Caltagirone Group

Through a complaint delivered on 2 August 2022, the companies Caltagirone Editore S.p.A., Finced S.r.l., Capitolium S.r.l., Mantegna 87 S.r.l., Vianini Lavori S.p.A., Fincal S.p.A. sued the Bank before the Court of Rome to complain about the misrepresentations spread on the market by the Bank in relation to investments in Mps shares made by the six companies between 2006 and 2011.

The counterparties declared that they had invested a total amount of approximately Euro 856 million in MPS shares, and that they had sold these financial instruments in the first few months of 2012, reporting a loss of approximately Euro 741 million.

The first hearing is scheduled on 30 January 2023.

10.3.2 Civil Case brought by Angelino + 40

Through a complaint dated 31 December 2022, Mr Angelino and other 40 persons sued the Bank before the Court of Milan to challenge the investments made by the Bank in connection with the previous rights offering (i.e. through purchases on the telematics-secondary market between 2013 and 2016).

The plaintiffs therefore requested full compensation for the damage suffered equal to the entire consideration paid for the purchase of the BMPS shares, with a final quantification of the claim of approximately Euro 81.2 million plus interest and revaluation of the balance and compensation for damage, including non-pecuniary damage.

The first hearing is set for 12 April 2023.

10.3.3 Civil Case brought by Società Italiana per Condotte d'Acqua S.p.A. in amministrazione straordinaria

On 23 December 2022, the Società Italiana per Condotte d'Acqua S.p.A. in amministrazione straordinaria served a complaint on the former directors, auditors of the Bank and other Italian banking institutions (35 institutions) for compensation of damages for Euro 389.3 million that such company allegedly suffered by reason of an alleged causal link between the request of financing of the company and a contra ius financing to such company with a consequent loss for the business activity of the company.

The hearing is set for 12 July 2023 before the Court of Rome.

MANAGEMENT OF THE BANK

The Bank is managed by a board of directors tasked with strategic supervision. The Board of Directors in office consists of 15 members. The Chief Executive Officer is appointed by the Board of Directors.

Under the Italian Civil Code, the Bank is required to have a board of statutory auditors.

Each Director and Statutory Auditor shall meet the requirements provided for by the applicable laws and BMPS' by-laws.

Board of Directors

The Ordinary Shareholders' Meeting of the Bank held on 18 May 2020 appointed the following members to the Board of Directors for financial years 2020, 2021 and 2022 (save for what mentioned in notes (1) and (2) below):

	Name	**Position**	**Place and date of birth**	**Main activities outside the Bank, deemed significant**
1.	Patrizia Grieco (*)	Chairperson	Milano, 1 February 1952	Director of Ferrari N.V. Director of Amplifon S.p.A. Member of the Italian Corporate Governance Committee Chairperson of Assonime (Associazione per le società italiane per azioni)
2.	Luigi Lovaglio (1)	Chief Executive Officer and General Manager	Potenza, 4 August 1955	
3.	Francesca Bettìo (**)	Deputy Chairperson	Piove di Sacco (PD), 1 October 1950	
4.	Rita Laura D'Ecclesia (**)	Deputy Chairperson	Foggia, 30 September 1960	Chairperson of the Board of Directors of Lumen Ventures SIS S.p.A.
5.	Luca Bader (**)	Director	Milano, 18 May 1974	Director of Decode39 S.r.l. Chairperson of the Board of Atlantic Consulting S.r.l.

	Name	Position	Place and date of birth	Main activities outside the Bank, deemed significant
6.	Alessandra Giuseppina Barzaghi (**)	Director	Giussano (MP), 29 April 1955	
7.	Marco Bassilichi (*)	Director	Firenze, 3 October 1965	Deputy Chairperson of the Board of Base Digitale Group S.r.l. Director of ITH S.p.A. Deputy Chaiperson of Mercury B Capital Limited
8.	Francesco Bochicchio (**)	Director	Roma, 19 August 1956	Chairperson of the Supervisory Committee of Cassa di Risparmio della provincia di Chieti - Carichieti S.p.A., company under compulsory administrative liquidation (“*Liquidazione coatta amministrativa*”)
9.	Rosella Castellano (**)	Director	Catania, 27 June 1965	
10.	Stefano Di Stefano (2)	Director	Casoli (Chieti), 5 May 1960	Member of the Supervisory Board of STMicroelectronics Holding N.V. – STH
11.	Paola De Martini (**)	Director	Genova, 14 June 1962	Director of Renergetica S.p.A. Director of Octo Telematics Italia S.r.l.
12.	Raffaele Di Raimo (**)	Director	Roma, 3 June 1965	
13.	Marco Giorgino (**)	Director	Bari, 11 December 1969	Director, Member of Audit and Risk, Corporate Governance and Sustainability Committee and Chairperson of Related

	Name	Position	Place and date of birth	Main activities outside the Bank, deemed significant
				Parties Committee of Terna S.p.A. Director of RealStep SICAF Standing Auditor of Luce Capital S.p.A.
14.	Nicola Maione (**)	Director	Lamezia Terme (CZ), 9 December 1971	Expert member of the Monitory Committee ("*Comitato di Sorveglianza*") of Bernardi Group S.p.A. Expert member of the Monitory Committee ("*Comitato di Sorveglianza*") of Go Kids S.r.l. Expert member of the Monitory Committee ("*Comitato di Sorveglianza*") of Nuova Sofia S.r.l. Expert member of the Monitory Committee ("*Comitato di Sorveglianza*") of Tinos S.r.l. Chairperson of the Supervisory Board ("*Organismo di Vigilanza*") of SAT Società Autostrada Tirrenica S.p.A. Chairperson of the Supervisory Board ("*Organismo di Vigilanza*") of RAV Raccordo Autostradale Valle d'Aosta S.p.A. Chairperson of the Supervisory Board ("*Organismo di Vigilanza*") of STIMB

	Name	Position	Place and date of birth	Main activities outside the Bank, deemed significant
				Società Italiana per Azioni per il Traforo del Monte Bianco Chairperson of the Supervisory Board ("*Organismo di Vigilanza*") of Società Tangenziale Napoli S.p.A.
15.	Roberto Rao (**)	Director	Roma, 3 March 1968	

(*) Independent director pursuant to the Consolidated Finance Act.

(**) Independent director pursuant to the by-laws (Consolidated Finance Act and the Corporate Governance Code for Listed Companies).

(1) Executive Director, appointed by the Board of Directors on 7 February 2022 as Chief Executive Officer and General Manager, after co-option pursuant to Article 2386 of the Italian Civil Code to replace the resigning director Olga Cuccurullo. The Director was confirmed in the position by the Shareholders' Meeting on 12 April 2022.

(2) Director appointed by the Shareholders'Meeting on 12 April 2022, to replace Guido Bastianini, former Chief Executive Officer and General Manager of BMPS.

Managers with strategic responsibilities

	Name	Position	Place and date of birth	Main activities outside the Bank, deemed significant
1.	Luigi Lovaglio	Chief Executive Officer and General Manager	Potenza, 4 August 1955	
2.	Maurizio Bai	Chief Commercial Officer of Businesses and Private Customers	Grosseto, 23 July 1967	Director of MPS Leasing & Factoring S.p.A.
3.	Leonardo Bellucci	Chief Risk Officer	Firenze, 21 February 1974	
4.	Massimiliano Bosio	Chief Audit Executive	Torino, 26 July 1971	
5.	Vittorio Calvanico	Chief Operating Officer	Napoli, 8 February 1964	Director of Ausilia S.r.l.

	Name	Position	Place and date of birth	Main activities outside the Bank, deemed significant
				Chairperson of Consorzio Operativo Gruppo Montepaschi S.c.p.a.
6.	Ettore Carneade	Compliance Officer	Mola di Bari (BA), 16 June 1961	
7.	Nicola Massimo Clarelli	Financial Reporting Officer	Caserta, 22 October 1971	
8.	Roberto Coita	Chief Human Capital Officer	Milano, 28 January 1972	Director of Widiba S.p.A.
9.	Fiorella Ferri	Chief Safety Officer	Sovicille (SI), 5 June 1962	Chairperson of the Board of Directors of Cassa di Previdenza Aziendale per il personale di Monte dei Paschi di Siena
10.	Fabrizio Leandri	Chief Lending Officer	Roma, 21 April 1966	Deputy Chairperson of Monte Paschi Banque S.A. Director of MPS Capital Services Banca per le Imprese S.p.A.
11.	Andrea Maffezzoni	Chief Financial Officer	Sesto San Giovanni (Milan), 27 March 1972	
12.	Pasquale Marchese	Chief Commercial Officer Retail	Pescara, 2 June 1961	Deputy Chairperson of Widiba S.p.A. Director of AXA MPS Assicurazioni Danni S.p.A. Director of AXA MPS Assicurazioni Vita S.p.A. Director of Bancomat S.p.A.
13.	Riccardo Quagliana	Group General Counsel	Milano, 4 February 1971	Deputy Chairperson of MPS Capital Services Banca per le Imprese S.p.A.
14.	Emanuele Scarnati	Chief Commercial Officer Large Corporate & Investment Banking	Jesi (Ancona), 11 August 1965	General Manager of MPS Capital Services Banca per le Imprese S.p.A.

Board of Statutory Auditors

The Ordinary Shareholders' Meeting of the Bank held on 18 May 2020 appointed the following members to the Board of Statutory Auditors for financial years 2020, 2021 and 2022, save for what mentioned in note (*) below:

1.	Enrico Ciai	Chairperson	Roma, 16 January 1957	Chairperson of the Board of Statutory Auditors of AXA MPS Assicurazioni Vita S.p.A. Chairperson of the Board of Statutory Auditors of AXA MPS Assicurazioni Danni S.p.A. Chairperson of the Board of Statutory Auditors of MPS Capital Services Banca per le Imprese S.p.A. Director of Reactive S.r.l. (Almaviva Group)
2.	Luigi Cevasco (*)	Auditor	Genova, 20 May 1961	Director of Arrigoni S.p.A. Standing Auditor of AXA MPS Assicurazioni Danni S.p.A. Representative in charge of a branch office of Turn Works Inc. ("*Rappresentante preposto di sede secondaria*") di Turn Works Inc.
3.	Luigi Soprano	Auditor	Napoli, 22 February 1959	Standing Auditor of AXA MPS Assicurazioni Vita S.p.A. Sole Director of H & B Immobiliare S.r.l. Director of Interservice S.p.A. Standing Auditor of Del Bo Società Consortile S.c.a.r.l. Chairperson of the Board of Statutory Auditors of Del Bo Impianti S.r.l. Chairperson of the Board of Statutory Auditors of Del Bo Roma S.r.l. Chairperson of the Board of Statutory Auditors of Del Bo S.p.A.

				Chairperson of the Board of Statutory Auditors of Del Bo Servizi S.p.A. Sole Auditor of Aedifica S.r.l. Standing Auditor of VRENT S.p.A. Director of Mecar S.p.A. Standing Auditor of Mairo S.r.l.
4.	Francesco Fallacara (*)	Alternate Auditor	Bari, 14 June 1964	Chairperson of the Board of Statutory Auditors of Maire Tecnimont S.p.A. Chairperson of the Board of Statutory Auditors of TIM S.p.A. Chairperson of the Board of Statutory Auditors of TIM Retail S.r.l. Standing Auditor and external auditor of Ro.Co. Edil Romana Costruzioni Edilizie S.r.l. Standing Auditor of Eni Progetti S.p.A. Director of ArgoGlobal Assicurazioni S.p.A. Sole Auditor of GB Trucks Socio Unico S.r.l. Standing Auditor of Nextchem S.r.l. Sole Auditor of SIBI Segheria Industriale Boschiva Immobiliare S.r.l. Sole Auditor of I Casali del Pino S.r.l. Standing Auditor of Cartiere di Guarcino S.p.A. Chairperson of the Board of Statutory Auditors of ATAC S.p.A. (Azienda per la mobilità di Roma Capitale) Standing Auditor of Casa di Cura La Madonnina S.p.A. Standing Auditor of GSD Sistemi e servizi S.c.a.r.l.

				Director of Patty S.s. Statutory Auditor of ENI Natural Energies S.p.A.
5.	Piera Vitali	Alternate Auditor	Mede (PV), 8 June 1949	Chairperson of the Board of Statutory Auditors of Piaggio & C. S.p.A. Chairperson of the Board of Statutory Auditors of Value Retail Management Italy S.r.l. Chairperson of the Board of Statutory Auditors of VR Milan S.r.l.

(*) Member of the Board of Statutory Auditors appointed by the Shareholders' Meeting of the Bank held on 6 April 2021.

The Board of Statutory Auditors is required to verify that the Bank complies with applicable law and its by-laws, respects the principles of correct administration, and maintains an adequate organisational structure, internal controls and administrative and accounting systems. The Board of Statutory Auditors has a duty to shareholders to whom they report at the annual Ordinary Shareholders' meeting approving the financial statements.

Each member of the Board of Directors, the Board of Statutory Auditors and those managers with strategic responsibilities are domiciled for the purposes of their offices at the registered office of Banca Monte dei Paschi di Siena S.p.A., in Siena, Piazza Salimbeni 3, Italy.

For further information please refer to the Bank's website at www.gruppomps.it – Corporate Governance.

Statutory Auditing

Pursuant to article 28 of the Bank's by-laws, on 11 April 2019 the Ordinary Shareholders' meeting appointed the audit firm PricewaterhouseCoopers S.p.A. as independent auditors for the statutory audit of the accounts 2020-2028. The statutory audit shall be performed by an independent auditor meeting the requirements established by law.

Conflict of Interest

BMPS is an Italian bank with shares listed on regulated markets and as such deals with any conflicts of interest of the members of its administrative, management and supervisory bodies in accordance with the requirements of article 2391 ("*Directors' interests*") and article 2391-*bis* of the Italian Civil Code ("*Related party transactions*"), article 53, paragraph 4 ("*Regulatory supervision*") and article 136 ("*Obligations of bank corporate officers*") of the Italian Consolidated Banking Act and the regulatory provisions on related party transactions adopted by CONSOB with Resolution no. 17221 of 12 March 2010 as subsequently amended and supplemented ("*Regulation on Related Party transactions*") and by the Bank of Italy with Circular 285/2013 (Chapter 11, Part three *on* "*Risk activities and conflicts of interest with respect to affiliated parties*") as subsequently amended and supplemented, article 88 of CRD IV (*loans to members of the management body and their related parties*), article 36 of Legislative Decree 201/2011, converted by Law no. 214/2011 (*so-called prohibition of interlocking*), in addition to the provisions of BMPS' by-laws on the matters (articles 15, 17, 19 and 25).

In this regulatory framework and in line with the principles defined in section 12 of the EBA guidelines on internal governance (EBA/GL/2021/05) and the EBA-ESMA guidelines on the assessment of the suitability of the members of the management body and staff that play key roles (EBA/GL/2021/06), the Bank's Board of Directors has over time approved specific internal directives and policies, including the Group Directive on personnel conflicts of interest, in order to evaluate, manage and mitigate or prevent actual or potential conflicts of interest between the interests of the Issuer and the private interests of staff (including members of the administrative, management and supervisory bodies).

The company legislation defines principles, responsibilities, procedures and decision-making and information skills, and safeguards for the related risks, in particular with regard to subjects close to the Bank's decision-making centres. The Issuer's website (*www.gruppomps.it*) makes available provisions and procedures which define the principles and responsibilities for the management of the prescriptive obligations regarding related parties and affiliated parties and obligations of bank representatives.

To the best of BMPS's knowledge and belief, as of the date this Base Prospectus there are no conflicts involving the members of its administrative, management and supervisory bodies between their obligations towards the Bank and their private interests and/or their obligations towards third parties, other than those occurring within the context of specific resolutions adopted by BMPS in accordance with the aforementioned legislation and BMPS' by-laws.

To the best of BMPS' knowledge, the following have potential conflicts of interest:

- the Board of Directors member Marco Bassilichi, in view of his particular interest as a shareholder or holder of corporate offices in companies with commercial, financial and professional relationships deemed significant by the Issuer's Board of Directors; and

- the Chairperson of the Board of Statutory Auditors, Enrico Ciai, for his position as independent director in Reactive S.r.l., which belongs to the Almaviva Group, a group that provides certain IT services to the Issuer.

For these positions, the respective bodies to which the abovementioned figures belong have taken steps to adopt specific governance safeguards in order to prevent any actual conflict of interest also in relation to the independence of judgment of the same figures.

For the sake of completeness, Board of Directors Member Stefano Di Stefano, who was appointed by the Shareholders' Meeting on 12 April 2022, holds the position of Director of Office IV of Directorate VII - Enhancement of Public Assets at the MEF, which has been Issuer's controlling shareholder since August 2017.

Article 19 of BMPS' by-laws, in addition to compliance with the provisions of article 136 of the Italian Consolidated Banking Act, obliges the members of the Board of Directors to inform the Board itself and the Board of Statutory Auditors of any deal in which they are personally interested or which regards entities or companies of which they are directors, auditors or employees (unless in the case of Group companies) and to abstain from resolutions in which they have an interest in conflict, on their own behalf or on behalf of third parties. The main transactions concluded with related parties are described in the 2021 Consolidated Financial Statements and the 2022 Consolidated Half-Yearly Report published and available on the Bank's website *www.gruppomps.it*.

Main Shareholders as at the date of this Base Prospectus

The entities that, as at the date of this Base Prospectus, directly and/or indirectly hold ordinary shares for more than 3 per cent. of the Issuer's share capital and do not fall under any of the exemptions provided for by article 119-*bis* of the CONSOB Regulation No. 11971 of 14 May 1999, are as follows:

Shareholders	% share capital on overall share capital
Italian Ministry of Economy and Finance (MEF)	**64.230%**
AXA S.A.	**7.947%**

Although the MEF is controlling shareholder, the Issuer is not under direction and coordination activities pursuant to Italian law, since the MEF has not made any communications regarding the exercise of direction and control over the Issuer. Furthermore, the MEF has stated that it does not carry out direction and coordination activities pursuant to Italian law with respect to the companies in which it has taken an ownership interest.

Regulatory aspects

1) Deferred tax assets

Within the context of the legislative framework relating to DTAs, Law of 22 December 2011, no. 214 ("**Law 214/2011**") provided for the conversion into tax credits of DTAs referred to write-downs and credit losses, as well as those relating to the value of goodwill and other intangible assets (so-called DTAs eligible for conversion) in case the company records a loss for the period in its individual financial statement. The conversion into tax credit operates in regard to DTAs recorded in the financial statement in which the loss is recognised and for a fraction thereof equal to the ratio between the loss amount and the company's equity.

Law 214/2011 further provided for the conversion of DTAs also in the presence of a tax loss, on an individual basis; in such case, the conversion operates for the DTAs recognised in the financial statement versus the tax loss for the portion of the same loss generated by the deduction of the above illustrated negative income components (write-downs and credit losses, goodwill and other intangible assets).

In such legislative framework, accordingly, the recovery of DTAs eligible for conversion seems guaranteed for the Bank also in case the latter does not generate adequate future taxable income capable of ordinarily absorbing the deductions that correspond with the DTAs recorded. The tax regime introduced by Law 214/2011, as stated by the Bank of Italy/CONSOB/ISVAP (now IVASS) within the document "Accounting treatment of deferred taxes deriving from Law 214/2011" no. 5 of 15 May 2012, in granting "certainty" to the recovery of DTAs eligible for conversion, impacts in particular on the recoverability test laid down by the accounting standard IAS 12, basically makes it automatically satisfied. Even the regulatory legislation provides for a more favourable treatment for DTAs eligible for conversion compared to the other types of DTAs since the former, for the purpose of the capital adequacy requirements the Group shall comply with, do not constitute negative elements at equity level and are included among RWA with a 100 per cent. weighting.

In relation to DTAs eligible for conversion pursuant to Law 214/2011, article 11 of Law Decree No. 59/2016 subjected the possibility to continue to apply the above described regime in the matter of conversion into tax credits of advanced tax assets to the exercise of a specific irrevocable option and the payment of an annual fee ("**DTA fee**") to be paid with reference to each of the financial years starting from 2015 and subsequently, if annual requirements are met, until 2029. As clarified in the press release of the Council of Ministers on 29 April 2016, such provision were necessary to overcome the doubts raised by the European Commission on the existence of "State aid" components in the legislative framework relating to deferred tax assets then in force.

In more detail, the fee for a specific financial year is determined by applying the 1.5 per cent. rate to a "base" obtained by adding the difference between DTAs eligible for conversion that are recorded in the financial statement of such financial year and the corresponding DTAs recorded in the 2007 financial statement, the overall amount of conversions into tax credits operated until the relevant financial year, net of taxes, identified in the Decree, paid with respect to the specific tax periods established in the same Decree. Such fee is deductible for the purpose of income taxes.

The Bank exercised the aforementioned option by paying the fee, within the given deadline of 31 July 2016, for the amount of Euro 70.4 million, due by 2015. Further, article 26-*bis* of Decree 237 amended article 11 of Law Decree 59/2016, substantially moving the DTA fee's reference period from 2015-2029 to 2016-2030. Consequently, the fee already paid by 31 July 2016 in relation to 2015 is deemed deferred to 2016 and the amount remained unchanged; as a consequence of the exercise of the option, the Bank also proceeded with the payment of the fee due for 2017, 2018, 2019, 2020, 2021 and 2022 for the amount of Euro 346.5 million.

In relation to the expected evolution of the amount of DTAs eligible for conversion, please note that as a consequence of the rules introduced by Law Decree No. 83/2015 (converted by Law 6 August 2015 no. 132), such amount may no longer be increased in the future. Specifically, from 2016 the pre-requirement for the recognition of DTAs from write-downs and credit losses ceased, with those negative income items becoming fully deductible.

In relation to DTAs relating to goodwill and other intangible assets, if recognised in the Financial Statement from 2015 onwards, they will no longer be eligible for conversion into tax credits due to the effect of aforementioned Law Decree 83/2015.

It should be noted that the Italian legislation provides for the EGS (economic growth support (*aiuto alla crescita economica)*) introduced by article 1 of the Law-Decree no. 201/2011. Such incentive provides, for companies that have increased their capital resources compared to the respective size as of 31 December 2010, with the right to operate downward to their taxable income by an amount equal to the notional return (1.3 per cent. from 2019) on the capital increase realised. This downward amendment is recognized for the financial year in which the capital increase took place, as well as for each of the subsequent years (until the rule is repealed) and, in case of insufficient taxable income of one of those, may be deducted from the following years" income. Such deduction, for entities that participate in the group taxation system (also known as tax consolidation (*consolidato fiscale*)), must be added to taxable income before the use of past tax losses. It follows that, with equal prospective income generating capacity, the presence of this incentive reduces, to an extent directly proportional to its amount, the possibility of recording DTAs relating to past tax losses. The incentive at stake, temporarily repealed by Law no. 145 of 30/12/2018 with effect from 2019, was then reinstated by Law no. 160 of 27/12/2019, rendering the previous repeal ineffective.

Although the carry-forward of tax losses and EGS surpluses is not subject to any time limit according to current tax regulation, the regulatory provision provide for a more penalizing treatment of the relevant DTAs than for other DTAs that may not be converted into tax credits pursuant to Law no. 214/2011, since they are deducted from assets according to phasing-in percentages without the benefit of the deductible mechanism. Moreover, it should be noted that according to Law Decree No. 83/2015, by recognising the immediate deductibility of write-downs and credit losses entailed for financial years subsequent to 2015, a relevant reduction of corporate income tax extends the time horizon for the absorption of tax losses and prior EGS surplus and, accordingly, for the DTAs associated with such losses and surpluses.

It should be noted that Article 44-bis of Law Decree 34/2019 (as amended by Law Decrees 18/2020 and 73/2021) introduced the possibility of conversion of DTAs related to tax losses and EGS surpluses into tax credits as well. The conversion is allowed in case of sale of NPLs carried out in 2020 and 2021 towards third parties not belonging to the Group. Tax losses or EGS surplus convertible are determined as 20% of the nominal value of NPLs sold (up to a limit of Euro 2 billion) and the tax credit amount corresponds to related DTAs (even if not booked in the balance sheet). An annual 1.5% fee is due on the DTAs converted amount, under the same conditions as that due for conversions made in accordance with Law 214/2011.

2) Regulations and Supervision of the ECB, Bank Of Italy, CONSOB and IVASS

The Group is subject to complex regulations and, in particular, to the supervision of the Bank of Italy, CONSOB and, in relation to a number of aspects of the bancassurance business, the *Istituto per la Vigilanza sulle Assicurazioni* ("**IVASS**"). As from 4 November 2014, the Group is also subject to the supervision of the ECB, which is entrusted under the SSM (as defined below), *inter alia*, to ensure the homogeneous application of Eurozone legislative provisions.

In particular, the Group is subject to both a primary and secondary legislation framework applicable to companies with financial instruments listed on regulated markets. The legislation is applicable in regard to banking and financial services (governing, *inter alia*, sale and placement activities of financial instruments and the marketing thereof), as well as for the regulatory regime of countries, including those other than the Republic of Italy, in which the Group is active. The supervision activities carried out by the aforementioned authorities cover various business sectors and may concern, *inter alia*, liquidity, capital adequacy and financial leverage levels, the prevention and combating of money laundering, privacy protection, transparency and fairness in the relations with clients, and reporting and recording obligations.

For the purpose of operating in accordance with such legislations, the Group put in place specific internal procedures and policies and has adopted, pursuant to Legislative Decree No. 231/2001, a complex and constantly monitored organisational model. Such procedures and policies mitigate the possibility of the Bank to incur any breach of the various applicable legislations, which may cause negative impacts on the business, reputation as well as on the capital, economic and/or financial condition of the Bank and/or of the Group.

In general, the international and national legislative structure to which the Group is subject has the main purpose of safeguarding the stability and soundness of the banking system, through the adoption of a very complex regime, aimed at containing risk factors. To achieve these goals, the regime provides for, *inter alia*:

(i) a minimum capital holding, adequate to deal with the company's size and the associated risks;

(ii) quantitative and qualitative limits on the ability to develop certain financial aggregate data, depending on the risks associated therewith (e.g. credit, liquidity);

(iii) strict rules on the structure of controls and a compliance system; and

(iv) rules on corporate governance.

Basel III and the CRD IV Package

In the wake of the global financial crisis that began in 2008, the Basel Committee on banking supervision ("**BCBS**") approved, in the fourth quarter of 2010, revised global regulatory standards ("**Basel III**") on bank capital adequacy and liquidity, which impose requirements for, *inter alia*, 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.

In January 2013 the BCBS 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 ("LCR") with a full implementation in 2019 as well as expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Regarding the other liquidity requirement, the net stable funding ratio, the BCBS published the final rules in October 2014 which were to be effective from 1 January 2018. A binding detailed net stable funding ratio was intoduced as part of the Capital Requirements Directive reforms published in June 2019 and applicable from June 2021, as better detailed below.

The Basel III framework has been implemented in the European Union ("**EU**") through new banking requirements: Directive 2013/36/EU (the "**CRD IV**") of the European Parliament and the European Council on 26 June 2013 which relates to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, and Regulation (EU) No 575/2013 (the "**CRR**" and together with the CRD IV, the "**CRD IV Package**") of the European Parliament and the European Council on 26 June 2013 which relates to prudential requirements for credit institution and investment firms, subsequently updated with the Directive (EU) 2019/878 (the "**CRD V**") and Regulation (EU) 2019/876 (the "**CRR II**" and, together with the CRD V, the "**EU Banking Reform Package**").

National options and discretions under the CRD IV Package that were previously only exercised by national competent authorities, will now be exercised by the Single Supervisory Mechanism ("**SSM**") (as defined below) in a largely harmonised manner throughout the European banking union. In this respect, on 14 March 2016, the ECB adopted Regulation (EU) No. 2016/445 on the exercise of options and discretions, as subsequently amended. Depending on the manner in which these options/discretions had been exercised by the national competent authorities and on the manner in which the SSM will exercise them in the future, additional/lower capital requirements may result.

In the Republic of Italy, the Government approved Legislative Decree No. 72 on 12 May 2015 ("**Decree 72/2015**") implementing the CRD IV. Decree 72/2015 entered into force on 27 June 2015. The new regulation impacts, *inter alia*, on:

(i) proposed acquirers of holdings in credit institutions, requirements for shareholders and members of the management body (articles 22, 23 and 91 of the CRD IV);

(ii) competent authorities' powers to intervene in cases of crisis management (articles 102 and 104 of the CRD IV);

(iii) reporting of potential or actual breaches of national provisions (known as whistleblowing, article 71 of the CRD IV); and

(iv) administrative penalties and measures (article 65 of the CRD IV).

Moreover, the Bank of Italy published new supervisory regulations on banks in Circular No. 285 on 17 December 2013 ("**Circular No. 285**") which came into force on 1 January 2014, implementing the CRD IV Package and then the CRD V Package, and setting out additional local prudential rules. Circular No. 285 has been constantly updated after its first issue, the last updates being the 40th update published on 3 November 2022. The CRD IV Package has also been supplemented in the Republic of Italy by technical standards and guidelines finalized by the European supervisory authorities, mainly EBA and the European Securities and Markets Authority, and delegated regulations of the European Commission and guidelines of the EBA.

According to Article 92 of the CRR, as amended by the CRR II, institutions shall at all times satisfy the following own fund requirements: (i) a CET1 Capital ratio of 4.5 per cent. of the total risk exposure amount; (ii) a Tier 1 Capital ratio of 6 per cent. of the total risk exposure amount; (iii) a Total Capital ratio of 8 per cent. of the total risk exposure amount and (iv) the Leverage Ratio of 3%. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital, reported below as applicable with reference to 30 June 2022:

- *Capital conservation buffer*: set at 2.5 per cent. from 1 January 2019 (pursuant to article 129 of the CRD IV and Part I, Title II, Chapter I, Section II of Circular No. 285);

- *Counter-cyclical capital buffer*: calculated on a quarterly basis depending on the geographic distribution of the relevant credit exposures of the institution and on the decisions of each competent national authorities setting the specific rates applicable in the home Member State, other Member States or third countries (pursuant to article 130 of the CRD IV and Part I, Title II, Chapter I, Section III of Circular No. 285). The Bank of Italy has set, and decided to maintain, the countercyclical capital buffer rate (relating to exposures towards Italian counterparties) at 0 per cent. for the first quarter of 2023;

- *Capital buffers for global systemically important banks* ("**G-SIBs**"): represents an additional loss absorbency buffer varing depending on the sub-categories on which the global systematically important institutions (**G-SIIs**) are divided into. The lowest sub-category shall be assigned a G-SII buffer of 1% of the total risk exposure amount calculated in accordance with Article 92(3) of the CRR and the buffer assigned to each sub-category shall increase in gradients of at least 0.5% of the total risk exposure amount calculated in accordance with Article 92(3) of the CRR. G-SIIs are determined according to specific indicators (e.g. size, interconnectedness, complexity) and, being phased in from 1 January 2016, became fully effective on 1st January 2019 (pursuant to article 131 of the CRD IV and Part I, Title II, Chapter I, Section IV of Circular No. 285). Based on the most recently updated list of G-SIIs published by the FSB (as defined below) on 23 November 2022 (updated annually), the Group is not a G-SIB and does not need to comply with a G-SII capital buffer requirement; and

- *Capital buffers for other systemically important banks* ("**O-SIIs**"): up to 3.0 per cent. as set by the relevant competent authority (reviewed at least annually), to compensate for the higher risk that such banks represent to the domestic financial system (article 131 of the CRD IV and Part I, Title II, Chapter I, Section IV of Circular No. 285). Although the Group had not reached the minimum threshold identified by the EBA "Guidelines on criteria to assess other systematically important institutions" to be automatically classified as O-SII, on 25 November 2022, the Bank of Italy exercised its supervisory judgment and decided to identify the Group as an O-SII authorised to operate in the Republic of Italy in 2023. From January 2023, the Group will have to maintain a capital buffer of 0.25 per cent. of its total risk exposure amount.

In addition to the above listed capital buffers, under Article 133 of the CRD IV, as amended by CRD V, each Member State may introduce a systemic risk buffer ("**SyRB**") in order to prevent and mitigate long-term non-cyclical systemic or macro prudential risks not otherwise covered by the CRD IV Package, in the sense of a risk of disruption in the financial system with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State.

With update no. 38 of 22 February 2022, the Circular No. 285 was amended in order to provide for, *inter alia,* the introduction of:

(i) the possibility for the Bank of Italy to activate the SyRB for banks and banking groups authorised in Italy. In particular, the requirement to maintain a SyRB Common Equity Tier 1 is intended to prevent and mitigate macro-prudential or systemic risks not otherwise covered with the macro-prudential instruments provided for by the CRR, as amended by CRR II, the anti-cyclical capital buffer and capital buffer for G-SII and O-SII. The buffer ratio for systemic risk can be applied to all exposures or to a subset of exposures and to all banks or to one or more subsets of banks with similar risk profiles; and

(ii) some macro-prudential instruments based on the characteristics of customers or loans (so-called "borrower-based measures"). Specifically, these are measures that are not harmonised at European level, which can be used to counter systemic risks deriving from developments in the real estate market and from high or rising levels of household and non-financial corporate debt.

Failure by an institution to comply with the buffer requirements described ("**Combined Buffer Requirements"**) may trigger restrictions on distributions by reference to the so-called "Maximum Distributable Amounts" and the need for the bank to adopt a capital conservation plan and/or take remedial actions (articles 141 to 142 of the CRD IV).

In addition, the Bank is subject to the Pillar II requirements for banks imposed under the CRD IV Package, which are potentially impacted, on an on-going basis, by further requirements provided by the supervisory authorities under the Supervisory Review and Evaluation Process ("**SREP"**). In particular, the SREP process is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. The key purpose of the SREP process is to ensure that institutions have adequate arrangements as well as capital and liquidity to ensure sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, as well as risks the institution may pose to the financial system. For more information in this respect reference is made to paragraph "*The Single Supervisory Mechanism*" below.

The quantum of any Pillar II requirement imposed on a bank and the type of capital which a bank is required to apply in order to meet such capital requirements may all impact a bank's ability to comply with the Combined Buffer Requirement.

With reference to the "stacking order" of own funds requirements, as clarified in the "Opinion of the European Banking Authority on the interaction of Pillar I, Pillar II and combined buffer requirements and restrictions on distributions" published on 16 December 2015, competent authorities should ensure that the

Common Equity Tier 1 Capital to be taken into account in determining the Common Equity Tier 1 Capital available to meet the combined buffer requirement is limited to the amount not used to meet the Pillar I and Pillar II own funds requirements of the institution. In effect, this would mean that Pillar II capital requirements would be "stacked" below the capital buffers, and thus a firm's CET1 resources would only be applied to meet capital buffer requirements after Pillar I and Pillar II capital requirements have been met in full.

Furthermore, in its publication of the 2016 EU-wide stress test results on 29 July 2016, the EBA has recognised a distinction between "Pillar II requirements" (stacked below the capital buffers) and "Pillar II capital guidance" (stacked above the capital buffers). With regard to Pillar II capital guidance, the publication stated that, in response to the stress test results, competent authorities may (among other things) consider "setting capital guidance, above the combined buffer requirement". Competent authorities have remedial tools if an institution refuses to follow such guidance. The ECB published a set of "Frequently asked questions on the 2016 EU-wide stress test", confirming this distinction between Pillar II requirements and Pillar II capital guidance and noting that "Under the stacking order, banks facing losses will first fail to fulfil their Pillar II capital guidance. In case of further losses, they would next breach the combined buffers, then Pillar II requirements, and finally Pillar I requirements".

This distinction between "Pillar II requirements" and "Pillar II capital guidance" has been introduced in the EU by the CRD V. Whereas the former are mandatory requirements imposed by supervisors to address risks not covered or not sufficiently covered by Pillar I and buffer capital requirements, the latter refers to the possibility for competent authorities to communicate to an institution their expectations for such institution to hold capital in excess of its capital requirements (Pillar I and Pillar II) and combined buffer requirements in order to cope with forward-looking and remote situations. Under the EU Banking Reform Package, and as described above, only Pillar II requirements, and not Pillar II capital guidance, will be relevant in determining whether an institution is meeting its combined buffer requirement.

Non-compliance with Pillar II capital guidance does not amount to failure to comply with capital requirements, but should be considered as a "pre-alarm warning" to be used in a bank's risk management process. If capital levels go below Pillar II capital guidance, the relevant supervisory authorities, which should be promptly informed in detail by the bank of the reasons of the failure to comply with the Pillar II capital guidance, will take into consideration appropriate and proportional measures on a case by case basis (including, by way of example, the possibility of implementing a plan aimed at restoring compliance with the capital requirements - including capital strengthening requirements).

With update no. 39 of 13 July 2022, the Circular No. 285 was amended in order to align its provisions with Articles 104 to 104c of the CRD IV, as amended by CRD V. In particular, the amendments introduced to Part I, Chapter 1, Title III of the Circular No. 285 provide for, *inter alia*, the introduction of:

(i) a clear differentiation between the components of Pillar 2 Requirements ("**P2R"**) estimated from an ordinary perspective and the Pillar 2 Guidance determined from a stressed perspective wich supervisory authorities may require banks to hold; and

(ii) the possibility for supervisory authorities to require additional capital in the presence of excessive leverage risk, under both ordinary and stressed conditions (P2R and Leverage Ratio and Pillar 2 Guidance Leverage Ratio).

The CRD IV Package also introduced a LCR. This is a stress liquidity measure based on modelled 30-day outflows. The LCR was implemented in 1 October 2015, although it was phased-in and became fully applicable from 1 January 2018 and set at 100 per cent.. The Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 supplementing the CRR in regard to the liquidity coverage requirement for credit institutions (the "**LCR Delegated Act**") was adopted in October 2014 and published in the Official Journal of the European Union in January 2015. On 20 May 2022, amendments to the LCR Delegated Act were published in the Official Journal (Commission Delegated Regulation (EU) 2012/786 of 10 February

2022) and has applied as of July 2022.Most of these amendments have been introduced to better allow the credit institutions issuing covered bonds to comply, on one hand, with the general liquidity coverage requirement for a 30 calendar day stress period and, on the other hand, with the cover pool liquidity buffer requirement, as laid down by Directive (EU) 2019/2162 of the European Parliament and of the Council. The Net Stable Funding Ratio ("**NSFR**") is part of the Basel III framework and aims to promote resilience over a longer time horizon (1 year) by creating incentives for banks to fund their activities with more stable sources of funding on an on-going basis. The NSFR has been introduced as a requirement in the CRR II published in June 2019 and applies from June 2021.

Furthermore, the Bank is bound to comply with the general limit on the investment in equity interests and real estate properties, to be contained within the amount of own funds at consolidated level, and the regulatory limits in the matter of holding of qualifying equity interests in non-financial enterprises and large exposures. The Bank is also subject to the regulatory limits provided for by the national legislation in the matter of transactions with related parties as per the Bank of Italy Circular 285 for banks as well as the specific obligations set forth by the regulation issued by CONSOB.

With regard to the calculation modalities of regulatory requirements, in order to determine weightings in the context of the credit risk standardised approach, the first pillar prudential regime allows for the possibility to use the creditworthiness assessments issued by external credit assessment institutions ("**ECAI**"). BMPS uses the assessments provided by certain ECAIs and, in particular, those issued by Standard & Poor's, Moody's and Fitch. In addition, in relation to credit risk, the prudential regime further allows for the possibility to use internal rating-based assessments for the determination of weightings on exposures falling within the validated perimeters.

The EU Banking Reform Package

The EU Banking Reform Package amends many existing provisions set out in the CRD IV Package, the BRRD (as defined below) and the SRM Regulation (as defined below).

These proposals were agreed by the European Parliament, the European Council and the European Commission and were published in the Official Journal of the European Union on 7 June 2019 entering into force 20 days after, even though most of the provisions apply as of 28 June 2021, allowing for smooth implementation of the new provisions.

Specifically, the new EU regulatory framework introduced by the CRR II includes:

- revisions to the standardised approach for counterparty credit risk;

- revisions to the prudential treatment of exposures in the form of units or shares in collective investment undertakings, envisaging the application of a risk weight of 1250% (fall-back approach) in the event that the bank is unable to apply the look-through approach or the mandate-based approach;

- introduction from September 2021 of new reporting requirement on market risk according to the Alternative Standardised Approach pending implementation in the EU of the latest changes to the Fundamental Review of the Trading Book ("**FRTB**") published in January 2019 by the BCBS and then the application of own funds requirements;

- a binding leverage ratio (and related improved disclosure requirements) introduced as a backstop to risk-weighted capital requirements and set at 3 per cent. of an institution's Tier 1 capital;

- a binding NSFR which requires credit institutions and systematic investment firms to finance their long-term activities (asset and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks resilience to funding constraints. This means that the amount of available stable funding will be calculated by multiplying an institution's liabilities and regulatory capital by appropriate factors that reflect their degree of reliability over a year. The NSFR will be expressed as a percentage and set at a minimum level of 100 per cent., indicating that an institution holds sufficient stable funding to meet its funding needs during a one-year period under both normal and stressed conditions. The NSFR applies at a level of 100 per cent. at individual and a consolidated level starting from 28 June 2021, unless competent authorities waive the application of the NSFR on an individual basis;

- changes to the large exposure limits, now calculated as the 25% of Tier 1;
- the exemption from deductions of prudently valued software assets from CET 1;
- improvement of own funds calculation adjustments for exposures to SME and infrastructure projects; and
- the CRD V reviews, among other things, the Pillar 2 regulatory framework for capital buffers, which officially introduces the distinction between Pillar 2 requirements and Pillar 2 capital guidance, also specifying the nature the equity instruments with which banks must satisfy the Pillar 2 requirement.

Most of the provisions of the CRR II apply from 28 June 2021, although certain provisions, such as those relating to definition or own funds, were implemented from 27 June 2019. The elements of the package introduced by the CRD V

shall be implemented into national law by 28 December 2020 excluding some provisions which will be applicable subsequently. Although it is expected to be gradually implemented, such regulatory evolution, whose aim was to set a higher system stability, may in any case have a significant impact on financial institutions.

In Italy, the Government approved a Legislative Decree on 8 November 2021 ("**182 Decree**") implementing the CRD V and amending the Italian Banking Act. 182 Decree entered into force on 30 November 2021. 182 Decree impacts, *inter alia*, on:

- proposed acquirers of holdings in credit institutions, requirements for shareholders and members of the management body (Articles 22, 23 and 91 of the CRD V Directive);
- competent authorities' powers to impose additional own fund requirements (Articles 104 and 104a of the CRD V Directive);
- authorisation regime applicable to financial holding companies and mixed financial holding companies (Article 21a of the CRD V Directive); and
- regime governing the banking groups and introduction of the status of "intermediate EU parent" (Article 21c of the CRD V Directive).

On 27 October 2021, the European Commission published, as part of a legislative package that includes also amendments to CRD V, the text of the proposal to amend the CRR II ("**CRR III**" and jointly the "**2021 Reform Package**"). In particular, the 2021 Reform Package legislative initiative aims at implementing in the EU the Basel IV (as defined below) and further elements not included in such international framework contributing to financial stability and to the steady financing of the economy in the context of the post-COVID 19 crisis recovery. This general objective can be broken down in four more specific objectives:

(i) to strengthen the risk-based capital framework, without significant increases in capital requirements overall;

(ii) to enhance the focus on ESG risk in the prudential framework;

(iii) to further harmonise supervisory powers and tools;

(iv) to reduce institutions' administrative costs related to public disclosure and to improve access to institutions prudential data; and

(v) to insert in the CRR a dedicated treatment for the indirect subscription of instruments eligible for internal MREL (i.e. "daisy chain approach").

Once agreed on the final text between the various stakeholders involved in the legislative process (European Commission, European Parliament and Council of the EU) and once implemented in the Union, these regulatory changes will impact the entire banking system and consequently could determine changes in the capital calculation and increase capital requirements.

The EBA has been conducting regular and ad-hoc quantitative impact studies to assess or monitor the impact of various rules on th EU banking sector.
Regular monitoring exercise includes also a monitoring exercise to assess the impact of the Basel III framework on a sample of EU banks that the EBA conducts in coordination and in parallel with the BCBS ("**Basel III Monitoring Exercise**"). This exercise assesses the impact of the latest regulatory developments at BCBS level in the following area: (a) global regulatory framework for more resilient banks and banking systems; (b) the Liquidity Coverage Ratio and liquidity risk monitoring tools; (c) the leverage ratio framework and disclosure requirements; (d) the Net Stable Funding Ratio; and (e) the post-crisis reforms.

The impact of the Basel III is assessed using mostly the following measures:

(i) percentage impact on minimum required Tier 1 capital (MRC);

(ii) impact, in basis point, on the current actual Tier 1 capital ratio; and

(iii) Tier 1 shortfall resulting from the full implementation of Basel III, namely the capital amount that bansks need to filfil the Basel III MCR.

Pursuant to the EBA Decision no. EBA/DC/2021/373, the Basel III Monitoring Exercise became mandatory and is carried out on an annual basis only.

On 30 September 2022, EBA published its first mandatory Basel III Monitoring Report which assess the impact that Basel III full implementation will have on EU banks in 2028. According to this assessment, the full Basel III implementation would result in an average increase of 15.0% of the current Tier 1 minimum required capital. Thus, to comply with the new framework, banks would need EUR 1.2 billion of additional Tier 1 capital.

On 4 May 2020, EBA published its final draft technical standards on specific reporting requirements for market risk, in accordance with the mandate set out in the provisions of the CRR II.

In particular, the implementing technical standards ("**ITS**") introduced uniform reporting templates, the template related instructions, the frequency and the dates of the reporting, the definitions and the IT solutions for the specific reporting for market risk. These ITS introduce the first elements of the Fundamental Review of the Trading Book (FRTB) into the EU prudential framework by means of a reporting requirement. Based on the ITS submitted by the EBA, the European Commission adopted the Implementing Regulation no. 2021/453/EU of 15 March 2021 which applied from 5 October 2021.

It should be noted that during 2020 the ECB granted a number of supervisory measures that included a greater flexibility in supervisory burdens in order to mitigate the impact of COVID-19 on the European banking system. In particular, the ECB allowed banks the possibility of temporarily operating below the capital level defined by the Pillar 2 capital guidance, the capital conservation buffer and the LCR, and the possibility of partially using Additional Tier 1 Capital or Tier 2 Capital to meet the Pillar 2 requirement (P2R), bringing forward the measure contained in the CRD V. Moreover, Regulation (EU) 2020/873 of the

European Parliament and of the Council (the "**CRR Quick-fix**"), brought forward the application date of certain CRR II measures to 27 June 2020, including the SME supporting factor, the infrastructure supporting factor and the more favourable treatment of certain loans granted by credit institutions to pensioners or employees, and the application date of the new prudential treatment of software assets to the date on which the EBA's regulatory technical standards enter into force (Delegated Regulation (EU) 2020/2176 was published on 22 December 2020 and became effective from 23 December 2020). The CRR Quick-fix also amended the IFRS 9 transitional arrangements to mitigate the impact on regulatory capital and on banks' lending capacity of the likely increases in expected credit loss provisioning under IFRS 9 due to the economic consequences of the COVID-19 crisis, and introduced several temporary measures, such as the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income for exposures to central governments, the temporary treatment of public debt issued in the currency of another Member State and the temporary measures relating to the calculation of the leverage ratio (the exclusion, subject to the discretion of the competent authority, of certain exposures to central banks from the total exposure measure and the revised calculation of the exposure value of regular-way purchases and sales awaiting settlement). With regard to exclusion of certain exposures to central banks from total exposure measures, on 18 June 2021, ECB announced its temporary exclusion in view of the COVID-19 pandemic, for a period starting on 28 June 2021 and ending on 31 March 2022 (Decision ECB 2021/2176).

On 10 February 2022, the ECB announced to see no needs to allow banks to operate below the level of capital defined by their Pillar 2 Guidance beyond December 2022, nor to extend beyond March 2022 the supervisory measure that allow them to exclude central bank exposure from their leverage ratios. Therefore, banks are: (i) expected to operate above Pillar 2 Guidance from 1 January 2023; (ii) re-include central bank exposures in leverage ratio from 1 April 2022; and (iii) have ample headroom above capital and leverage ratio requirements.

Furthermore, in July 2020, the European Commission adopted a legislative package on capital markets recovery (the "**Capital Markets Recovery Package**") as part of its overall strategy to tackle the economic impacts of the COVID-19 pandemic. Under the Capital Markets Recovery Package targeted amendments to (i) the Prospectus Regulation and Directive 2004/109/EC (such amendments having been introduced by Regulation (EU) 2021/337), (ii) the MiFID II (such amendments having been introduced by Directive (EU) 2021/338) and (iii) the Securitisation Regulation (such amendments having been introduced by Regulation (EU) 2021/557), have been introduced in the EU legislative framework.

For more details on the amendments to the Securitisation Regulation, please see paragraph "*The Securitisation Framework*" below.

The Single Supervisory Mechanism

In October 2013, the Council of the European Union adopted regulations establishing the SSM for all banks in the Eurozone, which have, beginning in November 2014, given the ECB, in conjunction with the national competent authorities of the Eurozone states, direct supervisory responsibility over "banks of systemic importance" in the European banking union as well as their subsidiaries in a participating non-Eurozone Member State. The SSM Regulation that sets out the practical arrangements for the SSM was published in April 2014 and entered into force in May 2014. Banks directly supervised by the ECB include, *inter alia*, any Eurozone bank that has: (i) assets greater than Euro 30 billion; (ii) assets constituting at least 20 per cent. of its home country's gross domestic product; or (iii) requested or received direct public financial assistance from the European Financial Stability Facility or the European Stability Mechanism.

The ECB is also exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which include, *inter alia*, the power to: (i) authorise and withdraw the authorisation of all credit institutions in the Eurozone; (ii) assess acquisition and disposal of holdings in other banks; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements for certain banks to protect financial stability under the conditions provided by EU law; (v) ensure compliance with robust corporate governance practices and internal capital adequacy assessment controls; and (vi) intervene at the early stages when risks to the viability of a bank exist, in coordination with the relevant resolution authorities. The ECB also has the right to impose pecuniary sanctions.

National competent authorities will continue to be responsible for carrying out supervisory tasks not conferred on the ECB, such as consumer protection, money laundering, payment services, and branches of third country banks, besides supporting the ECB in day-to-day supervision. In order to foster consistency and efficiency of supervisory practices across the EU, the EBA is developing a single rule book. The single rule book aims at providing a single set of harmonised prudential rules in which institutions throughout the EU must respect.

The Bank and the Group have been classified, as a significant supervised entity and a significant supervised group, respectively, pursuant to the SSM Regulation and Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014 and, as such, are subject to direct prudential supervision by the ECB.

The ECB is required under the SSM Regulation to carry out a SREP process at least on an annual basis. In addition to the above, the EBA published on 19 December 2014 its final guidelines for common procedures and methodologies in respect of the SREP. Included in these guidelines were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional Pillar II own funds requirements to be implemented from 1 January 2016. Under these guidelines, national supervisors should set a composition requirement for the Pillar II requirements to cover certain specified risks of at least 56 per cent. of CET1 Capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own fund requirements in respect of risks which are already covered by the combined buffer requirements (as described above) and/or additional macro-prudential requirements.

On 18 March 2022, the EBA published its final report on revised Guidelines on common procedures and methodologies for SREP and supervisory stress testing. The EBA has developed the revised SREP Guidelines in order to implement the changes brought by CRD V and CRR II. In particular, the revision of the Guidelines, while keeping the original framework with the main SREP elements intact, reflects, among other things, the introduction of the assessment of the risk of excessive leverage and the revision of the methodology for the determination of the Pillar 2 Guidance. Additional relevant changes are related to the enhancement of the principle of proportionality and the encouragement of cooperation among prudential supervisory authorities and AML/CFT supervisors, as well as resolution authorities. The Bank of Italy should report its intention to comply with the Guidelines by 2 months after the publication of the translation in the official EU languages (still pending). The guidelines will apply from 1 January 2023.

As mentioned above, according to the SSM Regulation, the national supervisory authorities remain in charge of carrying out those supervisory tasks which are not given to the ECB (such as, among the others, conducting the function of competent authorities over credit institutions in relation to markets in financial instruments). Therefore, the Bank is also subject to, *inter alia*, CONSOB supervision, given its activities carried out in relation to the sale, placement and marketing of financial instruments.

Single Resolution Mechanism

In August 2014, Regulation (EU) No 806/2014 (as amended, the "**SRM Regulation**") establishing the single resolution mechanism ("**SRM**") entered into force. The SRM became fully operational on 1 January 2016. Certain provisions, including those concerning the preparation of resolution plans and provisions relating to the cooperation of the Single Resolution Board ("**SRB**") with national resolution authorities, entered into force on 1 January 2015.

The SRM, which complements the SSM, applies to all banks supervised by the ECB SSM. It mainly consists of the SRB and a Securitisation Regulation Framework ("**SRF**").

Decision-making is centralised with the SRB, and involves the European Commission and the European Council (which will have the possibility to object to the SRB's decisions) as well as the ECB and national resolution authorities.

The establishment of the SRM is designed to ensure that supervision and resolution is exercised at the same level for countries that share the supervision of banks within the ECB Single Supervisory Mechanism.

The SRM Regulation was subsequently updated by Regulation (EU) 2019/877 ("**SRM II Regulation**"), as part of the EU Banking Reform Package, published on 7 June 2019 and entered into force on 27 June 2019. In line with the changes to BRRD II (as defined below), the SRM II Regulation which applies from 28 December 2020 introduced several amendments such as changing the MREL for banks and G-SIBs, in order to measure it as a percentage of the total risk-exposure amount and of the leverage ratio exposure measure of the relevant institution. BRRD and SRM Regulation require institutions to meet MREL at all times, which has to be determined by the resolution authority in order to ensure the effectiveness of the bail-in tool and other resolution tools.

The BRRD and the revision of the BRRD framework

The BRRD completes the legislative framework applicable to banks, identifying the powers and tools which national authorities in charge of resolving banking crisis may adopt for the resolution of a bank's crisis or a collapse situation. This was for the purpose of guaranteeing continuity of the essential functions of the institution, reducing to a minimum the collapse impact on the economy and the financial system as well as on costs for taxpayers. On 9 July 2015, the enabling act for the implementation of the BRRD was approved, identifying, *inter alia*, the Bank of Italy, as national resolution authority pursuant to article 3 of the BRRD. On 16 November 2015, contemporaneously with the publication in the Official Journal, Legislative Decrees no. 180 and 181 of 16 November entered into force and respectively implemented the BRRD and adapted the provisions of the Italian Banking Act to the changed legislative framework.

With specific reference to the bail-in instrument, the BRRD has provided a minimum requirement for own funds and eligible liabilities ("**MREL**") in order to ensure that a bank, in case of an application of the bail-in tool, has sufficient liabilities to absorb losses and to assure compliance with the Common Equity Tier 1 requirement provided for the authorisation to exercise the banking business, as well as to generate confidence in the market. Regulatory technical standards specifying the criteria to determine the MREL requirements are set out in Delegated Regulation EU 2016/1450 which was published in the Official Journal of the European Union on 3 September 2016.

In April 2021, Implementing Regulation (EU) 2021/763 on disclosure reporting on MREL and TLAC has been published, providing for: (i) draft uniform disclosure formats for MREL and TLAC disclosure according – respectively – to Articles 45i(6) of the BRRD and 434a of the CRR; and (ii) draft uniform reporting templates, instructions and methodology for MREL and TLAC reporting according – respectively – to Articles 45i(5) of the BRRD and 430(7) of the CRR. Title I of Implementing Regulation (EU) 2021/763 shall apply from 28 June 2021, while Title II shall apply as of 1 June 2021 as regards the disclosures in accordance with Article 437a and point (h) of Article 447 of CRR, and as of the date of application of the disclosure requirements in accordance with the third subparagraph of Article 3(1) of Directive (EU) 2019/879, as regards the disclosures in accordance with Article 45i(3) of BRRD.

The BRRD also requires Member States to ensure that national insolvency laws contain a prescribed creditor hierarchy. The insolvency hierarchy directive (Directive (EU) 2017/2399), due to be transposed in Member States by 29 December 2018, amends this hierarchy by introducing a new asset class of non-preferred senior debt that can only be bailed-in in resolution after capital instruments but before senior liabilities. In the Republic of Italy, such directive has been implemented by the Italian Law No. 205/2017 which introduced article 12 *bis* into the Italian Consolidated Banking Act.

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 shares or other instruments of ownership (including the Subordinated Notes) at the point of non-viability and before any other resolution action is taken (**non-viability loss absorption**). Any shares issued to holders of Subordinated Notes upon any such conversion may also be subject to any application of the general bail-in tool. 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 or its group will no longer be viable unless the relevant capital instruments (including the Subordinated Notes) are written-down/converted or extraordinary public support is to be provided.

Resolution authorities have the power to amend or alter the maturity of certain debt instruments (such as the Senior Preferred Notes, Senior Non-Preferred Notes and Subordinated Notes) issued by an institution under resolution, amend the amount of interest payable under such instruments, the date on which the interest becomes payable (including by suspending payment for a temporary period) and to restrict the termination rights of holders of such instruments. The BRRD also provides for a Member State, after having assessed and exhausted the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. Resolution authorities may provide public equity support to an institution and/or take the institution into public ownership. Such measures must be taken in accordance with the EU state aid framework and will require a contribution to loss absorption from shareholders and creditors via write- down, conversion or otherwise, in an amount equal to at least 8 % of total liabilities (including own funds).

As an exemption from these principles, the BRRD allows for three kinds of extraordinary public support to be provided to a solvent institution without triggering resolution: 1) a State guarantee to back liquidity facilities provided by central banks according to the central banks' conditions; 2) a State guarantee of newly issued liabilities; or 3) an injection of own funds in the form of precautionary recapitalisation. In the case of precautionary recapitalization EU state aid rules require that shareholders and junior bond holders (such as holders of the Subordinated Notes) contribute to the costs of restructuring.

<u>*Revisions to the BRRD framework*</u>

The EU Banking Reform Package includes Directive (EU) 2019/879, which provides for a number of significant revisions to the BRRD (known as "**BRRD II**") published in the Official Journal of the European Union on 7 June 2019 and entered into force on 27 June 2019. With regard to the date of application, Member States were required to ensure implementation into local law by 28 December 2020 with certain requirements relating to the implementation of the total loss absorbency capacity standard ("**TLAC**") applying from January 2022 while the transitional period for full compliance with MREL requirements is foreseen until 1 January 2024, with interim targets for a linear build-up of MREL set at 1 January 2022. The BRRD II has been transposed under Italian law, in accordance with the European Delegation Law (Law No. 53/2021) of 22 April 2021, by the 193 Decree, which has mainly amended the provisions set out under Legislative Decree No. 180 of 16 November 2015, the Italian Consolidated Banking Act and the Consolidated Finance Act to take into account the provisions of the BRRD II.

The EU Banking Reform Package includes, amongst other things:

- full implementation of the Financial Stability Board's TLAC standard ("**FSB**") in the EU and revisions to the existing MREL regime. Additional changes to the MREL framework that include changes to the calculation methodology for MREL, criteria for the eligible liabilities which can be considered as MREL, the introduction of internal MREL and additional reporting and disclosure requirements on institutions;

- the introduction of a new category of "top-tier" banks, being banks which are resolution entities that are not G-SIIs but are part of a resolution group whose total assets exceed Euro 100 billion;

- the introduction of a new moratorium power for resolution authorities and requirements on the contractual stays in resolution; and

- amendments to the article 55 regime in respect of the contractual recognition of bail-in.

In particular, with a view to ensuring full implementation of the TLAC standard in the EU, the EU Banking Reform Package and the BRRD II introduce MREL applicable to G-SIIs with the TLAC standard and to allow resolution authorities, on the basis of bank-specific assessments, to require that G-SIIs comply with a supplementary MREL requirement strictly linked to the resolvability analysis of a given G-SII. Neither the Bank nor any member of BMPS has been identified as a G-SIB in the 2022 list of global systemically important banks published by the FSB on 21 November 2022.

In order to ensure compliance with MREL requirements, and in line with the FSB standard on TLAC, the BRRD II provides that in case a bank does not have sufficient eligible liabilities to comply with its MREL requirements, the resultant shortfall is automatically filled up with CET1 Capital that would otherwise be counted towards meeting the combined capital buffer requirement. However, under certain circumstances, BRRD II envisages a nine-month grace period before restrictions to discretionary payments to the holders of regulatory capital instruments senior management of the bank and employees take effect due to a breach of the combined capital buffer requirement.

On 20 May 2020, the SRB published a non-binding policy named "*Minimum Requirements for Own Funds and Eligible Liabilities (MREL) Policy under the Banking Package*", aiming at helping to ensure that MREL is set in the context of fully feasible and credible resolution plans for all types of banks, as well as promoting a level playing field across banks including subsidiaries of non-banking Union (EU) banks. The policy addresses the following topics:

(a) calibration: the policy provides for modifications and extensions of the SRB's approach to MREL calibration in accordance with the framework set out by the EU Banking Reform Package;

(b) subordination for resolution entities: the policy sets the following subordination requirements: (i) Pillar 1 Banks are subject to subordination requirements composed of a non-adjustable Pillar 1 MREL requirement that must be met with own funds instruments and eligible liabilities that are subordinated to all claims arising from excluded liabilities; (ii) Pillar 1 Banks' resolution authorities shall ensure that the subordinated MREL resources of Pillar 1 Banks are equal to at least 8% of total liabilities and own funds (TLOF); and (iii) non Pillar 1 Banks will be subject to a subordination requirement only upon the decision of the resolution authority to avoid a breach of the No Creditor Worse Off principle, following a bank-specific assessment carried out as part of resolution planning;

(c) internal MREL for non-resolution entities: the policy states that the SRB will progressively expand the scope of non-resolution entities for which it will adopt internal MREL decisions, and it may waive subsidiary institutions qualifying as non-resolution entities from internal MREL at certain conditions. In addition, the policy defines criteria for the SRB's possibly permitting the use of guarantees to meet the internal MREL within the Member State of the resolution entity;

(d) MREL for cooperative groups: the policy sets out minimum conditions to authorise certain types of cooperative networks to use eligible liabilities of associated entities other than the resolution entity to comply with the external MREL, as well as minimum conditions to waive the internal MREL of the legal entities that are part of the cooperative network;

(e) eligibility of liabilities issued under the law of a third country: the policy expands on how liabilities issued under the law of third countries can be considered eligible through contractual recognition; and

(f) transition arrangements: the policy explains the operation of transitional periods up to the 2024 deadline, including binding intermediate targets in 2022 and informative targets in 2023, also stating that transitional arrangements must be bank-specific (since they depend on the MREL tailored to that bank and its resolution plan, and the bank's progress to date in raising MREL-eligible liabilities).

Such "*Minimum Requirements for Own Funds and Eligible Liabilities (MREL) Policy under the Banking Package*" was updated by the SRB in June 2022. The updated policy takes into account the latest and more significant regulatory developments, such as the end of the supervisory leverage relief measures of the ECB, as well as changes to the CRR agreed by the European legislators on the indirect holding of internal MREL and the MREL calibration for banks with multiple point-of-entry resolution strategy.

The scope of the above policy has also expanded the coverage of entities under internal MREL and made the subordination policy more dynamic, taking into account evolving balance sheets prior to resolution. A further annex has been included to complement the SRB approach to internal MREL waiver applications in a new annex.

On 15 November 2022, EBA launched a public counsultation on its draft Guidelines addressed to institutions and resolution authorities on resolvability testing. The Guidelines are intended to set-out a framework to ensure that resolvability capabilities developed to comply with the resolvability and transferability Guidelines are fit for the purpose and effectively maintained. In particular, the Guidelines aimed to promote the involvement of firms into the resolvability assessment process and increase their ownership of resolvability. As such, as a starting point, they propose that institutions submit a resolvability self-assessment annually where to set out how they will meet the resolvability capabilities and how they have gained assurance of their adequacy. On the basis of this self-assessment, the Guidelines are proposing that authorities develop multi-annual testing programme so as to gain assurance of firms' resolvability while providing sufficient visibility to banks. Finally, for most complex banks, the Guideline are proposing to have them developed a master playbook to ensure a holistic approach to resolution planning.

The Regulatory Treatment of NPLs

On 20 March 2017, the ECB published the "*Guidance to banks on non-performing loans*", and on 15 March 2018 the "*Addendum to ECB Guidance to banks on non-performing loans*", both addressed to credit institutions, as defined pursuant to article 4, paragraph 1, of the CRR. These guidance papers are addressed, in general, to all significant institutions subject to direct supervision in the context of the SSM, including their international subsidiaries. The ECB banking supervision identified in the aforementioned guidance a set of practices which are deemed useful to indicate the expectations of ECB in relation to banking supervision. The documents set out measures, processes and best practices which should be integrated in the treatment of NPLs by banks, for which this issue should represent a priority. The ECB expects full adherence by banks to these guidance papers regarding the treatment of NPLs, which is expected to take into account the length of time a loan has been non-performing and the extent and valuation of collateral (if any). In particular, the addendum issued by the ECB on March 2018 provides that, with respect to all the loans that will be qualified as Impaired Loans as from 2018, full coverage is expected for the unsecured portion of the NPL within two years and within seven years for secured portion at the latest.

On 17 April 2019 the European Parliament and the Council has adopted Regulation (EU) 2019/630 which is applicable from 26 April 2019 and introduces common minimum loss coverage levels for newly originated loans that become non-performing. Pursuant to this regulation, where the minimum coverage requirement is not met, the difference between the current coverage level and the requirement should be deducted from a bank's CET1 capital. Thus, the minimum coverage levels act as a "statutory prudential backstop". The required coverage increases gradually depending on how long an exposure has been classified as non-performing, being lower during the first years. In order to facilitate a smooth transition towards the new prudential backstop, the new rules should be applied in relation to exposures originated prior to 26 April 2019 and exposures which were originated prior to 26 April 2019 and are modified by the institution in a way that increases the institution's exposure to the obligor.

Following the adoption of the new regulation on the Pillar 1 treatment of NPEs, on 22 August 2019 the ECB revised its supervisory expectations for prudential provisioning of new NPEs specified in the addendum in order to limit the scope to NPEs arising from loans originated before 26 April 2019, which are not subject to Pillar 1 NPE treatment, and to align the treatment with the Pillar 1 framework with reference to: (i) the relevant prudential provisioning time frames; (ii) the progressive path to full implementation; (iii) the split secured exposures; and (iv) the treatment of NPEs guaranteed/insured by an official export credit agency.

In addition, the European Commission published in December 2020 a new Action plan on tackling NPLs. More in detail, in order to prevent a renewed build-up of NPLs on banks' balance sheets, the Commission proposed a series of actions with four main goals: (i) further develop secondary markets for distressed assets (in particular call for finalization of the Directive on credit servicers, credit purchasers and the recovery of collateral; establishing a data hub at European level; reviewing EBA templates to be used during the disposal of NPLs); (ii) reform the EU's corporate insolvency and debt recovery legislation; (iii) support the establishment and cooperation of national asset management companies at EU level; and (iv) introduce precautionary public support measures, where needed, to ensure the continued funding of the real economy under the BRRD. As a result, the European Commission published on 18 October 2022 the Communication on the guidelines for a best-execution process for sales of non-performing loans on secondary markets. The main objectives of such communication are to (i) encourage good sell and buy-side processes for NPL transactions in EU secondary markets and, in particular, (ii) to help sellers and buyers that may have less experience with secondary market transactions throughout the sale process.

In order to achieve (i) a better management of NPLs by increasing the efficiency of debt recovery procedures through the availability of a distinct common accelerated extrajudicial collateral enforcement procedure (AECE); and (ii) the development of secondary markets for NPLs in the EU's markets by harmonizing the regulatory regime for credit servicers and credit purchasers, the European Commision finalized and published on 8 December 2021, in the Official Journal of the European Union, the Directive no. 2021/2167 on credit services and credit purchasers ("**NPLs Directive**"). The NPLs Directive enters into force on the twentieth day following that of its publication in the Official Journal (i.e. 28 December 2021) and is expected to be implemented by the Member States by 29 December 2023.

The part of the Directive related to the AECE mechanism remains not adopted.

The Securitisation Framework

On 12 December 2017, the European Parliament adopted the Regulation (EU) 2017/2402 ("**EU Securitisation Regulation**") which has applied from 1 January 2019. The EU Securitisation Regulation creates a single set of common rules for European "institutional investors" (as defined in the EU Securitisation Regulation) as regards (i) risk retention, (ii) due diligence, (iii) transparency, and (iv) underwriting criteria for loans to be comprised in securitisation pools. Such common rules replace the relevant existing provisions in CRR, the Regulation (EU) No. 231/2013 (the "**AIFM Regulation**") and the Regulation (EU) No. 25/2015 (the "**Solvency II Regulation**") and introduce similar rules for UCITS management companies as regulated by the UCITS Directive and institutions for occupational retirement provisions falling within the scope of Directive (EU) 2016/2341 or an investment manager or an authorised entity appointed by an institution for occupational retirement provisions pursuant to article 32 of Directive (EU) 2016/2341. Secondly, the EU Securitisation Regulation creates a European framework for simple, transparent and standardised securitisations ("**STS-securitisations**").

On 24 July 2020, as part of the Capital Markets Recovery Package, the European Commission presented amendments to review, *inter alia*, some regulatory constraints in order to facilitate the securitisation of non-performing loans (i.e. increasing the risk sensitivity for NPL securitisations by assigning different risk weights to senior tranche). After the approval by the European Parliament at the end of March, on 6 April 2021, the Regulation (EU) 2021/557, which introduces amendments to the Securitisation Regulation and Regulation (EU) 2021/558, amending Regulation (EU) 2013/575 as regards adjustments to the securitisation framework to support the economy recovery in response to COVID-19 crisis were published on the Official Gazette of the European Union. Both Regulations entered into force on 9 April 2021In addition, on 14 May 2021, the ECB announced its decision to start ensuring that the banks it directly supervises comply with the requirements for risk retention, transparency and resecuritisation, which are envisaged in Articles 6 to 8 of the EU Securitisation Regulation. The decision follows some clarifications to the recent amendments to the EU Securitisation Regulation. In particular, such changes explicitly provide that risk retention, transparency and ban on resecuritisation requirements are of a prudential nature and, therefore, should be supervised by the competent prudential supervisory authorities. Consequently, such supervision shall be considered an ECB competence. On 1 April 2022, the ECB sets out the notification guidelines that significant institutions (as defined in Article 2(16) of Regulation (EU) No 468/2014) acting as originators or sponsors of a securitisation transaction have to follow in order to provide the ECB with information needed for the supervision of compliance with Articles 6 to 8 of the EU Securitisation Regulation. Based on the ECB "*Guideline on the notification of securitisation transactions*" of 21 November 2021, the ECB notification applies to all securitisations: (a) which are in scope of the EU Securitisation Regulation; (b) irrespective of their nature; (c) where the originator or sponsor is a significant institution (as mentioned above); and (d) which are closed after 1 April 2022, or before 1 April 2022 when a significant event pursuant to Article 7, paragraph 1, letter g) of the EU Securitisation Regulation occurs. Such notification shall be made within one month from the closing date and shall contain:

(i) the main information relating to the transaction (including, among others, the type of securitisation, the closing date, the nominal value of the securitised exposure and of the tranches issued);

(ii) the information relating to the securities exposures (i.e. the type of exposures, the non-performing exposures and the ramp-up, if any);

(iii) the information relating to the securitisation positions (including, among others, the legal/expected maturity date, the number of tranches and the information on the risk retention);

(iv) the confirmation in writing as to the compliance with Articles 6 and 7 of the EU Securitisation Regulation and the relevant delegated regulations; and

(v) an assessment of the internal procedures and policy set up with the aim to ensure compliance with Articles 6, 7 and 8 of the EU Securitisation Regulation.

3) New accounting principles and the amendment of applicable accounting principles – IFRS 9, IFRS 15, IFRS 16

In 2020 the following standards came into force:

- Amendments to References to the Change to the Conceptual Framework (EU reg. 2019/2075)
- Amendments to IAS 1 and IAS 8 – Definition of material (EU reg. 2019/2104)
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (EU reg. 2020/34)
- Amendments to IFRS 3 – Business Combinations (EU reg. 2020/551)
- Amendments to IFRS 16 – COVID-19 Related Rent Concessions (EU reg. 2020/1434)
- The amendments to the accounting standard indicated above are not material for the Group.

As of 30 September 2021, the accounting standard "Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2" (EU Reg. 2021/25) applicable to reporting starting from 1 January 2021 has been endorsed by the European Commission.

On July 2021, Reg. EU 2021/1080 was published. The regulation endorses the documents published by IASB: "Amendments to IFRS3, IAS 16, IAS 37 and Annual Improvements 2018-2020". The proposed amendments are effective starting from 01 January 2022. The Early adoption is permitted, but not applied by the Group. On August 2021, Reg EU 2021/1421 was published; this regulation endorses the documents "COVID-19 Related Rent Concessions beyond 30 June" and extends by one year the period of application of the original amendment to IFRS 16 "COVID-19-Related Rent Concessions", issued and approved in 2020.

As at 30 September 2021, the IASB issued the following standards whose applications are subject to completion of the endorsement process by European Union, which is still ongoing:

- Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting Policies (February 2021)
- Amendment to IAS 8 – Definition of accounting Estimates (February 2021)
- Amendment to IAS 12 – Deferred Tax related to Asset and Liabilities arising from a Single Transaction (May 2021)

For more information regarding the application of these amendments, please refer to 2020 Consolidated Financial Statements, Consolidated Half-yearly Report as at 30 June 2021 and Consolidated Interim Report as at 30 September 2021 incorporated by reference into this Base Prospectus.

4) Deposit Guarantee Scheme Directive and Single Resolution Fund

With reference to the application of: (i) Directive 2014/49/EU of the European Parliament and of the European Council of 16 April 2014 on deposit guarantee schemes ("**DGS**"); (ii) BRRD; and (iii) Regulation (EU) no. 806/2014 of the European Parliament and the European Council establishing, *inter alia*, the SRF, which as of 1 January 2016 includes at national level, sub-funds to which contributions collected at national level by Member States through their National Resolution Fund ("**NRF**") are allocated, the Bank is bound to provide the financial resources necessary to finance the DGS and the SRF.

As a consequence of such introduction, the FITD, updated its by-laws through a shareholders resolution on 26 November 2015 anticipating the introduction of the prepayment mechanism (aimed at reaching the aforementioned multi-annual target with the target at 2024).

In this context, the Bank of Italy, in its capacity as national resolution authority, set up the NRF, which collects from banks with registered offices in the Republic of Italy, ordinary and extraordinary contributions, in accordance with the provisions of articles 82 and 83 of Decree 180. Articles 82 and 83 of Decree 180 were repealed by 193 Decree as the NFR had been pooled together with the SRF. The SRF and the NRF may in the future require contributions for an amount that cannot be currently determined.

As of 30 September 2022, value adjustments for Euro 0.9 million were recognized in profit and loss statements. As of 31 December 2021, value adjustments for Euro 2.7 million (of which Euro 2.5 million referring only to the investment in Carige) were recognised. The exposure of the Group in the assets in the voluntary scheme, as of 30 September 2022, was fully derecognized; as of 31 december 2021 the residual amount of the assets in the voluntary scheme was equal to Euro 0.9 million (rounded).

Voluntary scheme

For the purpose of overcoming the negative position taken by the European Commission in respect of the use of mandatory contributions to support interventions in favour of banks in crisis, at the end of 2015, in the context of the FITD, the voluntary scheme was established as an additional tool not subject to the restrictions of the EU regime and of the European Commission. The voluntary scheme provides for a maximum amount of Euro 795 million to be used to support interventions in favour of small banks in difficulty and subject to extraordinary administration procedure, in case of concrete recovery perspectives and for the purpose of avoiding higher burdens for the banking system consequent to liquidation or resolution interventions. Such resources are not immediately paid by adhering banks, which simply undertake to disburse them upon request on occasion of specific interventions, up to such maximum amount. The Group adhered to the voluntary scheme and accordingly committed its share of the maximum amount.

From 2016 to 2022, the Voluntary Scheme intervened in favour of some banks, in particular Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini, Cassa di Risparmio di San Miniato, Banca Carige, Banca Popolare di Bari and AIGIS Banca.

5) Revisions to the Basel III framework

In December 2017, the Basel Committee published its final set of amendments to its Basel III framework (known informally as "**Basel IV**"). Basel IV is expected to introduce a range of measures, including:

- changes to the standardised approach for the calculation of credit risk;
- limitations to the use of Internal Ratings-Based ("**IRB**") approaches, mainly banks will be allowed to use the Foundation Internal Ratings Based approach and the Standardised Approach with the advanced Internal Ratings Based approach still to be used for specialised lending;
- a new framework for determining an institution's operational risk charge, which will be calculated only by using a new standardised approach;
- an amended set of rules in relation to credit valuation adjustment; and
- an aggregate output capital floor that ensures that an institution's total risk weighted assets generated by IRB models are no lower than 72.5 per cent. of those generated by the standardised approach.

According to the Basel Committee, Basel IV should be introduced as a global standard from January 2022, with the output capital floor being phased-in (starting at 50% from 1 January 2022 and reaching 72.5% as of 1 January 2025). In this occasion, the Basel Committee postponed the suggested implementation date for the Fundamental Review of the Trading Book ("**FRTB**") has been postponed by the Basel Committee to January 2023 to allow it to finalise the remaining elements of the framework and align the implementation date with the other Basel IV reforms.

Taxation

Tax legislation, including in the country where the investor is domiciled or tax resident and in the Issuer's country of incorporation, may have an impact on the income that an investor receives from the Notes.

Republic of Italy

The statements herein regarding taxation are based on the laws in force in Italy as of 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 overview 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.

Tax treatment of Notes

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

The tax regime set forth by Decree 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, inter alia, Italian banks (other than shares and assimilated instruments), as set out by Article 2, paragraph 22, of Law Decree No. 138 of 13 August 2011, as converted with amendments by Law No. 148 of 14 September 2011 and as further amended and clarified by Law No. 147 of 27 December 2013, and by Article 9 of Law Decree No. 34 of 30 April 2019 converted into Law No. 58 of 28 June 2019.

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 (with the exception of general partnership, limited partnership and similar entities); (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 final 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.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term individual savings account (*piano di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth by Italian law.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, interest, 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**")).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree 351**"), Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, payments of interest, premiums or other proceeds in respect of the Notes deposited with an authorised intermediary made to Italian resident real estate investment funds and Italian real estate SICAFs established pursuant to Article 37 of the Consolidated Finance Act or pursuant to Article 14-*bis* of Law No. 86 of 25 January 1994 ("**Real Estate Funds**"), are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a Real Estate Fund, but subsequent distributions made in favor of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate Fund is subject to taxation in the hands of the unitholder or shareholder regardless of distribution.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF (an investment company with fixed capital other than a real estate SICAFs) 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, 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 tax of 26 per cent. will apply, in certain circumstances, to distributions made in favor 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 (the "**Pension Fund Tax**"). Subject to certain conditions, Interest in respect of the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 92, of Finance Act 2017 if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth by Italian law.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**"), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**") as subsequently amended and integrated.

An Intermediary must (i) (a) be resident in Italy or (b) be a permanent establishment in Italy of a non-Italian resident financial intermediary or (c) be an entity or a company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree No. 239; and (ii) 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 (or by the Issuer should the interest be paid directly by this latter).

If interest, premium and other income on the Notes are not collected through an Intermediary or any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above will be required to include interest, premium and other income in their yearly income tax return and subject them to a final substitute tax at a rate of 26 per cent.

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 by Ministerial Decree of 23 March 2017 and possibly further amended by future decrees issued pursuant to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No.147 of 14 September 2015) (the "**White List**"); or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is established in a country which is included in the White List, even if it does not possess the status of taxpayer in its own country of establishment (certain types of institutional investors are deemed to be beneficial owners by operation of law).

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries not included in the White List.

In order to ensure gross payment, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected must (a) be the beneficial owners of the payments of interest, premium or other income; (b) 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 (c) 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.

Additional statements may be required for non-Italian resident Noteholders who are institutional investors.

Failure of a non-Italian resident holder of the Notes to comply in due time with the procedures set forth in Decree 239 and in the relevant implementing rules will result in the application of *imposta sostitutiva* on interests payments to such non resident holder of the Notes.

Non-Italian resident holders of the Notes who are subject to *imposta sostitutiva* may, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of tax residence of the relevant holder of the Notes, provided all conditions for its application are met.

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 with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or the business in connection to which the securities were issued, nor to control the same.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian withholding tax on proceeds received under Notes classifying as atypical securities (i.e. securities not falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) as above defined), if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth by Italian law.

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, including when the Noteholder is a non-Italian resident, 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 (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.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth by Italian law.

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 Noteholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident 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. The relevant Noteholder 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.

As an alternative to the tax declaration regime, Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of non-Italian resident 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.

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 decrease in value 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.

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, but subsequent distributions made in favor of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent..

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favor of unitholders of shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Noteholder who is a 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 Pension Fund Tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth by Italian law.

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 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 (subject to timely filling of required documentation (in particular, a self-declaration stating that the Noteholder is not resident in Italy for tax purposes) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited). The Italian tax authorities have clarified that the notion of multilateral trading facility (**MTF**) under EU Directive 2014/65/CE (so called MiFID II) can be assimilated to that of "regulated market" for income tax purposes; conversely, organized trading facilities (OTF) cannot be assimilated to "regulated market" for Italian income tax purposes.

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: (i) the Notes are held outside of Italy or (ii) the effective beneficiary: (a) is resident in a country included in the White List; 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 established in a country included in the White List, even if it does not possess the status of taxpayer in its own country of establishment, and a proper documentation is filed (certain types of institutional investors are deemed to be beneficial owners by operation of law). In this case, if the non Italian Noteholders have opted for the *risparmio amministrato* regime or the *risparmio gestito* regime, exemption from Italian capital gains tax will apply upon condition that they file in due course with the authorised financial intermediary an appropriate self-declaration (*autocertificazione*) stating that they meet the requirements indicated above.

If the conditions above are not met, capital gains realised by said non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets and held in Italy are subject to the imposta sostitutiva at the current rate of 26 per cent., unless a reduced rate is provided for by an applicable double tax treaty, if any.

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 the Notes. In this case, if the non-Italian resident Noteholders have opted for the *risparmio amministrato* regime or the *risparmio gestito* regime, exemption from Italian capital gains tax will apply upon the condition that they file in due course with the authorised financial intermediary appropriate documents which include, *inter alia*, a statement issued by the competent tax authorities of the country of residence of the non Italian Noteholders.

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 Euro 1 million for each beneficiary;

(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 €100,000 for each beneficiary; 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 paragraphs (i), (ii) and (iii) on the value exceeding, for each beneficiary, €1,500,000. Under certain conditions the mortis causa transfer of financial instruments included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements from time to time applicable as set forth by Italian law are exempt from inheritance taxes.

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 use (*caso d'uso*) or voluntary registration or explicit reference (*enunciazione*).

Tax Monitoring

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax return the amount of investments (including the Notes) directly or indirectly held abroad. Such obligation is not provided if, inter alia, each of the overall value of the foreign investments which are only composed by deposits and/or bank accounts when their aggregate value never exceeds a Euro 15,000 threshold throughout the year.

The requirement applies also where the persons above, being not the direct holders of the financial instruments, are the actual owners ("*titolari effettivi*") of the financial instruments in accordance with Article 1(2)(pp) and Article 20 of the Decree No. 231 of 21 November 2007.

Furthermore, the above reporting requirement is not required to comply with respect to Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("**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 therewith. The stamp duty applies at a rate of 0.2 per cent. (and cannot exceed €14,000, for taxpayers other than 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 as subsequently amended) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18 and 18-bis) of Decree 201, Italian resident individuals, Italian non-commercial private or public institutions or Italian non-commercial partnership holding the Notes outside the Italian territory are required to pay an additional wealth tax at a rate of 0.20 per cent. ("**IVAFE**"). For taxpayers other than individuals, IVAFE cannot exceed Euro 14,000 per year.

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, if any, paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Financial assets (including the Notes) held abroad are excluded from the scope of IVAFE if they are administered by Italian financial intermediaries pursuant to an administration agreement and the items of income derived from the such instruments have been subject to tax by the same intermediaries. In this case, the above mentioned stamp duty provided for by Article 19(1) of Decree 201does apply.

Luxembourg Taxation

The following overview is of a general nature 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. The information contained within this section is limited to Luxembourg withholding tax issues, and 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 withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

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 will be subject to a withholding tax of 20 per cent. 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. Payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20 per cent.

The proposed European Union financial transactions tax (FTT)

On 14 February 2014, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common EU FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

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

Under the Commission's Proposal 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 participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

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

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is 2 years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under Condition 14 (*Further Issues*) "*Terms and Conditions of the Notes*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

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 16 January 2023, 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*". The Programme Agreement provides that the obligations of the Dealers to subscribe for Notes may be subject to certain conditions precedent, including (among other things) receipt of legal opinions from counsel. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment 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, or with any securities regulatory authority of any state of other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) 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 Form of Final Terms (or Pricing Supplement, in the case of Exempt Notes) 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 (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution 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 except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Prospectus Regulation; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA, 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 made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Member State, except that it may make an offer of such Notes to the public in that Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes

Prohibition of sales to UK Retail Investors

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the UK. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR; or

(iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in the UK except that it may make an offer of such Notes to the public in the UK:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and

Other regulatory restrictions

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

(i) in relation to any Notes which have a maturity of less than one year, (a) 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 (b) 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;

(ii) 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

(iii) 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 UK.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and 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 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 Act (Act 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.

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other offering material relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any application provision of the Legislative Decree No. 58 of 24 February 1998, as amended (the "**Finalcial Services Act**") and Italian CONSOB regulations; or

(ii) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under paragraph (i) or (ii) above must:

(i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time), the Italian Consolidated Banking Act and any other applicable laws and regulations; and

(ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Italian Consolidated Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than

(i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the "**SFA**")) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

1. to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

2. where no consideration is or will be given for the transfer;

3. where the transfer is by operation of law;

4. as specified in Section 276(7) of the SFA; or

5. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Switzerland

The Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply, to the best of its knowledge and belief, 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 none of the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and any of 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 any such sale.

General information

Authorisation

The establishment of the Programme and the issue of Notes were duly authorised by a resolution of the Board of Directors of BMPS dated 18 November 1999 and the update of the Programme has been duly authorised by resolution of the Board of Directors of the Bank held on 22 June 2022.

Listing and admission to trading of Notes

Application has been made to the Luxembourg Stock Exchange for Notes (other than Exempt Notes) issued under the Programme to be admitted to trading on the Regulated Market 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 MiFID II.

Documents Available

For the period of 12 months following the date of publication of this Base Prospectus, copies of the following documents will, when published, be available free of charge for inspection or collection during normal business hours at the specified office of the Issuer and each Paying Agent or may be provided by email to a Noteholder following their prior written request to the relevant Paying Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent, as the case may be):

(i) the constitutional documents (with an English translation thereof) of BMPS;

(ii) the Agency Agreement, the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(iii) any future Sustainability Bond Framework together with the relevant Second Party Opinion;

(iv) a copy of this Base Prospectus; and

(v) any future base prospectuses, prospectuses, information memoranda and supplements, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection or collection by, or delivered via email to, a holder of such Note at all reasonable times during normal business hours and such holder must produce evidence satisfactory to the Issuer or the relevant Paying Agent, as applicable, as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of the following documents will, when published, be available free of charge from the Issuer's website as specified below:

(i) the constitutional documents of BMPS (available at https://www.gruppomps.it/en/);

(ii) this Base Prospectus (available at https://www.gruppomps.it/investor-relations/programmi-di-emissione-e-prospetti/emtn-programme.html); and

(iii) any future base prospectuses, prospectuses, information memoranda and supplements, Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference (available at https://www.gruppomps.it/en/).

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 Form of Final Terms (or Pricing Supplement, in the case of Exempt Notes). If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the Form of Final Terms or Pricing Supplement.

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 S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Condition for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant Change or Material Adverse Change

Save as disclosed in the section "*Risk Factors*" section under paragraph "*Risks related to the impact of current uncertainties in the macroeconomic, financial and political environment on the performance of the Issuer and the Group*", since 30 September 2022 there has been no significant change in the financial performance or position of the Issuer and/or the Group and since 31 December 2021 there has been no material adverse change in the prospects of the Issuer and/or the Group.

Litigation

Save as disclosed in the "*Banca Monte dei Paschi di Siena S.p.A.*" section, paragraph 10 ("*Legal Proceedings*")*,* neither BMPS nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which BMPS is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of BMPS or the Group.

Auditors

On 11 April 2019, the Issuer's shareholders meeting appointed PricewaterhouseCoopers S.p.A., independent registered public accounting firm as auditor for the financial years 2020-2028.

PricewaterhouseCoopers S.p.A., independent registered public accounting firm, authorized and regulated by the MEF and registered on the special register of auditing firms held by the MEF and a member of Assirevi Associazione Italiana Revisori Contabili, the Italian Auditors Association, has audited the Issuer's consolidated financial statements, without qualification, in accordance with IFRS, for the financial year ended on 31 December 2021 and 31 December 2020.

Dealers Transacting with the Issuer

Certain of the Dealers and their affiliates, including parent companies, have engaged, and may in the future engage, in lending, advisory, corporate finance services, investment banking and/or commercial banking transactions (including the provision of loan facilities) and other related transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business and/or for companies involved directly or indirectly in the sector in which the Issuer and/or its affiliates operate, and for which such Dealers have received or may receive customary fees, commissions, reimbursement of expenses and indemnification. Certain of the Dealers may also have positions, deals or make markets in the Notes issued under the

Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. They have received, or may in the future receive, customary fees and commissions for these transactions.

MPS Capital Services Banca per le Imprese S.p.A., which acts as Dealer, is a wholly owned subsidiary of the Issuer.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Dealers and/or their affiliates may receive allocations of the Notes (subject to customary closing conditions), which could affect future trading of the Notes. If any of the Dealers or their affiliates has a lending relationship with the Issuer, certain of the Dealers or their affiliates routinely or may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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