



## CREDITO EMILIANO S.p.A.

*(incorporated with limited liability in the Republic of Italy)*

### Issue of €200,000,000 Subordinated Callable Fixed Rate Reset Notes due 13 March 2025

The €200,000,000 Subordinated Callable Fixed Rate Reset Notes due 13 March 2025 (the **Notes**) will be issued by Credito Emiliano S.p.A. (the **Issuer** or **Credem**, and along with its subsidiaries, the **Credem Group**). The Notes will constitute direct, unsecured and subordinated obligations of the Issuer, as described in Condition 2 (*Status*) in "*Terms and Conditions of the Notes*".

The Notes will bear interest at the applicable Rate of Interest (as defined in Condition 3 (*Interest*)) from and including 13 March 2015 (the **Issue Date**), payable annually in arrear on 13 March in each year. The Rate of Interest for each Interest Period (i) from (and including) the Issue Date to (but excluding) 13 March 2020 (the **Reset Date**) will be 3.125 per cent. per annum and (ii) from (and including) the Reset Date to (but excluding) 13 March 2025 (the **Maturity Date**) will be the Reset Rate of Interest, each as defined in Condition 3 (*Interest*). The first payment representing a full year's interest shall be made on 13 March 2016.

Unless previously redeemed or purchased and cancelled as provided in "*Terms and Conditions of the Notes*", the Notes will be redeemed at 100 per cent. of their principal amount on 13 March 2025. Noteholders do not have the right to call for the redemption of the Notes. The Issuer may, at its option (subject to the approval of the Bank of Italy (the **Supervisory Authority**)), redeem the Notes in whole, but not in part, on 13 March 2020 (the **Call Date**) at their principal amount, together with interest accrued to the date fixed for redemption. The Issuer may also, at its option (but subject to the approval of the Supervisory Authority), redeem the Notes in whole but not in part at their principal amount, together with interest accrued to the date fixed for redemption, upon occurrence of a change in the regulatory classification of the Notes that would be likely to result in their exclusion, in whole, as Tier 2 Capital of the Issuer or the Credem Group, as further described in Condition 5.4 (*Redemption for Regulatory Reasons (Regulatory Call)*). The Notes may also be redeemed by the Issuer, at its option, at their principal amount, together with interest accrued to the date fixed for redemption, for taxation reasons as described in Condition 5.2 (*Redemption for Taxation Reasons*).

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005, as amended (the **Luxembourg Act**) on prospectuses for securities to approve this document (the **Prospectus**) as a prospectus and to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Luxembourg Act.

This Prospectus (together with the documents incorporated by reference herein) is available for viewing on the website of the Luxembourg Stock Exchange. Payments of interest or other amounts relating to the Notes may be subject to a substitute tax (referred to as *imposta sostitutiva*) of 26 per cent. in certain circumstances. In order to obtain exemption at source from *imposta sostitutiva* in respect of payments of interest or other amounts relating to the Notes each Noteholder not resident in the Republic of Italy is required to comply with the deposit requirements described in "*Taxation – Taxation in the Republic of Italy*" and to certify, prior to or concurrently with the delivery of the Notes, that such Noteholder is (i) resident in a country which recognises the Italian tax authorities' right to an exchange of information pursuant to terms and conditions set forth in the relevant treaty (such countries are listed in the Ministerial Decree of 4 September 1996, as amended, supplemented and replaced by a ministerial decree to be enacted according to provisions set forth by Article 168 bis of the Italian Income Tax Code), and (ii) the beneficial owner of payments of interest, premium or other amounts relating to the Notes, all as more fully set out in "*Taxation – Taxation in the Republic of Italy*" on page 74.

The Notes are expected to be rated "BBB" by Fitch Ratings Ltd. (**Fitch**). Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A 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 may not reflect all risks*" in the "*Risk Factors*" section of this Prospectus.

The Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or about the Issue Date with a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the **Temporary Global Note**, the **Global Notes**), without interest coupons, on or after 22 April 2015 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances - see "*Overview of Provisions relating to the Notes while in Global form*".

An investment in the Notes involves certain risks. Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition. For a discussion of these risks see "*Risk Factors*" below.

**Sole Lead Manager**

**Goldman Sachs International**

**The date of this Prospectus is 12 March 2015**

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive and for the purposes of the Luxembourg Act. **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in a relevant member state of the European Economic Area.

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

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

The Sole Lead Manager named under "*Subscription and Sale*" below has not expressly verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made by the Sole Lead Manager or any of its affiliates and no responsibility or liability is accepted by the Sole Lead Manager or by any of its affiliates as to the accuracy or completeness of the information contained or incorporated in this Prospectus or of any other information provided by the Issuer in connection with the Notes. Neither the Sole Lead Manager, nor any of its affiliates, accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes.

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 Prospectus or any other information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Sole Lead Manager.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the issuance of the Notes or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Sole Lead Manager.

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

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The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Sole Lead Manager to inform themselves about and to observe any such restrictions (see "*Subscription and Sale*").

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the *Securities Act*) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). The Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S (*Regulation S*) under the Securities Act. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see “*Subscription and Sale*”.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the 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 Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Sole Lead Manager do not represent that this 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. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this 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 Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States of America, the United Kingdom and Italy (see “*Subscription and Sale*”).

This Prospectus has been prepared on the basis that any offer of the Notes in any Member State of the European Economic Area (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or the Sole Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Sole Lead Manager has authorised, nor do they authorise, the making of any offer of the Notes in circumstances in which an obligation arises for the Issuer or the Sole Lead Manager to publish or supplement a prospectus for such offer.

Each prospective investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

A prospective investor may not rely on the Issuer, the Sole Lead Manager or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

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 financial circumstances and investment objectives, and only after careful consideration with their financial, legal, tax and other advisers. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

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

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

Each prospective investor should consult its own advisers as to legal, tax and related aspects in connection with any investment in the Notes. An investor's effective yield on the Notes may be diminished by certain charges such as taxes, duties, custodian fees on that investor on its investment in the Notes or the way in which such investment is held.

This Prospectus, including the documents incorporated by reference herein, contains forward-looking statements. Such items in this Prospectus include, but are not limited to, statements made under "*Risk Factors*." Such statements can be generally identified by the use of terms such as "anticipates," "believes," "could," "expects," "may," "plans," "should," "will" and "would," or by comparable terms and the negatives of such terms. By their nature, forward looking statements and projections involve risk and uncertainty, and the factors described in the context of such forward looking statements and targets in this Prospectus could cause actual results and developments to differ materially from those expressed in or implied by such forward looking statements. The Issuer has based forward-looking statements on its expectations and projections about future events as of the date such statements were made. These forward-looking statements are subject to risks, uncertainties and assumptions about Credito Emiliano S.p.A. and the Credem Group, including, among other things, the risks set out under "*Risk Factors*".

All references in this Prospectus to **EUR**, **€** or **euro** are 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 of those members of the European Union which are participating in the European economic and monetary union. In addition, all references in this document to U.S. dollars, U.S.\$ and \$ refer to United States dollars and references to Sterling and £ refer to pounds sterling.

## **STABILISATION**

**IN CONNECTION WITH THE ISSUE OF THE NOTES, GOLDMAN SACHS INTERNATIONAL IN ITS CAPACITY AS STABILISATION MANAGER MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER WILL UNDERTAKE ANY SUCH STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY SUCH STABILISATION ACTIVITIES SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.**

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## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All 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 the Notes are also described below.*

*The Issuer believes that the factors described below represent the material risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons. The Issuer has identified in this Prospectus a number of factors which could materially adversely affect its businesses and ability to make payments due under the Notes. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section, unless otherwise stated. References to a numbered "Condition" shall be to the relevant Condition in the Terms and Conditions of the Notes.*

### **Factors that may affect the issuer's ability to fulfil its obligations under the Notes**

#### ***Risks relating to the Issuer and the Credem Group***

##### ***Risks relating to the Issuer's business***

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

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

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

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

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

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

##### ***Risks connected with the creditworthiness of customers***

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

### *Risks connected with information technology*

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

### *Operational risks*

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

### *Reduced interest rate margin*

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

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

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

### ***Risks relating to the Credem Group's business sector***

#### *Competition*

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

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

The Issuer conducts its businesses subject to on-going regulatory and associated risks, including the effects of changes in laws, regulations, and policies in Italy and at a European level. The timing and

the form of future changes in regulation are unpredictable and beyond the control of the Issuer, and changes made could have a material adverse effect on the Issuer's business.

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

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

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

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

In January 2013 the Basel Committee revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio (i.e. annual increases of 10 per cent., starting with 60 per cent. in 2015 and ending with 100 per cent. in 2019), and Basel Committee expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities.

The Basel III framework has been implemented in the EU through new banking regulations adopted on 26 June 2013 and namely Directive 2013/36/EU of the European Parliament and of the Council of the European Union of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the **CRD IV Directive**) and Regulation (EU) No 575/2013 of the European Parliament and of the Council of the European Union of 26 June 2013<sup>1</sup> on prudential requirements for credit institutions and investment firms (the **CRD IV Regulation** and together with the CRD IV Directive, **CRD IV Package**).

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

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 (the **Circular No. 285**)) which came into force on 1

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<sup>1</sup> Final Corrigendum published on 30 November 2013

January 2014, implementing the CRD IV Package and setting out additional local prudential rules concerning matters not harmonised on EU level.

As at 1 January 2014, Italian banks are required to comply with a minimum Common Equity Tier 1 (**CET1**) Capital ratio of 4.5 per cent.<sup>2</sup>, Tier I Capital ratio of 5.5 per cent.<sup>3</sup> and Total Capital Ratio of 8 per cent.. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- *Capital conservation buffer*: set at 2.5 per cent. of risk weighted assets and applies to Credem from 1 January 2014 (pursuant to Title II, Chapter I, Section II of Circular No. 285);
- *Counter-cyclical capital buffer*: is set by the relevant competent authority between 0 per cent. - 2.5 per cent. (but may be set higher than 2.5 per cent. where the competent authority considers that the conditions in the member state justify this), with gradual introduction from 1 January 2016 and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive (pursuant to Article 130 of the CRD IV Directive);
- *Capital buffers for globally systemically important banks*: set as an “additional loss absorbency” buffer ranging from 1.0% to 3.5% determined according to specific indicators (size, interconnectedness, lack of substitutes for the services provided, global activity and complexity); to be phased in from 1 January 2016 (Article 131 of the CRD IV Directive) becoming fully effective on 1 January 2019; and
- *Capital buffers for systemically important banks at a domestic level*: up to 2.0% as set by the relevant competent authority and must be reviewed at least annually from 1 January 2016), to compensate for the higher risk that such banks represent to the financial system (Article 131 of the CRD IV Directive). The capital buffer for important banks at domestic level belonging to a group which is a global SIFI is limited. This buffer shall not exceed the higher of 1% of the total risk exposure amount and the G-SIFI buffer rate applicable to the group at consolidated level.

In addition to the above listed capital buffers, under Article 133 of the CRD IV Directive each Member State may introduce a Systemic Risk Buffer of CET 1. Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV Directive ). At this stage no provision is included on the systemic risk buffer under Article 133 of the CRD IV Directive as the Italian level-1 rules for the CRD IV Directive implementation on this point have not yet been enacted.

As part of the CRD IV Package transitional arrangements, regulatory capital recognition of outstanding instruments which qualified as Tier I and Tier II capital instruments under the framework which the CRD IV Package has replaced EU Directive 2010/76/EU (**CRD III**) that no longer meet the minimum criteria under the CRD IV Package will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition is capped at 80 per cent. in 2014, with this cap decreasing by 10 per cent. in each subsequent year.

The new liquidity requirements introduced under the CRD IV Package will also be phased in: the liquidity indicators (the **Liquidity Coverage Ratio**), as discussed above, apply from 1 January 2015 and will be gradually phased in and the Commission intends to develop the net stable funding ratio with the aim of introducing it from 1 January 2018.

The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to liquidity in order to enhance regulatory harmonisation in Europe through the EBA single supervisory rulebook applicable to EU Member States (the **EBA Single Supervisory Rulebook**). Specifically, the CRD IV Package tasks the EBA with advising on appropriate uniform definitions of liquid assets for the Liquidity

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<sup>2</sup> Final Corrigendum published on 30 November 2013

<sup>3</sup> Final Corrigendum published on 30 November 2013

Coverage Ratio buffer. In addition, the CRD IV Package states that the EBA shall report to the Commission on the operational requirements for the holdings of liquid assets. Furthermore the CRD IV Package also tasks the EBA with advising on the impact of the liquidity coverage requirement, on the business and risk profile of institutions established in the European Union, on the stability of financial markets, on the economy and on the stability of the supply of bank lending.

The above topics were addressed by the EBA in two reports published in December 2013: (i) the impact assessment for liquidity coverage requirements and (ii) appropriate uniform definitions of extremely high quality assets and high quality liquid assets and on operational requirements for liquid assets. These two reports provide specific recommendations to the European Commission for the purpose of the forthcoming delegated act that should enter into force by 31 December 2014. There is therefore some uncertainty as to the final form of these delegated acts. Also, the Basel Committee's oversight body issued in January 2013 additional contributions to the "Basel III Liquidity Coverage Ratio Agreement and Liquidity Risk Monitoring Tools", defining, amongst other issues, certain specific aspects in relation to the interaction between the Liquidity Coverage Ratio and the use of the Central Bank Committed Liquidity Facility.

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments EU Directive, Markets in Financial Instruments EU Regulation which entered into force on 2 July 2014 and will apply from 30 months of entry into force subject to certain transitional arrangements, and the Bank Recovery and Resolution EU Directive (with the bail-in provisions becoming applicable as of 1 January 2016). The Basel Committee has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course.

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

Such changes in the regulatory framework and how they are implemented may have a material effect on all the European Banks and on the Issuer's business and operations as well. As the new framework of banking laws and regulations affecting Credem is currently being implemented, the manner in which those laws and related regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of Credem.

#### *ECB Single Supervisory Mechanism*

On 15 October 2013, the Council of the European Union adopted regulations establishing a single supervisory mechanism (the **ECB Single Supervisory Mechanism or SSM**) for eurozone banks and other credit institutions, which will, beginning in November 2014, give the ECB, in conjunction with the national regulatory authorities of the eurozone states, direct supervisory responsibility over "banks of systemic importance" in the eurozone. The SSM framework regulation (ECB/2014/17) setting out the practical arrangements for the SSM was published in April 2014 and entered into force in May 2014. Banks of systemic importance include, inter alia, any eurozone bank that has: (i) assets greater than €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 will also have the right to impose pecuniary sanctions and set binding regulatory standards.

National regulatory authorities will continue to be responsible for supervisory matters 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-by-day supervision. The ECB, on the other hand,

will be exclusively responsible for prudential supervision, which includes, inter alia, the power to: (i) authorise and withdraw authorisation from all “banks of systemic importance” 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) impose 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.

In order to foster consistency and efficiency of supervisory practices across the eurozone, the EBA is continuing to develop the EBA Single Supervisory Rulebook.

***Credem may be subject to the provisions of the EU Bank Recovery and Resolution Directive, once implemented, in the future***

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

The BRRD provides that it will be applied by Member States from 1 January 2015, except for the General Bail-In Tool (as defined below) which is to be applied from 1 January 2016.

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

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible 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 EU state aid framework.

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

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

For the purposes of the application of any BRRD Non-Viability Loss Absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution

meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments (such as the Notes) are written-down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

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

An official proposal for the implementation of the BRRD in Italy was put to the Italian parliament on 5 February 2014 however it is currently not known when the proposal will be discussed and whether it will subsequently be approved.

### ***Market declines and volatility***

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

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

### ***Credit and market risk***

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

### ***Protracted market declines and reduced liquidity in the markets***

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

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

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

The global financial system still has to overcome some of the difficulties which began in August 2007 and which were intensified by the bankruptcy of Lehman Brothers in September 2008. These conditions have resulted in decreased liquidity and greater volatility in global financial markets and continue to affect the functioning of financial markets and to impact the global economy. In particular, in 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Portugal, Spain and Italy, which created concerns about the ability of these European Union states to continue to service their sovereign debt obligations and International Monetary Fund and European Union financial support packages have been agreed for Greece, Ireland, Cyprus and Portugal. Conditions in Euro-zone countries deteriorated in 2011 amid rising yields on certain sovereign debt instruments issued by certain Euro-zone states, including the Republic of Italy, and the market perception that the single European currency was facing an institutional crisis of confidence related to "contagion" from sovereign debt. Such deterioration continued in 2012/2013.

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

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

Any further downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur may severely destabilise the markets and have a material adverse effect on the Issuer's operating results, financial condition and prospects as well as on the marketability of the Notes. This might also impact on the Issuer's credit ratings, borrowing costs and access to liquidity. A further Italian sovereign downgrade or the perception that such a downgrade may occur would be likely to have a material effect in depressing consumer confidence, restricting the availability, and increasing the cost, of funding for individuals and companies, depressing economic activity, increasing unemployment, reducing asset prices and consequently increasing the risk of a "double dip"

recession. These risks are exacerbated by concerns over the levels of the public debt of, and the weakness of the economies in, Ireland, Greece, Portugal, Spain, Cyprus and Italy in particular. Further instability within these countries or other countries within the Euro-zone might lead to contagion.

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

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

In response to the financial markets crisis, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the capital requirements demanded by investors, . intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the banks in different forms. In order to technically permit such government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral.

The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting the Credem Group's business, financial condition and results of operations.

**Risks relating to the Notes**

*The following does not describe all the risks of an investment in the Notes. Prospective investors should consult their own financial and legal advisers about risks associated with investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances.*

***The Notes are complex instruments that may not be suitable for certain investors***

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

***The Notes are subordinated obligations of the Issuer***

The Notes, which are 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 Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, as amended or replaced from time to time (the **CRD IV Regulation**) and the Coupons constitute unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves, as more fully described in the "Terms and Conditions of the Notes".

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

Noteholders shall be responsible for taking all steps necessary for the orderly accomplishment of any collective proceedings or voluntary liquidation in relation to any claims they may have against the Issuer.

Although the Notes may pay a higher rate of interest than notes which are not subordinated, there is a substantial risk that investors in subordinated notes such as the Notes will lose all or some of their investment should the Issuer become insolvent.

***The Issuer is not prohibited from issuing further debt which may rank pari passu with or senior to the Notes***

The Terms and Conditions of the Notes place no restriction on the amount of debt that the Issuer may issue that ranks senior to the Notes or on the amount of securities that it may issue that rank *pari passu* with the Notes. The issue of any such debt or securities may reduce the amount recoverable by investors upon the Issuer's bankruptcy. If the Issuer were liquidated (whether voluntarily or involuntarily), the Noteholders could suffer loss of their entire investment.

***There are no events of default under the Notes***

Except as set out in Condition 8 (*Enforcement Event*), the Terms and Conditions of the Notes do not provide for events of default allowing acceleration of the Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Notes, including the payment of any interest, investors will not have the right of acceleration of principal. Upon a payment default, the sole remedy available to Noteholders for recovery of amounts owing in respect of any payment of principal or interest on 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.

**Regulatory classification of the Notes**

The intention of Credem is for the 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 Notes that the Notes will be treated as such.

Under Condition 5.4 (*Redemption for Regulatory Reasons (Regulatory Call)*), the Issuer may (subject to the provisions thereof), elect to redeem the Notes upon the occurrence of a change in the regulatory classification of the Notes that would be likely to result in their exclusion, in whole, as Tier 2 Capital of the Issuer or the Credem Group and both of the following conditions are met: (i) the Supervisory Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Supervisory Authority that the change in regulatory classification of the Notes was not reasonably foreseeable by the Issuer as at the Issue Date. 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 Notes being redeemed. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Holders may be subject to write-down or conversion into equity once the BRRD is implemented***

Once the BRRD is implemented, holders of Notes may be subject to write-down or conversion into equity on any application of the General Bail-In Tool and BRRD Non-Viability Loss Absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes. See *“Risks regarding the Issuer and the CREDEM Group – Credem may be subject to the provisions of the EU Bank Recovery and Resolution Directive, once implemented, in the future”* above.

### ***The Notes are subject to early redemption***

If the Issuer redeems the Notes pursuant to Condition 5.2 (*Redemption for Taxation Reasons*), Condition 5.3 (*Redemption at the Option of the Issuer (Issuer Call)*) or Condition 5.4 (*Redemption for Regulatory Reasons (Regulatory Call)*), such Notes will be redeemed at their principal amount, together with any accrued interest. Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of Notes.

The optional redemption feature is likely to limit the market value of the Notes, as during any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed.

If the Issuer redeems the Notes in any of the circumstances mentioned above, there is a risk that the Notes may be redeemed at times when the redemption proceeds are less than the current market value of the Notes or when prevailing interest rates may be relatively low, in which latter case Noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

Any such redemption will be subject to prior written approval of the Supervisory Authority (if so required by the Relevant Regulations (as defined in Condition 5.4 (*Redemption for Regulatory Reasons (Regulatory Call)*)).

The Notes may also be redeemed on the Call Date at the option of the Issuer, subject to the prior written approval of the Supervisory Authority, pursuant to Condition 5.3 (*Redemption at the Option of the Issuer (Issuer Call)*).

### ***The Rate of Interest applicable to the Notes will be reset on the Reset Date***

In particular, the Rate of Interest applicable to the Notes will be reset on the Reset Date. Such Rate of Interest will be determined two TARGET Settlement Days before the Reset Date and as such is not pre-defined at the date of issue of the Notes; it may be different from the Initial Rate of Interest and may adversely affect the yield of the Notes.

### ***Meetings of Noteholders and modification***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders and Couponholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

### ***Change of law***

The Terms and Conditions of the Notes will be governed by the laws of England, except for Condition 2 (*Status*) which shall be governed by, and construed in accordance with, Italian law. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England or Italy or administrative practice after the date of this Prospectus.

### ***Notes where denominations involve integral multiples: Definitive Notes***

The Notes have denominations consisting of a minimum denomination of €100,000 plus one or more higher integral multiples of €1,000. It is possible that the Notes may be traded in amounts that are not integral multiples of €100,000. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than €100,000 in its account with the relevant clearing system at the relevant time may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of the Notes such that its holding amounts to a €100,000 denomination.

If Definitive Notes are issued, Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

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

The Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Notes, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg, as the case may be.

While the Notes are in global form, the Issuer will discharge its payment obligations under the Notes by making payments to, or to the order of, the common depositary. A holder of a beneficial interest in a Note must rely on the procedures of Euroclear and/or Clearstream, Luxembourg, as the case may be, to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in such a Global Note.

### ***Taxation***

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available in relation to the tax treatment of financial instruments such as the Notes. Potential investors are advised not to rely upon the tax summary contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only such adviser is in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

### ***Withholding under the EU Savings Directive***

Under Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union. The European Commission has proposed certain amendments to the Directive which may, if implemented, amend or broaden the scope of the requirements described above.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

***Transactions in the Notes could be subject to a future European financial transactions tax.***

On 14 February 2013, the European Commission proposed a directive that, if adopted in this form, would subject transactions in securities such as the Notes to a financial transactions tax. The proposed directive would call for 11 European member states, including Italy, to impose a tax of generally at least 0.1 per cent. on all such transactions, generally determined by reference to the amount of consideration paid. The mechanism by which the tax would be applied and collected is not yet known, but if the proposed directive or any similar tax is adopted, transactions in the Notes would be subject to higher costs, and the liquidity of the market for the Notes may be diminished. See “Taxation—The proposed European Financial Transactions Tax (FTT).”

***A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs***

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Noteholders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), Noteholders must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

***Risks related to the Market Generally***

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

***The secondary market generally***

Although application has been made to admit the Notes to trading on the Luxembourg Stock Exchange, the Notes will 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 not continue for the life of the Notes. 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. Illiquidity may have a severely adverse effect on the market value of Notes.

Moreover, although pursuant to Condition 5.5 of the Notes (*Purchases*) the Issuer can purchase the Notes at any moment, this is not an obligation for the Issuer. Purchases made by the Issuer could affect the liquidity of the secondary market of the Notes and thus the price and the conditions under which investors can negotiate these Notes on the secondary market.

In addition, the market for debt securities issued by banks is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in other Western and other industrialized countries. There can be no assurance that events in Italy, Europe, the United States or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Prospectus), whereby there is a general lack of liquidity in the secondary market which may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the Notes or the assets of the Issuer. The Issuer cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

### ***Exchange rate risks and exchange controls***

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

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

### ***Interest rate risks***

An investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them. See also "*Risks related to the Notes – The Rate of Interest applicable to the Notes will be reset on the Reset Date*", above.

### ***The Notes are expected to be investment grade but could become non-investment grade and subject to the risks associated with non-investment grade securities***

The Notes are expected to be investment grade securities upon issue, but may be subject to downgrade to non-investment grade and have a higher risk of price volatility than higher-rated securities. Furthermore, increases in leverage or deteriorating outlooks for the Issuer, or volatile markets, could lead to a significant deterioration in market prices of below-investment grade rated securities such as the Notes.

### ***Credit ratings may not reflect all risks***

The Notes are rated by Fitch, which is established in the European Union and registered under the CRA Regulation as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation (for more information please visit the ESMA webpage <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>). These ratings may not reflect

the potential impact of all risks related to structure, market, additional factor discussed above and other factors that may affect the value of the Notes or the standing of the Issuer.

A rating is not a recommendation to buy, sell or hold securities and any rating agency may revise, suspend or withdraw at any time the relevant rating assigned by it if, in the sole judgement of the relevant rating agency, among other things, the credit quality of the Notes or, as the case may be, the Issuer has declined or is in question. In addition, there is no guarantee that any rating of the Notes and/or the Issuer will be maintained by the Issuer following the date of this Prospectus or that one or more rating agencies other than Fitch will assign ratings to the Notes. If any rating assigned to the Notes and/or the Issuer is revised lower, suspended, withdrawn or not maintained by the Issuer, the market value of the Notes may be reduced.

***Legal investment considerations may restrict certain investments***

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

## OVERVIEW

***This overview section must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole.***

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

|                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issuer:</b>                                  | Credito Emiliano S.p.A.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Notes:</b>                                   | €200,000,000 Subordinated Callable Fixed Rate Reset Notes due 13 March 2025.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Issue Price:</b>                             | 99.432 per cent.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Sole Lead Manager:</b>                       | Goldman Sachs International.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Fiscal Agent and Principal Paying Agent:</b> | BNP Paribas Securities Services, Luxembourg Branch.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Form and Denomination:</b>                   | The Notes will be issued in bearer form in denominations of €100,000 and integral multiples of €1,000 in excess thereof, up to (and including) €199,000.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Status of the Notes:</b>                     | The Notes, which are intended to qualify as Tier 2 capital for regulatory capital purposes in accordance with Part II, Chapter 1 of the Bank of Italy's <i>Disposizioni di Vigilanza per le Banche</i> , as set out in the Bank of Italy Regulations, including any successor regulations, and Article 63 of the CRD IV Regulation, and the Coupons constitute unconditional, unsecured and subordinated obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves.                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Maturity Date:</b>                           | 13 March 2025                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Interest and Interest Payment Dates:</b>     | <p>The Notes will bear interest at the applicable Rate of Interest from and including the Issue Date, and will be payable annually in arrear on 13 March of each year (each, an <b>Interest Payment Date</b>), commencing on 13 March 2016.</p> <p>The Rate of Interest in respect of the period from (and including) the Issue Date to (but excluding) the Reset Date (the <b>Initial Period</b>) will be equal to 3.125 per cent. per annum.</p> <p>The Rate of Interest for each Interest Period from (and including) the Reset Date to (but excluding) 13 March 2025 (the <b>Maturity Date</b>) (the <b>Reset Interest Period</b>), will be the sum of (a) the 5-Year Mid-Swap Rate in relation to the Reset Interest Period, and (b) 3.00 per cent. (the <b>Margin</b>).</p> <p><b>Reset Date</b> means the Call Date.</p> <p>See Condition 3 (<i>Interest</i>).</p> |
| <b>No right of Noteholders to redeem:</b>       | The Notes may not be redeemed at the option of the Noteholders.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

**Redemption at the option of the Issuer - General:**

The Issuer may, at its sole discretion (but subject to the provisions of Condition 5.8 (*Conditions to Early Redemption and Purchase of Notes*)), redeem the Notes in whole, but not in part, on 13 March 2020 (the **Call Date**) at their principal amount, together with all interest accrued to the date fixed for redemption.

**Redemption at the option of the Issuer for Regulatory Reasons:**

In addition, the Issuer may, at its sole discretion (but subject to the provisions of Condition 5.8 (*Conditions to Early Redemption and Purchase of Notes*)), at any time, redeem the Notes in whole but not in part upon occurrence of a change in the regulatory classification of the Notes that would be likely to result in their exclusion, in whole, as Tier 2 Capital of the Issuer or the Credem Group and both of the following conditions are met: (i) the Supervisory Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Supervisory Authority that the change in regulatory classification of the Notes was not reasonably foreseeable by the Issuer as at the Issue Date, as more fully described in Condition 5.4 (*Redemption for Regulatory Reasons (Regulatory Call)*).

**Redemption at the option of the Issuer for Taxation Reasons:**

The Issuer may also, at its option (subject to the approval of the Supervisory Authority), redeem all the Notes, in whole but not in part, at any time at their principal amount together with interest accrued to but excluding the date fixed for redemption, if (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 6 (*Taxation*)) or any political subdivision of, or any authority in, or of, a Relevant 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 12 March 2015, provided that in the case of any redemption of Notes proposed to be made prior to the fifth anniversary of the Issue Date, any such change or amendment is, to the satisfaction of the Supervisory Authority, material and was not reasonably foreseeable by the Issuer as at the Issue Date; and (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it. See further Condition 5.2 (*Redemption for Taxation Reasons*).

**Purchases:**

The Issuer or any of its Subsidiaries (as defined in Condition 5.5 (*Purchases*)) may at any time (but subject to the provisions of Condition 5.8 (*Conditions to redemption and purchase*)) purchase Notes in the open market or otherwise and at any price in accordance with applicable laws and regulations (including for the avoidance of doubt, the Relevant Regulations), provided that all unmatured Coupons appertaining to the Notes are purchased therewith. Such Notes may, subject to the approval of the Supervisory Authority (if so required by the Relevant Regulations), be held, reissued, resold or, at the option of the purchaser, surrendered to any Paying Agent for cancellation.

The Issuer or any agent on its behalf shall have the right at all times to purchase the Notes for market making purposes provided that: (a) the prior written approval of the Supervisory Authority shall be obtained where required; and (b) the total principal amount of the Notes so purchased does not exceed the lower of (i) 10 per cent. of the aggregate the principal amount of the Notes as at the Issue Date and any further Notes issued under Condition 12 (*Further Issues*)

|                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   | and (ii) 3 per cent. of the Tier 2 Capital of the Issuer from time to time outstanding or such other amount permitted to be purchased for market-making purposes under the Relevant Regulations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Conditions to Redemption and Purchase:</b>     | The Notes may only be redeemed, purchased, cancelled or modified pursuant to the Conditions with the Supervisory Authority's prior written approval (if so required by the Relevant Regulations).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Enforcement Event:</b>                         | In the event that the Issuer shall become subject to <i>Liquidazione Coatta Amministrativa</i> as defined in the Italian Banking Act, any holder of a Note may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any such Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its principal amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Events of Default:</b>                         | None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Negative Pledge:</b>                           | None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Cross Default:</b>                             | None.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Meetings of Noteholders and Modifications:</b> | <p>The Agency Agreement contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.</p> <p>The Issuer may also, subject to the provisions of Condition 11 (<i>Meetings of Noteholders and Modification</i>), make any modification to the Notes, the Receipts, the Coupons or the Agency Agreement that in its sole opinion is not prejudicial to the interests of the Noteholders (provided the proposed modification does not relate to a matter in respect of which an Extraordinary Resolution would be required if a meeting of Noteholders were held to consider such modification) without the consent of the Noteholders or the Couponholders. Any such modification shall be binding on the Noteholders and the Couponholders.</p> |
| <b>Further Issues:</b>                            | The Issuer may from time to time, without the consent of the Noteholders or Couponholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and date of the first payment of interest, if any, on them) so as to be consolidated and form a single series with the Notes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Taxation and Additional Amounts:</b>           | Subject to certain conditions, all payments in respect of the Notes will be made free and clear of withholding or deduction for or on account of any present or future taxes, duties, assessment or governmental charges of whatever nature, imposed or levied by or on behalf of any Tax Jurisdiction (subject to certain customary exceptions), unless such withholding or deduction is required by law. In that event, the Issuer will pay (subject as provided in Condition 6 ( <i>Taxation</i> )) such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in                                                                                                                                                                                                                                                  |

|                                               |                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                               | respect of the Notes in the absence of such withholding or deduction.                                                                                                                                                                                                                                                                                                                                             |
| <b>Rating:</b>                                | <p>The Notes are expected to be rated “BBB” by Fitch.</p> <p><b>A 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. See “<i>Risk Factors – Credit ratings may not reflect all risks</i>” at page 20.</b></p>                                                                                    |
| <b>Listing and admission to trading:</b>      | Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange with effect from the Issue Date.                                                                                                                                                    |
| <b>Clearing:</b>                              | Euroclear and Clearstream, Luxembourg.                                                                                                                                                                                                                                                                                                                                                                            |
| <b>ISIN:</b>                                  | XS1199020295.                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Common Code:</b>                           | 119902029.                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Use of Proceeds:</b>                       | The net proceeds of the issue of the Notes will be applied by the Issuer for its general corporate purposes and to improve the regulatory capital structure of the Credem Group.                                                                                                                                                                                                                                  |
| <b>Selling Restrictions:</b>                  | <p>For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom and Italy, see “<i>Subscription and Sale</i>” below.</p> <p>The Notes have not been registered under the Securities Act and are subject to restrictions on transfer as described under “<i>Subscription and Sale</i>.”</p> |
| <b>Governing Law:</b>                         | The Notes and any non-contractual obligations arising out of them will be governed by English law, except that the subordination provisions thereof and any non-contractual obligations arising out of them will be governed by the laws of the Republic of Italy.                                                                                                                                                |
| <b>Intended Regulatory Capital Treatment:</b> | It is the intention of the Issuer that the Notes shall qualify as Tier 2 capital for regulatory capital purposes in accordance with Part II, Chapter 1 of the Bank of Italy Regulations, including any successor regulations, and Article 63 of the CRD IV Regulation.                                                                                                                                            |
| <b>Risk Factors:</b>                          | There are certain factors that may affect the Issuer’s ability to fulfil its obligations under the Notes. In addition, there are certain factors that are material for the purpose of assessing the market risks associated with the Notes. These are set out under “ <i>Risk Factors</i> .”                                                                                                                      |

## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the audited consolidated annual financial statements of the Issuer as at and for each of the financial years ended 31 December 2013 and 2012, to the extent specified in the cross-reference list below;
- (b) the half-year condensed consolidated financial statements of the Issuer as at and for the six months ended 30 June 2014 and 2013, to the extent specified in the cross-reference list below;
- (c) the interim condensed consolidated financial statements of the Issuer as at and for the nine months ended 30 September 2014 and 2013, to the extent specified in the cross-reference list below;
- (d) The Memorandum and Articles of Association of the Issuer;
- (e) the press release dated 11 November 2014 setting out the Credem Group's interim results as at and for the nine months ended 30 September 2014 (the **2014 Press Release**);
- (f) the press release dated 11 February 2015 regarding the Credem Group's consolidated preliminary results for the fiscal year ended 31 December 2014 (the **2015 Press Release**);
- (g) the document entitled "Credito Emiliano Profit Estimate 2014 – Basis of preparation" regarding the criteria applied by the Issuer for the preparation of Credem Group's consolidated preliminary results for the fiscal year ended 31 December 2014, as included in the 2015 Press Release; and
- (h) the Report prepared by Reconta Ernst & Young S.p.A. on the profit estimates included in the 2015 Press Release dated 11 February 2015 regarding the Credem Group's consolidated unaudited preliminary results for the fiscal year ended 31 December 2014,

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

Following the publication of this Prospectus, a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of the documents incorporated by reference in this Prospectus can be obtained free of charge from the registered office of the Issuer, from the specified office of the Paying Agent for the time being in Luxembourg, from the specified office in Luxembourg of BNP Paribas Securities Services, Luxembourg Branch (the **Luxembourg Listing Agent**) and from the website of the Issuer (<http://www.credem.it>) and from the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu).

The information incorporated by reference that is not included in the cross-reference list below, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No. 809/2004 of 29 April 2004, as amended.

## CROSS REFERENCE LIST FOR DOCUMENTS INCORPORATED BY REFERENCE

| Document                                                                                                                  | Information incorporated                                  | Page numbers |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|--------------|
| Annual consolidated financial statements of the Issuer as at and for the year ended 31 December 2013                      | Consolidated Balance Sheet                                | 72-73        |
|                                                                                                                           | Consolidated Income Statement                             | 74           |
|                                                                                                                           | Consolidated Statement of Comprehensive Income            | 75           |
|                                                                                                                           | Statement of Changes in Consolidated Shareholders' Equity | 76-77        |
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|                                                                                                                           | Notes to the Financial Statements                         | 81-386       |
|                                                                                                                           | Auditor's report                                          | 404-407      |
| Annual consolidated financial statements of the Issuer as at and for the year ended 31 December 2012                      | Consolidated Balance Sheet                                | 72-73        |
|                                                                                                                           | Consolidated Income Statement                             | 74           |
|                                                                                                                           | Consolidated Statement of Comprehensive Income            | 75           |
|                                                                                                                           | Statement of Changes in Consolidated Shareholders' Equity | 76-77        |
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|                                                                                                                           | Notes to the Financial Statements                         | 81-338       |
|                                                                                                                           | Auditor's report                                          | 356-358      |
| Half-year unaudited condensed consolidated financial statements of the Issuer as at and for the period ended 30 June 2014 | Consolidated Balance Sheet                                | 65-66        |
|                                                                                                                           | Consolidated Income Statement                             | 67           |
|                                                                                                                           | Consolidated Statement of Comprehensive Income            | 68           |
|                                                                                                                           | Statement of Changes in Consolidated Shareholders' Equity | 69-70        |
|                                                                                                                           | Consolidated Statement of Cash Flows                      | 71-72        |
|                                                                                                                           | Explanatory Notes                                         | 74-266       |

| <b>Document</b>                                                                                                                                            | <b>Information incorporated</b>                                                                                     | <b>Page numbers</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|---------------------|
|                                                                                                                                                            | Auditors' review report                                                                                             | 282-285             |
| Half-year unaudited condensed consolidated financial statements of the Issuer as at and for the period ended 30 June 2013                                  | Consolidated Balance Sheet                                                                                          | 58-59               |
|                                                                                                                                                            | Consolidated Income Statement                                                                                       | 60                  |
|                                                                                                                                                            | Consolidated Statement of Comprehensive Income                                                                      | 61                  |
|                                                                                                                                                            | Statement of Changes in Consolidated Shareholders' Equity                                                           | 62-63               |
|                                                                                                                                                            | Consolidated Statement of Cash Flows                                                                                | 64-65               |
|                                                                                                                                                            | Explanatory Notes                                                                                                   | 67-233              |
|                                                                                                                                                            | Auditors' review report                                                                                             | 247-250             |
| Unaudited condensed consolidated financial statements of the Issuer as at and for the nine months ended 30 September 2014                                  | Scope of consolidation                                                                                              | 9                   |
|                                                                                                                                                            | Balance sheet, Income statement, Statement of comprehensive income and Statement of changes in shareholders' equity | 13 – 18             |
|                                                                                                                                                            | Explanatory notes                                                                                                   | 19 – 56             |
| Unaudited condensed consolidated financial statements of the Issuer as at and for the nine months ended 30 September 2013                                  | Scope of consolidation                                                                                              | 8                   |
|                                                                                                                                                            | Balance sheet, Income statement, Statement of comprehensive income and Statement of changes in shareholders' equity | 9 – 14              |
|                                                                                                                                                            | Explanatory notes                                                                                                   | 15 – 48             |
| Memorandum and Articles of Association of the Issuer                                                                                                       | Full document                                                                                                       |                     |
| 2014 Press Release (dated 11 November 2014 setting out the Credem Group's unaudited interim results as at and for the nine months ended 30 September 2014) | Consolidated Income Statement                                                                                       | 7                   |
|                                                                                                                                                            | Consolidated Balance Sheet                                                                                          | 6                   |

| Document                                                                                                                                                                      | Information incorporated                  | Page numbers |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|--------------|
|                                                                                                                                                                               | Other information                         | 1-5          |
| 2015 Press Release (dated 11 February 2015 regarding the Credem Group's individual and consolidated unaudited preliminary results for the fiscal year ended 31 December 2014) | Preliminary Consolidated Income Statement | 8            |
|                                                                                                                                                                               | Preliminary Consolidated Balance Sheet    | 7            |
|                                                                                                                                                                               | Other information                         | 1-6          |

Document entitled "Credito Emiliano Profit Estimate 2014 – Basis of preparation" regarding the criteria applied by the Issuer for the preparation of Credem Group's consolidated preliminary results for the fiscal year ended 31 December 2014, as included in the 2015 Press Release

Entire Document

Report prepared by Reconta Ernst & Young S.p.A. on the profit estimates included in the 2015 Press Release dated 11 February 2015 regarding the Credem Group's consolidated unaudited preliminary results for the fiscal year ended 31 December 2014.

Entire Document

The Issuer, being the person responsible for the financial information included in the 2015 Press Release, approves such financial information.

As recommended in the European Commission's Regulation on Prospectuses n. 809/2004, Reconta Ernst & Young S.p.A., in its role as independent auditors of the Issuer, issued on 12 March 2015 its report on the profit estimates for the year ended 31 December 2014 included in the 2015 Press Release.

The report issued by Reconta, Ernst & Young is incorporated by reference in this Prospectus.

The principal assumptions upon which the Issuer has based the financial information included in the 2015 Press Release are included in the section "Use of estimates and assumptions in the preparation of the Profit Estimate" at page 8 of the Issuer's Document entitled "Credito Emiliano Profit Estimate 2014 – Basis of preparation" incorporated by reference in this Prospectus.

The Profit Estimate made by the Issuer and published on 11 February 2015 by means of the 2015 Press Release refers to a 12-month period ended on 31 December 2014 and therefore there are no assumptions or factors which the members of the administrative, management or supervisory bodies can influence.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form:*

The €200,000,000 Subordinated Callable Fixed Rate Reset Notes due 2025 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 12 (*Further Issues*) and forming a single series with the Notes of Credito Emiliano S.p.A. (the **Issuer**) are issued subject to and with the benefit of an Agency Agreement dated 13 March 2015 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent and principal paying agent (the **Fiscal Agent**) and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the **Paying Agents**). The holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons** respectively) are entitled to the benefit of a Deed of Covenant (the **Deed of Covenant**) dated 13 March 2015 and made by the Issuer. The original of the Deed of Covenant is held by the Common Depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours by the Noteholders and Couponholders at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000 with Coupons attached on issue.

#### 1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

#### 1.3 Holder Absolute Owner

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

### 2. STATUS

- 2.1 The Notes, which are 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 Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, as amended or replaced from time to time (the **CRD IV Regulation**) and the Coupons constitute unconditional, unsecured

and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

- 2.2 In the event of the winding-up, dissolution, liquidation or bankruptcy of the Issuer or in the event that the Issuer becomes subject to an order for *Liquidazione Coatta Amministrativa*, as defined in Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended (the **Italian Banking Act**), the payment obligations of the Issuer under the Notes and the Coupons will rank in right of payment after unsubordinated unsecured creditors (including depositors) of the Issuer and after all creditors of the Issuer holding instruments which are less subordinated than the Notes but at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the Notes and in priority to the claims of shareholders of the Issuer.
- 2.3 Each holder of a Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Note.

### 3. INTEREST

#### 3.1 Interest Rate and Interest Payment Dates

The Notes bear interest at the applicable Rate of Interest from and including the Issue Date in accordance with the provisions of this Condition 3. Interest shall be payable annually in arrear on each Interest Payment Date. The first payment (representing a full year's interest) shall be made on 13 March 2016.

#### 3.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

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

#### 3.3 Initial Rate of Interest and Reset Rate of Interest

The Rate of Interest for each Interest Period from (and including) the Issue Date to but excluding the Reset Date (the **Initial Period**) will be 3.125 per cent. per annum (the **Initial Rate of Interest**).

The Rate of Interest for each Interest Period from (and including) the Reset Date to (but excluding) the Maturity Date (the **Reset Interest Period**) will be the applicable Reset Rate of Interest determined in accordance with these Conditions.

#### 3.4 Determination of Reset Rate of Interest in relation to the Reset Interest Period

The Fiscal Agent will, as soon as reasonably practicable after 11:15 a.m. (Frankfurt time) on the day falling two TARGET Settlement Days prior to the Reset Date (the **Reset Rate of Interest Determination Date**), determine the Reset Rate of Interest.

#### 3.5 Publication of Reset Rate of Interest

The Fiscal Agent will cause the relevant Reset Rate of Interest to be notified to the Issuer, the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by

which the Notes have then been admitted to listing, trading and/or quotation and to be published in accordance with Condition 10 (*Notices*) as soon as reasonably practicable after such determination but in any event not later than the Reset Date.

### 3.6 Calculation of Interest Amount

The amount of interest payable in respect of a Note for any period shall be calculated by the Fiscal Agent by:

- (a) applying the applicable Rate of Interest to the nominal amount of such Note;
- (b) multiplying the product thereof by the Day Count Fraction; and
- (c) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

### 3.7 Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition by the Fiscal Agent or the Reset Reference Banks (or any of them), will (in the absence of negligence, default, bad faith or manifest error) be binding on the Issuer, the Agents and all Noteholders and Couponholders and (in the absence of negligence, default or bad faith) no liability to the Issuer or the Noteholders or the Couponholders shall attach to the Fiscal Agent or the Reset Reference Banks (or any of them) in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition.

### 3.8 Definitions

In this Condition:

**5-year Mid-Swap Quotations** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed for floating interest rate swap transaction in euro which (a) has a term commencing on the Reset Date which is equal to five years; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the relevant swap market; and (iii) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis);

**5-year Mid-Swap Rate** means, in relation to the Reset Interest Period and the Reset Rate of Interest Determination Date:

- (a) the applicable annual mid-swap rate for swap transactions in euro (with a maturity equal to five years) as displayed on the Screen Page at 11.15 a.m. (Frankfurt time) on the Reset Rate of Interest Determination Date; or
- (b) if such rate is not displayed on the Screen Page at such time and date, the Reset Reference Bank Rate;

**Actual/360** means the actual number of days in the relevant period divided by 360;

**Day Count Fraction** means the actual number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date) to but excluding the relevant payment date divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

If interest is required to be calculated for a period of less than one year, it will be calculated on an actual/actual (ICMA) basis for each period, being the actual number of days elapsed during the relevant period divided by 365 (or by 366 if a 29 February is included in such period), the result being rounded to the nearest cent (half a cent being rounded upwards);

**Interest Amount** means the amount of interest payable on each Note for any Interest Period and Interest Amounts means, at any time, the aggregate of all Interest Amounts payable at such time;

**Interest Payment Date** means 13 March in each year from (and including) 13 March 2016;

**Interest Period** means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date;

**Issue Date** means 13 March 2015;

**Margin** means 3.00 per cent.;

**Maturity Date** means 13 March 2025;

**Rate of Interest** means:

- (a) in the case of each Interest Period falling in the Initial Period, 3.125 per cent.; or
- (b) in the case of each Interest Period falling in the Reset Interest Period, the Reset Rate of Interest,

all as determined by the Fiscal Agent in accordance with this Condition 3.

**Reset Date** means the Call Date, as defined in Condition 5.3;

**Reset Rate of Interest** means, in relation to the Reset Interest Period, the sum of (a) the 5-year Mid-Swap Rate in relation to the Reset Interest Period and (b) the Margin;

**Reset Reference Banks** means five leading swap dealers in the principal interbank market relating to euro selected by the Fiscal Agent in its discretion after consultation with the Issuer;

**Reset Reference Bank Rate** means the percentage rate determined on the basis of the 5-Year Mid-Swap Quotations provided by the Reset Reference Banks to the Fiscal Agent at or around 11:15 a.m. (Frankfurt time) on the Reset Rate of Interest Determination Date and, rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards). If at least four quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two or three quotations are provided, the Reset Reference Bank Rate will be the rounded arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the rounded quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be 0.125 per cent. per annum;

**Screen Page** means Bloomberg screen page "ISDAFix/Fixing Rates (Digital)/EURIBOR A (11:15am Fft)", or such other screen page as may replace it on Bloomberg or, as the case may be, on such other information service that may replace Bloomberg, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates; and

**TARGET2 Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

#### **4. PAYMENTS**

##### **4.1 Payments in respect of Notes**

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

#### **4.2 Method of Payment**

Payments 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 euro cheque.

#### **4.3 Missing Unmatured Coupons**

Upon the date on which any Note becomes due and repayable, all unmatured Coupons appertaining to the Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

#### **4.4 Payments subject to applicable laws**

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 6 (*Taxation*).

#### **4.5 Payment only on a Presentation Date**

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 3 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

**Presentation Date** means a day which (subject to Condition 7 (*Prescription*)):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a TARGET2 Settlement Day.

In this Condition, **Business Day** means, in relation to any place, 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 that place.

#### **4.6 Initial Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Fiscal Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Fiscal Agent) having a specified office in the place required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and

- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 10 (*Notices*).

## **5. REDEMPTION AND PURCHASE**

### **5.1 Redemption at Maturity**

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 13 March 2025.

### **5.2 Redemption for Taxation Reasons**

If:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 6 (*Taxation*)) or any political subdivision of, or any authority in, or of, a Relevant 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 12 March 2015, provided that in the case of any redemption of Notes proposed to be made prior to the fifth anniversary of the Issue Date, any such change or amendment is, to the satisfaction of the Supervisory Authority, material and was not reasonably foreseeable by the Issuer as at the Issue Date; and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option (subject to the provisions of Condition 5.8 (*Conditions to Early Redemption and Purchase of Notes*)), having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 10 (*Notices*), to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes, in whole but not in part, at any time at their principal amount together with interest accrued to but excluding the date fixed for redemption, 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 Fiscal Agent to make available at its specified offices to the Noteholders (i) a certificate signed by a Director or a duly authorised officer of the Issuer stating the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

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

The Issuer may, subject to Condition 5.8 (*Conditions to Early Redemption and Purchase of Notes*), having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and,

in accordance with Condition 10 (*Notices*), to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes in whole, but not in part, on 13 March 2020 (the **Call Date**) at their principal amount, together with interest accrued to but excluding the date fixed for redemption.

#### 5.4 Redemption for Regulatory Reasons (Regulatory Call)

The Issuer may, at its sole discretion (subject to the provisions of Condition 5.8 (*Conditions to Early Redemption and Purchase of Notes*)), at any time, on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 10 (*Notices*), to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes, in whole but not in part, at their principal amount together with interest accrued to but excluding the date fixed for of redemption, upon the occurrence of a change in the regulatory classification of the Notes that would be likely to result in their exclusion, in whole, as Tier 2 Capital of the Issuer or the Credem Group and both of the following conditions are met: (i) the Supervisory Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Supervisory Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Fiscal Agent to make available at its specified offices to the Noteholders a certificate signed by a Director or a duly authorised officer of the Issuer stating that the said circumstances prevail and describe the facts leading thereto and the Fiscal Agent shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

In this Condition 5.4:

**Relevant Regulations** means any requirements contained in the regulations, rules, guidelines and policies of the Supervisory 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 from time to time; and

**Tier 2 Capital** has the meaning given to such term (or any other equivalent or successor term) in the Relevant Regulations.

#### 5.5 Purchases

- (a) The Issuer or any of its Subsidiaries (as defined below) may at any time (but subject to the provisions of Condition 5.8 (*Conditions to Early Redemption and Purchase of Notes*)) purchase Notes in the open market or otherwise in any manner and at any price in accordance with applicable laws and regulations (including for the avoidance of doubt, the Relevant Regulations), provided that all unmatured Coupons appertaining to the Notes are purchased therewith. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may, subject to the approval of the Supervisory Authority (if so required by the Relevant Regulations), be held, reissued, resold or, at the option of the purchaser, surrendered to the Paying Agent for cancellation.
- (b) Notwithstanding the above, the Issuer or any agent on its behalf shall have the right at all times to purchase the Notes for market making purposes provided that: (a) the prior written approval of the Supervisory Authority shall be obtained where required; and (b) the total principal amount of the Notes so purchased does not exceed the lower of (i) 10 per cent. of the aggregate principal amount of the Notes as at the Issue Date and any further Notes issued under Condition 12 (*Further Issues*) and (ii) 3 per cent. of the Tier 2 Capital of the Issuer from time to time outstanding or such other amount permitted to be purchased for market-making purposes under the Relevant Regulations.

In this Condition:

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

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

**Supervisory Authority** means the Bank of Italy or any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer.

## 5.6 Cancellations

All Notes which are redeemed will forthwith (subject to the provisions of Condition 5.8 (*Conditions to Early Redemption and Purchase of Notes*)) be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes. All Notes so redeemed and cancelled pursuant to this Condition, and the Notes purchased and cancelled pursuant to Condition 5.5 (*Purchases*) above (together with all unmatured Coupons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

## 5.7 Notices Final

Upon the expiry of any notice as is referred to in paragraph 5.2, 5.3 or 5.4 above the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

## 5.8 Conditions to Early Redemption and Purchase of Notes

The Notes may only be redeemed, purchased, cancelled or modified (as applicable) pursuant to Conditions 5.2 (*Redemption for Taxation Reasons*), 5.3 (*Redemption at the Option of the Issuer (Issuer Call)*), 5.4 (*Redemption for Regulatory Reasons (Regulatory Call)*), 5.5 (*Purchases*), 5.6 (*Cancellations*) or 11.3 (*Modification*) as the case may be, with the prior written approval of the Supervisory Authority (if so required by the Relevant Regulations).

# 6. TAXATION

## 6.1 Payment without Withholding

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

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

- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 4 (*Payments*)); or
- (f) on account of imposta sostitutiva pursuant to Italian Legislative Decree No. 239 of 1st April 1996, as amended from time to time; or
- (g) presented for payment by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of such Note or Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
- (h) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities.

## 6.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 10 (*Notices*); and
- (b) **Relevant Jurisdiction** means Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons.

## 6.3 Additional Amounts

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

## 7. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes and Coupons will be prescribed and become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 4 (*Payments*).

## 8. ENFORCEMENT EVENT

In the event of a voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa* as defined in Legislative Decree No.

385 of 1 September 1993, as amended or supplemented from time to time) of the Issuer, any holder of a Note may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any such Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its principal amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

## **9. REPLACEMENT OF NOTES AND COUPONS**

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

## **10. NOTICES**

### **10.1 Notices to the Noteholders**

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

### **10.2 Notices from the Noteholders**

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

## **11. MEETINGS OF NOTEHOLDERS AND MODIFICATION**

### **11.1 Meetings of Noteholders**

### **11.2**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. 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 five 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 a Reserved Matter the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders

shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

**Reserved Matter** means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution.

### 11.3 Modification

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

- (a) any modification (except as mentioned above) of the Notes, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

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

## 12. FURTHER ISSUES

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

## 13. GOVERNING LAW AND SUBMISSION TO JURISDICTION

### 13.1 Governing Law

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

### 13.2 Submission to Jurisdiction

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

### **13.3 Appointment of Process Agent**

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

### **13.4 Other Documents**

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

### **13.5 Waiver of Trial by Jury**

WITHOUT PREJUDICE TO CONDITION 13.2 THE ISSUER WAIVES ANY RIGHT IT MAY HAVE TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION IN CONNECTION WITH THE NOTES AND THE COUPONS. THESE CONDITIONS MAY BE FILED AS A WRITTEN CONSENT TO A BENCH TRIAL.

## **14. RIGHTS OF THIRD PARTIES**

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

## OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

*The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together the **Global Notes**) which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

### 1. **Accountholders**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal 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 as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 8 (*Enforcement Event*) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

### 2. **Payments**

On and after 22 April 2015, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Fiscal Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

### 3. **Notices**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 10 (*Notices*), provided that, so long as the Notes are listed on any stock exchange, notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

### 4. **Exchange and benefits**

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only if (each of the following being an **Exchange Event**):

- (a) 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
- (b) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form.

The Issuer will promptly give notice to Noteholders if an Exchange Event occurs. Thereupon, in the case of (a) above, the holder of the Permanent Global Note, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and the Fiscal Agent and, in the case of (b) above, the Issuer may give notice to the Fiscal Agent of its intention to exchange the Permanent Global Note for definitive Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Fiscal Agent. Exchanges will be made upon presentation of the Permanent Global Note at the office of the Fiscal Agent on any day on which banks are open for general business in Luxembourg. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

In the event that (a) the Global Note (or any part of it) has become due and repayable in accordance with the Conditions or that the maturity date of the Notes has occurred and, in either case, payment in full of the amount due has not been made to the bearer on such date, or (b) following an Exchange Event, the Permanent Global Note is not duly exchanged for definitive Notes by the date provided in the Permanent Global Note; then from such date each Accountholder will become entitled to proceed directly against the Issuer on, and subject to, the terms of the Deed of Covenant executed by the Issuer on 13 March 2015 in respect of the Notes and the bearer will have no further rights under the Global Note (but without prejudice to the rights any person may have under the Deed of Covenant).

## **5. Prescription**

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 6 (*Taxation*)).

## **6. Cancellation**

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Fiscal Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

## **7. Euroclear and Clearstream, Luxembourg**

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system through which interests in the Notes are held.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be applied by the Issuer for its general corporate purposes and to improve the regulatory capital structure of the Credem Group.

## DESCRIPTION OF THE ISSUER

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

*The 2013 Annual Financial Statements include comparative figures showing, inter alia, income statement and balance sheet items as at and for the year ended 31 December 2012.*

*The 2014 half-year condensed consolidated Financial Statements include comparative figures for the period ended 30 June 2013 and balance sheet items as at 31 December 2013.*

*The Issuer's annual audited consolidated financial statements at 31 December 2012 (the **2012 Annual Financial Statements**) and its unaudited half yearly condensed consolidated financial statements at 30 June 2013 (the **2013 half-year condensed consolidated Financial Statements**) have been prepared in accordance with IFRS.*

*The 2013 and 2012 annual Financial Statements and the 2013 half-year condensed consolidated Financial Statements have been, respectively audited and reviewed by Deloitte & Touche S.p.A. The 2014 half-year condensed consolidated Financial Statements has been reviewed by Reconta Ernst & Young S.p.A. The audit reports and the review report issued by Deloitte & Touche S.p.A. and the review report issued by Reconta Ernst & Young S.p.A, are incorporated by reference into the Base Prospectus (see "Documents Incorporated by Reference").*

*In addition, the Issuer has also published its unaudited consolidated interim financial results as at and for the nine months ended 30 September 2014. Please see the section "Recent Developments" for further information.*

### Introduction and History

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

The Issuer and its subsidiaries (together, the **Credem Group** or the **Group**) form a medium-sized, multi-regional bank group based in the region of Emilia Romagna in northern Italy. Having operated originally as a retail bank, the Credem Group now provides a full range of commercial and asset management services. An expansion plan commenced in the 1970s has given the Issuer a national presence based on its local origins: it is now active throughout the whole of Italy whilst maintaining a strong presence in Emilia Romagna. As at 30 June 2014, the Credem Group comprised 13 companies (known as the "Banking Group" perimeter – Credemvita (as defined below), as a life insurance company, despite being fully owned by the Issuer and being consolidated line-by-line, is not included in the "Banking Group" perimeter) operating in a wide range of financial activities.

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

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

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

As at 30 June 2014, the Credem Group had 543 branches operating across 19 regions and 91 provinces of Italy. The Issuer has had a branch in Luxembourg since 1996, that following the acquisition of Banco di Napoli International Lux S.A. in 1999, became CREDEM International Lux S.A. (**CREDEMLux**)

## Principal Markets

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

## Business Overview

At 30 June 2014, the Credem Group reported net interest and other banking income equal to €566.9 million (it was equal to €984.0 million as at 31 December 2013).

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

### Commercial Banking

Commercial banking activities are conducted by the Issuer and certain other subsidiaries within the Credem Group: Credemleasing S.p.A. (**Credemleasing**), Credemfactor S.p.A. (**Credemfactor**), Banca Euromobiliare S.p.A. (**Banca Euromobiliare**), as well as the Issuer's subsidiary in Luxembourg. As at 30 June 2014, the Issuer contributed €62.7million (or 63.4 per cent.) to the Credem Group's net profit, compared to €40.2 million as at 30 June 2013 (or 56.7 per cent.). For the same period, Credemleasing contributed €5.0 million (or 5.0 per cent.) to the Credem Group's net profit, compared to €4.5 million (or 6.3 per cent.) in the same period last year.

### Wealth Management

As at 30 June 2014, the Credem Group had over €19.5 billion in customer assets under management. Asset management activities of the Credem Group are organised through Euromobiliare Asset Management SGR S.p.A. (**Euromobiliare Asset Management**), Credem Private Equity SGR S.p.A. (**Credem Private Equity**) and Euromobiliare Fiduciaria S.p.A. (**Euromobiliare Fiduciaria**). Moreover, as at 30 June 2014, the Credem Group had also €3.9 billion in Insurance Reserves, managed through Credemvita S.p.A. (**Credemvita**).

## Financial Highlights of the Credem Group

The following table shows selected financial highlights (consolidated) at 31 December 2013 and 2012 and at 30 June 2014 and 2013:

| € millions                                              | 31 December  |              | 30 June     |             |
|---------------------------------------------------------|--------------|--------------|-------------|-------------|
|                                                         | (audited)    |              | (unaudited) |             |
|                                                         | 2012         | 2013         | 2013        | 2014        |
| Total assets                                            | 30,748.7     | 31,530.8     | 31,200.1    | 33,319.0    |
| Total liabilities and minority interests                | 28,764.0     | 29,375.4     | 29,178.6    | 31,015.4    |
| Group shareholders' Equity                              | 1,984.7      | 2,155.4      | 2,021.5     | 2,303.5     |
| <b>Profit (loss) attributable to the Parent Company</b> | <b>121.2</b> | <b>115.9</b> | <b>71.0</b> | <b>99.0</b> |

## Ownership and Capital Structure of the Issuer

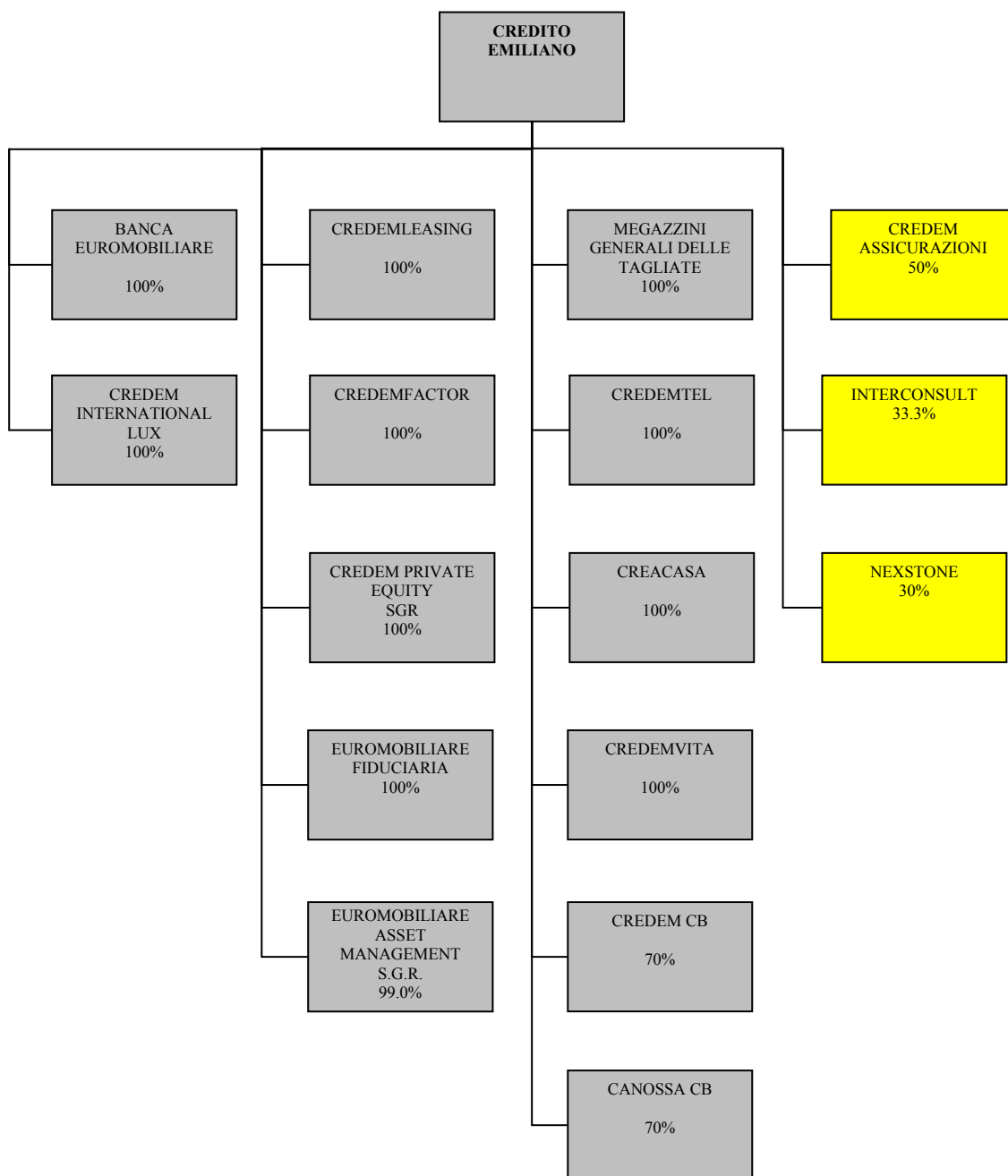
As at the date of this Prospectus, the authorised share capital of the Issuer was €332,392,107 and the issued share capital was €332,392,107, divided into 332,392,107 ordinary shares with a nominal value of €1.00 each. As at the same date, the share capital was fully paid-up, no convertible debt existed and the Issuer owns 1,050,989 treasury shares, corresponding to 0.32 per cent. of the share capital.

The Issuer is controlled by Credito Emiliano Holding S.p.A. (**CredemHolding**). The major shareholders of CredemHolding are Cofimar S.r.l. (which, as at the date of this Prospectus, owned 19.97 per cent.), Max Mara Fashion Group S.r.l. (8.10 per cent.), Max Mara Finance S.r.l. (8.3 per cent.), Pictet & Cie S.A. (4.99 per cent.), Fincorrad S.r.l. (3.43 per cent.), Eredi Savioli S.r.l. (3.15 per cent.) and Padana Tubi e Profilati Acciaio S.p.A. (2.14 per cent). This group, together with various local families most of whom were amongst the original founders of the bank at the beginning of the century, entered into a shareholders' agreement controlling 75.4 per cent. of the shares in CredemHolding. The remaining 24.6 per cent. of the shares in CredemHolding are owned by approximately 2,800 other shareholders.

As at the date of this Prospectus, CredemHolding held 76.9 per cent. of the Issuer's share capital. The remaining 23.1 per cent. of the shares in the Issuer are listed on the Italian Stock Exchange and are widely held.

### **Structure of the Credem Group**

The following diagram shows the organisation of the Credem Group as at 31 December 2014.



Notes:

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

The following table provides certain information relating to the significant consolidated subsidiaries of the Issuer as at 31 December 2014.

| <u>Company</u> | <b>Registered</b> | <b>Type of</b> | <u>Shareholding Relationship</u> |
|----------------|-------------------|----------------|----------------------------------|
|----------------|-------------------|----------------|----------------------------------|

|                                              | <u>office</u> | <u>Relationship</u> | <u>Shareholder</u>                | <u>Share %</u> |
|----------------------------------------------|---------------|---------------------|-----------------------------------|----------------|
| <b>Consolidated line-by-line:</b>            |               |                     |                                   |                |
| CREDEM International (Lux) S.A.              | Luxembourg    | 1                   | Credito Emiliano                  | 99.99          |
|                                              |               |                     | Banca Euromobiliare               | 0.01           |
| Credemleasing S.p.A.                         | Reggio Emilia | 1                   | Credito Emiliano                  | 99.90          |
|                                              |               |                     | Magazzini Generali delle Tagliate | 0.10           |
| Credemfactor S.p.A.                          | Reggio Emilia | 1                   | Credito Emiliano                  | 99.00          |
|                                              |               |                     | Credemleasing                     | 1.00           |
| Credem Private Equity SGR S.p.A.             | Reggio Emilia | 1                   | Credito Emiliano                  | 87.50          |
|                                              |               |                     | Banca Euromobiliare               | 12.50          |
| Euromobiliare Asset Management SGR S.p.A.    | Milan         | 1                   | Credito Emiliano                  | 99.08          |
| Credemtel S.p.A.                             | Reggio Emilia | 1                   | Credito Emiliano                  | 100.00         |
| Creacasa S.r.l.                              | Reggio Emilia | 1                   | Credito Emiliano                  | 100.00         |
| Magazzini Generali delle Tagliate S.p.A.     | Reggio Emilia | 1                   | Credito Emiliano                  | 100.00         |
| Banca Euromobiliare S.p.A.                   | Milan         | 1                   | Credito Emiliano                  | 100.00         |
| Euromobiliare Fiduciaria S.p.A.              | Milan         | 1                   | Credito Emiliano                  | 100.00         |
| Credemvita S.p.A.                            | Reggio Emilia | 1                   | Credito Emiliano                  | 100.00         |
| Credem CB S.r.l.                             | Conegliano    | 1                   | Credito Emiliano                  | 70.00          |
| Canossa CB S.r.l.                            | Conegliano    | 1                   | Credito Emiliano                  | 70.00          |
| <b>Consolidated using the equity method:</b> |               |                     |                                   |                |
| Credemassicurazioni S.p.A.                   | Reggio Emilia | 2                   | Credito Emiliano                  | 50.00          |
| Interconsult                                 | Luxembourg    | 3                   | CREDEM International (Lux) S.A.   | 33.33          |
| Nextone S.r.l.                               | Milan         | 3                   | Credito Emiliano                  | 30.00          |

Type of relationship:

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

2 = joint control

3 = associated companies

### Strategy of the Credem Group

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

- *1990–1999: External growth* - through the acquisition of more than 30 small banks and Euromobiliare Group from Midland Bank.
- *2000–2003: Internal growth* - through divisionalisation, the opening of new branches and the creation of corporate centres, achieving sizeable market share increases.
- *2004–2006: Focus on profitability* - by capitalising on the recent expansion of the Credem Group and continuing to develop market shares.
- *2006–2008: Focus on profitability* - strengthening the role of the core businesses and maintaining volume increases above market average.
- *2009–2012: Facing the global crisis* – lowering the Group’s risk profile both in term of market and credit risks while increasing the Group’s focus on commercial banking business, capital ratios soundness and organisation efficiency.
- *2013: Taking advantage from a restructuring banking system* – achieving a sizeable market shares increase both on lending and on direct and indirect deposits, investing in new technologies and commercial network while banking system has still to face the consequences of a five years economic recession.

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

- Started increasing the number of its employees, in order to sustain both its commercial salesforce and IT department (102 employees more as at 30 June 2014 than year-end 2012), as well as its financial advisors network (38 more financial advisors as at 30 June 2014 than year-end 2012).
- Set up a “developing salesforce”, aimed only at acquiring new corporate and retail customers, which account for more than 6 per cent. of total employees, as at 30 June 2014.
- Developed a new business line with 114 agents (as of the end of June 2014) with a mandate for “salary backed loans”.
- Significantly increased investments on new technologies/ products, as evidenced by the evolution of amortisation and depreciation (which, in the first six months of 2014, were 21 per cent. higher than the first six months of 2012).

The Group is currently undergoing the approval procedure of its rating system in compliance with Basel II IRB Advanced methodology, both for corporate and retail loan portfolios.

## DISTRIBUTION CHANNELS AND RESOURCES

As at 30 June 2014, the Credem Group’s distribution network consisted of 543 branches, 43 corporate centres and 51 financial stores, with 788 financial advisors, 264 agents of Creacasa and 114 agents with Credem exclusive mandate for “salary backed loans”. The following table shows the distribution network of the Credem Group as at the dates indicated.

| Distribution Structure      | 31 December | 31 December | 30 June    |            |
|-----------------------------|-------------|-------------|------------|------------|
|                             | 2012        | 2013        | 2013       | 2014       |
| Credito Emiliano and others | 538         | 525         | 529        | 524        |
| Banca Euromobiliare         | 19          | 19          | 18         | 19         |
| <b>Branches</b>             | <b>557</b>  | <b>544</b>  | <b>547</b> | <b>543</b> |
| <b>Corporate Centres</b>    | <b>42</b>   | <b>42</b>   | <b>42</b>  | <b>43</b>  |

|                        | 31 December | 31 December | 30 June |      |
|------------------------|-------------|-------------|---------|------|
| Distribution Structure | 2012        | 2013        | 2013    | 2014 |
| Financial Outlets      | 45          | 47          | 46      | 51   |

### Branch Network

The following table shows the geographical distribution of the Credem Group branch network as at 31 December 2014.

| Region                | Number     | %            |
|-----------------------|------------|--------------|
| Trentino Alto Adige   | 4          | 0.7          |
| Piemonte              | 19         | 3.5          |
| Liguria               | 8          | 1.5          |
| Lombardia             | 72         | 13.3         |
| Veneto                | 28         | 5.2          |
| Friuli-Venezia Giulia | 7          | 1.3          |
| Emilia Romagna        | 127        | 23.4         |
| Marche                | 8          | 1.5          |
| Abruzzo               | 3          | 0.6          |
| Toscana               | 38         | 7.0          |
| Umbria                | 5          | 0.9          |
| Lazio                 | 27         | 5.0          |
| Molise                | 1          | 0.2          |
| Campania              | 45         | 8.3          |
| Puglia                | 50         | 9.2          |
| Basilicata            | 2          | 0.4          |
| Calabria              | 31         | 5.7          |
| Sicilia               | 62         | 11.4         |
| Sardegna              | 5          | 0.9          |
| <b>Total</b>          | <b>542</b> | <b>100.0</b> |

### Employees

The Credem Group had 5,763 employees as at 31 December 2014, compared to 5,609 employees as at 31 December 2013 and 5,651 employees as at 30 June 2013.

## COMMERCIAL BANKING

### Funding Activities

The Credem Group's total funding activities amounted to €26,415 million as at 30 June 2014.

The table below shows the composition of the consolidated funding activities as at 31 December 2012 and 2013 and 30 June 2013 and 2014:

| 31 December | 30 June |
|-------------|---------|
|-------------|---------|

| € millions                                 | (audited)     |               | (unaudited)   |               |
|--------------------------------------------|---------------|---------------|---------------|---------------|
|                                            | 2012          | 2013          | 2013          | 2014          |
| Deposits from banks                        | 5,669         | 5,287         | 5,984         | 5,752         |
| Due to customers                           | 14,457        | 15,112        | 14,360        | 15,025        |
| Debt securities issued                     | 4,075         | 4,135         | 3,937         | 4,308         |
| Financial liabilities held for trading     | 233           | 107           | 132           | 103           |
| Financial liabilities valued at fair value | 921           | 1,104         | 930           | 1,227         |
| <b>Total funding activities</b>            | <b>25,355</b> | <b>25,745</b> | <b>25,343</b> | <b>26,415</b> |

### **Interbank Deposits**

As at 30 June 2014, 21.8 per cent. of the Credem Group's funding activities was represented by deposits from Italian and foreign banks. Total interbank deposits totalled €5,751,681 thousands as at 30 June 2014 (compared to €5,286,863 thousands as at 31 December 2013 and 5,983,657 thousands as at 30 June 2013).

A breakdown of interbank deposits as at 31 December 2012 and 2013 and 30 June 2013 and 2014 is provided in the table below:

| € thousands                                                      | 31 December      |                  | 30 June          |                  |
|------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                  | (audited)        |                  | (unaudited)      |                  |
|                                                                  | 2012             | 2013             | 2013             | 2014             |
| <b>Deposits from central banks</b>                               | <b>5,041,215</b> | <b>3,039,661</b> | <b>5,058,229</b> | <b>2,378,207</b> |
| <b>Deposits from banks</b>                                       | <b>627,334</b>   | <b>2,247,202</b> | <b>925,428</b>   | <b>3,373,470</b> |
| - current accounts and demand deposits                           | 136,814          | 123,312          | 121,401          | 139,226          |
| - term deposits and loans                                        | 489,832          | 2,123,253        | 802,493          | 3,233,432        |
| - amount due for repurchase agreements on own equity investments | -                | -                | -                | -                |
| - other amounts due                                              | 688              | 637              | 1,534            | 812              |
| <b>Total</b>                                                     | <b>5,668,549</b> | <b>5,286,863</b> | <b>5,983,657</b> | <b>5,751,677</b> |

### **Customer Deposits**

The Credem Group offers its retail and corporate customers a wide range of deposit products, including savings accounts, current accounts, bonds and term deposits. As at 30 June 2014, banking direct deposits (including repurchase agreements) amounted to €18,343 million (an increase of 4.3 per cent. compared to €17,592 million as at 30 June 2013 and of 1.5 per cent. compared to €18.072 million as at 31 December 2013). At the same date, 74.6 per cent. of banking direct deposits were represented by current and savings accounts. Customer deposits are brought in through the Credem Group's branch network (see "Distribution Channels and Resources") and through relationship management with corporate clients.

A breakdown of customer deposits as at 31 December 2013 and 2012 and 30 June 2014 and 2013 is provided in the table below:

| € millions | 31 December |      | 30 June     |      |
|------------|-------------|------|-------------|------|
|            | (audited)   |      | (unaudited) |      |
|            | 2012        | 2013 | 2013        | 2014 |

| € millions                                             | 31 December   |               | 30 June       |               |
|--------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                        | (audited)     |               | (unaudited)   |               |
|                                                        | 2012          | 2013          | 2013          | 2014          |
| Current & savings accounts                             | 13,066        | 13,625        | 13,300        | 13,687        |
| Certificates of deposit                                | 3             | 2             | 2             | 1             |
| Other                                                  | 253           | 258           | 286           | 306           |
| <b>Deposits</b>                                        | <b>13,322</b> | <b>13,885</b> | <b>13,588</b> | <b>13,994</b> |
| Bonds and subordinated debt                            | 4,149         | 4,187         | 4,004         | 4,349         |
| <b>Direct deposits excluding repurchase agreements</b> | <b>17,471</b> | <b>18,072</b> | <b>17,592</b> | <b>18,343</b> |
| Repurchase agreements                                  | -             | -             | -             | -             |
| <b>Banking direct deposits</b>                         | <b>17,471</b> | <b>18,072</b> | <b>17,592</b> | <b>18,343</b> |
| <b>Insurance reserves</b>                              | <b>2,617</b>  | <b>3,236</b>  | <b>2,834</b>  | <b>3,921</b>  |
| <b>Indirect deposits at countervalue</b>               | <b>32,007</b> | <b>34,061</b> | <b>31,819</b> | <b>37,628</b> |
| <b>Grand Total</b>                                     | <b>52,095</b> | <b>55,369</b> | <b>52,245</b> | <b>59,892</b> |

As at 30 June 2014, total customer deposits totalled €59,892 million, and approximately 62.8 per cent. (€37,628 millions) of total customer deposits consisted of indirect deposits.

A breakdown of indirect deposits as at 31 December 2013 and 2012 and 30 June 2014 and 2013 is provided in the table below:

| € millions                               | 31 December   |               | 30 June       |               |
|------------------------------------------|---------------|---------------|---------------|---------------|
|                                          | 2012          | 2013          | 2013          | 2014          |
| <b>Indirect deposits at countervalue</b> | <b>32,007</b> | <b>34,061</b> | <b>31,819</b> | <b>37,628</b> |
| - of which assets under management       | 16,215        | 17,687        | 16,812        | 19,522        |
| - of which assets under custody          | 15,792        | 16,374        | 15,007        | 18,106        |

### Subordinated Notes

As at 30 June 2014, subordinated notes of the Credem Group totalled €478,993 thousands (a 22.2 per cent. decrease compared to €615,592 thousands as at 31 December 2013 and a 33.7 per cent. decrease compared to €722,145 thousands as at 30 June 2013), as set out in the table below:

| € thousands        | 31 December |         | 30 June     |         |
|--------------------|-------------|---------|-------------|---------|
|                    | (audited)   |         | (unaudited) |         |
|                    | 2012        | 2013    | 2013        | 2014    |
| Subordinated Notes | 765,065     | 615,952 | 722,145     | 478,993 |

### Bonds and Securities Portfolio

As at 30 June 2014, the value of the Issuer's bond and securities portfolio was €10,101,307 thousands (a 16.0 per cent. increase compared to €8,709,184 thousands as at 30 June 2013).

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

| € thousands                                | 31 December      |                  | 30 June          |                   |
|--------------------------------------------|------------------|------------------|------------------|-------------------|
|                                            | (audited)        |                  | (unaudited)      |                   |
|                                            | 2012             | 2013             | 2013             | 2014              |
| Debt securities                            | 5,822,897        | 7,409,966        | 7,389,959        | 8,247,323         |
| Equities securities                        | 20,111           | 15,729           | 26,264           | 13,302            |
| Units of UCITS                             | 1,131,806        | 1,601,415        | 1,136,263        | 1,730,672         |
| Derivatives instruments                    | 236,016          | 121,414          | 156,698          | 110,011           |
| <b>Total bond and securities portfolio</b> | <b>7,210,830</b> | <b>9,148,524</b> | <b>8,709,184</b> | <b>10,101,308</b> |

As at 31 December 2013, securities portfolio contained the following categories of securities, compared with the portfolio as at 31 December 2012.

| € thousands                                | 31 December 2012 | 31 December 2013 |
|--------------------------------------------|------------------|------------------|
|                                            | (audited)        | (audited)        |
| <b>Debt securities</b>                     | <b>5,822,897</b> | <b>7,409,966</b> |
| • Level 1                                  | 5,536,121        | 6,584,881        |
| • Level 2                                  | 223,770          | 816,094          |
| • Level 3                                  | 63,006           | 8,991            |
| <b>Equity securities</b>                   | <b>20,111</b>    | <b>15,729</b>    |
| • Level 1                                  | 6,306            | 2,306            |
| • Level 2                                  | 780              | -                |
| • Level 3                                  | 13,025           | 13,423           |
| <b>Units of UCITS</b>                      | <b>1,131,806</b> | <b>1,601,415</b> |
| • Level 1                                  | 1,076,555        | 1,562,116        |
| • Level 2                                  | 4,285            | 888              |
| • Level 3                                  | 50,966           | 38,411           |
| <b>Derivatives instruments</b>             | <b>236,016</b>   | <b>121,414</b>   |
| • Level 1                                  | 448              | 81               |
| • Level 2                                  | 235,394          | 121,332          |
| • Level 3                                  | 174              | 1                |
| <b>Total bond and securities portfolio</b> | <b>7,210,830</b> | <b>9,148,524</b> |

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

- Level 1: the fair value of instruments classified in this level is based on quotation prices observed in active markets;
- Level 2: the fair value of instruments classified in this level is based on valuation models that use inputs that can be observed in the market;
- Level 3: the fair value of instruments classified in this level is based on valuation models that primarily use inputs that cannot be observed in the market.

## Lending Activities

The Credem Group, through the Issuer and its banking subsidiaries, conducts activities in the corporate and retail lending sectors in Italy. As at 30 June 2014, consolidated total loans were €21,292 million, of which €20,372 million represented net loans to customers and €920 million represented loans to banks.

The following table shows the consolidated value of loans to non-bank customers for the periods indicated:

| € millions                   | 31 December   |               | 30 June       |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | (audited)     |               | (unaudited)   |               |
|                              | 2012          | 2013          | 2013          | 2014          |
| Loans to customers           |               |               |               |               |
| Net of repurchase agreements | 19,949        | 19,938        | 19,814        | 20,372        |
| Repurchase agreements        | 694           | -             | -             | -             |
| <b>Total</b>                 | <b>20,643</b> | <b>19,938</b> | <b>19,814</b> | <b>20,372</b> |

The most significant sector of the Credem Group's business was lending to households and small businesses. A breakdown of loans to customers by type of borrower (according to Bank of Italy classifications) as at 31 December 2012 and 2013 and 30 June 2013 and 2014 is provided below:

|                                       | 31 December   |            |               |              | 30 June       |            |               |            |
|---------------------------------------|---------------|------------|---------------|--------------|---------------|------------|---------------|------------|
|                                       | (audited)     |            |               |              | (unaudited)   |            |               |            |
|                                       | 2012          |            | 2013          |              | 2013          |            | 2014          |            |
|                                       | € millions    | %          | € millions    | %            | € millions    | %          | € millions    | %          |
| Governments and other public entities | 240           | 1          | 203           | 1.0          | 209           | 1          | 218           | 1.1        |
| Financial institutions                | 998           | 4          | 337           | 1.7          | 330           | 1          | 701           | 3.4        |
| Non financial institutions            | 10,365        | 50         | 10,392        | 52.1         | 10,283        | 51         | 10,671        | 52.4       |
| Others                                | 9,040         | 43         | 9,006         | 45.2         | 8,992         | 45         | 8,783         | 42.5       |
| <b>Total</b>                          | <b>20,643</b> | <b>100</b> | <b>19,938</b> | <b>100.0</b> | <b>19,814</b> | <b>100</b> | <b>20,372</b> | <b>100</b> |

A breakdown of customer loans by instrument, as at 31 December 2013 and 2012 and 30 June 2014 and 2013 is provided below:

|                                                      | 31 December |    |            |    | 30 June     |    |            |    |
|------------------------------------------------------|-------------|----|------------|----|-------------|----|------------|----|
|                                                      | (audited)   |    |            |    | (unaudited) |    |            |    |
|                                                      | 2012        |    | 2013       |    | 2013        |    | 2014       |    |
|                                                      | € millions  | %  | € millions | %  | € millions  | %  | € millions | %  |
| Current accounts                                     | 3,880       | 18 | 3,070      | 15 | 3,405       | 17 | 3,110      | 15 |
| Repurchase agreements                                | 694         | 3  | -          | -  | -           | -  | 93         | 0  |
| Mortgages                                            | 9,352       | 45 | 8,854      | 44 | 9,104       | 46 | 8,888      | 44 |
| Credit cards, personal loans and salary-backed loans | 646         | 3  | 777        | 4  | 694         | 3  | 848        | 4  |
| Finance lease                                        | 1,767       | 8  | 1,757      | 9  | 1,763       | 9  | 1,816      | 9  |
| Factoring                                            | 526         | 3  | 549        | 3  | 462         | 2  | 504        | 2  |
| Other transactions                                   | 3,063       | 15 | 4,143      | 21 | 3,614       | 18 | 4,313      | 21 |
| Debt securities                                      | -           | -  | -          | -  | -           | -  | -          | -  |

|                 | 31 December   |            |               |            | 30 June       |            |               |            |
|-----------------|---------------|------------|---------------|------------|---------------|------------|---------------|------------|
|                 | (audited)     |            |               |            | (unaudited)   |            |               |            |
|                 | 2012          |            | 2013          |            | 2013          |            | 2014          |            |
|                 | € millions    | %          | € millions    | %          | € millions    | %          | € millions    | %          |
| Impaired assets | 715           | 1          | 788           | 1          | 772           | 3          | 799           | 3          |
| <b>Total</b>    | <b>20,643</b> | <b>100</b> | <b>19,938</b> | <b>100</b> | <b>19,814</b> | <b>100</b> | <b>20,372</b> | <b>100</b> |

### Impaired Loans

The following table shows a breakdown of loans to customers and provisions for the period ended 31 December 2013 (audited):

| €/millions                  | Gross exposure | Specific value adjustments | Net exposure |
|-----------------------------|----------------|----------------------------|--------------|
| <b>Impaired loans:</b>      |                |                            |              |
| Doubtful loans              | 740.8          | 430.8                      | 310.0        |
| Substandard loans           | 408.4          | 58.3                       | 350.2        |
| Restructured loans          | 25.1           | 2.0                        | 23.1         |
| Past-due loans              | 111.0          | 5.9                        | 105.1        |
| <b>Total impaired loans</b> | <b>1,285.3</b> | <b>497.0</b>               | <b>788.4</b> |

Doubtful loans represent exposure towards customers in a state of insolvency, where legal or other action has been implemented to recover funds outstanding. Substandard loans are due from customers facing temporary difficulties. Restructured loans represent amounts covered by applications for consolidation presented to multiple banks, and are those where, on agreeing a moratorium for the original repayment plan, the new rate of interest is below the market rate. Unsecured loans to nations at risk are loans granted to residents of countries that have difficulty in servicing debt.

The relative trend of impaired loans relating to the Credem Group is illustrated in the following table:

|                                                                    | 31 December    |                | 30 June        |                |
|--------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                    | (audited)      |                | (unaudited)    |                |
| € millions (except percentages)                                    | 2012           | 2013           | 2013           | 2014           |
| <b>Doubtful loans/net loans and receivables with customers (%)</b> |                |                |                |                |
| <b>Credem Group</b>                                                | 1.3            | 1.6            | 1.5            | 1.6            |
| <b>Industry*</b>                                                   | 3.7            | 4.7            | 4.1            | 4.8            |
| <b>Provisions for losses on Doubtful (%)</b>                       |                |                |                |                |
| Credem Group                                                       | 55.4           | 58.2           | 55.9           | 59.3           |
| <b>Gross exposures</b>                                             |                |                |                |                |
| Doubtful loans                                                     | 601.1          | 740.8          | 660.1          | 804.2          |
| Substandard loans                                                  | 360.2          | 408.4          | 398.9          | 420.2          |
| Restructured loans                                                 | 23.0           | 25.1           | 25.1           | 26.2           |
| Past-due loans                                                     | 115.7          | 111.0          | 119.7          | 87.5           |
| <b>Total impaired loans</b>                                        | <b>1,100.0</b> | <b>1,285.3</b> | <b>1,203.8</b> | <b>1,338.1</b> |

|                            | <b>31 December</b> |              | <b>30 June</b>     |              |
|----------------------------|--------------------|--------------|--------------------|--------------|
|                            | <i>(audited)</i>   |              | <i>(unaudited)</i> |              |
| Specific write-downs       | 385.3              | 497.0        | 432.1              | 539.4        |
| <b>Net exposures</b>       |                    |              |                    |              |
| Doubtful loans             | 268.4              | 310.0        | 290.9              | 327.1        |
| Substandard loans          | 315.6              | 350.2        | 344.3              | 366.2        |
| Restructured loans         | 21.0               | 23.1         | 23.2               | 22.4         |
| Past-due loans             | 109.7              | 105.1        | 113.2              | 83.1         |
| <b>Total net exposures</b> | <b>714.6</b>       | <b>788.4</b> | <b>771.7</b>       | <b>798.7</b> |

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

The Credem Group's percentage of provisions for losses on Doubtful loans is 59.3 per cent as at 30 June 2014.

### **Loans to banks**

Loans and placings with banks totalled €920,5 million as at 30 June 2014 (compared to €633,6 million as at 31 December 2013, representing an increase of 45.3 per cent. and compared to €833,2 million as at 30 June 2013, representing an increase of 10.5 per cent.) broken down by facility type as follows:

|                                      | <b>31 December</b> |                | <b>30 June</b>     |                |
|--------------------------------------|--------------------|----------------|--------------------|----------------|
|                                      | <i>(audited)</i>   |                | <i>(unaudited)</i> |                |
| <i>€ thousands</i>                   | <b>2012</b>        | <b>2013</b>    | <b>2013</b>        | <b>2014</b>    |
| <b>Loans to central banks</b>        | <b>149,147</b>     | <b>132,314</b> | <b>226,461</b>     | <b>187,612</b> |
| Term deposits                        | -                  | -              | -                  | -              |
| Compulsory reserves                  | 149,147            | 132,314        | 226,461            | 187,612        |
| Repurchase agreements                | -                  | -              | -                  | -              |
| Others                               | -                  | -              | -                  | -              |
| <b>Loans to banks</b>                | <b>797,552</b>     | <b>501,322</b> | <b>606,752</b>     | <b>732,868</b> |
| Current accounts and demand deposits | 323,195            | 218,333        | 231,227            | 355,917        |
| Term deposits                        | 346,659            | 244,493        | 256,379            | 337,528        |
| Others                               | 6,596              | 1,602          | 7,234              | 3,190          |
| Debt securities                      | 121,102            | 36,894         | 111,912            | 36,233         |
| Impaired Assets                      | -                  | -              | -                  | -              |
| <b>Total</b>                         | <b>946,669</b>     | <b>633,636</b> | <b>833,213</b>     | <b>920,480</b> |

### **LEASING AND FACTORING**

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

As at 30 June 2014, Credemleasing signed 1,455 contracts with customers (compared to 1,404 as at 30 June 2013) for a total value of €247.4 million (compared to €155.2 million as at 30 June 2013), of which €137.1 million was represented by real estate leasing (compared to €98.4 million as at 30 June 2014). Total leasing receivables as at 30 June 2014 amounted to €2,052 million, compared to €2,012 million as at 30 June 2013.

Factoring activities within the Credem Group are organised through Credemfactor. Credemfactor was established in 1986 and is based in Reggio Emilia, with branches in Bologna, Bari/Bisceglie, Catania, Milano, Napoli, Padova, Palermo, Prato, Reggio Emilia, Roma, Torino and trading points at offices of other banks of the Credem Group throughout Italy. As at 30 June 2014, the company's net profit amounted to €4.0 million, compared to €4.0 million for the same period of 2013.

## WEALTH MANAGEMENT

As at 30 June 2014, total asset under management amounted to €19,522 million of which mutual funds and SICAVs amounted to €9,214 million.

The business is operated through Euromobiliare Asset Management, Credem Private Equity and Euromobiliare Fiduciaria.

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

## OTHER SERVICES

Credemtel S.p.A. offers technical support to the interbank corporate banking services division. The company's net profit as at 30 June 2014 amounted to €913 thousands, an increase to net profit of €767 thousands in the first six months of 2013.

Magazzini Generali delle Tagliate S.p.A. is based in Reggio Emilia and offers cheese warehousing and maturing services. Net profit as at 30 June 2014 amounted to €366 thousands, compared to €215 thousand for the first six months of 2013.

## RISK MANAGEMENT AND INTERNAL CONTROLS

### Risk Management

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

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

|            | 31 December 2012 |      | 31 December 2013 |      | 30 June 2014 |      |
|------------|------------------|------|------------------|------|--------------|------|
| € millions | Avg.             | Max. | Avg.             | Max. | Avg.         | Max. |

|                     | <b>31 December 2012</b> |             | <b>31 December 2013</b> |             | <b>30 June 2014</b> |             |
|---------------------|-------------------------|-------------|-------------------------|-------------|---------------------|-------------|
| <i>€ millions</i>   | <b>Avg.</b>             | <b>Max.</b> | <b>Avg.</b>             | <b>Max.</b> | <b>Avg.</b>         | <b>Max.</b> |
| <b>CREDEM</b>       | 57.3                    | 99.2        | 64.8                    | 121.1       | 40.1                | 58.1        |
| Credemleasing       | 2.9                     | 4.3         | 2.2                     | 3.2         | 1.9                 | 3.1         |
| Banca Euromobiliare | 0.4                     | 0.5         | 0.3                     | 0.5         | 0.3                 | 0.5         |

### **Credit Procedures**

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

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

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

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

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

The decision making process is as follows:

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

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

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

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

The Issuer has moved to the internal ratings based (IRB) foundation approach under Basel II, for its corporate portfolio. Its model was validated by the Bank of Italy in June 2008. The Group is also undergoing the approval procedure of its rating system in compliance with Basel II IRB Advanced methodology, either for corporate and retail loan portfolios.

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

## CAPITAL ADEQUACY

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

The Issuer calculates and reports its Capital Ratios on a consolidated basis. In accordance with Bank of Italy regulations, the Issuer is required to maintain a Total Capital Ratio of at least 8 per cent.

The following table shows the Credem Group's Common Equity Tier 1 and Tier 2 capital levels and relative ratios as at 31 December 2012 and 2013 and 30 June 2013 and 2014.

### Capital Resources

| € millions                                                                                  | 31 December |         |                              | 30 June     |                              |
|---------------------------------------------------------------------------------------------|-------------|---------|------------------------------|-------------|------------------------------|
|                                                                                             | (audited)   |         |                              | (unaudited) |                              |
|                                                                                             | 2012        | 2013    | 2013<br>(under<br>Basel III) | 2013        | 2014<br>(under<br>Basel III) |
| Regulatory Capital                                                                          | 2,276.3     | 2,207.8 | 2,288.6                      | 2,212.5     | 2,273.1                      |
| of which Tier 1 capital<br>/(Common Equity Tier 1<br>capital under Basel III<br>regulation) | 1,572.2     | 1,643.2 | 1,768.9                      | 1,600.1     | 1,850.8                      |

The following table illustrates capital adequacy according to Bank of Italy parameters:

| (€ millions)                                               | 31 December    |                |                              | 30 June        |                |
|------------------------------------------------------------|----------------|----------------|------------------------------|----------------|----------------|
|                                                            | (audited)      |                |                              | (unaudited)    |                |
|                                                            | 2012           | 2013           | 2013<br>(under<br>Basel III) | 2013           | 2014           |
| <i>Capital absorption relative to the following risks:</i> |                |                |                              |                |                |
| • Credit and counterparty risk                             | 1,195.7        | 1,185.8        | 1,149.8                      | 1,192.3        | 1,184.4        |
| • Market risk                                              | 22.0           | 18.0           | 24.2                         | 28.5           | 24.4           |
| • Operational risk                                         | 117.5          | 118.2          | 118.2                        | 117.5          | 118.2          |
| <b>Total capital requirement</b>                           | <b>1,335.2</b> | <b>1,322.0</b> | <b>1,292.2</b>               | <b>1,338.3</b> | <b>1,327.0</b> |
| Tier 3 Capital                                             | -              | -              | -                            | -              | -              |
| Regulatory Capital including Tier 3 Capital                | 2,276.3        | 2,207.8        | 2,288.6                      | 2,212.5        | 2,273.1        |
| <b>Surplus capital</b>                                     | <b>941.1</b>   | <b>885.8</b>   | <b>996.4</b>                 | <b>874.2</b>   | <b>946.1</b>   |
| TIER 1 capital ratio (*) (%)                               | 9.4            | 9.9            | 11.0                         | 9.6            | 11.2           |
| COMMON EQUITY TIER 1 capital ratio (*) (%)                 |                |                |                              |                |                |

|                                 |  | 31 December |      |      | 30 June     |      |
|---------------------------------|--|-------------|------|------|-------------|------|
|                                 |  | (audited)   |      |      | (unaudited) |      |
| Total capital ratio (**) (%)    |  | 13.6        | 13.4 | 14.2 | 13.2        | 13.7 |
| Minimum supervisory requirement |  | 8.0         | 8.0  | 8.0  | 8.0         | 8.0  |

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

\*\* Regulatory capital including Tier 3 Capital /Risk-weighted assets

## RECENT DEVELOPMENTS

### Preliminary results for the fiscal year 2014

On 11 February 2015, the Issuer published a press release regarding the Credem Group individual and consolidated preliminary results for the fiscal year ended 31 December 2014. A copy of such press release is incorporated by reference in this Prospectus (see “Documents Incorporated by Reference” above) and an extract is set out below:

*“In 2014, within a context of enduring complexity, the Group continued to support the Italian economy with loans to households and enterprises, up by 7.9% YoY in comparison with the industry’s performance that was negative by 1.8% and with a volumes’ increase of about €1.5 billion. Such increase was realized while maintaining a strong focus on credit quality and capital solidity with a Net NPL’s Ratio at 1.55%.*

*Group’s Customers’ Funding, +10.6% YoY with volumes up by more than €5 billion, and within the aggregate, AUM (+14.3% YoY) were also on the rise. AUM and Brokerage Commissions performed particularly well, increasing by 14.3% YoY to €254.1 million. Net Consolidated Profit was up by 31% YoY to €151.8 million. Credem Group continued to implement its strategy based on investments oriented to enlarge its customers’ base and expand its markets shares, resulting in 107thousand new customers. In 2014, 245 people were hired (out of those 70% are below 30 years of age) realizing a growth of 2.4% of the group’s headcount.*

#### Preliminary Consolidated Income Statement

*Operating Income was up by 7.3% YoY to €1,068.3 million compared to €995.3 million in 2013.*

*Interest Margin was €490.8 million, +5.3% compared to €466.3 million in 2013.*

*Non Interest Margin was up by 9.2% YoY to €577.5 million compared to €529 million in 2013.*

*Operating Costs were €654.8 million compared to €613.3 million in 2013 (+6.8% YoY) in strict coherence with Credem Group’s investment and development strategy. In detail, the Administrative Expenses were €198.6 million (+4.3% YoY) and Payroll Costs were €456.2 million (+7.9% YoY).*

*Cost/Income Ratio was €61.3%, slightly down if compared to 61.6% in 2013.*

*Gross Operating Profit was €413.5 million, +8.2% compared to €382 million in 2013.*

*Amortization and Depreciation equalled €38.7 million compared to €35.2 million in 2013 (+9.9% YoY).*

*Net Operating Profit was up by 8.1% YoY to €374.8 million compared to €346.8 million in 2013.*

*Provisions for Risk and Charges were €8.2 million (€11.5 million in 2013). Net Adjustments to Loans were down by 4.5% YoY to €114.9 million (€120.3 million in 2013).*

*Net Extraordinary Income/Charges were -€0.2 million (-€3.9 million in 2013).*

*Profit before Tax was €251.5 million, +19.1% compared to €211.1 million in 2013.*

*Income Taxes were €99.6 million (+4.7% compared to €95.1 million in 2013).*

*Net Consolidated Profit was €151.8 million, +31% compared to €115.9 million in 2013.*

*Consolidated ROE in 2014 was 6.8% (5.7% in 2013).*

#### *Preliminary Consolidated Balance Sheet*

*Group's Customers' Funding at the end of 2014 was €53,542 million, up by 10.6% compared to €48,422 million at the end of 2013. Group's Total Funding was €62,801 million, +13.4% YoY compared to €55,369 at the end of 2013.*

*Direct Deposits from Customers were €18,281 million compared to €16,906 million at the end of 2013 (+8.1% YoY). Group Direct Deposits were €20,386 million, +12.8% compared to €18,072 million at the end of 2013. Deposits were up to €15,668 million, +12.8% YoY compared to €13,885 million at the end of 2013. Bonds and Subordinated Debt were €2,613 million (€3,021 million at the end of 2013).*

*Insurance Reserves were €4,409 million, +36.2% compared to €3,236 million at the end of 2013.*

*Total Customers Indirect Deposits were €30,852 million, +9.1% compared to €28,280 million at the end of 2013. Group's Indirect Deposits were €38,006 million compared to €34,061 million at the end of 2013, +11.6% YoY. In detail, AUM were €20,208 million, +14.3% compared to €17,687 million at the end of 2013; Portfolio Management Accounts reached €4,481 million (+19% YoY) while Mutual Funds and SICAVs were €9,302 million (+11.2% YoY).*

*Loans to Customers, net of repos with institutionals, were up by 7.9% YoY (vs -1.8% YoY performed by the industry) to €21,508 million compared to €19,938 million at the end of 2013 with a strong focus on credit quality. Gross of repos with institutionals, Loans to Customers were €21,695 million (+8.8% YoY). In detail, residential mortgages posted inflows amounting to €738.4 million (+54% YoY) and a stock amounting to 6,234.8 million (+1.8% YoY).*

*Net NPL's Ratio was 1.55% (unchanged if compared to 1.55% in 2013) well below the industry's average. NPL's Coverage Ratio was 58.6% (58.2% in 2013). Net Total Impaired Loans were €797.4 million (€788.4 million at the end of 2013).*

*On the back of article 11, comma 2 and 3, and article 13, comma 2, of the EU regulation n. 575/2013 (CRR), banks controlled by a financial holding are requested to meet the requirements set by such a regulation on the base of the consolidated accounts of the holding. As a result of this rule on capital ratios, the consolidation perimeter of the Group was changed, within the framework set by the prudential supervision of the regulator. Therefore, capital ratios were calculated on Credemholding, the 76.9% Credem Spa controlling financial holding. Credemholding's CET1 Ratio was 11.1% (10.4% fully phased). Total Capital Ratio (Basel 3 phased in), was 11.8%, negatively affected by a conservative interpretation of the regulation, regarding the computability of the subordinated debt «progressively amortizing» issued after 2011, and amounting to circa €270 million.”*

#### **Issuer's outlook improves to “stable” from “negative”**

On 18 December 2014 Standard & Poor's Ratings (**S&P**) affirmed 'BBB-/A-3' long and short-term counterparty credit ratings on the Issuer, despite the view that the economic risk in Italy is going to increase. The affirmation reflects the view that the Issuer will be able to cushion the impact of higher credit losses amid a more fragile economic environment.

The outlook was revised to “stable” from “negative”, reflecting the belief, expressed by the rating agency that the Issuer's credit quality will continue to stand above the industry average.

#### **Interim Results as at and for the nine months ended at 30 September 2014**

On 11 November 2014, the Issuer published a press release setting out Credem Group interim results as at and for the nine months ended 30 September 2014. A copy of such press release is incorporated by reference in this Prospectus (see “Documents Incorporated by Reference” above) and an extract is set out below:

*“During the first 9 months of the year, Credem Group continued in its organic growth development plan that is based on market shares’ expansion, support to real economy through loans to households and enterprises and on investments on growth with a strong focus on human resources as well as technology.*

*In particular, at the end of 9M14 the Group posted a Net Profit for the Period up by 28.1% YoY at €128.5 million; Loans up by 4.3% YoY (in comparison with the industry that receded by 2.3% in the same period) and Net NPLs Ratio at 1.68%; Group’s Total Funding up by 14.5% YoY with a significant contribution by AUM (+19.8% YoY) and Insurance Reserves (+40.3% YoY). Operating Costs were up 6.2% YoY, in line with the development strategy and the important investments made for strengthening the workforce (187 hiring since the beginning of the year). Capital solidity was confirmed by a CET1 at 11.29% (Basel 3 phased-in).*

#### Consolidated Income Statement

*Operating Income was up 9.5% YoY at €807.2 million compared to €737.2 million in 9M13.*

*Interest Margin was at €371.4 million, +7.7% compared to €345 million in 9M13. The aggregate benefitted of the lower cost of funding and higher average deposits’ volumes.*

*Non Interest Margin was up by 11.1% YoY at €435.8 million compared to €392.2 million in 9M13. In detail, all aggregates were in progress: Net Commissions were up by 6.8% YoY (with AUM commissions increasing by 16.3% YoY and Banking Fees decreasing by 3% YoY due to more competitive terms applied to customers, lower current accounts related revenues and lower “quick assessment fees”); Trading was up by 30% YoY and the result of the Insurance Business was up by 32.9% YoY.*

*Operating Costs were €487.7 million compared to €459.4 million in 9M13 (+6.2% YoY) in line with group’s expansion strategy. In particular, the cost increase is the result of the revision and the strengthening of commercial networks, of specific marketing actions as well as specific projects regarding the compliance and the business development. In detail, Administrative Expenses were €153.6 million (+7% compared to 9M13). Payroll Costs were €334.1 million (+5.8% YoY).*

*Cost/Income Ratio was 60.4% in reduction if compared both to 62.3% in 9M13 and to 61.6% in FY2013.*

*Gross Operating Profit was €319.5 million, +15% compared to €277.8 million in 9M13, Amortization and Depreciation equaled €28.8 million compared to €25.8 million in 9M13 (+11.6% YoY).*

*Net Operating Profit was up by 15.4% YoY at €290.7 million compared to €252 million in 9M13.*

*Provisions for Risk and Charges were €4.9 million (€9.1 million in 9M13). Net Adjustments to Loans were €77.9 million (+12.4% compared to €69.3 million in 9M13) due the choice of updating the policy applied to determine the amount of the collective provision, also following the indications that resulted from the Comprehensive Assessment exercise conducted by ECB.*

*Net Extraordinary Income/Charges were -€0.4 million (-€1.2 million in 9M13).*

*Profit before Tax was €207.5 million, +20.4% compared to €172.4 million in 9M13.*

*Income Taxes were €79 million (+9.6% compared to €72.1 million in 9M13).*

*Net Profit for the Period was €128.5 million, +28.1% compared to €100.3 million in 9M13.*

## Consolidated Balance Sheet

Group's Customers' Funding at the end of 9M14 was €52,855 million, up by 11.8% compared to €47,258 million at the end of 9M13. Group's Total Funding was €61,316 million, +14.5% YoY compared to €53,572 at the end of 9M13.

Direct Deposits from Customers were €17,118 million, +0.8% compared to €16,981 million at the end of 9M13. Group Direct Deposits were €18,484 million, +2.1% compared to €18,112 million at the end of 9M13. Deposits were €14,405 million, +4.9% YoY compared to €13,734 million at the end of 9M13. Bonds and Subordinated Debt were €4,079 million (4,378 million at the end of 9M13).

Insurance Reserves were €4,228 million, +40.3% compared to €3,014 million at the end of 9M13.

Total Customers Indirect Deposits were €31,509 million, +15.6% compared to €27,263 million at the end of 9M13. Group's Indirect Deposits were €38,604 million compared to €32,446 million at the end of 9M13 (+19% YoY). In detail, AUM were €20,311 million, +19.8% compared to €16,953 million at the end of 9M13: Portfolio Management Accounts reached €4,450 million (+22.1% YoY) while Mutual Funds and SICAVs were €9,307 million (+17.1% YoY).

Loans to Customers, net of repos with institutional, were up by 4.3% YoY (while the industry went down by 2.3% YoY(1)) and were €20,107 million (€20,275 million also including repos with institutional) compared to €19,269 million at the end of 9M13, while maintaining a strong focus on credit quality. In detail, residential mortgages posted inflows amounting to €503 million (+43% YoY) and stocks at €6,161 million, substantially unchanged if compared YoY.

Net NPLs Ratio was 1.68% (compared to 1.63% in 9M13) well below the industry's average. NPL's Coverage Ratio was 59.1% (55.3% at the end of 9M13). Net Impaired Loans were €810.2 million (€798.5 million at the end of 9M13).

Common Equity Tier 1 Ratio was 11.29% Basel 3 phased in (10% at the end of 9M13 – Basel 2). CET 1 Ratio Basel 3 fully phased was 11.37%. Total Capital Ratio (Basel 3 phased in) was 13.65% (fully phased was 13.78%).

At the end 9M14, Credem's distribution networks consisted of 636 branches, corporate centers and financial stores with 5,729 employees, 795 financial advisers with mandate, 271 Creacasa agents and 116 agents with exclusive mandate for "salary backed loans".

## **Forecast on operating trends and evolution of the business**

For the near future, the group is likely to experience a linear trend as far as commercial core revenues are concerned, both in terms of interest and non interest margin, regardless the effects related to changing volumes and decreasing interest rates. Other components instead, are expected to move in a different direction like, for instance, the securities portfolio's contribution that is likely to be progressively lower, given a more favourable environment in terms of financial markets' trends. Finally, expenses are expected to confirm the same trend seen in the first nine months of the year, moving against the industry's trend, to support investments aimed at supporting the ongoing commercial efforts as well as required organization needs in order to comply with the changes of the regulatory environment."

## **Issuance of Euro 750 million Covered Bond**

On 30 October 2014, the Issuer successfully issued covered bonds for an overall nominal value of €750 million, that is part of the plan to support the Group's ambitious strategy. Raised funds will be used by the Issuer for its ordinary banking and lending activities and, in particular, to sustain the growth of loans to corporate and retail customers. The issuance, under the Issuer's €5,000,000,000 Covered Bond Programme guaranteed by CREDEM CB S.r.l., is entirely backed by Italian prime residential mortgages and gathered orders for an amount of around €3 billion, corresponding to four times the offer.

## **Results of the Comprehensive Assessment**

On 26 October 2014, the European Central Bank disclosed the results of the “Comprehensive Assessment” performed on the most relevant European banking groups.

As for the Issuer, the “Comprehensive Assessment” did not point out any requirement of capital strengthening, as, the adjusted CET1 ratio, that also includes Asset Quality Review (**AQR**) results, amounts to:

- 10.91 per cent., after the “base” scenario, against the 8 per cent. regulatory threshold (+291 basis points, corresponding to an excess capital of €480 million, over the minimum requirement);
- 8.89 per cent., after the “adverse” scenario against the 5.5 per cent. regulatory threshold (+339 basis points, corresponding to an excess capital of €599 million, over the minimum requirement).

According to the AQR outcome, the adjusted CET1 for Credem Group is 10.86 per cent. (+286 basis points, corresponding to an excess capital of €463 million, over the minimum requirement of 8 per cent.).

The adjustment on 2013 CET1 ratio of 10.95 per cent. amounted only to a decrease of 0.09 per cent., corresponding to €19.7 million, gross of the fiscal effect. Such value, as highlighted in the European Central Bank (**ECB**) detailed report, is not related to any individual write-downs on specific lending exposures, because the AQR did not detect inconsistencies between the level of provisioning and the Group’s credit assessment policies. The whole adjustment is related to the adoption of a model for calculating the collective provisions that is different from the one used by the ECB for the AQR.

### **Targeted Long Term Refinancing Operation credit facility**

On 18 September 2014 the Issuer obtained a €735 million credit facility, granted under the Targeted Long Term Refinancing Operation (**TLTRO**) programme that was announced in June 2014 by the ECB with the purpose to sustain the expansion of lending.

The Issuer’s choice to access the TLTRO programme is coherent with the Credem Group’s strategy aimed at supporting the development of real economy. Owing to this strategy, in the first six months of 2014 Credem Group was capable to increase its loans to customers by 2.8 per cent. year-on-year.

## **MANAGEMENT**

### **Board of Directors**

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

The current Board of Directors of the Issuer, and the respective positions of the individual Directors, is set out below<sup>4</sup>:

| <b>Name</b> | <b>Position</b> | <b>Principal activities performed by the Directors outside the Issuer</b>                                                  |
|-------------|-----------------|----------------------------------------------------------------------------------------------------------------------------|
|             |                 | Banca Euromobiliare S.p.A. (D);<br>2) Credemassicurazioni S.p.A. (VC); Credemholding S.p.A. (C); 4) Credemvita S.p.A. (C); |

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

| <b>Name</b>                       | <b>Position</b> | <b>Principal activities performed by the Directors outside the Issuer</b>                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                   |                 | 5) Euromobiliare; 6) Asset Management S.g.r. S.p.A. (D); Principal position in "Max Mara Group": 6) Max Mara S.r.l. (CA); 7) Max Mara Fashion Group S.r.l. (CA); 8) Maxima S.r.l. (ca); 9) Marina Rinaldi S.r.l. (CA); 10) Manifatture Del Nord S.r.l. (CA); 11) Manifatture di San Maurizio S.r.l. (CA); 12) Diffusione Tessile S.r.l. (CA); 13) Imax S.r.l. (CA); 14) Credemholding S.p.A. (VC);                                        |
| Ignazio Maramotti *               | Vice Chairman   | -                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                                   |                 | 1) Banca Euromobiliare S.p.A. (D); 2) Credem Private Equity S.g.r. S.p.A. (VC); 3) Credem International (Lux) S.A. (C); 4) Euromobiliare International Fund Sicav (C); 5) Credemholding S.p.A. (D); Principal position in "Fenera Group": 6) Fenera Holding S.p.A. (C)                                                                                                                                                                    |
| Lucio Igino Zanon di Valgiurata * | Vice Chairman   |                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                   |                 | 1) Credemholding S.p.A. (D); 2) Padana Tubi e Profilati Acciaio S.p.A. (D).                                                                                                                                                                                                                                                                                                                                                               |
| Romano Alfieri                    | Director        |                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|                                   |                 | 1) Banca Euromobiliare S.p.A. (D); 2) Credem Private Equity S.g.r. S.p.A. (C); 3) Euromobiliare Fiduciaria S.p.A. (VC); 4) Credemholding S.p.A. (D); Principal position in "Max Mara Group": 5) Marina Rinaldi S.r.l. (A); 6) Max Mara Fashion Group S.r.l. (A); 7) Max Mara S.r.l. (A); 8) Maxima S.p.A. (A); 9) Diffusione Tessile S.r.l. (A); 10) Imax S.r.l. (A); 11) Manifatture del Nord S.r.l. (A); 12) Marina Rinaldi S.r.l. (A). |
| Enrico Corradi *                  | Director        |                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Giorgia Fontanesi                 | Director        | -                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|                                   |                 | 1) Max Mara Fashion Group S.r.l. (D); 2) Manifatture del Nord S.r.l. (D);                                                                                                                                                                                                                                                                                                                                                                 |
| Ugo Medici*                       | Director        |                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Ernestina Morstofolini**          | Director***     | -                                                                                                                                                                                                                                                                                                                                                                                                                                         |

| <b>Name</b>                    | <b>Position</b> | <b>Principal activities performed by the Directors outside the Issuer</b> |
|--------------------------------|-----------------|---------------------------------------------------------------------------|
| Benedetto Giovanni Maria Renda | Director        | 1) Credemholding S.p.A. (D).                                              |
| Paola Gina Maria Schwizer**    | Director        | 1) Telecom Italia Media S.p.A. (D).                                       |
| Corrado Spaggiari**            | Director***     | -                                                                         |
| Giovanni Viani                 | Director        | -                                                                         |

\* Members of the Executive Committee

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

\*\*\* Directors elected on 19 December 2013, with a mandate duration is equal to other Directors

Pursuant to the Issuer's By-laws, the Board of Directors must at all times be composed of between 9 and 16 members, such number to be determined by the shareholders' general meeting. According to the By-laws, a *voto di lista* system is applied to elect the Board of Directors. In accordance with the By-laws, the Board of Directors is invested with complete powers of ordinary and extraordinary administration other than those reserved by applicable law or by the By-laws to the meeting of the shareholders. Pursuant to the By-laws, the Board of Directors is entitled to appoint and define the powers of an Executive Committee. Pursuant to applicable Italian law, directors may be elected for a term of up to three financial years and may be re-elected. The current Board of Directors was elected for a three-year term commencing 27 April 2012 and will therefore expire on the date of the shareholders' meeting that will approve the annual financial statements for the fiscal year as at and for the year ended on 31 December 2014.

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

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

### **Board of Statutory Auditors**

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

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

| <b>Name</b>      | <b>Position</b> | <b>Principal activities</b>                                                                                                                                                                                                          |
|------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Giulio Morandi   | Chairman        | 1) Credemleasing S.p.A. (A); 2) Credem Private Equity S.g.r. S.p.A. (A); 3) Credemvita S.p.A. (A); 4) Euromobiliare Asset Management S.g.r. S.p.A. (A); 5) Fispa S.r.l. (A); 6) Profiltubi S.p.A. (CA); 7) Rossi profumi S.p.A. (A). |
| Maurizio Bergomi | Auditor         | 1) Credemfactor S.p.A. (A); 2)                                                                                                                                                                                                       |

| <b>Name</b>        | <b>Position</b>   | <b>Principal activities</b>                                                                                                                                                                |
|--------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                    |                   | Euromobiliare Fiduciaria (A); 3) Credemholding S.p.A. (A); 4) Finregg S.p.A. (CA); 5) La Contabile S.p.A. (A)                                                                              |
| Maria Paglia       | Auditor           | 1) Fidiprof Nord Società Cooperativa (D); 2) Antichi Pellettieri S.p.A. (A).                                                                                                               |
| Gianni Tanturli    | Alternate Auditor | Banca Euromobiliare S.p.A. (A); Credemtel (CA); Credem Private Equity S.g.r. S.p.A. (CA); Creacasa S.r.l. (A); Credemvita S.p.A. (CA); Credemholding S.p.A. (A); Vimi Fasteners S.p.A. (A) |
| Tiziano Scalabrini | Alternate Auditor | 1) Car Server S.p.A. (CA); 2) Cmr Group S.p.A. (A).                                                                                                                                        |

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

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

## OVERVIEW OF THE FINANCIAL INFORMATION RELATING TO THE CREDEM GROUP

The financial statements set out below have been extracted without material adjustment from the most recently published audited annual accounts of the Credem Group as at and for the years ending 31 December 2013 and 2012 and from the unaudited half year condensed consolidated Financial Statements as at 30 June 2014 and 30 June 2013. The annual accounts have been audited by Deloitte & Touche S.p.A. The accounts have been prepared in accordance with International Accounting Standards.

The half-year condensed consolidated Financial Statements as at 30 June 2013 and the half year condensed consolidated Financial Statements as at 30 June 2014 have been reviewed, respectively by Deloitte & Touche S.p.A. and Reconta Ernst & Young S.p.A. in accordance with review standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. The review consisted mainly of obtaining information on the accounts included in the half-year condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in half-year condensed consolidated Financial Statements. The review excluded the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, no audit opinion is expressed on the half-year condensed consolidated financial statements.

We confirm that neither the 31 December 2013 nor the 31 December 2012 accounts have been refused nor do they contain any qualifications or disclaimers.

The following is a summary of the audited consolidated financial statements of the Credem Group as at, and for the years ended, 31 December 2013 and 2012, and a summary of the unaudited condensed consolidated financial statements of the Credem Group as at, and for the six months ended, 30 June 2014 and 2013.

### Balance Sheet (in €/thousands)

|                                                         | 31 December 2012 | 31 December 2013 | 30 June 2013       | 30 June 2014       |
|---------------------------------------------------------|------------------|------------------|--------------------|--------------------|
|                                                         | <i>(audited)</i> | <i>(audited)</i> | <i>(unaudited)</i> | <i>(unaudited)</i> |
| Cash and cash equivalents                               | 165,458          | 154,130          | 123,645            | 108,401            |
| Financial assets held for trading                       | 312,437          | 185,701          | 240,231            | 169,965            |
| Financial assets valued at fair value                   | 828,980          | 1,040,416        | 842,301            | 1,181,662          |
| Financial assets available-for-sale                     | 6,069,413        | 7,922,407        | 7,626,652          | 8,749,680          |
| Financial assets held to maturity                       |                  |                  | -                  |                    |
| Loans to banks                                          | 946,699          | 633,636          | 833,213            | 920,480            |
| Loans to customers                                      | 20,643,301       | 19,937,917       | 19,814,194         | 20,371,990         |
| Hedging derivatives                                     | 174,872          | 102,357          | 117,604            | 155,326            |
| Changes in value of macro-hedged financial assets (+/-) | 79,640           | 33,885           | 63,108             | 57,503             |
| Investments in associates and joint ventures            | 23,637           | 24,635           | 24,086             | 25,444             |
| Insurance reserves attributable to reinsurers           | 1,949            | 2,283            | 2,173              | 2,291              |
| Tangible assets                                         | 315,638          | 312,375          | 308,950            | 308,345            |
| Intangible assets                                       | 370,387          | 374,308          | 366,370            | 367,796            |
| <i>of which: goodwill</i>                               | <i>287,295</i>   | <i>287,295</i>   | <i>287,295</i>     | <i>287,295</i>     |
| Tax assets                                              | 253,764          | 264,290          | 228,066            | 225,293            |
| <i>a) current</i>                                       | <i>63,679</i>    | <i>79,444</i>    | <i>51,989</i>      | <i>58,945</i>      |

|                                                              | 31 December 2012  | 31 December 2013  | 30 June 2013      | 30 June 2014      |
|--------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                              | (audited)         | (audited)         | (unaudited)       | (unaudited)       |
| <i>b) prepaid</i>                                            | 190,085           | 184,846           | 176,077           | 166,348           |
| <i>b1) prepaid – of which for purpose of L.214/2011*</i>     | 37,343            | 70,346            | 42,139 ,          | 73,140 ,          |
| Non-current assets and groups of assets being disposed       | -                 | -                 | -                 | -                 |
| Other assets                                                 | 562,528           | 542,454           | 609,487           | 674,789           |
| <b>Total assets</b>                                          | <b>30,748,703</b> | <b>31,530,795</b> | <b>31,200,080</b> | <b>33,318,965</b> |
| Deposit from banks                                           | 5,668,549         | 5,286,865         | 5,983,657         | 5,751,681         |
| Due to customers                                             | 14,456,923        | 15,111,576        | 14,360,195        | 15,024,740        |
| Debt securities issued                                       | 4,075,089         | 4,135,051         | 3,937,376         | 4,308,458         |
| Financial liabilities held for trading                       | 232,682           | 107,486           | 131,924           | 103,493           |
| Financial liabilities valued at fair value                   | 920,865           | 1,103,694         | 929,631           | 1,226,542         |
| Hedging derivatives                                          | 431,120           | 303,892           | 341,687           | 228,670           |
| Changes in value of macro-hedged financial liabilities (+/-) | 77,559            | 43,719            | 54,102            | 33,851            |
| Tax liabilities                                              | 155,117           | 164,252           | 119,283           | 165,005           |
| <i>a) current</i>                                            | 43,728            | 45,210            | 19,369            | 22,202            |
| <i>b) deferred</i>                                           | 111,389           | 119,042           | 99,914            | 142,803           |
| Liabilities related to assets being disposed                 | -                 | -                 | -                 | -                 |
| Other liabilities                                            | 727,939           | 734,657           | 1,121,334         | 1,240,114         |
| Staff termination indemnity                                  | 92,055            | 91,544            | 92,405            | 97,328            |
| Provisions for risks and charges:                            | 151,795           | 105,537           | 132,943           | 98,522            |
| <i>a) pensions and similar</i>                               | 2,188             | 2,144             | 2,351             | 2,321             |
| <i>b) other provisions</i>                                   | 149,607           | 103,393           | 130,592           | 96,201            |
| Insurance reserves                                           | 1,773,925         | 2,186,698         | 1,973,715         | 2,736,654         |
| Valuation reserves                                           | -79,693           | 13,255            | -74,952           | 101,201           |
| Reserves                                                     | 1,331,113         | 1,414,242         | 1,413,339         | 1,490,995         |
| Share premium reserve                                        | 283,052           | 283,052           | 283,052           | 283,052           |
| Share capital                                                | 332,392           | 332,392           | 332,392           | 332,392           |
| Own shares                                                   | -3,388            | -3,349            | -3,349            | -3,075            |
| Minority interests (+/-)                                     | 367               | 381               | 340               | 386               |
| Profit (loss) for the period (+/-)                           | 121,242           | 115,851           | 71,006            | 98,956            |
| <b>Total liabilities and shareholders' equity</b>            | <b>30,748,703</b> | <b>31,530,795</b> | <b>31,200,080</b> | <b>33,318,965</b> |

### Income Statement (in €/thousands)

|                                      | 31 December 2012 | 31 December 2013 | 30 June 2013   | 30 June 2014   |
|--------------------------------------|------------------|------------------|----------------|----------------|
|                                      | (audited)        | (audited)        | (unaudited)    | (unaudited)    |
| Interest income and similar revenues | 858,759          | 804,696          | 399,045        | 393,393        |
| Interest expense and similar charges | -325,150         | -278,697         | -141,336       | -116,415       |
| <b>Interest margin</b>               | <b>533,609</b>   | <b>525,999</b>   | <b>257,709</b> | <b>276,978</b> |
| Fee and commission income            | 505,266          | 487,970          | 234,230        | 252,207        |
| Fee and commission expenses          | -119,276         | -115,010         | -55,522        | -58,283        |

|                                                                       | 31 December 2012 | 31 December 2013 | 30 June 2013    | 30 June 2014    |
|-----------------------------------------------------------------------|------------------|------------------|-----------------|-----------------|
|                                                                       | (audited)        | (audited)        | (unaudited)     | (unaudited)     |
| <b>Net Fee and commission income</b>                                  | <b>385,990</b>   | <b>372,960</b>   | <b>178,708</b>  | <b>193,924</b>  |
| Dividends and similar revenues                                        | 670              | 1,521            | 852             | 1,737           |
| Net result from trading activities                                    | 19,783           | 13,339           | 5,836           | 2,992           |
| Net result from hedging activities                                    | -1,028           | 4,262            | 3,475           | -1,836          |
| Profits (losses) on disposal or repurchase of:                        |                  |                  |                 |                 |
| a) loans                                                              | 270              | -                | -               | -               |
| b) financial assets available for sale                                | 50,570           | 63,604           | 62,663          | 86,396          |
| c) financial assets held to maturity                                  | -                | -                | -               | -               |
| d) financial liabilities                                              | 331              | -115             | 60              | -1,364          |
| Net result from financial assets and liabilities valued at fair value | -4,806           | 2,424            | 6,657           | 8,046           |
| <b>Operating Income</b>                                               | <b>985,389</b>   | <b>983,994</b>   | <b>515,960</b>  | <b>566,873</b>  |
| Net value adjustments/write-backs due to impairment of:               |                  |                  |                 |                 |
| a) loans                                                              | -89,445          | -125,737         | -47,869         | -31,129         |
| b) available for sale financial assets                                | -344             | -111             | -2              | -               |
| c) financial assets held to maturity                                  | -                | -                | -               | -               |
| d) other financial transactions                                       | -574             | -5,350           | -113            | 1,754           |
| <b>Net Income from banking activities</b>                             | <b>895,944</b>   | <b>858,257</b>   | <b>468,091</b>  | <b>535,744</b>  |
| Net premiums                                                          | 281,303          | 503,428          | 274,339         | 525,207         |
| Other income/expenses from insurance activities                       | -320,583         | -546,526         | -314,894        | -573,506        |
| <b>Net income from banking and insurance activities</b>               | <b>856,664</b>   | <b>815,159</b>   | <b>427,536</b>  | <b>487,445</b>  |
| Administrative costs:                                                 | -653,264         | -682,236         | -342,436        | -370,574        |
| a) personnel costs                                                    | -415,011         | -422,831         | -214,320        | -225,159        |
| b) other administrative costs                                         | -238,253         | -259,405         | -128,116        | -145,415        |
| Net provisions for risks and charges                                  | -63,101          | -6,134           | -2,899          | -3,904          |
| Net adjustments to (recoveries on) property, plant and equipment      | -15,733          | -16,076          | -7,894          | -7,872          |
| Net adjustments to (recoveries on) intangible assets                  | -16,907          | -19,161          | -9,023          | -11,123         |
| Other operating income/charges                                        | 53,566           | 118,545          | 55,549          | 60,805          |
| <b>Operating costs</b>                                                | <b>-695,439</b>  | <b>-605,062</b>  | <b>-306,703</b> | <b>-332,668</b> |
| Profit (Loss) from equity investments                                 | 23,884           | 527              | 373             | 626             |
| Profit (Loss) from disposal of investments                            | 43,177           | 423              | -106            | 2,757           |
| <b>Profit (Loss) before tax from continuing operations</b>            | <b>228,286</b>   | <b>211,047</b>   | <b>121,100</b>  | <b>158,160</b>  |
| Taxes on income from continuing operations                            | -106,917         | -95,134          | -50,072         | -59,184         |
| <b>Profit (Loss) after-tax from continuing operations</b>             | <b>121,369</b>   | <b>115,913</b>   | <b>71,028</b>   | <b>98,976</b>   |
| Profit (Loss) on assets groups being disposed                         | -                | -                | -               | -               |
| <b>Profit (Loss) for the period</b>                                   | <b>121,369</b>   | <b>115,913</b>   | <b>71,028</b>   | <b>98,976</b>   |
| Profit (Loss) attributable to minority                                | -127             | -62              | -22             | -20             |

|                                                              | <b>31 December 2012</b> | <b>31 December 2013</b> | <b>30 June 2013</b> | <b>30 June 2014</b> |
|--------------------------------------------------------------|-------------------------|-------------------------|---------------------|---------------------|
|                                                              | <i>(audited)</i>        | <i>(audited)</i>        | <i>(unaudited)</i>  | <i>(unaudited)</i>  |
| interests                                                    |                         |                         |                     |                     |
| <b>Parent company's net profit (loss)<br/>for the period</b> | <b>121,242</b>          | <b>115,851</b>          | <b>71,006</b>       | <b>98,956</b>       |

## TAXATION

*The following is a summary limited to certain tax considerations in Italy and Luxembourg relating to the Notes and specifically contains information on taxes on the income from the securities withheld at source. This summary is based on the laws in force in Italy and Luxembourg as of the date of this Prospectus and is subject to any changes in law. It does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes.*

*Each prospective Noteholder or beneficial owner of Notes should consult its tax advisor as to the tax consequences of any investment in or ownership and disposition of the Notes.*

### EU Savings Directive

Under EC Council Directive 2003/48/EC (the **Savings Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest or similar income paid or secured by a person established in a Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The changes referred to above will broaden the types of payments subject to withholding in those Member States which operate a withholding system when they are implemented.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

### ***The proposed European financial transactions tax (FTT)***

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**).

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

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

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. 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.

### ***Taxation in the Republic of Italy***

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

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

### **Tax treatment of the 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.

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, paragraphs 22 and 22-*bis*, 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.

### ***Italian resident Noteholders***

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

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in 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**), as clarified by the Italian Revenues Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2011, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (the **Financial Services Act**) or pursuant to Article 14-bis of Law

No. 86 of 25 January 1994 or to real estate investment company with fixed capital (**Real Estate SICAFs**), are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund or the Real Estate SICAF.

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) or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the **Fund**), 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 subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent. (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) 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*, to be subject to a 20 per cent. substitute tax (subject to certain adjustments for fiscal year 2014, as provided by Law No. 190 of 23 December 2014 (the **Finance Act 2015**)).

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

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

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

#### *Non-Italian resident Noteholders*

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

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 which do not allow for a satisfactory exchange of information with Italy.

The countries which allow for a satisfactory exchange of information are listed in the Ministerial Decree dated 4 September 1996, as amended from time to time.

Please note that according to the Law No. 244 of 24 December 2007 (**Budget Law 2008**) a Decree still to be issued will introduce a new “white list” replacing the current “black list” system, so as to identify those countries which allow for a satisfactory exchange of information.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or

SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

## Capital gains tax

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

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

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

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the “*risparmio amministrato*” regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign 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 substitute tax at a rate of 26 per cent., to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Decree 351 as subsequently amended apply or a Real Estate SICAF will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders of shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax (with certain adjustments for fiscal year 2014 as provided by the Finance Act 2015).

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 the Notes and traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of the Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

The countries which allow for a satisfactory exchange of information are listed in the Ministerial Decree dated 4 September 1996, as amended from time to time.

Please note that, according to the Budget Law 2008, a Decree still to be issued should introduce a new 'white list' replacing the current "black list" system, so as to identify those countries which (i) allow for a satisfactory exchange of information; and (ii) do not have a more favourable tax regime.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent.

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.

## **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:

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

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

## **Transfer tax**

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200.00; (ii) private deeds are subject to registration tax only in the case of voluntary registration.

## **Stamp duty**

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (**Decree 201**), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by a financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.20 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) 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) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent.

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

## **Implementation in Italy of the Savings Directive**

Italy has implemented the Savings Directive through Legislative Decree No. 84 of 18 April 2005 (Decree 84). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian tax

authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

## **Luxembourg Taxation**

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. 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 note that the residence concept referred to under the 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, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

### ***Withholding Tax***

#### ***Non-resident Noteholders***

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident Noteholders, 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 Noteholders.

Luxembourg has abolished the withholding tax system with effect from 1 January 2015, in favour of automatic information exchange under Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income.

#### ***Resident Noteholders***

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 Noteholders, 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 Luxembourg resident Noteholders.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the laws of 21 June 2005 implementing Council Directive 2003/48/EC of 3 June 2003 on the taxation of savings income and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**)) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payment for the benefit of such individual beneficial owner will be subject to a withholding tax of 10 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 Law would be subject to withholding tax at a rate of 10 per cent.

## SUBSCRIPTION AND SALE

Goldman Sachs International (the **Sole Lead Manager**) has, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 12 March 2015, agreed to subscribe or procure subscribers for the Notes at the issue price of 99.432 per cent. of the principal amount of the Notes (the **Issue Price**), less certain commissions, in accordance with the terms and conditions contained therein. The Issuer will also reimburse the Sole Lead Manager in respect of certain of its expenses, and has agreed to indemnify the Sole Lead Manager against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder.

The Sole Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent 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.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### United Kingdom

The Sole Lead Manager has represented, agreed and undertaken that:

- (a) 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
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February, 1998, as amended (the **Financial Services Act**) and Article

34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May, 1999, as amended from time to time (**Regulation No. 11971**); or

- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October, 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September, 1993, as amended (the **Banking Act**);
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

## **General**

The Sole Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor the Sole Lead Manager shall have any responsibility therefor.

Neither the Issuer nor the Sole Lead Manager represents that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Listing and admission to trading

Application has been made to the CSSF to approve this document as a prospectus. Application has also been made to the Luxembourg Stock Exchange for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately €5,550.

### Websites

Any websites included in this Prospectus are for information purposes only and do not form part of the Prospectus.

### Rating

The ratings of the Issuer are available on the Issuer's website [http://www.credem.it/EN\\_Investor\\_Relations/Pages/Ratings.aspx](http://www.credem.it/EN_Investor_Relations/Pages/Ratings.aspx).

The following table shows the ratings of the Issuer as at the date of this Prospectus:

| Rating agencies                                                                         | Long term<br>(outlook) | Short term |
|-----------------------------------------------------------------------------------------|------------------------|------------|
| <b>Fitch Ratings</b><br>(latest review 10 July 2014)                                    | BBB+ (negative)        | F2         |
| <b>Standard &amp; Poor's Financial Services LLC</b><br>(latest review 18 December 2014) | BBB- (stable)          | A-3        |
| <b>Moody's Investors Service</b><br>(latest review 28 January 2014)                     | Baa3 (negative)        | Prime-3    |

Each of Standard & Poor's, Fitch and Moody's is established in the European Union and registered under the CRA Regulation, and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at [http://www.esma.europa.eu/page/List\\_registered\\_and\\_certified\\_CRAs](http://www.esma.europa.eu/page/List_registered_and_certified_CRAs).

### Authorisation

The issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 13 February 2014.

### Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under ISIN XS1199020295 and common code 119902029. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L 1855 Luxembourg.

### **Significant changes in financial position**

There has been no significant change in the financial or trading position of the Issuer and the Credem Group since 31 December 2014.

### **No material adverse change**

There has been no material adverse change in the prospects of the Issuer or the Credem Group since 31 December 2013.

### **Legal and arbitration proceedings**

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer.

### **Auditors**

Deloitte & Touche S.p.A. was the audit firm of the Issuer in respect of the years ended 31 December 2013 and 2012. It has its offices in Piazza Malpighi, 4/2, 40123 Bologna, Italy and is registered with the *Registro dei Revisori Legali* maintained by Minister of Economy and Finance effective from 7 June 2004 with registration number 132587 and was previously registered on the special register (*Albo Speciale*) maintained by CONSOB and set out in Article 161 of the Financial Laws Consolidation Act. Deloitte & Touche S.p.A. is a member of Assirevi.

Deloitte & Touche S.p.A. has audited and rendered unqualified audit reports on the consolidated financial statements of the Issuer for the years ended 31 December 2013 and 2012.

On 30 April 2014, Reconta Ernst & Young S.p.A., whose registered office is in Via Po 32, 00198 Rome, Italy, was appointed as the new auditor of the Issuer to perform the audit of the Financial Statements of the Issuer for the years from 31 December 2014 to 31 December 2022. Reconta Ernst & Young S.p.A. is registered in the Special Register (*Albo Speciale*) for auditing companies (*società di revisione*) provided for by article 161 of the Financial Law (repealed by article 43 of Italian legislative decree No. 39 of 27 January 2010 but still in force, pursuant to the latter decree, until the entry into force of the implementing regulations to be issued by the Ministry of Economy and Finance pursuant to such decree) and in the register of accountancy auditors (*Registro dei Revisori Contabili*), in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992. Reconta Ernst & Young S.p.A. is also a member of ASSIREVI – Associazione Nazionale Revisori Contabili. The business address of Reconta Ernst & Young S.p.A. is in Via M. D'Azeglio, 34, 40123 Bologna, Italy.

As of the date of this Prospectus, Reconta Ernst & Young S.p.A. have not resigned, nor have been removed or re-appointed.

### **Availability of documents**

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available, upon request for inspection, free of charge, during normal business hours from the registered office of the Issuer and from the specified office of the Paying Agent in each case at the address given at the end of this Prospectus:

- (a) copies of the memorandum and articles of association of the Issuer (with an English translation thereof);
- (b) the Subscription Agreement and the Agency Agreement (which includes, *inter alia*, the forms of Notes in definitive form and Coupons); and
- (c) this Prospectus and any supplements to this Prospectus and any other documents incorporated therein by reference.

In addition, this Prospectus, and documents incorporated by reference herein, will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## **Yield**

There is no explicit yield to maturity. The Issuer is not obliged, and under certain circumstances is not permitted, to make payments on the Notes at the full stated rate. The interest rate is also subject to periodic resetting.

For information purposes only, the yield of the Notes calculated on the basis of the Issue Price and the Initial Rate of Interest from, and, including the Issue Date up to, but excluding the Call Date, would be 3.25 per cent. per annum. It is not an indication of the actual yield for such period nor of any future yield.

## **Sole Lead Manager engaging in business activities with the Issuer**

The Sole Lead Manager and its affiliates (including its parent companies) have engaged, and may in future engage, in investment banking and/or commercial banking (including derivatives contracts, the provision of loan facilities and consultancy services) and other related transactions with, and may perform services for the Issuer and its affiliates (including other members of the Credem Group) in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Sole Lead Manager and its 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 its affiliates or any entity related to the Notes. The Sole Lead Manager or its respective affiliates that have a lending relationship with the Issuer may routinely hedge their credit exposure to the Issuer consistent with their customary risk-management policies. Typically, the Sole Lead Manager and its respective 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 the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes. The Sole Lead Manager and its respective 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.

## **REGISTERED OFFICE OF THE ISSUER**

### **Credito Emiliano S.p.A.**

Via Emilia S. Pietro, 4  
Reggio Emilia 42121  
Italy

## **SOLE LEAD MANAGER**

### **Goldman Sachs International**

Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

## **AUDITORS OF THE ISSUER**

### **Deloitte & Touche S.p.A.**

Piazza Malpighi, 4/2  
40123 Bologna  
Italy

### **Reconta, Ernst & Young S.p.A.**

Via Po 32  
00198 Rome  
Italy

## **FISCAL AGENT and PAYING AGENT**

### **BNP Paribas Securities Services, Luxembourg Branch**

33, rue de Gasperich  
Howald-Hesperange  
L-2085 Luxembourg  
Luxembourg

## **LEGAL ADVISERS**

*To the Issuer as to Italian law*

### **Studio Legale RCC**

Via Boschetti, 1  
20121 Milan  
Italy

*To the Sole Lead Manager as to English and Italian law*

### **Allen & Overy**

Via Manzoni, 41/43  
20121 Milan  
Italy

Corso Vittorio Emanuele II, 284  
00186 Rome  
Italy

## **LUXEMBOURG LISTING AGENT**

### **BNP Paribas Securities Services, Luxembourg Branch**

33, rue de Gasperich  
Howald-Hesperange  
L-2085 Luxembourg  
Luxembourg