



BANCA POPOLARE DI VICENZA S.c.p.a.

(incorporated as a joint stock cooperative company in the Republic of Italy)

€7,000,000,000 EMTN Programme

Application has been made to the *Commission de Surveillance du Secteur Financier* (the “CSSF”) in its capacity as competent authority under the Luxembourg Act relating to prospectuses for securities (*Loi relative aux Prospectus pour valeurs mobilières*) to approve this document as a base prospectus (the “**Base Prospectus**”) for the purposes of the Directive 2003/71/EC (as amended to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the “EEA”)) (the “**Prospectus Directive**”). Application has been made for notes (the “**Notes**”) issued under the Euro Medium Term Note Programme (the “**Programme**”) described in this Base Prospectus to be traded on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange. This Base Prospectus shall be valid for a period of twelve months from the date hereof. 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). This Base Prospectus constitutes a base prospectus for the purposes of the Prospectus Directive and the relevant implementing measures in the Grand Duchy of Luxembourg. The Programme also permits Notes to be issued on the basis that they will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchange and/or quotation systems as may be agreed with the Issuer. By approving this Base Prospectus, the CSSF gives no undertaking as to the economic or financial soundness of the transaction or the quality or solvency of the Issuer in line with the provisions of article 7 (7) of the Luxembourg Prospectus Law.

This Base Prospectus will be available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).

No Notes may be issued under the Programme which have a minimum denomination of less than €100,000 (or equivalent in another currency). Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory requirements.

Tranches of Notes may be rated or unrated. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the EEA and registered under Regulation (EU) No. 1060/2009 (as amended) (the “**CRA Regulation**”) will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation) unless the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and its Subsidiaries (as defined in the Terms and Conditions of the Notes) taken as a whole (the “**Group**”) and the Notes, which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the liabilities, financial position, profit and losses and prospects of the Issuer.

See “Risk Factors” below for a discussion of certain factors to be considered in connection with any investment in the Notes.

Arranger

Barclays

Dealers

**Banca IMI
BNP PARIBAS
Deutsche Bank
Mediobanca**

**Banca Popolare di Vicenza
Citigroup
Goldman Sachs International
Natixis
UniCredit Bank**

**Barclays
COMMERZBANK
J.P. Morgan
Nomura**

***This Base Prospectus is dated 18 September 2015 and will be valid
for twelve months as of the date hereof.***

IMPORTANT NOTICES

Any Notes issued under the Programme on or after the date of this Base Prospectus are subject to the provisions described herein, but this Base Prospectus does not affect the terms of any Notes issued prior to the date hereof.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under “Terms and Conditions of the Notes” (the “**Conditions**”) to be read in conjunction with a document specific to such Tranche called final terms (the “**Final Terms**”) or in a separate prospectus specific to such Tranche (the “**Drawdown Prospectus**”). In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context required otherwise. This Base Prospectus must be read and construed together with any supplements hereto and with any other documents incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes which is the subject of Final Terms (as defined herein), must be read and construed together with the relevant Final Terms.

The Issuer has confirmed to the Dealers named under “Subscription and Sale” below that this Base Prospectus (including, for this purpose, each relevant Final Terms) contains all information regarding the Issuer and its Subsidiaries (as defined under the Terms and Conditions of the Notes) (the “**Group**”) and the Notes which is (in the context of the Programme and the issue, offering and sale of the Notes thereunder) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and that all proper enquiries have been made to ascertain and to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

No representation or warranty is made or implied by any of the Dealers or any of their respective affiliates, and none of the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Group since the date hereof or, if later, the date upon which this Base Prospectus has been most recently supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the

distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see “Subscription and Sale”. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. The content of this document should not be construed as providing legal, business, accounting or tax advice and each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and to have consulted its own legal, business, accounting and tax advisers.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €7,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into Euros at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under “Subscription and Sale”.

Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will be specified in the Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the EEA and registered under Regulation (EU) No 1060/2009 (as amended) (the “**CRA Regulation**”) will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation (or is endorsed and published or distributed by subscription by such a credit rating agency in accordance with the CRA Regulation) unless the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

As more fully described herein, the Notes may be issued (i) on an unsubordinated basis (“**Senior Notes**”) or (ii) on a subordinated basis (“**Subordinated Notes**”).

Payments of interest, premium or other income relating to the Notes are subject to a tax withheld at source (referred to as *imposta sostitutiva*) of 26 per cent. with reference to any interest, premium or other income accrued as of 1 July 2014. In order to obtain exemption at source from *imposta sostitutiva* in respect of payments of interest, premium or other amounts relating to the Notes, each non Italian resident Noteholder is required to comply with the deposit requirements described in “Taxation” and to issue an affidavit (*autocertificazione*), prior to or concurrently with the delivery of the Notes that such Noteholder is (i) resident, for tax purposes, in a country which allow an adequate exchange of information, and (ii) the beneficial owner of payments of interest, principal or other amounts relating to the Notes, all as more fully set out in “Taxation” starting on page 169. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such deduction.

This Base Prospectus has not been registered pursuant to Italian securities legislation and may not be used in a solicitation to the public in the Republic of Italy.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, all references to “**Member States**” are references to Member States of the European Economic Area, references to “**€**”, “**EUR**” and “**Euro**” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended and all references to “**GBP**”, “**£**” and “**Pounds Sterling**” are to the lawful currency of the United Kingdom. In this Base Prospectus all references to “**Italy**” are to the Republic of Italy.

Figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary, and figures which are totals may not be the arithmetical aggregate of their components.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) (the “**Stabilising Manager(s)**”) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail.

However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment shall be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Banca Popolare di Vicenza Società Cooperativa per Azioni (the “**Issuer**” or “**BPV**”) accepts responsibility for the information contained in this Base Prospectus. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge and belief, in accordance with the facts and contains no omission likely to affect its import.

To the extent that information and data contained in this Base Prospectus is derived from publicly available information as indicated in this Base Prospectus, the Issuer accepts responsibility that such publicly available information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain, no facts have been omitted which would render such information inaccurate or misleading.

This Base Prospectus contains hyperlinks. For the avoidance of doubt, the content of each such hyperlink does not form part of this Base Prospectus.

TABLE OF CONTENTS

	Page
IMPORTANT NOTICES	2
RISK FACTORS	6
DOCUMENTS INCORPORATED BY REFERENCE.....	29
SUPPLEMENTS TO THE BASE PROSPECTUS	31
GENERAL DESCRIPTION OF THE PROGRAMME	32
FORM OF THE NOTES	40
TERMS AND CONDITIONS OF THE NOTES	43
FURTHER INFORMATION RELATING TO INDEX-LINKED INTEREST NOTES, INDEX-LINKED REDEMPTION NOTES AND YEAR-ON-YEAR INDEX-LINKED INTEREST NOTES	88
FORM OF FINAL TERMS.....	93
OVERVIEW OF THE PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM.....	113
BUSINESS DESCRIPTION OF BANCA POPOLARE DI VICENZA	117
SELECTED CONSOLIDATED FINANCIAL INFORMATION	163
CONSOLIDATED FINANCIAL INFORMATION	168
CAPITALISATION AND INDEBTEDNESS	172
TAXATION.....	173
SUBSCRIPTION AND SALE	187
GENERAL INFORMATION	191

RISK FACTORS

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Before making an investment decision with respect to the Notes, prospective investors should consult their own stockbroker, bank manager, lawyer, accountant or other financial, legal and tax advisers and carefully review the risks entailed by an investment in the Notes and consider such an investment decision in the light of the prospective investor's personal circumstances.

Words and expressions defined in the “Terms and Conditions of the Notes” below or elsewhere in this Base Prospectus have the same meanings in this section, unless otherwise stated.

Factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme

Risks associated with recent inspections conducted by supervisory authorities

With a letter dated 16 February 2015, the European Central Bank (the “ECB”) informed the Issuer that it had started an inspection to assess the “*Risk Management - Market Risk (Proprietary Trading and Governance Management)*”. The ECB completed this assessment on 1 July 2015.

On 11 March 2015 the ECB informed the Issuer about the start of another inspection to assess the “*thematic risk governance*” and the “*risk appetite framework*”, under Articles 10 and 11 of the Single Supervisory Mechanism Regulation and Article 142 of the Single Supervisory Mechanism Framework Regulation. The ECB started this assessment on 13 April 2015 and completed it by 17 April 2015.

Furthermore, CONSOB (the Italian securities market authority) started an investigation under the combined provisions of Article 10, paragraph 1, Article 115, paragraph 1, letter c) and Article 116, paragraph 1, of Legislative Decree No. 58/1998 (*T.U.F.*), to assess and evaluate, among other things, the controls provided by the Issuer to manage risks related to the: (i) possible conflicts of interests in trading on treasury shares; (ii) value adjustment of the Issuer’s shares, resolved annually by the Issuer’s board of directors; (iii) assessment of the adequacy of its customers’ investments; and (iv) purchase of Issuer’s shares by its customers.

During the inspections, the board of directors of the Issuer decided to replace its top management team, appointing first, on May 2015, Mr Francesco Iorio as Chief Executive Officer and General Manager of the Bank and a significant renewal of the top management team started. The renewal process is still on-going and further new managers are expected to be hired in the short term. See “*Business Description of Banca Popolare di Vicenza – Recent Developments*”.

The inspections were carried out with assistance from the Issuer (particularly from its Internal Audit department), which provided all information and documentation requested by supervisory authorities.

The Issuer is yet to be informed of the final outcomes of these inspections but has received preliminary feedback from the ECB with respect to the inspection concerning the “*Risk Management - Market Risk (Proprietary Trading and Governance Management)*”.

More precisely, the preliminary feedback received by the ECB concerning the “*Risk Management - Market Risk (Proprietary Trading and Governance Management)*” revealed certain anomalies regarding: (i) “*financing of treasury shares Governance and internal controls*”, including, among other things, certain purchases/subscriptions of the Issuer’s shares linked to *ad hoc* financing transaction and other anomalies related to the management of the relationships with shareholders and (ii) “*trading on treasury shares: primary market MiFID compliance*”, both with regard to the Issuer’s capital increases that occurred in 2013 and 2014 and trading on the secondary market between January 2014 – and February 2015.

The new management, mostly as a consequence of the ECB inspection findings (see “*Business Description of Banca Popolare di Vicenza – Inspections conducted by supervisory authorities*” and “*Business Description of Banca Popolare di Vicenza - ECB Comprehensive Assessment*”), appointed a working group comprised of the Issuer’s management and primary legal, financial, accounting and tax advisors (the “**Working Group**”), launched a strong balance sheet review and a turnaround programme aimed at transforming BPV into a Joint Stock Company, pursuant to Decree-Law No. 3 of 2015 converted into law No. 33 of March 24, 2015, listing BPV shares on the Italian Stock Exchange and implementing a capital strengthening programme. See “*Business Description of Banca Popolare di Vicenza – Recent Developments*” .

The Working Group analysis (the “**WG Analysis**”) was the basis for the Issuer’s draft consolidated financial statements as at 30 June 2015.

Based on the WG Analysis, the amount of loans disbursed by the Issuer linked with the purchase/ subscription of its shares amounts to Eur 974.9 million. In such respect, the audited consolidated financial statements as at 30 June 2015 include a restricted reserve, in accordance with Article 2358, Paragraph 6, of the Italian Civil Code for an amount equal to the capital subject to the loan transactions, after deducting value adjustments for creditworthiness (Eur 23.5 million) and specific provisions for risks and charges (Eur 339.7 million), which was recorded for reasons of prudence in light of the risks associated with specific positions. The amount of the aforementioned restricted reserve is therefore Euro 611.6 million.

Furthermore, the WG Analysis revealed other risk profiles relating to certain specific positions, in an amount currently calculated as Euro 26.5 million, against which a Euro 15.9 million provision for risks and charges was recognised for reasons of prudence.

The foregoing also impacts, for the entire amount of capital involved in the cited phenomena, the Issuer’s own funds at 30 June 2015 which, in line with the ECB’s instructions, were subject to a “prudential filter” amounting to Euro 622.2 million, taking into consideration write-downs and provisions.

The findings emerged from the ECB’s inspections and the WG Analysis will have also a negative impact on the value of the ordinary shares of the Issuer, which, on 11 April 2015, following the Comprehensive Assessment carried out by the ECB, the Shareholders' Meeting of BPV reduced to EUR 48 per share from EUR 62.5 set in 2014.

With respect to the anomalies concerning “*trading on treasury shares: primary market MiFID compliance*” no specific provisions were recorded in the Issuer’s audited consolidated financial statements as at 30 June 2015, in accordance with International Accounting Standard 37.

As a result of such inspections, and generally at any time, CONSOB, as Italian securities market authority, and the ECB, as prudential supervisory authority, each have the power to impose sanctions on the Issuer.

Furthermore, the ECB's inspections and the WG Analysis revealed a risk of disputes with clients and/or shareholders that could generate liabilities for the Issuer. If any such disputes materialise, and it is alleged or judicially determined that the Issuer historically either (i) failed to carry out its share capital increases and/or trading on the secondary market in an appropriate manner, by way of breach of the MiFID regulation or otherwise, and/or (ii) determined inappropriate values of the ordinary shares of the Issuer, this may result in the Issuer reaching out of court settlements or being required to pay damages.

The imposing of sanctions by either CONSOB or the ECB and/or damages to be paid by the Issuer to clients and/or shareholders resulting from such disputes could have a negative impact on the reputation of the Issuer and/or adversely affect its results of operations, business and financial position.

Furthermore the Issuer cannot exclude that ECB requires it to further hold own funds in excess of the capital requirements laid down in CRR and/or strengthen its Recapitalisation Plan (see "*Bank capital adequacy risks (CRD IV)*" below), procedure, framework aimed to monitoring risks. The exercise of these powers by the ECB could adversely affect the Group's results of operations, business and financial position.

Lastly, the WG Analysis which formed the basis for the Issuer's draft consolidated financial statements as at 30 June 2015, and on which the provisions for such financial statements were made, were based on the best available information at the time the WG Analysis was carried out. However, more in depth and refined analysis are still ongoing and the Issuer cannot exclude that the outcome of the ECB and CONSOB inspections may be different from those anticipated by the WG Analysis and/or further information coming to light in the future and, as a result, may require further provisions for losses in the Issuer's future financial statements. Such results could, therefore, have a negative impact on the reputation of the Issuer and/or adversely affect its results of operations, business and financial position and also impact the Issuer's capital ratios.

Bank capital adequacy risks (CRD IV)

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 (the "**Basel III**") on bank capital adequacy and liquidity, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards which were subsequently revised in 2013 in light of concerns raised by the banking industry. The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019.

The Basel III framework has been implemented in the EU through new banking regulations adopted on 26 June 2013: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "**CRD IV Directive**") and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**" and together with the CRD IV Directive, the "**CRD IV Package**"). Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will largely be fully effective by 2019 and some minor transitional provisions provide for the phase-in until 2024). Additionally, it is possible

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 No. 285, dated 17 December 2013, the “**Prudential Regulations for Banks**”), which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional local prudential rules concerning matters not harmonised at an EU level. As of 1 January 2014, Italian banks were required to comply with a minimum Common Equity Tier 1 (“**CET1**”) capital ratio of 4.5%, Tier 1 Capital ratio of 5.50% and Total Capital Ratio of 8%. These minimum ratios are complemented by the following capital buffers, to be met with CET1 capital:

- *Capital conservation buffer*: is set at 2.5.% of risk weighted assets and applies from 1 January 2014 (pursuant to Part I, Title II, Chapter I, Section II of Prudential Regulations for Banks);
- *Counter-cyclical capital buffer*: is set by the relevant competent authority between 0% - 2.5% (but may be set higher than 2.5% where the competent authority considers that the conditions in the member state justify this), with gradual introduction from 1 January 2016, and applying temporarily in the periods when the relevant national authorities judge the credit growth excessive (pursuant to Article 130 of the CRD IV Directive).

In addition to the above listed capital buffers, under Article 133 of the CRD IV Directive each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital for the financial sector or one or more subsets of the sector, in order to prevent and mitigate long term non-cyclical systemic or macro-prudential risks with the potential of serious negative consequences to the financial system and the real economy in a specific Member State. Until 2015, in case of buffer rates of more than 3%, Member States will need prior approval from the Commission, which will take into account the assessments of the European Systemic Risk Board (“**ESRB**”) and the European Banking Authority (the “**EBA**”). From 2015 onwards and for buffer rates between 3 and 5 % the Member States setting the buffer will have to notify the Commission, the EBA, and the ESRB. The Commission will provide an opinion on the measure decided and if this opinion is negative, the Member States will have to “comply or explain”. Buffer rates above 5% will need to be authorized by the Commission through an implementing act, taking into account the opinions provided by the ESRB and by the EBA.

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 141 and 142 of the CRD IV Directive).

For the 2015 financial year, the Supervisory Authority requests the Group a minimum CET1 ratio target of 10.3% and Total Capital ratio target of 11%. For further information, see “*Business Description of Banca Popolare di Vicenza – Own funds and capital adequacy ratios*”.

On 28 August 2015 the board of directors of the Issuer approved the half-year financial statements of the Group as of 30 June 2015 showing, inter alia, an interim loss equal to approximately Euro 1,053 million and the following regulatory capital ratios:

- CET1 Ratio and Tier 1 Ratio: 6.81% (where the target imposed by the ECB is equal to 10.3%)
- Total Capital Ratio: 7.63% (where the minimum requirement provided for by the CRR is 8%)

The capital shortfall in terms of CET1 and Total Capital Ratios detailed above has been mainly caused by (i) the interim loss registered by the Issuer in the first semester of 2015 for an amount equal to approximately

Euro 1,053 million (loss which mainly derives from non-recurring elements) and (ii) the prudential filter for an amount of Euro 622.2 million which the Issuer has applied to neutralise from a regulatory perspective the effects of the financing facilities which the Issuer granted to certain investors to subscribe for and/or purchase Issuer's shares.

As a result of the loss and shortfall detailed above, on 28 August 2015 the board of directors of the Issuer resolved upon, *inter alia*, a recapitalisation plan consisting of (A) a share capital increase of the Bank for an amount up to approximately Euro 1.5 billion (the “**Share Capital Increase**”) to be carried out, subject to approvals by the relevant competent authorities and the Extraordinary General Meeting of the Issuer, by spring 2016 to strengthen the CET1 of the Bank and reach the target imposed by the ECB, and (B) the issuance of euro denominated subordinated notes that qualify as Tier II Capital under the CRR (the “**Tier 2 Notes**”) and, together with the Share Capital Increase, the “**Recapitalisation Plan**”) having a total principal amount up to Euro 200,000,000 aimed at promptly restoring the Total Capital of the Bank to above the minimum requirements provided for by the CRR. See “*Business Description of Banca Popolare di Vicenza – Recent Developments*”.

Any update on the implementation of the Recapitalisation Plan will be given by the Issuer, in accordance with applicable law and regulation, through publication of specific press releases which will be made available on the Issuer's website.

The Issuer is aiming to submit the Recapitalisation Plan to the ECB during the month of September.

In light of the situation detailed above, investors should consider that if the Recapitalisation Plan is not acceptable to the ECB or if the Issuer fails to successfully complete the Recapitalisation Plan within the terms indicated above or comply with any further requirements the ECB may impose on the Issuer from time to time, the Issuer may be subject to extraordinary actions and/or measures by the competent authorities, which may include, among others, the extraordinary administration (*amministrazione straordinaria*) provided for by Legislative Decree No. 385 of 1 September 1993, the so called “Testo Unico Bancario” in force at the date of this Prospectus or the application to the Issuer of the resolution tools provided for by Directive 2014/59/EU (the “**Bank Recovery and Resolution Directive**” or “**BRRD**”), as described in the following paragraph headed “*Implementation of the bank recovery and resolution directive (BRRD) or taking of any action under it*”.

Implementation of the bank recovery and resolution directive (BRRD) or taking of any action under it

On 2 July 2014, the directive 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) entered into force. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that:

- (a) an institution is failing or likely to fail;
- (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe; and
- (c) a resolution action is in the public interest,

for example by way of:

- (i) a 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) a 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) an 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) a bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims including Senior Notes and Subordinated Notes to equity (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: (i) 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; (ii) it is, or is likely in the near future to be, unable to pay its debts or other liabilities as they fall due; or (iii) it requires extraordinary public financial support (except in limited circumstances).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments such as Subordinated Notes at the point of non-viability and before any other resolution action is taken ("**non-viability loss absorption**"). Any shares issued to holders of Subordinated Notes upon any such conversion into equity may also be subject to any application of the general bail-in tool.

The BRRD requires institutions to maintain at all times a sufficient aggregate amount of own funds and “eligible liabilities”, expressed as a percentage of the total liabilities and own funds of the institution (known as the “**minimum requirement for own funds and eligible liabilities**” or “**MREL**”). “Eligible liabilities” refers to liabilities and other instruments that do not qualify as Tier 1 or Tier 2 capital and that are within the scope of the BRRD’s bail-in tool. The resolution authority in relation to an institution, after consultation with the relevant competent authority, is responsible for determining the MREL for that institution on the basis of certain criteria to be specified by the EBA, and can require a particular institution to meet its MREL wholly or partially with own funds or with certain types of liabilities.

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments (such as Subordinated Notes) are written-down or converted or extraordinary public support is to be provided.

The BRRD provides that it will be applied by Member States from 1 January 2015, except for the general bail-in tool which is to be applied from 1 January 2016. Further to the publication of the law (*Legge di delegazione europea 2014*) mandating the Italian Government to implement, amongst others, the BRRD in Italy, the Italian Treasury has launched a consultation on two draft legislative decrees intended to implement the BRRD in Italy and amend Legislative Decree no. 385 of 1 September 1993 (Italian Banking Act) and Legislative Decree no. 58 of 24 February 1998 (Italian Financial Act) accordingly. Following the conclusion of the consultation on 12 August 2015, the Italian Government will then have to pass the legislative decree implementing the BRRD by 15 November 2015.

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

Investors should consider that in light of the regulatory capital shortfall indicated in the previous paragraph headed “*Bank capital adequacy risks (CRD IV)*”, if the Recapitalisation Plan is not acceptable to the ECB or if the Issuer fails to successfully complete the Recapitalisation Plan within the terms indicated above or comply with any further requirements the ECB may impose on the Issuer from time to time, following the implementation of the BRRD in Italy, the competent resolution authority may exercise any of the powers mentioned above against the Issuer.

Competition

In recent years, the Italian banking sector has been characterised by increasing competition which has put more pressure on revenue margins.

Evolving regulatory environment

The Issuer is a “*banca popolare*” subject in particular to the provisions of articles 28 and 29 et seq. of Legislative Decree No. 385 of 1 September 1993, so called “*Testo Unico Bancario*”, as amended by Law

Decree No. 3 of 24 January 2015 (“**Law Decree 3/2015**”), which was converted, with amendments, into Law No. 33 of 24 March 2015 (“**Law no. 33**”). More generally, the Issuer's business is governed by Italian domestic and European Union legislation affecting the financial and banking sectors. The Issuer's corporate object includes the raising of funds for investment and the provision of credit in its various forms, with regard to its shareholders and others.

The BPV Group has been under the supervision of the ECB since 4 November 2014.

The Issuer's business could be affected by regulatory factors connected with domestic Italian and European Union developments in financial and fiscal matters. For example the “*banche popolari*” system in Italy is currently under reform. Law Decree 3/2015 provides, *inter alia*, that all banks with total assets of up to 8 billion Euros must convert to a limited liability company (*società per azioni*). The BPV Group exceeds the current threshold established by Law Decree 3/2015.

The Bank of Italy has the task of issuing regulatory provisions to implement Law no. 33 and published “*Disposizioni di vigilanza Banche Popolari*” (Supervisory regulations for Popular Banks) in April 2015. The consultation concerned primarily the criteria for determining the €8 billion threshold and the limitation on the redemption rights of withdrawing shareholders. Following the conclusion of the consultation on 9 May 2015, the Bank of Italy published an amendment to its supervisory regulations (the 9th update of 9 June 2015 to Bank of Italy Circular n. 285 of 17 December 2013) to implement the reforms on *banche popolari* described above. These amendments entered into force on 27 June 2015. Accordingly, *banche popolari* with assets in excess of €8 billion (including BPV) have a period of 18 months from 27 June 2015 to comply with the Law Decree 3/2015.

On 7 July 2015, the Issuer announced that as the abovementioned threshold of €8 billion has been exceeded, the Issuer intends to proceed with the activities necessary for its transformation into a limited liability company, and intends to define a work plan aimed at the listing of its shares on the electronic stock exchange (*Mercato Telematico Azionario*) organized and managed by the Borsa Italiana. For more information, see “—*Business Description of Banca Popolare Di Vicenza—Strategy*”.

The Issuer's market

BPV operates in a highly competitive market and has a significant number of competitors; despite its historical presence in its reference markets (the Italian north-east), increasing competition in the banking sector and/or BPV's inability to compete effectively could have a material adverse effect on business, financial conditions or results of operations.

Furthermore, a general economic slowdown or deterioration of confidence may impact the Group's business as a result of changes to the credit quality of borrowers, company investment plans, propensity to save, investor preferences for liquidity, as well as customer preferences for more traditional forms of deposit-taking with less risk but at the same time less profitability.

Risks relating to the Issuer's business

As a banking 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 relevant to all businesses, such as strategic risk, legal risk, reputational risk and IT risk. For more details on the single risks and on how these are managed within the BPV Group, see “*Business Description of*

Banca Popolare di Vicenza - Risk Management". With specific reference to typical risks for financial intermediaries:

- Credit risk relates to the risk of loss arising from counterparty default (in particular, recoverability of loans in case of default) or in the broadest sense from a counterparty's failure to perform contractual obligations, including on the part of any guarantors.
- Market risk relates to the risk arising from an adverse change in fair-value of financial instruments, currencies and commodities, due to market parameters change and volatility.
- Interest rate risk refers to the possibility of the Issuer incurring losses as a result of an adverse change and volatility of interest rate curve.
- Liquidity risk relates to the Issuer's ability or lack thereof to meet cash disbursements in a timely and economic manner.
- Operational risk relates to the risk of loss arising from shortcomings or failures in internal processes, people or systems and from external events.

Risks concerning liquidity

The Issuer's businesses are subject to risks concerning liquidity which are embedded in its banking activity and could affect the Issuer's ability to meet its financial obligations as they fall due or to fulfil its commitments to lend. In order to ensure that the Issuer continues to meet its funding obligations and to maintain or grow its business, it relies on customer savings, as well as ongoing 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 disruption in the global and Italian capital markets and credit conditions has led to the most severe examination of the banking system's capacity to absorb sudden significant changes in the funding and liquidity environment in recent history, and has had an impact on the wider economy. During 2014 and the first quarter of 2015, the lack of liquidity was partially mitigated by the ECB (for example, by quantitative easing). Individual institutions have faced varying degrees of stress. Should the Issuer be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, the Issuer's ability to fund its financial obligations at a competitive cost, or at all, could be adversely affected.

Operational risks

The Issuer's businesses is exposed to operational risk and losses due to errors, infringements, interruptions, damages caused by internal processes, personnel or systems or caused by external events. The definition of operational risk includes losses arising from fraud, human factors, business disruption and system failures, failed transactions processing or process management, natural disaster. Operational risks include also legal risk, that is the risk of losses deriving from breach of laws or regulations, contractual or out-of-contract responsibilities or other disputes (excluding strategic and reputational risks).

While the Issuer actively employs procedures to contain and mitigate operational risk and related adverse effects, the occurrence of certain unforeseeable events, wholly or partly out of the Issuer's control, could substantially limit their effectiveness. As a result, there can be no assurance that the Issuer will not suffer future material losses due to the inadequacy or failure of the abovementioned procedures. The occurrence of

one or more of operational risks could adversely affect the Issuer's results of operations, business and financial position.

Reputational Risk

The Issuer's businesses is exposed to current and prospective risk of a decrease in profits or capital due to a negative perception of Issuer's image by customers, counterparties, shareholders, investors and supervisory authorities. While the Group, during 2014, has approved a specific framework in order to monitor the reputational risk, there can be no assurance that the Issuer will not suffer future material losses due to the inadequacy or failure of the abovementioned procedures.

Protracted market decline and reduced liquidity in the markets

In some of the Issuer'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 Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. 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 Issuer 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 Issuer's operation results and financial condition.

In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Issuer's securities trading activities and its asset management services, as well as the Issuer's investments in and sales of products linked to the performance of financial assets.

Value of financial instruments recorded at fair value

Under International Financial Reporting Standards, as adopted by the European Union and as implemented under the Bank of Italy's instructions contained in Circular No. 262 of 22 December 2005 and related transitional regulations in Italy ("IFRS"), the Issuer recognises at fair value: (i) financial instruments classified as "held-for-trading" or "designated as at fair value through profit or loss", (ii) financial assets classified as "available for sale", and (iii) derivatives, each as further described in "Accounting Policies" in the notes to the audited annual financial statements of the Issuer for the year ended 31 December 2012, which are incorporated by reference in this Base Prospectus. Generally, in order to establish the fair value of these instruments, the Issuer relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to changes in market conditions, as has been the case recently. In such circumstances, the Issuer's internal valuation models require the Issuer to make assumptions, judgments and estimates in order to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgments and estimates the Issuer is required to make often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt, house price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgments and estimates may need to be updated to reflect changing trends and market conditions. The resulting change in fair values of the financial instruments could have a material adverse effect on the Issuer's earnings and financial condition.

Risk management and impact of events which are difficult to anticipate

The Issuer's earnings and business are affected, among others, by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies adopted by supervisory authorities, and competitive factors. Each of these factors can change the level of demand for the Issuer's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Issuer between lending and borrowing costs and the value of the Issuer's investment and trading portfolios.

During the ECB inspection, in May 2015, the board of directors of the Issuer decided to replace its top management team, appointing first, among others, Mr Francesco Iorio as Chief Executive Officer and General Manager of the Bank. Subsequently, the board of directors appointed Mr Iacopo De Francisco as Deputy General Manager and Head of Markets Division, and other professionals with significant experience as the new Head of Finance Division, Head of Credit Division and Head of Risk Management Division, as part of an ongoing management change process, which saw the management team almost entirely altered.

Nonetheless, the Issuer's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Issuer fails to identify or anticipate. If existing or potential customers believe that the Issuer's risk management policies and procedures are inadequate, the Issuer's reputation as well as its revenues, profits and costs may be negatively affected.

Risks associated with general economic, financial and other business conditions

The results of the Group are affected by economic, financial and other business conditions. During periods of economic downturn, there may be less demand for loan products and a greater number of the Group's customers may default, leading to losses for the Group. Also in a context of interest rate rises, it may have a negative impact on the demand for mortgages and other loan products. Overall economic development and business climate can furthermore negatively impact the solvency of the Group's borrowers and counterparties and can affect the overall credit quality and the recoverability of loans and amounts from counterparties.

Systemic risk

The global credit environment has been adversely affected by material defaults in recent years and there can be no assurance that such events will not occur in the future. A default by a credit institution (or a perception of its possible default) could lead to significant liquidity problems and trigger losses or defaults by other institutions. The close credit, trading, clearing and other type of relationships that the Group may have with the defaulted institution (including also financial intermediaries) in its daily business activities, could negatively affect the Group's situation.

Risks arising from the sovereign debt crisis

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

In particular, the Issuer's credit ratings are potentially exposed to the risk of reductions in the sovereign credit rating of Italy. On the basis of the methodologies used by rating agencies, further downgrades of Italy's credit

rating may have a potential knock-on effect on the credit rating of Italian issuers such as the Issuer and make it more likely that the credit rating of Notes issued under the Programme are downgraded.

Changes in regulatory framework and accounting policies

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

The rules applicable to banks and other entities in banking groups include implementation of measures consistent with the regulatory framework set out by the Basel Committee on Banking Supervision (the “**Basel Committee**” or “**BCBS**”) which aim to preserve stability and solidity and limit risk exposure of such entities.

In accordance with the regulatory frameworks defined by the supervisory authorities mentioned above and consistent with the regulatory framework being implemented at the European Union level, the Issuer has in place specific procedures and internal policies to monitor, among other things, liquidity levels and capital adequacy, the prevention and detection of money laundering, privacy protection, ensuring transparency and fairness in customer relations and registration and reporting obligations. Despite the existence of these procedures and policies, there can be no assurance that violations of regulations will not occur, which could adversely affect the Issuer's results of operations, business and financial condition. In addition, as at the date of this Base Prospectus, certain laws and regulations have only been recently approved and the relevant implementation procedures are still in the process of being developed.

Risks associated with the Comprehensive Assessment carried out by the ECB pursuant to the regulations on the Single Supervisory Mechanism

On 15 October 2013, the Council of the European Union adopted Council Regulation (EU) No 1024/2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the “**SSM Regulation**”) for the establishment of a single supervisory mechanism (the “**Single Supervisory Mechanism**” or “**SSM**”). From 4 November 2014 the SSM Regulation has given the ECB, in conjunction with the national regulatory authorities of the eurozone and participating Member States, direct supervisory responsibility over “banks of systemic importance” in the Eurozone.

The Issuer has been classified as a significant supervised entity and a significant supervised group within the meaning of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for co-operation within the Single Supervisory Mechanism between the ECB and national competent authorities and with national designated authorities (the “**SSM Framework Regulation**”) and, as such, are subject to direct prudential supervision by the ECB in respect of the functions conferred on the ECB by the SSM Regulation and the SSM Framework Regulation. The relevant national competent authorities, for the purposes of the SSM Regulation and the SSM Framework Regulation, continue to be responsible, in respect of the Issuer for supervisory functions not conferred on the ECB.

From 10 March 2014, pursuant to article 33 (4) of the SSM Regulation and the ECB decision of 4 February 2014 (ECB / 2014/3), the Issuer became subject to an inspection carried out by the ECB, the so-called

“Comprehensive Assessment”. For further information see *“Business Description of Banca Popolare di Vicenza – Inspections conducted by supervisory authorities”* and *“Business Description of Banca Popolare di Vicenza - ECB Comprehensive Assessment”*.

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 supervisory on branches of third country banks. The ECB, on the other hand, is exclusively responsible for prudential supervision, which includes, *inter alia*, the power to: (i) authorise and withdraw authorisation of all “banks of systemic importance” in the Eurozone and in the Member States participating to the SSM; (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.

As of 2016 the Issuer will be subject to the provisions of the Regulation establishing the Single Resolution Mechanism

After having reached an agreement with the Council, in April 2014, the European Parliament adopted the Regulation establishing a Single Resolution Mechanism (the **“SRM”**). The SRM is expected to be operational by 1 January 2016. There are, however, certain provisions including those concerning the preparation of resolution plans and provisions relating to the cooperation of the Single Resolution Board (the **“Board”**) with national resolution authorities, which entered into force on 1 January 2015.

The SRM, which will complement the ECB Single Supervisory Mechanism, will apply to all banks supervised by the ECB Single Supervisory Mechanism. It will mainly consist of the Board and a Single Resolution Fund (the **“Fund”**).

A centralised decision-making process will be built around the Board and will involve the European Commission and the Council of the European Union – which will have the possibility to object to Board decisions – as well as the ECB and the national resolution authorities.

The Fund, which will back the SRM decisions mainly taken by the Board, will be divided into national compartments during an eight years transitional period, as envisaged by an intergovernmental treaty, whose ratification is a precondition for the entry into force of the SRM. Banks will start to pay contributions in 2015 to national resolution funds that will be transferred into the Fund starting from 2016 (and will be additional to the contributions to the national deposit guarantee schemes).

This framework should be able to ensure that, instead of national resolution authorities, there will be a single authority – i.e. the Board – which will take all relevant decisions for the resolution of banks being part of the Banking Union.

There are other benefits that will derive from the Banking Union. Such benefits are aimed at breaking the negative feed loop between banks and their sovereigns; and providing a solution to home-host conflicts in resolution.

The BPV Group may be subject to a proposed EU regulation on mandatory separation of certain banking activities

On 29 January 2014, the European Commission adopted a proposal for a new regulation following the recommendations released on 31 October 2012 by the High Level Expert Group (the Liikanen Group) on the mandatory separation of certain banking activities. The proposed regulation contains new rules which would prohibit the biggest and most complex banks from engaging in the activity of proprietary trading. The new rules would also give supervisors the power to require those banks to separate certain trading activities from their deposit-taking business if the pursuit of such activities compromises financial stability. Alongside this proposal, the Commission has adopted accompanying measures aimed at increasing transparency of certain transactions in the shadow banking sector.

The proposed regulation will apply to European banks designated as ‘globally systemically important banks’ (G-SIBs), or that exceed the following thresholds for three consecutive years: a) total assets are equal or exceed €30 billion; b) total trading assets and liabilities are equal or exceed €70 billion or 10 per cent. of their total assets. The banks that meet either one of the aforementioned conditions will be automatically banned from engaging in proprietary trading defined narrowly as activities using a bank’s own capital or borrowed money to take positions in any type of transaction to purchase, sell or otherwise acquire or dispose of any financial instrument or commodities for the sole purpose of making a profit for own account and without connection to actual or anticipated client activity or for the purpose of hedging the entity’s risk as a result of actual or anticipated client activity. In addition, such banks will be prohibited also from investing in or holding shares in hedge funds, or entities that engage in proprietary trading or sponsor hedge funds. Other trading and investment banking activities - including market-making, lending to venture capital and private equity funds, investment and sponsorship of complex securitisation, sales and trading of derivatives – are not subject to the ban (subject to the discretion of the bank’s competent authority), however they might be subject to separation if such activities are deemed to pose a threat to financial stability.

The proprietary trading ban would apply as of 1 January 2017 and the effective separation of other trading activities would apply as of 1 July 2018.

Should a mandatory separation be imposed, additional costs at Group level are not ruled out, in terms of higher funding costs, additional capital requirements and operational costs due to the separation and lack of diversification benefits. Due to a relatively limited trading activity, Italian banks could be penalised and put at a relative disadvantage in comparison with their main global and European competitors (e.g. French and German banking institutions). As a result, the proposal could lead to the creation of an oligopoly where only the biggest players will be able to support the separation of the trading activities and the costs that will be incurred. The effective magnitude of the impact on the European banking sector will depend however upon several elements of the proposal currently highly debated at EU level. An additional layer of complexity, leading to uncertainty, is the high risk of diverging approaches throughout Europe on this issue.

Ratings Risk

Generally, a credit rating assesses the creditworthiness of an entity and informs an investor about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Credit ratings play a critical role in determining the costs for entities accessing the capital market in order to borrow funds and the rate of interest they can achieve. A decrease in credit ratings either by Fitch and/or DBRS may increase borrowing costs or even jeopardise further issuance. The prices of the existing bonds may deteriorate following a downgrade.

In addition, the Issuer’s credit ratings are potentially exposed to risk in reductions of the sovereign credit rating of the Republic of Italy. On the basis of the methodologies used by DBRS and Fitch, a potential

downgrade of Italy's credit rating may have a potential knock-on effect on the credit rating of Italian issuers such as the Issuer and increase the likelihood that the credit rating of Notes issued under the Programme could be downgraded, with a consequent adverse effect on the market value of the Notes.

On 15 July 2015, Fitch placed the Issuer's 'BB' long-term Issuer default rating on a negative rating watch. Fitch has also affirmed the Issuer's short term rating at 'B'.

On 2 September 2015, DBRS assigned BPV a long-term rating of 'BB' with a negative trend and a short-term rating of 'R4' with a stable trend. See “*Business Description of Banca Popolare di Vicenza – Recent Developments*”.

The downgrading of the Issuer by credit rating agencies due to the deterioration in the Issuer's capital position could have a negative impact on the reputation of the Issuer, which could adversely affect the Issuer's results of operations, business and financial position. For more information, see “*Business Description of Banca Popolare di Vicenza – Recent Developments*”.

Risks associated with legal proceedings

On 18 February 2015 criminal proceedings were initiated by the Public Prosecutor Office at the Court of Palermo against Professor Marino Breganze, the vice chairman of the Board of Directors of the Issuer, in his capacity as chairman and legal representative of Banca Nuova, for offences pursuant to articles 40 (*capoverso*) and article 644 I and V paragraph 1 Civil Procedure Code. (*rapporto di causalità e usura*). The outcome of such proceedings is not expected to have a negative impact on the financial or economic position of the Issuer.

Whilst it is not possible to predict with certainty the final outcome of pending disputes involving the Issuer, it is expected that an unfavorable outcome of any pending proceedings would not have a significant adverse effect on the financial or economic position of the Issuer.

Risks related to the market generally

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

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes would generally have a more limited secondary market and more price volatility than conventional debt securities.

Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Base Prospectus), whereby there is a general lack of liquidity in the secondary market for debt instruments. Illiquidity may have a severely adverse effect on the market value of Notes and may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict when 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 the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “**Investor's Currency**”) other than the Specified Currency. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

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

Credit risk

Credit or corporate ratings may not reflect all risks. One or more independent rating agencies may assign ratings to the Notes and/or the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this section, and other factors that may affect the value of the Notes or the standing of the Issuer. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

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

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the Investor's Currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes issued under the Programme may be complex financial instruments which may be purchased by sophisticated institutional investors 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 the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features:

Notes subject to optional redemption by the Issuer

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

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

Redemption for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Redemption for regulatory reasons

In addition, and unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, the Issuer may also, at its option, redeem Subordinated Notes following a Regulatory Event in accordance with Condition 11(c) (*Redemption and Purchase - Redemption for regulatory reasons*). Any redemption of the Subordinated Notes is subject to the prior approval of the Relevant Authority.

Index-Linked Interest Notes, Index-Linked Redemption Notes and CMS Linked Interest Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or the CMS Rate (the “**Relevant Factor**”).

Potential investors should be aware that:

- (i) the market price of such Notes may be very volatile;
- (ii) they may receive no interest;
- (iii) where the Relevant Factor is an index, payment of principal or interest may occur at a different time;
- (iv) where the Relevant Factor is an index, they may lose all or a substantial portion of their principal;

- (v) the Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if the Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on interest payable is likely to be magnified; and
- (vii) the timing of changes in the Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Risks relating to Index-Linked Interest Notes and Index-Linked Redemption Notes

The Issuer may issue Index-Linked Interest Notes and Index-Linked Redemption Notes where the amount of principal or interest is dependent upon the level of an inflation/consumer price index or indices.

Potential investors in any such Notes should be aware that depending on the terms of the Index-Linked Interest Notes, they may receive no interest or a limited amount of interest, and, depending on the terms of the Index-Linked Redemption Notes, they may lose all or a substantial portion of their principal. In addition, the movements in the level of the inflation/consumer price index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant level of the index or indices may affect the actual return to investors, even if the average level is consistent with their expectations.

Index-Linked Interest Notes and Index-Linked Redemption Notes may be subject to certain disruption provisions or extraordinary event provisions. Relevant events may relate to an inflation/consumer price index publication being delayed or ceasing or such index being rebased or modified. If the Expert determines that any such event has occurred this may delay valuations under and/or settlements in respect of the Notes and consequently adversely affect the value of the Notes. In addition certain extraordinary or disruption events may lead to early termination of the Notes which may have an adverse effect on the value of the Notes. Whether and how such provisions apply to the relevant Notes can be ascertained by reading Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*) in conjunction with the applicable Final Terms.

A relevant consumer price index or other formula linked to a measure of inflation to which the Notes are linked may be subject to significant fluctuations that may not correlate with other indices. Any movement in the level of the index may result in a reduction of the interest or principal payable on the Notes (if applicable).

The timing of changes in the relevant consumer price index or other formula linked to the measure of inflation comprising the relevant index or indices may affect the actual yield to investors on the Notes, even if the average level is consistent with their expectations.

An inflation or consumer price index to which interest payments are linked is only one measure of inflation for the relevant jurisdiction or area, and such Index may not correlate perfectly with the rate of inflation experienced by Noteholders in such jurisdiction or area.

The market price of Index-Linked Interest Notes or the Index-Linked Redemption Notes may be volatile and may depend on the time remaining to the maturity date or expiration and the volatility of the level of the inflation or consumer price index or indices. The level of the inflation or consumer price index or indices may be affected by the economic, financial and political events in one or more jurisdictions or areas.

Risks relating to Year-on-Year Index-Linked Interest Notes

Where Notes reference one or more inflation indices, investors are exposed to the performance of such inflation indices, which may be subject to fluctuations that may not correlate with changes in interest rates, currencies or other indices and may not correlate with the rate of inflation experienced by investors in their home jurisdiction. Any payments made under the Notes may be based on a calculation made by reference to an Inflation Index for a month which is several months prior to the date of payment and therefore could be substantially different from the level of inflation at the time of payment on the Notes.

The interest amounts in respect of Year-on-Year Index-Linked Interest Notes shall be adjusted up or down to take into account changes in the level of the relevant Inflation Index over the life of the Notes. Broadly speaking, in an inflationary environment amounts payable shall be adjusted up and in a deflationary environment amounts payable shall be adjusted down. Investors should note that, in a deflationary environment, the amount of interest payable might be lower than the fixed rate that would have been applicable before such adjustment and the redemption amount may be reduced.

Alternative valuation following disruption events in respect of the Inflation Index for Year-on-Year Index-Linked Interest Notes

Upon the occurrence of certain events in relation to an Inflation Index – e.g. the level of the Inflation Index has not been published or is discontinued or such Inflation Index is rebased or materially modified – then, depending on the particular event, the Calculation Agent may:

- determine the level of the Inflation Index;
- determine a successor to the original Inflation Index;
- make changes to the level of the rebased index; or
- make adjustments to the Inflation Index by reference to equivalent determinations, substitutions, changes or adjustments made in respect of the Related Bond specified in the Final Terms or the Fallback Bond selected by the Calculation Agent.

Any such event or determination may have an adverse effect on the value of the Notes. If the Inflation Index is rebased or materially modified, and no action is taken in respect of the Related Bond or Fallback Bond, the Calculation Agent may make changes to the level of the rebased index or make adjustments to the Inflation Index. Such consequential action by the Calculation Agent may have a negative effect on the value of the Notes.

If, on any day on which a valuation is to be made, the level of the Inflation Index has not been published, and no action to determine a substitute level of the Inflation Index has been taken in respect of the Related Bond or Fallback Bond, the Calculation Agent shall determine a substitute level of the Inflation Index calculated by reference to the latest published level of the Inflation Index, and such level may differ from the index level (if any) published or announced after the relevant Valuation Date. Such event may have an effect on the valuation of the Notes and on the interest and/or redemption amounts payable.

If an Inflation Index has been discontinued and no successor index has been determined in respect of the Related Bond or Fallback Bond, but the Index Sponsor has specified a replacement Inflation Index, the Calculation Agent may specify such replacement Inflation Index to be the successor Inflation Index in respect of the Notes. Failing that, the Calculation Agent shall ask five leading independent dealers to state what the successor Inflation Index should be and, if a sufficient number of dealers state the same Inflation Index, such index shall be the successor. If an insufficient number of dealers state the same Inflation Index, the

Calculation Agent shall determine a successor. Such events may have an effect on the valuation of the Notes and on the interest and/or redemption amounts payable.

Variable rate Notes with a multiplier or other leverage factor

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

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

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

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

Fixed Rate Notes

The Notes may carry a fixed rate of interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the “**Market Interest Rate**”), conversely the price of a security with a fixed interest rate may rise as a result of falling Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes and lead to losses for Noteholders if they sell Notes before the Maturity Date.

The value of the Notes may change.

Investors in Fixed Rate Notes are exposed to the risk that subsequent changes in interest rates may adversely affect the value of such Notes. Investors in Floating Rate Notes are exposed to the risk that subsequent changes in the market can affect the value of the Notes as a result of the nature of the parameters to which the floating rate interest is linked.

Investors will not be able to calculate in advance their rate of return on Floating Rate Notes.

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be

compared with that of investments having longer fixed interest periods. If the terms and conditions of the notes provide for frequent interest payment dates, investors are exposed to reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. In addition, the Issuer's ability to also issue Fixed Rate Notes may affect the market value and the secondary market (if any) of the Floating Rate Notes (and vice versa).

Notes issued at a substantial discount or premium

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

Denominations and restrictions on exchange for Definitive Notes

Notes may in certain circumstances be issued in denominations including (i) a minimum denomination of €100,000 or its equivalent in another currency (the “**Minimum Denomination**”) and (ii) amounts which are greater than the Minimum Denomination but which are integral multiples of a smaller amount (such as €1,000). Where this occurs, Notes may be traded in amounts in excess of the Minimum Denomination that are not integral multiples of the Minimum Denomination. In such a case, a holder who as a result of trading such amounts, holds a principal amount of less than the Minimum Denomination will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to an integral multiple of the Minimum Denomination.

Subordinated Notes

If the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors) in full before it can make any payments on the Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Subordinated Notes. For a full description of the provisions relating to Subordinated Notes, see Condition 5(b) (*Status and Special Provisions of Subordinated Notes – Winding up etc. of the Issuer*).

Regulatory classification of the Notes

The intention of the Issuer is for Subordinated Notes to qualify on issue as “Tier II capital” for so long as this is permitted under the Applicable Banking Regulations. Current regulatory practice by the Bank of Italy does not require (or customarily provide) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such.

Although it is the Issuer's expectation that any such Subordinated Notes qualify as “Tier II capital”, there can be no representation that this is or will remain the case during the life of the Notes or that the Notes will be grandfathered under the implementation of future EU capital requirement regulations. If the Notes are not grandfathered, or for any other reason cease to qualify, as “Tier II capital”, the Issuer will (if so specified in the applied Final Terms) have the right to redeem the Notes in accordance with Condition 11(c) (*Redemption for regulatory reasons*) and Condition 11(l) (*Redemption, purchase or modification of Subordinated Notes*). There can be no assurance that holders of such Notes will be able to reinvest the amounts received at redemption at a rate that will provide the same rate of return as their investments in the relevant Notes, as the case may be.

Risks related to Notes generally

Modification and waiver

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

Change of law

The conditions of the Notes are based on the laws of England and Italy in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the laws or administrative practices of England or Italy after the date of this Base Prospectus, even on a retroactive basis.

Savings Directive

EC Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”) requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person established within their jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

A number of non EU countries and territories (including Switzerland) have adopted measures similar to the Savings Directive.

On 24 March 2014 the Council of the European Union adopted a Directive (the “**Amending Directive**”) which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or secured for) (i) an entity or legal arrangement effectively managed in an Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

The European Commission recently published a proposal for a Council Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). The proposal also provides that, if it is adopted, Member States will not be required to implement the Amending Savings Directive.

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 pursuant to the Savings Directive or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such directive, neither the Issuer nor any Paying Agent 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. Furthermore, once the Amending Directive is implemented and takes effect in Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

The Issuer is required to maintain a Paying Agent with a specified office in an Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Notes may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless that investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive, as amended.

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

*U.S. Foreign Account Tax Compliance Withholding (“**FATCA**”)*

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

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the audited annual consolidated financial statements of the Issuer for the financial years ended 31 December 2013 and 31 December 2014, in each case together with the audit reports prepared in connection therewith;
- (b) the audited interim consolidated financial statements of the Issuer as at and for the six month period ended 30 June 2015; and
- (c) the terms and conditions in respect of the Issuer's Euro Medium Term Note Programme dated 25 June 2014 (the “**2014 Base Prospectus**”).

The Issuer will, at its registered office and at the specified offices of the Principal Paying Agent and each Paying Agent (each as defined below), provide, free of charge, upon oral or written request, a copy of this Base Prospectus (and any document incorporated by reference in this Base Prospectus). Written or oral requests for such documents should be directed to the specified office of any of the Principal Paying Agent or a Paying Agent (each as defined below) or the specified office of the Luxembourg Listing Agent (as defined below). This Base Prospectus and the documents incorporated by reference herein are also available for viewing at www.bourse.lu.

Specific items contained in “Documents Incorporated by Reference”

Audited annual consolidated financial statements of the Issuer	2014	2013
Statement of financial position	Pages 156-157	Pages 376-377
Income statement	Page 158	Page 378
Statement of comprehensive income	Page 159	Page 379
Changes in equity	Pages 160-161	Pages 380-381
Statement of cash flows	Pages 162	Pages 382-383
Explanatory notes to the financial statements	Pages 164-405	Pages 384-607
Attachments	Page 406	Page 608
Attestation of the Financial Reporting Manager	Page 408	Page 646
Independent Auditors' report	Pages 412-413	Pages 647-649

The page references to the Independent Auditors' report set out in the above table in respect of the audited annual consolidated financial statements of the Issuer for the financial years ended 31 December 2013 and 31 December 2014 are references to the pages of each PDF document.

Audited interim consolidated financial statements of the Issuer	2015
Consolidated statement of financial position	Pages 78-79
Consolidated income statement	Page 80
Statement of consolidated comprehensive income	Page 81
Statement of changes in consolidated equity	Pages 82-83

Audited interim consolidated financial statements of the Issuer	2015
Statement of consolidated cash flows	Page 84
Explanatory notes	Pages 85 - 167
Certification of the Financial Reporting Manager	Page 170
Independent Auditors' report	Pages 173-174 (of .pdf)

2014 Base Prospectus

Terms and Conditions of the Notes	Pages 28-62
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The information incorporated by reference that is not included in the cross-reference lists above is considered additional information and is not required by the relevant schedules of Regulation (EC) 809/2004 (as amended).

For the purposes of Article 28.4 of Regulation (EC) 809/2004 (as amended), only the Terms and Conditions of the Notes of the 2014 Base Prospectus are incorporated by reference in this Base Prospectus and any non-incorporated parts of the 2014 Base Prospectus are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

SUPPLEMENTS TO THE BASE PROSPECTUS

The Issuer has undertaken, in connection with the listing of the Notes on the official list of the Luxembourg Stock Exchange and the admission to trading on the regulated market of the Luxembourg Stock Exchange, that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus whose inclusion in, or removal from, this Base Prospectus would reasonably be required for the purpose of enabling an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer will prepare or procure the preparation of a supplement to this Base Prospectus or, as the case may be, publish a new Base Prospectus, for use in connection with any subsequent issue by the Issuer of Notes to be listed on the official list of the Luxembourg Stock Exchange and to be traded on the regulated market of the Luxembourg Stock Exchange. Any such supplement to this Base Prospectus or new Base Prospectus shall be approved by the CSSF. Each supplement to this Base Prospectus will be published on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

GENERAL DESCRIPTION OF THE PROGRAMME

The following overview is drafted for convenience purposes only and must not be read and construed as a “summary” for the purposes of the Prospectus Directive. It must be read as an overview or a general description of the Programme which, consequently, does not purport to be complete. Any decision to invest in the Notes should, therefore, be based on a consideration of this Base Prospectus as a whole, including the Final Terms and the documents incorporated by reference.

The information contained in this overview is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer may agree with any Dealer that Notes may be issued in a form other than that contemplated in “Terms and Conditions of the Notes” herein, in which event a supplement to this Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

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

Issuer:	Banca Popolare di Vicenza Società Cooperativa per Azioni (the “ Issuer ” or “ BPV ”).
Arranger:	Barclays Bank PLC
Dealers:	Banca IMI S.p.A., Banca Popolare di Vicenza Società Cooperativa per Azioni, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, Goldman Sachs International, J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., Natixis, Nomura International plc and UniCredit Bank AG, and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche (as defined below) of Notes.
Fiscal Agent:	Deutsche Bank AG, London Branch.
Luxembourg Listing Agent:	Deutsche Bank Luxembourg S.A.
Admission to Trading and Listing:	Each Series may be admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/ or quotation system as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Final Terms or may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system.
Clearing Systems:	Euroclear Bank SA/NV (“ Euroclear ”) and/or Clearstream Banking, <i>société anonyme</i> , Luxembourg (“ CBL ”) and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.

Initial Programme Amount:

Up to €7,000,000,000 (or its equivalent in other currencies) in aggregate principal amount of Notes outstanding at any one time. The maximum aggregate principal amount of Notes which may be outstanding under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement (as defined under “**Subscription and Sale**”) and to the preparation of a Supplement to the Base Prospectus which shall be subject to the prior approval of the CSSF.

Issuance in Series:

Notes will be issued on a syndicated or non-syndicated basis. Notes will be issued in series (each, a “**Series**”). Each Series may comprise one or more tranches (“**Tranches**” and each, a “**Tranche**”) issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date, issue price, nominal amount and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

Final Terms or Drawdown Prospectus:

Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a drawdown prospectus (each a “**Drawdown Prospectus**”) prepared in connection with a particular Tranche of Notes.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Terms and Conditions of the Notes as completed by the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Terms and Conditions of the Notes as supplemented, amended and/ or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus.

Form of Notes:

Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in

the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or CBL and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or CBL. Each Temporary Global Note will be exchangeable for interests in a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Pursuant to Legislative Decree No. 213 of 24 June 1998 and CONSOB regulations, all Issuer securities cleared through Monte Titoli S.p.A. will be required to be in dematerialised form.

Currencies:

Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Maturities:

Notes may be issued with a maturity of not less than seven days subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

In the case of Subordinated Notes, unless otherwise permitted under Applicable Banking Regulations applicable to the issue of Subordinated Notes by the Issuer, Subordinated Notes must have a minimum maturity of five years (or, if issued for an indefinite duration, redemption of such Notes may only occur five years after their date of issue).

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in

acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 by the Issuer.

Status:

Notes may be issued on a subordinated (the “**Subordinated Notes**”) or unsubordinated basis (the “**Senior Notes**”), as specified in the relevant Final Terms.

Status of the Senior Notes:

Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer present and future (save for certain mandatory exceptions provided by law).

Status of the Subordinated Notes:

The Subordinated Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves, all as described in Condition 5 (*Status and Special Provisions of Subordinated Notes*) of the Terms and Conditions of the Notes. In the event of the occurrence of the bankruptcy, dissolution, liquidation or winding-up of the Issuer including, *inter alia*, *Liquidazione Coatta Amministrativa*, the payment obligations of the Issuer under the Subordinated Notes and the related Coupons, together with any other amounts attributable to the Subordinated Notes (including, without limitation, any damages), will rank in right of payment after unsubordinated unsecured creditors (including depositors) of the Issuer 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 Subordinated Notes, as the case may be, and in priority to the claims of shareholders of the Issuer, as described in the Condition 5 (*Status and Special Provisions of Subordinated Notes*) of the Terms and Conditions of the Notes.

Redemption:

Notes may be redeemable at par or, in the case of Index-Linked Redemption Notes only, at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms.

For so long as it is required under Applicable Banking Regulations, any redemption, purchase or modification of the Subordinated Notes in accordance with the Conditions is subject to (i) the prior approval of the Relevant Authority, as provided under the Applicable Banking Regulations; (ii) in the case of any redemption or purchase, if and to the extent then

required under the Applicable Banking Regulations, either: (A) the Issuer having replaced the Subordinated Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the Issuer having demonstrated to the satisfaction of the Relevant Authority that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Relevant Authority considers necessary at such time; and (iii) in the case of any redemption prior to the fifth anniversary of the Issue Date, if and to the extent then required under Applicable Banking Regulations (A) in the case of redemption for tax reasons, the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in tax treatment is material and was not reasonably foreseeable as at the Issue Date, or (B) in the case of redemption upon the occurrence of a Regulatory Event, the Issuer has demonstrated to the satisfaction of the Relevant Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

Except as provided in “Optional Redemption” below, Notes will be redeemable at the option of the Issuer prior to maturity only for taxation, regulatory or indexation reasons. See *“Terms and Conditions of the Notes — Redemption and Purchase”*.

Optional Redemption:

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

Early Redemption:

Except as described in “Optional Redemption” above, early redemption will only be permitted for tax reasons or for indexation reasons, as set out in “Redemption for Indexation Reasons” below, or, in the case of Subordinated Notes for regulatory reasons, as described in Condition 11(b) (*Redemption for tax reasons*) and 11(c) (*Redemption for regulatory reasons*) respectively.

Redemption for Indexation Reasons:

Index-Linked Redemption Notes may be redeemed before their stated maturity at the option of the Issuer, if the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Noteholders.

Taxation:

All payments in respect of the Notes will be made free and clear

of withholding taxes of the Republic of Italy, as the case may be, unless the withholding is required by law. In that event, the Issuer will, subject to customary exceptions, pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.

However, as more fully set out in Condition 13 (*Taxation*) the Issuer will not be liable in certain circumstances to pay any additional amounts to Noteholders with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented from time to time, and related regulations of implementation which have been or may subsequently be enacted, on account of substitute tax (*imposta sostitutiva*, as defined therein) in relation to interest payable in respect of any Notes.

Issue Price:

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

Interest:

Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at (i) a fixed rate (ii) a floating rate (iii) an index-linked rate or be linked to the rating of the Notes (iv) a fixed rate of interest for an initial period and thereafter by reference to a fixed rate of interest recalculated on certain dates and by reference to a mid-market swap rate, as adjusted for any applicable margin, in each case, as may be specified in the relevant Final Terms. The method of calculating interest may vary during the lifetime of the relevant Series, in each case, as may be specified in the relevant Final Terms.

Denominations:

Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and save that no Notes may be issued under the Programme which have a minimum denomination of less than EUR 100,000 (or, where the Notes are denominated in a currency other than euro, the equivalent amount in such other currency). If the Final Terms so specify, and for so long as the Notes are represented by the Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, Notes may be issued in denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000.

Negative Pledge:

None.

The Senior Notes issued under this Programme prior to 18 June

2010 have the benefit of a negative pledge provision in the terms and conditions on the basis of which such Notes were issued.

Cross Default:

The Senior Notes will have the benefit of a cross default as described in Condition 15 (*Events of Default*) of the Terms and Conditions of the Notes.

Governing law:

The Notes and all related contractual documentation will be governed by, and construed in accordance with, English law, except that provisions concerning the status of the Subordinated Notes are governed by the laws of the Republic of Italy. Condition 19(a) (*Meetings of Noteholders*) and the relevant provisions of the Agency Agreement concerning meetings of Noteholders and the appointment of a Noteholders' Representative (*rappresentante comune*), where applicable, are subject to compliance with the laws of the Republic of Italy.

Ratings:

Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

Whether or not each credit rating applied for in relation to the relevant Series of Notes will be (1) issued by a credit rating agency established in the EEA and registered (or which has applied for registration and not been refused) under Regulation (EU) No. 1060/2009, as amended (the “**CRA Regulation**”), or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (i) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified

under the CRA Regulation.

Selling Restrictions:

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, Japan and Italy, see “Subscription and Sale” below.

FORM OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the “**Temporary Global Note**”), without interest coupons, or a permanent global note (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Final Terms or Drawdown Prospectus. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in new global note (“**NGN**”) form as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking, *société anonyme*, Luxembourg (“**CBL**”) and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or CBL.

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

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) or any successor version incorporated into the United States Treasury Regulations under section 163 or Section 4701 of the U.S. Internal Revenue Code (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) or any successor version incorporated into the United States Treasury Regulations under section 163 or Section 4701 of the U.S. Internal Revenue Code (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever an interest in Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and

- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form (“**Definitive Notes**”):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear, CBL or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 15 (*Events of Default*) of the Terms and Conditions of the Notes occurs.

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be issued in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies “in the limited circumstances described in the Permanent Global Note”, then if (a) Euroclear, CBL or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 15 (*Events of Default*) of the Terms and Conditions of the Notes occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “Terms and Conditions of the Notes” below and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Overview of the Provisions Relating to the Notes whilst in Global Form” below.

Legend concerning United States persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend stating:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Overview of the Provisions Relating to the Notes whilst in Global Form” below. Further information related to the Index-Linked Interest Notes, Index-Linked Redemption Notes and Year-on-Year Index-Linked Interest Notes is contained in the section “Further information related to Index-Linked Interest Notes, Index-Linked Redemption Notes and Year-on-Year Index-Linked Interest Notes” below.

1 INTRODUCTION

- (a) *Programme:* Banca Popolare di Vicenza S.c.p.a (the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to €7,000,000,000 in aggregate principal amount of notes (the “**Notes**”).
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of a final terms (the “**Final Terms**”) which completes these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms.
- (c) *Agency Agreement:* The Notes are the subject of an amended and restated issue and paying agency agreement dated 18 September 2015 (the “**Agency Agreement**”) between the Issuer and Deutsche Bank AG, London Branch as fiscal agent (the “**Fiscal Agent**”, which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (d) *The Notes:* All subsequent references in these Conditions to “**Notes**” are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at and copies may be obtained from the Specified Offices of the Fiscal Agent and the Paying Agent and the Paying Agent in Luxembourg, the initial Specified Offices of which are set out below.
- (e) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the “**Noteholders**”) and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of the Fiscal Agent and the Paying Agent in Luxembourg, the initial Specified Offices of which are set out below.

2 INTERPRETATION

- (a) *Definitions:*

In these Conditions the following expressions have the following meanings:

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

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

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

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

“Broken Amount” has the meaning given in the relevant Final Terms;

“Business Day” means:

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

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

- (i) **“Following Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **“Modified Following Business Day Convention”** or **“Modified Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **“FRN Convention”**, **“Floating Rate Convention”** or **“Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that*:
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the

next calendar month, in which case it will be the first preceding day which is a Business Day; and

- (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

- (v) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

“Calculation Amount” has the meaning given in the relevant Final Terms;

“Change of Interest Basis” means, if applicable, the change of Interest Basis of the Notes as specified in the relevant Final Terms and in accordance with the provisions set out in Condition 8 (*Change of Interest Basis*);

“Coupon Sheet” means, in respect of a Note, a coupon sheet relating to the Note;

“CRA Regulation” means Regulation (EC) No 1060/2009, as amended;

“CRD IV” means the CRD IV Directive, the CRR and any CRD IV Implementing Measures;

“CRD IV Directive” means the Directive 2013/36 of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

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

“CRR” means the Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation No. 648/2012;

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

- (i) if **“Actual/Actual (ICMA)”** is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1)

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

- (b) where the Calculation Period is longer than one Regular Period, the sum of:
- (i) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (ii) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**” is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

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

- (vi) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

“**DBRS**” means DBRS Ratings Limited, which is established in the European Union and registered under the CRA Regulation, or any of its successors or assigns that is a credit rating agency established in the European Union and registered under the CRA Regulation;

“Early Redemption Amount (Indexation)” means (a) in respect of any Index-Linked Redemption Note, its principal amount multiplied by the Index Ratio (or Limited Index Ratio in the case of Limited Index-Linked Notes), applicable to the date on which the date fixed for redemption falls; and (b) in relation to Year-on-Year Index-Linked Interest Notes, the principal amount of the Notes outstanding, or such other amount as may be specified in the relevant Final Terms;

“Early Redemption Amount (Regulatory Event)” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*);

“Early Redemption Amount (Tax)” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*);

“Early Termination Amount” means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*);

“EURIBOR” means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

“Extraordinary Resolution” has the meaning given in the Agency Agreement;

“Final Redemption Amount” means, in respect of any Note, its principal amount subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*);

“Fitch” means Fitch Italia S.p.A., which is established in the European Union and registered under the CRA Regulation, or any of its successors or assigns that is a credit rating agency established in the European Union and registered under the CRA Regulation;

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

“Fixed Rate Notes” means Notes on which interest is calculated at a fixed rate pursuant to Condition 6 (*Fixed Rate Note Provisions*) as set out in the relevant Final Terms and each of them means a **“Fixed Rate Note”**;

“Fixed Rate Reset Notes” means Notes on which interest is calculated at a fixed rate for an initial period and thereafter by reference to a fixed rate of interest recalculated on one or more dates specified in the Final Terms and by reference to a mid-market swap rate for the Specified Currency, as set out in Condition 6A (*Fixed Rate Reset Note Provisions*) and in the relevant Final Terms and each of them means a **“Fixed Rate Reset Note”**;

“Floating Rate Notes” means Notes on which interest is calculated at a floating rate pursuant to Condition 7 (*Floating Rate, CMS Linked, Index-Linked Interest Note and Year-on-Year Index-Linked Interest Note Provisions*), as set out in the relevant Final Terms and each of them means a **“Floating Rate Note”**;

“Initial Rate of Interest” has the meaning given in the relevant Final Terms;

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

“Interest Basis” has the meaning given in the relevant Final Terms;

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

“Interest Determination Date” has the meaning given in the relevant Final Terms;

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

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

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

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

“Issue Date” has the meaning given in the relevant Final Terms;

“Italian Banking Act” has the meaning given in Condition 5 (*Status and Special Provisions of Subordinated Notes*);

“LIBOR” means, in respect of any specified currency and any specified period, the London inter-bank offered rate for that currency and period displayed on the appropriate page (being currently Reuters screen page LIBOR01 or LIBOR02) on the information service which publishes that rate;

“Margin” has the meaning given in the relevant Final Terms;

“Maturity Date” has the meaning given in the relevant Final Terms;

“Maximum Redemption Amount” has the meaning given in the relevant Final Terms;

“Minimum Redemption Amount” has the meaning given in the relevant Final Terms;

“Optional Redemption Amount (Call)” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*);

“Optional Redemption Amount (Put)” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*);

“Optional Redemption Date (Call)” has the meaning given in the relevant Final Terms;

“Optional Redemption Date (Put)” has the meaning given in the relevant Final Terms;

“Participating Member State” means a Member State of the European Union which adopts the Euro as its lawful currency in accordance with the Treaty;

“Payment Business Day” means:

- (i) if the currency of payment is Euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not Euro, any day which is:
 - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

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

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

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

“Prudential Regulations for Banks” means the Bank of Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended and supplemented from time to time, including any successor regulations;

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

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

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

“Rating Agency” means any of Fitch, S&P or DBRS, as specified by the Issuer in the Final Terms, or any other rating agency of equivalent international standing established in the European Union and registered under the CRA Regulation specified by the Issuer in the Final Terms;

“Rating Change” means a Step-up Rating Change and/or a Step-down Rating Change;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Regulatory Event), the Early Redemption Amount (Tax), the Early Redemption Amount (Indexation), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount;

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

“Reference Currency” has the meaning given in the relevant Final Terms;

“Reference Price” has the meaning given in the relevant Final Terms;

“Reference Rate” means EURIBOR, LIBOR or the CMS Rate as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms;

“Regular Period” means:

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

“Regulatory Event” is deemed to have occurred if there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion, in whole or, to the extent

permitted by the Applicable Banking Regulations, in part, from Tier II Capital of the Issuer and both of the following conditions are met: (i) the Relevant Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date;

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

“Relevant Date” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“Relevant Financial Centre” has the meaning given in the relevant Final Terms;

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

“Relevant Time” has the meaning given in the relevant Final Terms;

“Reserved Matter” means any proposal (i) 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 or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment; (ii) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; (iii) to change the currency in which amounts due in respect of the Notes are payable; (iv) to change the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution; or (v) to amend this definition;

“Reset Date” has the meaning given in the relevant Final Terms;

“S&P” means Standard & Poor's Credit Market Services Italy S.r.l., which is established in the European Union and registered under the CRA Regulation, or any of its successors or assigns that is a credit rating agency established in the European Union and registered under the CRA Regulation;

“Senior Note” means a Note specified as such in the relevant Final Terms;

“Specified Currency” has the meaning given in the relevant Final Terms;

“Specified Denomination(s)” has the meaning given in the relevant Final Terms;

“Specified Office” has the meaning given in the Agency Agreement;

“Specified Period” has the meaning given in the relevant Final Terms;

“Step-down Rating Change” means (subject as provided in relation to a Deemed Step-down Rating Change) an increase in the rating of the Notes to the Step-down Rating Threshold or higher indicated in the relevant Final Terms;

“Step-down Rating Threshold” has the meaning given in the relevant Final Terms;

“Step-up Margin” has the meaning given in the relevant Final Terms;

“Step-up Rating Change” means (subject as provided in relation to a Deemed Step-up Rating Change) a decrease in the rating of the Notes to below the Step-up Rating Threshold indicated in the relevant Final Terms;

“Step-up Rating Threshold” has the meaning given in the relevant Final Terms;

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

“Subsidiary” means, in relation to any Person (the **“first Person”**) at any particular time, any 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;

“Switch Option” means, if Change of Interest Basis and Issuer's Switch Option are specified as applicable in the applicable Final Terms, the option of the Issuer, at its sole absolute discretion, on one or more occasions and subject to the provisions of Condition 8, to change the Interest Basis of the Notes from Fixed Rate to Floating Rate, from Floating Rate to Fixed Rate or as otherwise specified in the applicable Final Terms, with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date;

“Talon” means a talon for further Coupons;

“TARGET2” means the Trans-European Automated real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“TARGET Settlement Day” means any day on which TARGET2 is open for the settlement of payments in Euro;

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

“Treaty” means the Treaty establishing the European Union, as amended; and

“Zero Coupon Note” means a Note specified as such in the relevant Final Terms.

- (b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and
- (viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

3 FORM, DENOMINATION AND TITLE

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4 STATUS OF SENIOR NOTES

The Senior Notes and the Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Issuer, present and future (save for certain mandatory exceptions provided by law).

5 STATUS AND SPECIAL PROVISIONS OF SUBORDINATED NOTES

- (a) *Status*: The Subordinated Notes (being those Notes that are specified in the relevant Final Terms as being Subordinated Notes) and the Coupons relating to them constitute unsecured obligations of the Issuer and rank *pari passu* and without any preference among themselves.

In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pari passu* on all Subordinated Notes, as the case may be, of such Series.

- (b) *Winding-up etc. of the Issuer*: In the event of the bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*, as described in Articles 80 to 94 of Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the “**Italian Banking Act**”)), dissolution, liquidation or winding-up of the Issuer, the payment obligations of the Issuer under the Subordinated Notes and the Coupons relating to them together with any other amounts attributable to the Subordinated Notes (including, without limitation, any accrued and unpaid interest thereon and any damages awarded for breach of any obligation in respect of such Note) shall rank in right of payment after unsubordinated, unsecured creditors (including depositors) of the Issuer but, at least, *pari passu* with all other present and future subordinated obligations of the Issuer that are not expressed by their terms to rank junior to or senior to the Subordinated Notes, and in priority to the claims of shareholders of the Issuer.
- (c) *Waiver*: Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

6 FIXED RATE NOTE PROVISIONS

- (a) *Application*: This Condition 6 is applicable to the Notes only if: (a) the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable; or (b) if a Change of Interest Basis is specified in the relevant Final Terms as being applicable, in respect of those periods for which the Fixed Rate Note Provisions are stated to apply.
- (b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.
- (d) *Calculation of interest amount*: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount or Broken Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-

unit being rounded upwards). For this purpose a “**sub-unit**” means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent. Where the Specified Denomination of a Note comprises more than one Calculation Amount, the amount of interest payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

6A FIXED RATE RESET NOTE PROVISIONS

- (a) *Application:* This Condition 6A is applicable to the Notes only if the Fixed Rate Reset Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest:
 - (i) from the Interest Commencement Date up to but excluding the First Reset Date at the Initial Rate of Interest;
 - (ii) in the First Reset Period, at the First Reset Rate of Interest; and
 - (iii) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Rate of Interest,

payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.
- (d) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Reset Determination Date, calculate the Interest Amount payable in respect of each Note for such Interest Period or, if determining the First Reset Rate of Interest or a Subsequent Reset Rate of Interest pursuant to this Condition 6A, the Interest Amount for each Interest Period falling within the relevant Reset Period. The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount or Broken Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a “**sub-unit**” means, in the case of any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of Euro, means one cent. Where the Specified Denomination of a Note comprises more than one Calculation Amount, the amount of interest payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.
- (e) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to

the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

- (f) *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

In these Conditions:

“**Anniversary Date(s)**” means each date specified as such in the Final Terms;

“**First Reset Date**” means the date specified as such in the Final Terms;

“**First Reset Period**” means the period from and including the First Reset Date up to but excluding the Second Reset Date or, if no such Second Reset Date is specified in the Final Terms, the date fixed for redemption of the Notes (if any);

“**First Reset Rate of Interest**” means the rate of interest as determined by the Calculation Agent on the Reset Determination Date corresponding to the First Reset Period as the sum of the relevant Reset Rate plus the relevant Margin;

“**Fixed Leg**” has the meaning given in the relevant Final Terms;

“**Floating Leg**” has the meaning given in the relevant Final Terms;

“**Initial Rate of Interest**” means the initial rate of interest per annum specified in the Final Terms;

“**Margin**” means the margin (expressed as a percentage) in relation to the relevant Reset Period specified as such in the Final Terms;

“**Mid-Swap Quotations**” means the arithmetic mean of the bid and offered rates:

- (i) if the Specified Currency is euro, 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 (i) has a term commencing on the relevant Reset Date which is equal to that of the relevant Swap Rate Period; (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), unless as otherwise specified in the Final Terms; or
- (ii) if the Specified Currency is not euro, for the Fixed Leg (as set out in the Final Terms) of a fixed for floating interest rate swap transaction in that Specified Currency which (i) has a term commencing on the relevant Reset Date which is equal to that of the relevant Swap Rate Period; (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 (as set out in the Final Terms);

“**Mid-Swap Rate**” means in respect of a Reset Period, (i) the applicable semi-annual or annualised (as specified in the applicable Final Terms) mid-swap rate for swap transactions in the Specified Currency (with a

maturity equal to that of the relevant Swap Rate Period specified in the Final Terms) as displayed on the Screen Page at 11.00 a.m. (in the principal financial centre of the Specified Currency) on the relevant Reset Determination Date (which rate, if the relevant Interest Payment Dates are other than semi annual or annual Interest Payment Dates, shall be adjusted by, and in the manner determined by, the Calculation Agent) or (ii) if such rate is not displayed on the Screen Page at such time and date, the relevant Reset Reference Bank Rate;

“Reset Determination Date” means, in respect of a Reset Period, (a) each date specified as such in the Final Terms or, if none is so specified (b)(i) if the Specified Currency is euro, the day falling two TARGET Business Days prior to the first day of such Reset Period; or (ii) for any other Specified Currency, the day falling two Business Days in the principal financial centre for such Specified Currency prior to the first day of such Reset Period;

“Reset Date” means each of the First Reset Date, the Second Reset Date and each of the Anniversary Dates (if any) as is specified in the Final Terms;

“Reset Period” means the First Reset Period or a Subsequent Reset Period;

“Reset Rate” means the relevant Mid-Swap Rate as specified in the Final Terms;

“Reset Reference Bank Rate” means the percentage rate determined on the basis of the Mid-Swap Quotations provided by the Reset Reference Banks to the Calculation Agent at or around 11:00 a.m. in the principal financial centre of the Specified Currency on the relevant Reset 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 determined by the Calculation Agent in its sole discretion following consultation with the Issuer;

“Reset Reference Banks” means five leading swap dealers in the principal interbank market relating to the Specified Currency selected by the Calculation Agent in its discretion after consultation with the Issuer;

“Screen Page” means Reuters screen page “ISDAFIX1”, “ISDAFIX2”, “ISDAFIX3” or “ISDAFIX4” as specified in the Final Terms or such other page on Thomson Reuters as is specified in the Final Terms, or such other screen page as may replace it on Thomson Reuters or, as the case may be, on such other information service that may replace Thomson Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying comparable rates;

“Second Reset Date” means the date specified as such in the Final Terms;

“Subsequent Reset Period” means the period from and including the Second Reset Date to but excluding the next Reset Date, and each successive period from and including a Reset Date to but excluding the next succeeding Reset Date;

“Subsequent Reset Rate of Interest” means, in respect of any Subsequent Reset Period, the rate of interest determined by the Calculation Agent on the Reset Determination Date corresponding to such Subsequent Reset Period as the sum of the relevant Reset Rate plus the relevant Margin; and

“Swap Rate Period” means the period or periods specified as such in the Final Terms.

7 FLOATING RATE, CMS LINKED, INDEX-LINKED INTEREST NOTE AND YEAR-ON-YEAR INDEX-LINKED INTEREST NOTE PROVISIONS

- (a) *Application:* This Condition 7 is applicable to the Notes only if: (i) the Floating Rate Note Provisions, the Index-Linked Interest Note Provisions, the Year-on-Year Index-Linked Interest Note Provisions or the CMS Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable; or (ii) if a Change of Interest Basis is specified in the relevant Final Terms as being applicable, in respect of those periods for which the Floating Rate Note Provisions, the Index-Linked Interest Note Provisions, the Year-on-Year Index-Linked Interest Note Provisions or the CMS Linked Interest Note Provisions are stated to apply.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest (in the case of Index-Linked Interest Notes, in accordance with Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*)) and in the case of Year-on-Year Index-Linked Interest Notes, in accordance with Condition 14A (*Year-on-Year Index-Linked Interest Notes*)) payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination (other than CMS Linked Interest Notes, Index-Linked Interest Notes and Index-Linked Redemption Notes):* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and “CMS Rate” is not specified as the Reference Rate in the Final Terms, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (1) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (2) determine the arithmetic mean of such quotations; and

- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

- (d) *Floating Rate Notes which are CMS Linked Interest Notes:* Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be:

- (i) where “CMS Reference Rate” is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

$$\text{CMS Rate} + \text{Margin}$$

- (ii) where “Leveraged CMS Reference Rate” is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

$$\text{Leverage} \times \text{CMS Rate}$$

- (iii) where “Steepner CMS Reference Rate” is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

Either:

- (A) where “Steepner CMS Reference Rate: Unleveraged” is specified in the applicable Final Terms:

$$\text{CMS Rate 1} - \text{CMS Rate 2}$$

or

- (B) where “Steepner CMS Reference Rate: Leveraged” is specified in the applicable Final Terms:

$$\text{Leverage} \times [(\text{Min}(\text{CMS Rate 1}; \text{Cap}) - \text{CMS Rate 2})] + \text{Margin}$$

- (iv) where “Call Spread CMS Reference Rate” is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

$$\text{Leverage} \times \text{Min} [\text{Max}(\text{CMS Rate} + \text{Margin}; \text{Floor}); \text{Cap}]$$

- (v) For the purposes of these Conditions:

“**Cap**” means the percentage per annum specified in the relevant Final Terms;

“**CMS Rate**” shall mean the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity (as defined in the ISDA Definitions), expressed as a percentage, which appears on the Relevant Screen Page as at the Specified Time on the Interest Determination Date in question, all as determined by the Calculation Agent. The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available ;

“**CMS Rate 1**” and “**CMS Rate 2**” means the CMS Rate with a particular Designated Maturity as specified in the relevant Final Terms;

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

“**Floor**” means the percentage per annum specified in the relevant Final Terms;

“**Leverage**” means the percentage specified in the relevant Final Terms; and

“**Margin**” means the figure specified in the relevant Final Terms.

- (e) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
 - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (f) *Index-Linked Interest*: if the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate of Interest applicable to the Notes for each Interest Period will be determined in accordance with the provisions of this Condition 7 and the provisions of Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*).
- (g) *Year-on-Year Index-Linked Interest*: if the Year-on-Year Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate of Interest applicable to the Notes for each Interest Period will be determined in accordance with the provisions of this Condition 7 and the provisions of Condition 14A (*Year-on-Year Index-Linked Interest Notes*).
- (h) *Linear Interpolation*: where Linear Interpolation is specified in the relevant Final Terms as applicable in respect of an Interest Period, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which

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

In this Condition, “**Applicable Maturity**” means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

- (i) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount during such Interest Period and multiplying the product by the relevant Day Count Fraction. Where the Specified Denomination of a Note comprises more than one Calculation Amount, the amount of interest payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.
- (j) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.
- (k) *Notifications etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8 CHANGE OF INTEREST BASIS

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

If Change of Interest Basis is specified as applicable in the applicable Final Terms, and Issuer's Switch Option is also specified as applicable in the applicable Final Terms, the Issuer may, on one or more occasions, as specified in the applicable Final Terms, at its option (any such option, a “**Switch Option**”), having given

notice to the Noteholders in accordance with Condition 21 (*Notices*) and delivering such notice to the Paying Agent and the Calculation Agent on or prior to the relevant Switch Option Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as otherwise specified in the applicable Final Terms with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date), provided that (A) the Switch Option may be exercised only in respect of all the outstanding Notes, (B) upon exercise of a Switch Option, the Interest Basis change will be effective from (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and (C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

“**Switch Option Expiry Date**” shall mean the date specified as such in the applicable Final Terms, such date being no less than 2 Business Days prior to the Switch Option Effective Date; and

“**Switch Option Effective Date**” shall mean any date specified as such in the applicable Final Terms provided that any such date (i) shall be an Interest Payment Date and (ii) shall be deemed as such subject to the exercise of the relevant Switch Option having been notified by the Issuer pursuant to this Condition and in accordance with Condition 21 (*Notices*) prior to the relevant Switch Option Expiry Date.

9 ZERO COUPON NOTE PROVISIONS

- (a) *Application:* This Condition 9 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10 STEP-UP NOTES

This Condition 10 applies to Fixed Rate Notes and Floating Rate Notes which are specified in the applicable Final Terms as being step-up Notes.

- (a) *Fixed Rate Notes:* The Rate of Interest for Fixed Rate Notes which are step-up Notes will be the Initial Rate of Interest specified in the applicable Final Terms. The Initial Rate of Interest shall be subject to adjustment (each such adjustment, a “**Fixed Rate Adjustment**”) in the event of a Step-up Rating Change (if any) or a subsequent Step-down Rating Change (if any), as the case may be, in accordance

with the following provisions. Any Fixed Rate Adjustment shall apply in respect of the Fixed Interest Period commencing on the Interest Payment Date falling on or immediately following the relevant Step-up Rating Change or Step-down Rating Change, as the case may be, until the date of redemption, as the case may be.

For any Fixed Interest Period commencing on or after the first Interest Payment Date immediately following a Step-up Rating Change, if any, the Rate of Interest shall be increased by the Step-up Margin specified in the applicable Final Terms.

In the event that a Step-down Rating Change occurs after a Step-up Rating Change, then for any Fixed Interest Period commencing on the first Interest Payment Date following such Step-down Rating Change, the Rate of Interest shall be the Initial Rate of Interest.

- (b) *Floating Rate Notes:* The Margin for Floating Rate Notes which are step-up Notes, as the case may be, will be the Margin specified in the applicable Final Terms. The Margin shall be subject to adjustment (each such adjustment, a “**Floating Rate Adjustment**”) in the event of a Step-up Rating Change (if any), or a subsequent Step-down Rating Change (if any), as the case may be, in accordance with the following provisions. Any Floating Rate Adjustment shall apply in respect of the Interest Period commencing on the Interest Payment Date falling on or immediately following the relevant Step-up Rating Change or Step-down Rating Change, as the case may be, until the date of redemption, as the case may be.

For any Interest Period commencing on or after the first Interest Payment Date immediately following a Step-up Rating Change, if any, the Margin shall be increased by the Step-up Margin specified in the applicable Final Terms.

In the event that a Step-down Rating Change occurs after a Step-up Rating Change, then for any Interest Period commencing on the first Interest Payment Date following such Step-down Rating Change, the Margin shall be the Margin specified in the applicable Final Terms.

- (c) *General:* The Issuer shall use all reasonable efforts to maintain credit ratings for Notes issued, or to be issued, by it and which are step-up Notes, as the case may be, from each of the Rating Agencies or Rating Agency, as specified in the relevant Final Terms. In the event that a Rating Agency fails to or ceases to assign a rating to Notes issued, or to be issued, by the Issuer, the Issuer shall use all reasonable efforts to obtain a rating of Notes issued, or to be issued, by it from any other rating agency of equivalent international standing specified by the Issuer (a “**Substitute Rating Agency**”), and references in this Condition 10 to a Rating Agency, as the case may be, or the ratings thereof, shall be to such Substitute Rating Agency or, as the case may be, the equivalent ratings thereof. In the event that such a rating is not obtained from a Substitute Rating Agency, then, for the purposes of the foregoing adjustments to the Rate of Interest or the Margin (as applicable), the ratings assigned by the remaining Rating Agency shall be deemed also to be the ratings assigned by the other Rating Agency.

In the event that a Rating Agency fails to or cease to assign a rating to Notes issued, or to be issued, by the Issuer and the Issuer fails to obtain a rating of Notes issued, or to be issued, by it from a Substitute Rating Agency, a Step-up Rating Change will be deemed to have occurred on the date of such failure (a “**Deemed Step-up Rating Change**”). If a rating of Notes issued, or to be issued, by the Issuer is subsequently assigned by one or more Rating Agencies, then if such rating (or ratings if more than one) is greater than or equal to the Step-down Rating Threshold, or the equivalent ratings in the case of a Substitute Rating Agency, a Step-down Rating Change will be deemed to have occurred on the date of such assignment (a “**Deemed Step-down Rating Change**”).

The Rate of Interest or the Margin (as applicable) will only be subject to adjustment due to a Step-up Rating Change or a Deemed Step-up Rating Change as provided above upon the first occurrence, on or after the Interest Commencement Date, of a Step-up Rating Change and may occur only once. An adjustment to the Rate of Interest or the Margin (as applicable) following the occurrence of a Step-down Rating Change or a Deemed Step-down Rating Change as provided above may only occur once and, in any event, only after the occurrence of the Step-up Rating Change.

The Issuer shall cause each Rating Change (if any) and the applicable Rate of Interest or applicable Margin to be notified to the Fiscal Agent, any stock exchange on which the relevant Notes are for the time being listed and the Noteholders in accordance with Condition 21 (*Notices*) as soon as practicable after such Rating Change.

11 REDEMPTION AND PURCHASE

- (a) *Redemption at maturity:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount, or, in the case of Index-Linked Redemption Notes, subject to adjustments for indexation in accordance with Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*), on the Maturity Date, subject as provided in Condition 12 (*Payments*).

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

- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer (subject, in the case of Subordinated Notes, to Condition 11(l) (*Redemption, purchase or modification of Subordinated Notes*)) in whole, but not in part:
- (i) at any time (if none of the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Index-Linked Interest Note Provisions or the Index-Linked Redemption Note Provisions are specified in the relevant Final Terms as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Index-Linked Interest Note Provisions or the Index-Linked Redemption Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 11(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 11(b).

(c) *Redemption for regulatory reasons:*

- (i) *Application:* This Condition 11(c) applies only to Notes specified in the applicable Final Terms as being Subordinated Notes.
- (ii) *Redemption:* If, at any time the Issuer determines that a Regulatory Event has occurred, the Notes may be redeemed at the option of the Issuer (subject, in the case of Subordinated Notes, to Condition 11(l) (*Redemption, purchase or modification of Subordinated Notes*) below), in whole, but not in part (A) at any time if this Note is not a Floating Rate Note, a CMS Linked Interest Note, or an Index-Linked Interest Note nor an Index-Linked Redemption Note or (B) on any Interest Payment Date if the Note is either a Floating Rate Note, a CMS Linked Interest Note, an Index-Linked Interest Note or an Index-Linked Redemption Note in each case, on giving not less than 15 nor more than 30 days' notice to the Fiscal Agent and, in accordance with Condition 21 (*Notices*), the Noteholders (which notice shall be irrevocable).

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

Upon the expiry of any such notice as is referred to in this Condition 11(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 11(c), at the Early Redemption Amount (Regulatory Event) described in the relevant Final Terms, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

- (d) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer (subject, in the case of Subordinated Notes, to Condition 11(l) (*Redemption, purchase or modification of Subordinated Notes*) below) in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the

Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

- (e) *Partial redemption*: If the Notes are to be redeemed in part only on any date in accordance with Condition 11(d) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 11(d) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Redemption at the option of Noteholders*: If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. The applicable Final Terms will contain provisions applicable to any Put Option and must be read in conjunction with this Condition 11(f) for full information on any Put Option. In particular, the applicable Final Terms will identify the Optional Redemption Date (Put), the Optional Redemption Amount (Put) and the applicable notice periods. This Condition 11(f) shall not apply to Subordinated Notes.

In order to exercise the option contained in this Condition 11(f), the holder of a Note must, not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 11(f), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 11(f), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- (g) *Early Redemption for Indexation Reasons*:
 - (i) In the case of Index-Linked Redemption Notes:
 - (A) if the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Noteholders and if the Expert (as defined in Condition 14 (*Indexation for Index-Linked*

Interest Notes and Index-Linked Redemption Notes - Definitions)) fails within 30 days after its appointment, or states to the Issuer and the Fiscal Agent that it is unable, to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments) as described in Condition 14(d) (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes - Changes in circumstances affecting the Index*), the Issuer shall, within 14 days after the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall be not less than 3 days nor more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at the Early Redemption Amount (Indexation), together with accrued interest; or

- (B) if the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer and if the Expert fails within 30 days after its appointment, or states to the Issuer and the Fiscal Agent that it is unable, to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments) as described in Condition 14(d) (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes - Changes in circumstances affecting the Index*), the Issuer may at its option, within 14 days after the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall be not less than 3 days nor more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at a price equal to the Early Redemption Amount (Indexation) applicable to the date on which the date fixed for redemption falls, together with accrued interest.
- (ii) In the case of Year-on-Year Index-Linked Interest Notes, pursuant to Condition 14A(e)(ii)(5) (*Cessation of Publication*), the Issuer may at its option, within 14 days after the relevant Valuation Date, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall be not less than 3 days nor more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at a price equal to the Early Redemption Amount (Indexation) applicable to the date on which the date fixed for redemption falls, together with accrued interest.

This Condition 11(g) shall not apply to Subordinated Notes.

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

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 11(i) or, if none is so specified, a Day Count Fraction of 30E/360.

- (j) *Purchase*: The Issuer or any of its respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith (subject, in the case of Subordinated Notes, to Condition 11(l) (*Redemption, purchase or modification of Subordinated Notes*)). Such Notes may be held, reissued, resold or, at the option of the Issuer, cancelled.
- (k) *Cancellation*: All Notes redeemed by the Issuer or any of its respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled. All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 11(j) (*Redemption and Purchase - Purchase*) (together with all unmatured Coupons cancelled therewith) may not be reissued or resold.
- (l) *Redemption, purchase or modification of Subordinated Notes*:

Any redemption of the Subordinated Notes in accordance with Conditions 11(b) (*Redemption for tax reasons*), 11(c) (*Redemption for regulatory reasons*), 11(d) (*Redemption at the option of the Issuer*) or 11(g) (*Early redemption for Indexation Reasons*), any purchase of the Subordinated Notes in accordance with Condition 11(j) (*Purchase*) or any modification of the Subordinated Notes in accordance with Condition 19 (*Meetings of Noteholders; Modification and Waiver*) is subject to:

- (i) the Issuer obtaining prior permission therefor from the Relevant Authority (if and to the extent then required under the Applicable Banking Regulations);
- (ii) in the case of any redemption or purchase, if and to the extent then required under the Applicable Banking Regulations, either: (A) the Issuer having replaced the Subordinated Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (B) the Issuer having demonstrated to the satisfaction of the Relevant Authority that the own funds of the Issuer would, following such redemption or purchase, exceed its minimum capital requirements (including any capital buffer requirements) by a margin that the Relevant Authority considers necessary at such time;
- (iii) in the case of any redemption prior to the fifth anniversary of the Issue Date, if and to the extent then required under Applicable Banking Regulations (A) in the case of redemption for tax reasons in accordance with Condition 11(b) (*Redemption for tax reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in tax treatment is material and was not reasonably foreseeable as at the Issue Date, or (B) in the case of redemption upon the occurrence of a Regulatory Event in accordance with Condition 11(c) (*Redemption for regulatory reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the relevant change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

To redeem any such Subordinated Notes where such consent has not been granted shall not constitute an event of default of the Issuer for any purpose. Notwithstanding the above conditions, if, at the time of any redemption, purchase or modification, the Applicable Banking Regulations permit the redemption, purchase or modification only after compliance with one or more alternative or additional

pre-conditions to those set out above in this Condition 11(l), the Issuer shall comply with such other and/or, as appropriate, additional pre-condition(s).

12 PAYMENTS

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is Euro, any other account to which Euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).
- (b) *Interest*: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons*: If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; *provided,*

however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

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

- (f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 12(f) is applicable or that the Floating Rate Note provisions, the Index-Linked Interest Note Provisions, the Index-Linked Redemption Note Provisions, the Year-on-Year Index-Linked Interest Note Provisions or the CMS Linked Interest Note provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 11(b) (*Redemption for tax reasons*), Condition 11(c) (*Redemption for regulatory reasons*), Condition 11(d) (*Redemption at the option of the Issuer*), Condition 11(f) (*Redemption at the option of Noteholders*), Condition 11(g) (*Early Redemption for Indexation Reasons*) or Condition 15 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 16 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

13 TAXATION

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed, or levied, collected, withheld or assessed by or on behalf of the Republic of

Italy or any political subdivision or any authority therein or thereof having power to tax, unless the withholding or deduction of such 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 holders of the Notes or Coupons after the withholding or deduction shall equal the respective amounts which would have been received in respect of the Notes or 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:

- (i) presented for payment in the Republic of Italy; or
- (ii) in relation to any payment or deduction of any interest, premium or other proceeds of any Note or Coupon on account of *imposta sostitutiva* pursuant to Legislative Decree No. 239 of 1 April 1996 and Italian Legislative Decree No. 461 of 21 November 1997, as amended and supplemented from time to time; or
- (iii) in all circumstances in which the procedures to obtain an exemption from *imposta sostitutiva* or any alternative future system of deduction or withholding set forth in Italian Legislative Decree No. 239 of 1 April 1996, as amended from time to time, or related implementing regulations, have not been met or complied with, except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or
- (iv) presented for payment by, or on behalf of, a holder who is liable to Taxes in respect of the Note or Coupon by reason of its having some connection with the Republic of Italy other than the mere holding of such Note or Coupon; or
- (v) presented for payment by a holder who is a non-Italian resident individual or legal entity, to the extent that interest or other amounts are beneficially owned by 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 tax authorities according to Article 6 of Legislative Decree No. 239 of 1 April 1996; or
- (vi) in respect of any taxes which are payable otherwise than by withholding or deduction from payments made under or with respect to the Notes; or
- (vii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (viii) held by or on behalf of a Noteholder or Couponholder who would have been able to lawfully avoid (but has not so avoided) such deduction or withholding by complying with any statutory requirements; or
- (ix) presented for payment by or on behalf of a holder who would have been entitled 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
- (x) with respect to a Note or Coupon presented for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days.; or
- (xi) classified as atypical securities where such withholding or deduction is required under Law Decree No. 512 of 30th September, 1983, as amended and supplemented from time to time; or

- (xii) any combination of items (i) through (xi).
- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction. For the avoidance of doubt, in no event will the Issuer be liable to pay any additional amounts to Noteholders in relation to any withholding or deduction under FATCA as described in Condition 12(d)(ii) (*Payments subject to fiscal laws*).

14 INDEXATION FOR INDEX-LINKED INTEREST NOTES AND INDEX-LINKED REDEMPTION NOTES

- (a) *Application:* The provisions of this Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*) apply only to Index-Linked Interest Notes and Index-Linked Redemption Notes.
- (b) *Payments of principal and interest:*
 - (i) Each payment of interest (in the case of Index-Linked Interest Notes) or principal (in the case of Index-Linked Redemption Notes) in respect of the Notes shall be the amount provided in, or determined in accordance with these Conditions, multiplied by the Index Ratio or, in the case of Limited Index-Linked Notes (as defined below), the Limited Index Ratio applicable to the date on which such payment falls to be made.
 - (ii) In respect of Index-Linked Redemption Notes, the Calculation Agent will calculate the Final Redemption Amount (Indexation) or Early Redemption Amount (Index-Linked) (as the case may be) of such Index-Linked Redemption Notes as soon as practicable after each time such amount is capable of being determined and will notify the Fiscal Agent thereof as soon as practicable after calculating the same. The Fiscal Agent will, as soon as practicable thereafter, notify the Issuer and any stock exchange on which the Notes are for the time being listed thereof and cause notice thereof to be published in accordance with Condition 21 (*Notices*).
- (c) *Rate of Interest for Index-Linked Interest Notes:*

Subject to Condition 14(d) (*Changes in circumstances affecting the Index*), the Rate of Interest for Index-Linked Interest Notes for each Interest Period will be adjusted to take into account the change in inflation between the relevant Base Index Figure and the relevant Index relating to the relevant Interest Payment Date, and will be calculated using the following simple formula:

Real Rate of Interest x Day Count Fraction x (Index relating to the relevant Interest Payment Date / Base Index Figure).

- (d) *Changes in circumstances affecting the Index:*
 - (i) *Change in base:*

If at any time the Index is changed by the substitution of a new base for it, then with effect from (and including) the date from and including that on which such substitution takes effect:

 - (A) the definition of Base Index Figure in Condition 14(e) (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes - Definitions*) shall be deemed to refer to the new date in substitution for the Commencement Date of the Index, as

specified in the applicable Final Terms (or, as the case may be, for such other date or month as may have been substituted for it); and

- (B) the definition of Base Index Figure in Condition 14(e) (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes - Definitions*) shall be amended to mean the product of the then applicable Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

(ii) *Delay in publication of the Index:*

- (A) if, in relation to a particular Interest Period or to the redemption of all or some only of the Notes and otherwise than in circumstances which may fall within this Condition 14(d) (*Changes in circumstances affecting the Index*) or Condition 11(g) (*Early Redemption for Indexation Reasons*) (notwithstanding that the Issuer may subsequently be advised that they do not fall within this Condition 14(d) (*Changes in circumstances affecting the Index*) or Condition 11(g) (*Early Redemption for Indexation Reasons*), the Index Figure relating to any month (the “**calculation month**”) which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth day before the date on which such payment is due (the “**date for payment**”), the Issuer shall appoint an Expert and the Index Figure for the relevant calculation month shall be the substitute index figure (if any) as is published by the government department responsible for the publication of such index for the purposes of indexation of payments on the Reference Bond or, failing such publication, on any one or more of index-linked stocks of the issuer of the Reference Bond, as determined by the Expert; or
- (B) if no such determination is made by the Expert within seven days, the Index Figure last published before the date for payment.
- (C) Where the provisions of this Condition 14(d)(ii) (*Delay in publication of the Index*) apply, a certificate of the Issuer (signed by two Directors), acting on the advice of an Expert, as to the Index Figure applicable to the date for payment falls shall be conclusive and binding upon the Issuer, the Fiscal Agent, the Calculation Agent, the Noteholders and the Couponholders. If a substitute index is published as specified in Condition 14(d)(ii)(A) above, a determination made based on that index shall be final and no further payment by way of adjustment shall be made, notwithstanding that the Index Figure applicable to the date for payment may subsequently be published. If no substitute index is so published and the Index relating to the date for payment is subsequently published then:
 - (1) in the case of any Note not falling due for redemption on the date for payment, if the Index Figure so subsequently published (if published while that Note remains outstanding) is greater or less than the Index Figure applicable by virtue of Condition 14(d)(ii)(B) above, the interest payable on that Note on the Interest Payment Date next succeeding the date of such subsequent publication shall be increased or reduced to reflect the amount by which the interest payable on that Note on the date for payment on the basis of the Index Figure applicable by virtue of Condition 14(d)(ii)(b) above fell short of, or (as the case may be) exceeded the

interest which would have been payable on that Note if the Index Figure subsequently published had been published on or before the second business day before the date for payment; or

- (2) in the case of any Note falling due for final redemption on the date for payment, no subsequent adjustment to amounts paid will be made;

(iii) *Index Disclaimer:*

The Notes are not sponsored, endorsed, sold or promoted by any Index or Index Sponsor and the relevant Index Sponsor does not make any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the relevant Index and/or the levels at which the relevant Index stands at any particular time on any particular date or otherwise. Neither the relevant Index nor the relevant Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in such Index and the Index Sponsor is under no obligation to advise any person of any error therein. In relation to any Index, the Index Sponsor is not making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Notes. The Issuer shall not have liability to the Noteholders for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment or maintenance of the relevant Index. Except as disclosed prior to the Issue Date specified in the applicable Final Terms, neither the Issuer nor any of its affiliates have any affiliation with or control over the relevant Index or the Index Sponsor or any control over the computation, composition or dissemination of the Index. Although the Calculation Agent will obtain information concerning the Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer its affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the relevant Index.

(e) *Definitions:* For the purposes of these Conditions:

“**Base Index Figure**” means (subject to Condition 14(d)(ii) (*Delay in publication of the Index*)) the base index figure relevant to the Commencement Date as specified in the relevant Final Terms;

“**Calculation Date**” means any date when an Interest Amount, Final Redemption Amount, the Early Redemption Amount (Regulatory), the Early Redemption Amount (Tax), the Early Redemption Amount (Indexation), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), or the Early Termination Amount, as applicable, falls due;

“**CPI**” or “**Consumer Price Index Unrevised**” means the “*Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI), senza tabacchi*” (the inflation index for blue collar workers and employees - excluding tobacco) as calculated on a monthly basis by *ISTAT - Istituto Nazionale di Statistica* (the Italian National Institute of Statistics (“**ISTAT**”)) which appears on Bloomberg Page ITCPIUNR (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying the level of such index);

“**Commencement Date**” has the meaning given in the relevant Final Terms;

“**Expert**” means an independent investment bank or other expert in London appointed by the Calculation Agent;

“**Final Redemption Amount (Indexation)**” means the Final Redemption Amount, as applicable, adjusted in accordance with the provisions of Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*);

“**HICP**” means the Non revised Index of Consumer Prices excluding tobacco, expressed as an index and published by Eurostat (“**Eurostat**”);

“**Index**” means CPI, HICP or UK RPI, as specified in the relevant Final Terms;

“**Index Figure**” means, in relation to any Calculation Date, subject as provided in Condition 14(d) (*Changes in circumstances affecting the Index*), the Index Figure as specified in the relevant Final Terms for the indexation of inflation as published by the Index and applicable to that Calculation Date or, if that index is not published for any Calculation Date, any substituted index or index figures published by the government department responsible for the publication of such Index or the comparable index which replaces such index for the purpose of calculating the amount payable on repayment of the Reference Bond;

Any reference to the “**Index Figure applicable**” to a particular Calculation Date shall, subject as provided in Condition 14(d) (*Changes in circumstances affecting the Index*);

if the relevant Final Terms specify that interpolation will apply, be calculated in accordance with the following formula:

$$\frac{RPI_{m-y} + (\text{Day of Calculation Date} - 1) \times (RPI_{m-x} - RPI_{m-y})}{(\text{Days in month of Calculation Date})}$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

RPI_{m-y} means the Index Figure for the first day of the month that is the number of months as specified in the relevant Final Terms (“**Indexation Month Reference Period Y**”) prior to the month in which the payment falls due; and

RPI_{m-x} means the Index Figure for the first day of the month that is the number of months as specified in the relevant Final Terms (“**Indexation Month Reference Period X**”) prior to the month in which the payment falls due; or

otherwise means the Index Figure for the first day of the month that is the number of months as specified in the relevant Final Terms (“**Indexation Month Reference Period**”) prior to the month in which the payment falls due;

the “**Index Ratio**” applicable to any Calculation Date means the Index Figure applicable to such date divided by the Base Index Figure and rounded to five decimal places (0.000005 being rounded upwards);

“**Index Sponsor**” means any of Eurostat, ISTAT or ONS, or any of their respective successors or assigns;

“**Limited Index Ratio**” means (a) in respect of any month or date, as the case may be, prior to the relevant Issue Date, the Index Ratio for that month or date, as the case may be, (b) in respect of any Limited Indexation Date after the relevant Issue Date, the product of the Limited Indexation Factor for that month or date, as the case may be, and the Limited Index Ratio as previously calculated in respect of the month or date, as the case may be, the number of months prior thereto (as specified in the relevant Final Terms (“**Limited Indexation Month Reference Period**”)); and (c) in respect of any

other month or date, as the case may be, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

“Limited Indexation Date” means any date falling during the period specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

“Limited Indexation Factor” means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date, as the case may be, divided by the Index Figure applicable to the month or date, as the case may be, the number of months prior thereto (as specified in the relevant Final Terms (Limited Indexation Month Reference Period)), provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

“Limited Indexation Month” means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

“Limited Index-Linked Notes” means Index-Linked Interest Notes or Index-Linked Redemption Notes to which a Maximum Indexation Factor and/or a Minimum Indexation Factor applies;

“Maximum Indexation Factor” means the figure specified in the relevant Final Terms;

“Minimum Indexation Factor” means the figure specified in the relevant Final Terms;

the **“Rate of Interest”** applicable to any amount payable unless stated otherwise in the relevant Final Terms shall be the amount calculated by reference to Condition 14(b) and rounded to six decimal places (0.0000005 being rounded upwards);

“Real Rate of Interest” means the figure specified in the relevant Final Terms;

“Reference Bond” means the Reference Bond as specified in the relevant Final Terms whereas (a) if the Index is specified as UK RPI, the Reference Bond shall also be read to mean Reference Gilt or (b) if the Index is specified as HICP or CPI, the Reference Bond shall also be read to mean Related Instrument;

“Reference Gilt” means UK Treasury Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked UK Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer (an **“Indexation Adviser”**);

“Related Instrument” means an inflation linked bond selected by the Calculation Agent that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to inflation in the European Monetary Union with a maturity date that falls on (a) the same day as the Maturity Date, (b) the next longest maturity date after the Maturity Date if there is no such bond maturing on the Maturity Date or (c) the next shortest maturity date if no bond defined in (a) or (b) above is selected by the Calculation Agent. The Calculation Agent will select the Related Instrument from such of those inflation linked bonds issued on or before the relevant Issue Date and, if there is more than one such inflation linked bond maturing on the same date, the Related Instrument shall be selected by the Calculation Agent from such of those bonds. If the Related Instrument is redeemed, the Calculation Agent will select a new Related Instrument on the same basis, but selected from all eligible bonds in

issue at the time the originally selected Related Instrument is redeemed (including any bond for which the redeemed originally selected Related Instrument is exchanged); and

“**UK RPI**” means the UK Retail Price Index (RPI) (for all items) published by the Office for National Statistics of the United Kingdom (“**ONS**”).

14A YEAR-ON-YEAR INDEX-LINKED INTEREST NOTES

- (a) *Application*: The provisions of this Condition 14A (*Inflation Linked Interest*) apply only to Year-on-Year Index-Linked Interest Notes.
- (b) *Rate of Interest for Year-on-Year Index-Linked Interest Notes*: Subject to Condition 14A(c) (*Cap Rate and Floor Rate*) , the Rate of Interest for Inflation Linked Interest Notes for each Interest Period will be the sum of (x) the Inflation Factor determined for the Interest Payment Date falling at the end of such Interest Period (the “**Relevant Interest Payment Date**”) in accordance with Condition 14A(c) (*Inflation Factor*) multiplied by the number specified as the “*Participation*” in the Final Terms for such Relevant Interest Payment Date (provided that if no such amount is specified, the Participation shall be deemed to be 1) (the “**Participation**”) and (y) the “*Spread*” percentage rate specified as such in the Final Terms for such Relevant Interest Payment Date (which rate may be negative) (the “**Spread**”).

The Rate of Interest calculation can also be expressed formulaically as:

$$(\text{Inflation Factor} \times \text{Participation}) + \text{Spread}$$

- (c) *Cap Rate and Floor Rate*: If the Final Terms specify a “*Cap Rate*” percentage (“**Cap Rate**”) or a “*Floor Rate*” percentage (“**Floor Rate**”) (in each case either (i) generally or (ii) in relation to one or more Interest Payment Dates), then the Rate of Interest for Inflation Linked Interest Notes shall be no higher than the Cap Rate or lower than the Floor Rate (and in no event shall any Rate of Interest for Inflation Linked Interest Notes be lower than zero).
- (d) *Inflation Factor*: The “**Inflation Factor**” shall be determined by subtracting 1 from the amount that is determined by dividing:

(x) the Inflation Index Level for the calendar month (“**Reference Month**”) specified in the Final Terms as corresponding to the relevant Interest Payment Date (“**Inflation Index(t)**”); by

(y) the Inflation Index Level for the Reference Month falling 12 months prior to the Reference Month specified in the Final Terms as corresponding to the relevant Interest Payment Date (“**Inflation Index(t-1)**”).

The Inflation Factor calculation can also be expressed formulaically as follows:

$$\frac{\text{Inflation Index}_{(t)}}{\text{Inflation Index}_{(t-1)}} - 1$$

If any Interest Payment Date does not fall on the first calendar day of a month, and the Final Terms specify that the Reference Month corresponding to such Interest Payment Date is subject to linear interpolation, the relevant Inflation Index Level for the Reference Month corresponding to such Interest Payment Date and the Reference Month falling 12 months prior to such Reference Month shall be calculated using linear interpolation between (x) the Inflation Index Level for such month and (y) the Inflation Index Level for the calendar month following such month.

(e) *Inflation Index Disruption Events:*

- (i) *Delay of Publication:* If the Inflation Index Level for a Reference Month which is relevant to the calculation of an amount payable in respect of a Note (a “**Relevant Level**”) has not been published or announced on or before the fourteenth day before the date on which such amount is due (the “**Valuation Date**”), the Calculation Agent shall determine a “**Substitute Inflation Index Level**” (in place of such Relevant Level) by using the following methodology:

- (1) if applicable, the Calculation Agent will take the same action to determine the Substitute Inflation Index Level for the relevant Valuation Date as that taken by the calculation agent pursuant to the terms and conditions of the Related Bond; or
- (2) if the Calculation Agent is not able to determine a Substitute Inflation Index Level pursuant to sub-clause (i) above for the relevant Valuation Date for any reason, then the Calculation Agent shall determine the Substitute Inflation Index Level as follows:

$$\text{Base Level} \times (\text{Latest Level/Reference Level})$$

If a Relevant Level is published or announced at any time after the relevant Valuation Date such Relevant Level will not be used in any calculations and instead the Substitute Inflation Index Level so determined pursuant to this Condition 14A(e)(i) will be the definitive level for the relevant Reference Month.

- (ii) *Cessation of Publication:* If the level of the relevant Inflation Index has not been published or announced for two consecutive months or the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index, then the Calculation Agent shall determine a “**Successor Inflation Index**” (in lieu of any previously applicable Inflation Index) for the purposes of the Year-on-Year Index-Linked Interest Notes by using the following methodology:

- (1) if at any time (other than after the designation by the Calculation Agent of a date for the early redemption of the Notes pursuant to paragraph (5) below) a successor index has been designated by the calculation agent pursuant to the terms and conditions of the Related Bond, such successor index shall be designated a 'Successor Inflation Index' for the purposes of all subsequent Interest Payment Dates or the Maturity Date (as applicable) in relation to the Notes notwithstanding that any other successor index may previously have been determined under the other subsections of this Condition 14A(e)(ii);
- (2) if: (aa) a Successor Inflation Index has not been determined under paragraph (1) above; (bb) there has been no designation of a date for the early redemption of the Notes by the Calculation Agent pursuant to paragraph (5) below; (cc) a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor; and (dd) the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, then such replacement index shall be deemed to be the 'Successor Inflation Index' for the purposes of the Notes from the date that such replacement Inflation Index comes into effect;

- (3) if a Successor Inflation Index has not been determined by the Calculation Agent under sub-paragraph (1) or (2) above (and there has been no designation of a date for the early redemption of the Notes by the Calculation Agent pursuant to subparagraph (5) below), the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If at least four responses are received and, of those responses, three or more of such dealers state the same index, such index will be deemed the 'Successor Inflation Index' for the purposes of the Notes. If three responses are received and, of those responses, two or more of such dealers state the same index, such index will be deemed the 'Successor Inflation Index' for the purposes of the Notes. If fewer than three responses are received, paragraph (4) below shall apply;
 - (4) if no Successor Inflation Index has been determined under sub-paragraphs (1), (2) or (3) above by the relevant Valuation Date, the Calculation Agent will determine an appropriate alternative index for such Valuation Date and such index will be deemed a 'Successor Inflation Index'; or
 - (5) if the Calculation Agent determines that there is no appropriate alternative index, the Issuer may, by notice to the Noteholders, in accordance with Condition 21 (*Notices*), redeem the Notes pursuant to Condition 11(g) (*Early Redemption for Indexation Reasons*).
- (iii) *Rebasing of Inflation Index*: If the Calculation Agent determines that the Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the “**Rebased Inflation Index**”) will be used for purposes of determining the level of an Inflation Index from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. If there is no Related Bond, the Calculation Agent shall make adjustments to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Notes.
 - (iv) *Material Modification Prior to an Interest Payment Date or Maturity Date*: If, on or prior to the relevant Valuation Date the Inflation Index Sponsor announces that it will make a material change to the Inflation Index, the Calculation Agent shall make any such adjustments to the Inflation Index consistent with adjustments made to the Related Bond, or, if there is no Related Bond, only those adjustments necessary for the modified Inflation Index to continue as the Inflation Index.
 - (v) *Manifest Error in Publication*: If, within thirty days of publication, but no later than the time at which the Rate of Interest is to be determined in relation to the relevant Interest Period, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent will use the latest corrected level of the Inflation Index for the purpose of determining any amounts payable by the Issuer to the Noteholders and take such other action as it may deem necessary to give effect to such correction.

(vi) *Inflation Index Disclaimer:*

The Notes are not sponsored, endorsed, sold or promoted by any Inflation Index or Inflation Index Sponsor and the relevant Inflation Index Sponsor does not make any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the relevant Inflation Index and/or the levels at which the relevant Inflation Index stands at any particular time on any particular date or otherwise. Neither the relevant Inflation Index nor the relevant Inflation Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in such Inflation Index and the Inflation Index Sponsor is under no obligation to advise any person of any error therein. In relation to any Inflation Index, the Inflation Index Sponsor is not making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Notes. The Issuer shall not have liability to the Noteholders for any act or failure to act by the Inflation Index Sponsor in connection with the calculation, adjustment or maintenance of the relevant Inflation Index. Except as disclosed prior to the Issue Date specified in the applicable Final Terms, neither the Issuer nor any of its affiliates have any affiliation with or control over the relevant Inflation Index or the Inflation Index Sponsor or any control over the computation, composition or dissemination of the Inflation Index. Although the Calculation Agent will obtain information concerning the Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer its affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the relevant Inflation Index.

(f) *Definitions:* For the purposes of these Conditions:

“**Base Level**” means the level of the Inflation Index (excluding any 'flash' estimates) published or announced by the Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Inflation Index Level is being determined;

“**Fallback Bond**” means a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to the Inflation Index, with a maturity date which falls on (a) the same day as the Maturity Date of the Year-on-Year Index-Linked Interest Notes, (b) the next longest maturity after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged);

“**Inflation Index**” means CPI, HICP or UK RPI, as specified in the relevant Final Terms;

“**Inflation Index Level**” means the level of the Inflation Index first published or announced for the relevant Reference Month, as determined by the Calculation Agent, subject to Condition 14A(e) (*Inflation Index Disruption Events*);

“**Inflation Index Sponsor**” means the Inflation Index sponsor specified as such in the Final Terms and any successor Inflation Index sponsor of such Inflation Index;

“**Latest Level**” means the latest level of the Inflation Index (excluding any 'flash' estimates) published or announced by the Inflation Index Sponsor prior to the month in respect of which the Substitute Inflation Index Level is being calculated;

“**Reference Level**” means the level of the Inflation Index (excluding any 'flash' estimates) published or announced by the Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in 'Latest Level' above; and

“**Related Bond**” means the bond specified in the Final Terms or, if no bond is specified as the Related Bond, the Related Bond shall be the Fallback Bond. If the bond specified to be the Related Bond redeems or matures during the term of the Year-on-Year Index-Linked Interest Notes, following such redemption or maturity the Related Bond shall be the Fallback Bond.

15 EVENTS OF DEFAULT

(a) *Subordinated Notes*

This Condition 15 (a) applies only in respect of Subordinated Notes and references to holders of Notes or Coupons in this Condition 15 (a) shall be construed accordingly.

If any of the following events occurs:

- (i) *Winding up etc.*: the Issuer is wound-up or dissolved (otherwise than for purposes of any amalgamation, merger or reconstruction); or
- (ii) *Analogous event*: any event occurs which under the laws of Italy has an analogous effect to any of the events referred to in paragraph (i) (*Winding up, etc.*) above,

the Notes are, and they shall immediately become due and repayable at their Redemption Amount together with, if appropriate, accrued interest thereon. No remedy against the Issuer other than as specifically provided by this Condition shall be available to holders of the Notes or Coupons whether for the recovery of amounts owing in respect of the Notes or in respect of any breach by the Issuer of any of its obligations in relation to the Notes or otherwise.

(b) *Senior Notes*

This Condition 15 (b) applies only in respect of Senior Notes and references to holders of Notes or Coupons in this Condition 15 (b) shall be construed accordingly.

If any of the following events occurs:

- (i) *Non-Payment*: the Issuer fails to pay the principal of or any interest on any of the Notes when due and, in the case of interest, such failure continues for a period of five TARGET Settlement Days; or
- (ii) *Breach of Other Obligations*: the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Agency Agreement which default is incapable of

remedy within 30 days after written notice requiring such default to be remedied has been delivered to the Issuer at the specified office of the Fiscal Agent by the relevant Noteholder; or

- (iii) *Cross-Default*: (1) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised, becomes due and payable or is capable of becoming due and payable prior to its stated maturity otherwise than at the option of the Issuer, or (2) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (3) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, *provided that* the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 15 (b) (iii) have occurred equals or exceeds EUR 10,000,000 or its equivalent in another currency as determined by the Fiscal Agent; or
- (iv) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 30 days; or
- (v) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Subsidiaries becomes enforceable over any material part of the property, assets or revenues of the Issuer or such Subsidiary and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or
- (vi) *Insolvency*: the Issuer or any of its Subsidiaries is (or is, or could be, adjudicated by a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or
- (vii) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Subsidiaries, or the Issuer or any of its Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases, or through an official action of its board of Directors threatens to cease, to carry on all or a substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its subsidiaries (which means, in respect of the Issuer at any particular time, any other entity which is controlled by the Issuer in accordance with Article 2359 no. 1 of the Italian Civil Code, or
- (viii) *Analogous Events*: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable,

whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

16 PRESCRIPTION

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

17 REPLACEMENT OF NOTES AND COUPONS

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

18 AGENTS

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

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

- (a) the Issuer shall at all times maintain a Fiscal Agent; and
- (b) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to the EU Savings Tax Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system; and
- (e) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer is incorporated.

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

19 MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER

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

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, (and subject, in the case of Subordinated Notes, to Condition 11(l) (*Redemption, purchase or modification of Subordinated Notes*)) the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

20 FURTHER ISSUES

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

21 NOTICES

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) and, if the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, published on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

22 CURRENCY INDEMNITY

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

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

23 MARGIN, MAXIMUM RATE OF INTEREST, MINIMUM RATE OF INTEREST AND ROUNDING

- (a) If any Margin is specified in the Final Terms (either (A) generally, (B) in relation to one or more Interest Periods or (C) in relation to one or more Reset Periods), an adjustment shall, unless the relevant Margin has already been taken into account in determining such Rate of Interest, be made to all Rates of Interest, in the case of (A), or the Rates of Interest for the specified Interest Periods or Reset Periods, in the case of (B) or (C), calculated, in each case, in accordance with Condition 6 (*Fixed Rate Reset Note Provisions*) or Condition 7 (*Floating Rate, CMS Linked, Index-Linked Interest Note and Year-on-Year Index-Linked Interest Note Provisions*) as the case may be, by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin subject always (in the case of Floating Rate Notes only) to the next paragraph.
- (b) If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (c) For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24 GOVERNING LAW AND JURISDICTION

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law, except that provisions concerning the status of the Subordinated

Notes are governed by the laws of the Republic of Italy. Condition 19(a) (*Meetings of Noteholders*) and the relevant provisions of the Agency Agreement concerning meetings of Noteholders and the appointment of a Noteholders' Representative (*rappresentante comune*), where applicable, are subject to compliance with the laws of the Republic of Italy.

- (b) *English courts*: The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity.
- (c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England*: Condition 24(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 24 prevents any Noteholder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Process agent*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Laurentia Financial Services Ltd. at 15 Northfields Prospect, London, SW18 1PE, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Parts 34 and 37 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

FURTHER INFORMATION RELATING TO INDEX-LINKED INTEREST NOTES, INDEX-LINKED REDEMPTION NOTES AND YEAR-ON-YEAR INDEX-LINKED INTEREST NOTES

The Issuer can issue Notes which are linked to an index as either Index-Linked Interest Notes, Index-Linked Redemption Notes and Year-on-Year Index-Linked Interest Notes pursuant to the Programme, where the underlying index is either (i) the Non-revised index of Consumer Prices excluding tobacco, measuring the rate of inflation in the European Monetary Union excluding tobacco published by Eurostat (HICP) (“**HICP**”) (ii) the “*Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI), senza tabacchi*” as calculated on a monthly basis by *ISTAT - Istituto Nazionale di Statistica* (the Italian National Institute of Statistics) (the “**CPI**”); or (iii) the U.K. Retail Price Index (RPI) (all items) published by the Office of National Statistics (“**UK RPI**”). The following information provides a clear and comprehensive explanation to prospective investors about how the value of any Index-Linked Interest Notes, Index-Linked Redemption Notes or Year-on-Year Index-Linked Interest Notes is affected by the value of the underlying index.

“CPI” or “ITL” – Inflation for Blue Collar Workers and Employees - Excluding Tobacco

The “Consumer Price Index Unrevised” is the “*Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI), senza tabacchi*” as calculated on a monthly basis by *ISTAT - Istituto Nazionale di Statistica* (the Italian National Institute of Statistics) which appears on Bloomberg Page ITCPIUNR (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying the level of such index), provided that for the purposes of the calculation of the Rate of Interest and the Final Redemption Amount, the first publication or announcement of a level of the Index (excluding estimates) by *ISTAT - Istituto Nazionale di Statistica* (the Italian National Institute of Statistics) for a given month shall be final and conclusive and later revisions of the level for such month will not be used in any calculations.

Information about the past and the further performance of the CPI and its volatility can be obtained from:
<http://www.istat.it/en/>

Interest on Index-Linked Interest Notes, Index-Linked Redemption Notes and Year-on-Year Index-Linked Interest Notes which are linked to the CPI

In relation to Index-Linked Interest Notes and Index-Linked Redemption Notes which are linked to the CPI, the interest amount due on each interest payment date will be calculated in accordance with Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*).

In relation to Year-on-Year Index-Linked Interest Notes, the interest amount due on each interest payment date will be calculated in accordance with Condition 14A (*Year-on-Year Index-Linked Interest Notes*).

Redemption of Index-Linked Redemption Notes which are linked to the CPI

Assuming that the Issuer is able to pay its debts in full and the Index-Linked Redemption Notes are not otherwise redeemed or purchased and cancelled in accordance with the Conditions, Index-Linked Redemption Notes linked to CPI will be repaid on their maturity date at their nominal amount, plus/less an additional amount reflecting any increase/decrease in the CPI between the Base CPI figure and the CPI figure relevant to the payment date. The redemption amount will be calculated at a specified time prior to the maturity date, unless a maximum or minimum redemption amount is otherwise specified. Where the CPI figure relevant to the payment date is lower than the Base CPI, investors will receive less than the nominal amount of the Index-

Linked Redemption Notes on the maturity date if no minimum redemption amount is specified, or if the minimum redemption amount is specified at an amount lower than the nominal amount.

The redemption amount due will be calculated as follows, unless a maximum or minimum redemption amount is specified:

Nominal Amount x [CPI figure relating to the maturity date / Base CPI]

UK Retail Price Index

The UK RPI is the most familiar general purpose domestic measure of inflation in the UK. The UK RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

UK RPI is compiled by the UK Office for National Statistics (the “ONS”) using a large and representative selection of approximately 650 separate goods and services for which price movements are regularly measured in approximately 150 areas throughout the UK. Approximately 120,000 separate price quotations are used each month in compiling the UK RPI. The UK Government uses the UK RPI for its own existing inflation-linked Notes. If prices rise compared to the previous month, the UK RPI goes up and if prices fall compared to the previous month, the UK RPI goes down. It takes a couple of weeks for the ONS to compile the index, so they publish each month's UK RPI figure during the following month, i.e. the figure relating to February will be published in March. The UK RPI figures used in the calculation of interest payments on Index-Linked Interest Notes, Index-Linked Redemption Notes and Year-on-Year Index-Linked Interest Notes which are linked to UK RPI and the amount due to be repaid on Index-Linked Redemption Notes which are linked to RPI at redemption are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

Information about the past and the further performance of the UK RPI and its volatility can be obtained from: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Retail+Prices+Index>.

Index-Linked Redemption Notes which are linked to the UK RPI

An Index-Linked Redemption Note which is linked to the UK RPI is a type of Note where the interest payable and the nominal amount of the Note are both adjusted in line with the UK RPI. This means that both the interest amounts paid periodically and the principal required to be paid on redemption of the Index-Linked Redemption Note which is linked to the UK RPI are adjusted to take account of changes in the UK RPI since the specified reference date for calculating the RPI (i.e. the index fixing date, as described below).

To calculate the RPI adjustment, two UK RPI 'fixing' figures are required – one that relates to the start of the Note's life (the “**Base RPI**”) and one that relates to the relevant payment date. The real rate of interest offered on Index-Linked Redemption Note which is linked to the UK RPI (i.e. the rate before taking inflation into account) is fixed when the Index-Linked Redemption Note which is linked to the UK RPI are issued.

Interest on Index-Linked Interest Notes, Index-Linked Redemption Notes and Year-on-Year Index-Linked Interest Notes which are linked to the UK RPI

In relation to Index-Linked Interest Notes and Index-Linked Redemption Notes which are linked to the UK RPI, the interest amount due on each interest payment date will be calculated in accordance with Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*).

In relation to Year-on-Year Index-Linked Interest Notes which are linked to the UK RPI, the interest amount due on each interest payment date will be calculated in accordance with Condition 14A (*Year-on-Year Index-Linked Interest Notes*).

Redemption of Index-Linked Redemption Notes which are linked to the UK RPI

Assuming that the Issuer is able to pay its debts in full and the Index-Linked Redemption Notes are not otherwise redeemed or purchased and cancelled in accordance with the Conditions, Index-Linked Redemption Notes which are linked to the UK RPI will be repaid on their maturity date at their nominal amount, plus/less an additional amount reflecting any increase/decrease in the UK RPI between the Base RPI figure and the UK RPI figure relevant to the payment date. The redemption amount will be calculated at a specified time prior to the maturity date, unless a maximum or minimum redemption amount is otherwise specified. Where the UK RPI figure relevant to the payment date is lower than the Base RPI, investors will receive less than the nominal amount of the Index-Linked Redemption Notes which are linked to the UK RPI on the maturity date if no minimum redemption amount is specified, or if the minimum redemption amount is specified at an amount lower than the nominal amount.

The redemption amount due will be calculated as follows, unless a maximum or minimum redemption amount is specified:

Nominal Amount x [UK RPI figure relating to the maturity date / Base RPI]

Eurostat Eurozone Harmonised Indices of Consumer Prices excluding Tobacco Unrevised Series Non Seasonal Adjusted

The Eurozone Harmonised Index of Consumer Prices excluding Tobacco (HICP), as calculated and published by EUROSTAT and the national statistical institutes in accordance with harmonised statistical methods is an economic indicator constructed to measure the changes over time in the prices of consumer goods and services acquired by households in the Eurozone. Following the Maastricht Treaty, the HICPs have been used as convergence criteria and the main measure for monitoring price stability by the ECB in the Euro area, as well as for use on international comparison.

HICP is the aggregate of the Member States' individual harmonised index of consumer prices excluding tobacco (“**Individual HICP**”). Each country first publishes its Individual HICP in conjunction with its consumer price index. Thereafter, Eurostat aggregates the Individual HICPs and publishes an HICP for the Eurozone, as well as a breakdown by item and by country. In any specific year, each country's weight in the HICP for the Eurozone equals the share that such country's final household consumption constitutes within that of the Eurozone as a whole for the year that is prior to that specified year. These weights are re-estimated every year in the January publication of the HICP.

HICP is said to be harmonised because the methodology and nomenclatures for the index of prices are the same for all of the countries in the Eurozone and the European Union. This makes it possible to compare inflation among different Member States of the European Union. Emphasis is placed on the quality and comparability of the various countries' indices.

HICP is calculated as an annual chain-index, which makes it possible to change the weights every year. This also makes it possible to integrate new entrants, as in the case of Greece in January 2001. If a new entrant is integrated in a specific year, it is included in the Eurozone HICP starting from January of that year. The new Member State's weight is included in the annual revaluation of the HICP.

HICP is published every month on Eurostat's internet site, according to a pre-determined official timetable. Publication generally occurs around the 14th – 16th day of the following month. If a revision is made, it is published with the HICP of the following month.

Base Year Change

In Europe, the national statistics institutes change the base year of their price indices every 5 to 10 years. This procedure is necessary to ensure that the index follows changes in the consumption pattern through a new consumer spending nomenclature. The resetting of the base generally accompanies changes in the definition of household consumption that occur when the national accounting system is modified. Since 2006, the index reference period has been set to 2005 = 100. In order to obtain a common price reference period, too, the weights for each year are “price updated” to December of the previous year.

Information about the past and the further performance of the HICP and its volatility can be obtained from: <http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction>

Index-Linked Redemption Notes which are linked to the HICP

An Index-Linked Redemption Note which is linked to the HICP is a type of Note where the interest payable and the nominal amount of the Note are both adjusted in line with the HICP. This means that both the interest amounts paid periodically and the principal required to be paid on redemption of the Index-Linked Redemption Note which is linked to the HICP are adjusted to take account of changes in the HICP since the specified reference date for calculating the HICP (i.e. the index fixing date, as described below).

To calculate the HICP adjustment, two HICP 'fixing' figures are required – one that relates to the start of the Note's life (the “**Base HICP**”) and one that relates to the relevant payment date. The real rate of interest offered on Index-Linked Redemption Notes which are linked to the HICP (i.e. the rate before taking inflation into account) is fixed when the Index-Linked Redemption Note which is linked to the HICP are issued.

Interest on Index-Linked Interest Notes, Index-Linked Redemption Notes and Year-on-Year Index-Linked Interest Notes which are linked to the HICP

In relation to Index-Linked Interest Notes and Index-Linked Redemption Notes which are linked to the UK RPI, the interest amount due on each interest payment date will be calculated in accordance with Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*).

In relation to Year-on-Year Index-Linked Interest Notes which are linked to the UK RPI, the interest amount due on each interest payment date will be calculated in accordance with Condition 14A (*Year-on-Year Index-Linked Interest Notes*).

Index-Linked Redemption Notes which are linked to the HICP

Assuming that the Issuer is able to pay its debts in full and the Index-Linked Redemption Notes are not otherwise redeemed or purchased and cancelled in accordance with the Conditions, Index-Linked Redemption Notes which are linked to the HICP will be repaid on their maturity date at their nominal amount, plus/less an additional amount reflecting any increase/decrease in the HICP between the Base HICP figure and the HICP figure relevant to the payment date. The redemption amount is calculated at a specified time prior to the maturity date, unless a maximum or minimum redemption amount is otherwise specified. Where the HICP figure relevant to the payment date is lower than the Base HICP, investors will receive less than the nominal amount of the Index-Linked Redemption Notes which are linked to the HICP on the maturity date if no minimum redemption amount is specified, or if the minimum redemption amount is specified at an amount lower than the nominal amount.

The redemption amount due will be calculated as follows, unless a maximum or minimum redemption amount is specified:

Nominal Amount x [HICP figure relating to the maturity date / Base HICP]

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [date]

BANCA POPOLARE DI VICENZA S.c.p.a.

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

under the €7,000,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the base prospectus dated 18 September 2015 (the “**Base Prospectus**”) [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area) (the “**Prospectus Directive**”). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus.

Full information on the Issuer and the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing at Banca Popolare di Vicenza, S.c.p.a, I-36100 Vicenza, Via Btg. Framarin, Italy and on the website of the Luxembourg Stock Exchange and copies may be obtained from the specified office of each Paying Agent and the Luxembourg Listing Agent. In the case of Notes admitted to trading on the [regulated market of the Luxembourg Stock Exchange/*insert other market*], the applicable Final Terms will also be published in electronic form on [the website of the Luxembourg Stock Exchange (*www.bourse.lu*) /*insert other website*].]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under the 2014 Base Prospectus]

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the “**Conditions**”) set forth in the base prospectus dated 25 June 2014 (the “**2014 Base Prospectus**”). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Directive 2003/71/EC (as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area) (the “**Prospectus Directive**”) and must be read in conjunction with the Base Prospectus dated 18 September 2015 (the “**2015 Base Prospectus**”) [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the 2014 Base Prospectus.

Full information on the Issuer and the Notes described herein is only available on the basis of the combination of these Final Terms, the 2014 Base Prospectus and the 2015 Base Prospectus. The 2014 Base Prospectus and the 2015 Base Prospectus are available for viewing at Banca Popolare di Vicenza, S.c.p.a, I-36100 Vicenza,

Via Btg. Framarin, Italy and on the website of the Luxembourg Stock Exchange and copies may be obtained from the specified office of each Paying Agent and the Luxembourg Listing Agent. In the case of Notes admitted to trading on the [regulated market of the Luxembourg Stock Exchange/*insert other market*], the applicable Final Terms will also be published in electronic form on [the website of the Luxembourg Stock Exchange (*www.bourse.lu*) /*insert other website*].

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

[When completing final terms, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]

- | | | |
|---|--|--|
| 1 | <p>[(i)] Series number: [●]</p> <p>[(ii)] Tranche number: [●]</p> <p>[(iii)] Date on which the Notes become fungible</p> | <p>[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below [which is expected to be on or about [●].]</p> |
| 2 | <p>Specified Currency or Currencies: [●]</p> <p>(Condition 2(a) (<i>Interpretation – “Specified Currency”</i>))</p> <p>Aggregate Nominal Amount:</p> | |
| 3 | <p>[(i)] Series: [●]</p> <p>[(ii)] Tranche: [●]</p> | |
| 4 | <p>Issue Price:</p> | <p>[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (<i>in the case of fungible issues only, if applicable</i>)]</p> |
| 5 | <p>(a) Specified Denominations: [●]</p> <p>(Condition 2(a) (<i>Interpretation – “Specified Denominations”</i>))</p> | |

[EUR100,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR199,000. No Notes in definitive form will be issued with a denomination below EUR100,000 or above EUR199,000.]

Notes issued under the Programme which are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a Member State and/or offered to the public

		<p><i>in any Member State, in each case in circumstances which require the publication of a prospectus under the Prospectus Directive and the implementing measures in the relevant Member State, may not have a minimum denomination of less than EUR 100,000 (or its equivalent in another currency).</i></p>
	<p>(b) Calculation Amount: (Condition 2(a) (<i>Interpretation – “Calculation Amount”</i>)))</p>	<p>[●]</p> <p><i>(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations).</i></p>
6	<p>[(i)] Issue Date: (Condition 2(a) (<i>Interpretation – “Issue Date”</i>)))</p> <p>[(ii)] Interest Commencement Date: (Condition 2(a) (<i>Interpretation – “Interest Commencement Date”</i>)))</p>	<p>[●]</p> <p>[●]</p>
7	<p>Maturity Date: (Condition 2(a) (<i>Interpretation – “Maturity Date”</i>)))</p>	<p><i>[Specify date or (for Floating Rate, CMS Linked, Index-Linked Interest Note and Year-on-Year Index-Linked Interest Note Provisions) Interest Payment Date falling in or nearest to the relevant month and year]</i></p> <p><i>If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried out from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from Section 19 of the FSMA must be available.</i></p>
8	<p>Interest Basis: (Condition 6 (<i>Fixed Rate Note Provisions</i>) / Condition 6A (<i>Fixed Rate Reset Note Provisions</i>) / Condition 7 (<i>Floating Rate, CMS Linked, Index-Linked Interest Note and Year-on-Year Index-Linked Interest Note Provisions</i>) / Condition 9 (<i>Zero Coupon Note Provisions</i>)))</p>	<p>[[●] per cent. Fixed Rate]</p> <p>[[●] per cent. Fixed Rate from [●] to [●], then [●] per cent. Fixed Rate from [●] to [●]]</p> <p>[[●] per cent. to be reset on [●] [and [●]] and every [●] anniversary thereafter]</p>

		[[EURIBOR]/[LIBOR] +/- [●] per cent. Floating Rate]
		[Zero Coupon]
		[CMS Rate]
		[Index-Linked Interest]
		[Year-on-Year Index-Linked Interest]
		(further particulars specified below)
9	Redemption/Payment Basis: (Condition 11 (<i>Redemption and Purchase</i>))	[Redemption at par]/[Index-Linked Redemption] [<i>(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No. 809/2004 will apply.)</i>]
10	Change of Interest Basis Provisions:	[Applicable / Not Applicable] <i>(if applicable, specify the date when any fixed to floating rate, fixed rate or vice-versa change occurs or cross refer to items 13, 15, 16, 17 and 18 (as appropriate) below and identify there)</i> <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> <i>(N.B. To be completed in addition to items 13, 15, 16, 17 and 18 (as appropriate))</i>
	(i) Reset Date(s):	[]
	(ii) Switch Options:	[Applicable – <i>[specify details of the change(s) in Interest Basis and the relevant Interest Periods to which the change(s) in Interest Basis applies]</i>]/[Not Applicable] <i>(N.B. The Issuer must give notice of the exercise of the Switch Option to Noteholders in accordance with Condition 21 on or prior to the relevant Switch Option Expiry Date)</i>
	(iii) Switch Option Expiry Date:	[]
	(iv) Switch Option Effective Date:	[]
11	Put/Call Options: (Condition 11(f) (<i>Redemption and Purchase – Redemption at the option of Noteholders</i>) or (Condition 11(d) (<i>Redemption and Purchase – Redemption at the option of the Issuer</i>) and Condition 11(e) (<i>Redemption and Purchase – Partial redemption</i>))	[Investor Put] [Issuer Call]

- 12 (i) Status of the Notes: [(further particulars specified below)]
 (Condition 4 (*Status of Senior Notes*) or Condition 5 (*Status and Special Provisions of Subordinated Notes*)) [Senior Notes/Subordinated Notes]
- [(ii)] [Date [Board] approval for issuance of Notes obtained: [●] [and [●], respectively]]
- (Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes.)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 13 **Fixed Rate Note Provisions**
 (Condition 6 (*Fixed Rate Note Provisions*)) [Applicable/Not Applicable/(if a *Change of Interest Basis applies*): Applicable for the period starting from [and including] [●] ending on [but excluding] [●]]]
- (If not applicable, delete the remaining sub- paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/ semi-annually/quarterly/monthly] in arrear]
 (Condition 6(b) (*Fixed Rate Note Provisions – Accrual of Interest*)) [[●] per cent. Fixed Rate from [●] to [●], then [●] per cent. Fixed Rate from [●] to [●]]
- (Condition 10 (*Step-up Notes*))
- [The Notes are not Step-up Notes]/[The Notes are Step-up Notes.]
- The Initial Rate of Interest is [●] per cent. per annum payable in arrear on each Interest Payment Date.
- The Step-up Margin is [●] per cent.
- The Rating Agency is [Fitch]/[S&P]/[DBRS]/[●]
- The Step-up Rating Threshold is [●]
- The Step-down Rating Threshold is [●]
- (The Step-up Rating Threshold and the Step-down Rating Threshold will usually be equal to the rating of the Notes at the time of issue)]
- (ii) Interest Payment Date(s): [●] in each year
 (Condition 2(a) (*Interpretation – “Interest Payment Date”*))
- (iii) Fixed Coupon Amount[(s)]: [Unless a Step-up Rating Change has occurred] [●] per Calculation Amount
 (Condition 2(a) (*Interpretation – “Fixed Coupon Amount”*)) (Specify different Fixed Coupon Amounts if different Rates of Interest are specified as being applicable in respect of different Interest Periods)

(iv) Broken Amount(s): (Condition 2(a) (<i>Interpretation – “Broken Amount”</i>)))	[Unless a Step-up Rating Change has occurred] [[●] per Calculation Amount payable on the Interest Payment Date falling in/on [●]]
(v) Day Count Fraction: (Condition 2(a) (<i>Interpretation – “Day Count Fraction”</i>)))	[Actual/Actual (ICMA)] / [Actual/Actual (ISDA)] / [Actual / 365 (Fixed)] / [Actual/360] / [360/360] / [Eurobond Basis] / [30E / 360 (ISDA)]
(vi) Interest Determination Dates: (Condition 2(a) (<i>Interpretation – “Interest Determination Date”</i>)))	[●] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. Only relevant where Day Count Fraction is Actual/Actual(ICMA))
14 Fixed Rate Reset Note Provisions (Condition 6A (<i>Fixed Rate Reset Note Provisions</i>)))	[Applicable/Not Applicable]
(i) Initial Rate of Interest:	[●] per cent. per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
(ii) Interest Payment Date(s):	[●] [and [●]] in each year [from and including [●]][until and excluding [●]]
(iii) First Reset Date:	[●]
(iv) Second Reset Date:	[[●]/Not Applicable]
(v) Anniversary Date(s):	[[●]/Not Applicable]
(vi) Reset Determination Dates:	[●]
(vii) Reset Rate:	[semi-annual][annualised]Mid-Swap Rate]
(viii) Swap Rate Period:	[[●]/Not Applicable]
(ix) Screen Page:	[ISDAFIX1]/[ISDAFIX2]/[ISDAFIX3]/ [ISDAFIX4]/[●]/[Not Applicable]
(x) Fixed Leg:	[annual calculated on a 30/360 day count basis] / [●] day count basis]/[Not Applicable]
(xi) Floating Leg:	[6-month EURIBOR] / [[●] rate calculated on an [Actual/360] / [●] day count basis] / [Not Applicable]
(xii) Margin(s):	[+/-] [●] per cent. per annum
(xiii) Fixed Coupon Amount[(s)] in respect of the period from (and including) the Interest Commencement Date up to (but excluding) the First Reset Date:	[[●] per Calculation Amount]
(xiv) Broken Amount(s):	[[●] per Calculation Amount, payable on the Interest

	Payment Date falling [in/on] [●]/Not Applicable]
(xv) Day Count Fraction:	[Actual/Actual (ICMA)] / [Actual/Actual (ISDA)] / [Actual / 365 (Fixed)] / [Actual/360] / [360/360] / [Eurobond Basis] / [30E / 360 (ISDA)]
(xvi) Determination Dates:	[[●] in each year/Not Applicable]
(xvii) Calculation Agent:	[●]
15 Floating Rate Note Provisions (Condition 7 (<i>Floating Rate, CMS Linked, Index-Linked Interest Note and Year-on-Year Index-Linked Interest Note Provisions</i>))	[Applicable/Not Applicable//(<i>if a Change of Interest Basis applies</i>): Applicable for the period starting from [and including] [●] ending on [but excluding] [●]]] <i>(If not applicable, delete the remaining sub- paragraphs of this paragraph.)</i> [●][●]
(i) Interest Payment Date(s): (Condition 2(a) (<i>Interpretation – “Interest Payment Date”</i>))	[●]
(ii) Specified Period: (Condition 2(a) (<i>Interpretation – “Specified Period”</i>))	[●]
	<i>(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather Specified Interest Payment Dates, will only relevant if the Business Day Convention is the Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert “Not Applicable”)</i>
(iii) Business Day Convention: (Condition 2(a) (<i>Interpretation – “Business Day Convention”</i>))	[Floating Rate Convention/ Following Business Convention/ Modified Following Business Convention/ Preceding Business Day Convention/ No Adjustment]
(iv) Additional Business Centre(s): (Condition 2(a) (<i>Interpretation – “Additional Business Centre(s)”</i>))	[Not Applicable]/give details]
(v) Manner in which the Rate(s) of Interest is/are to be determined: (Condition 7 (<i>Floating Rate, CMS Linked, Index-Linked Interest Note and Year-on-Year Index-Linked</i>	[Screen Rate Determination/ISDA Determination]

Interest Note Provisions))

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

(Condition 2(a) (*Interpretation – “Calculation Agent”*))

- (vii) Screen Rate Determination:

(Condition 7 (*Floating Rate, CMS Linked, Index-Linked Interest Note and Year-on-Year Index-Linked Interest Note Provisions*))

- Reference Rate: (Condition 2(a) (*Interpretation – “Reference Rate”*)) [EURIBOR/LIBOR/CMS Reference Rate/Leveraged CMS Reference Rate/Steepner CMS Reference Rate: [Unleveraged/Leveraged]/Call CMS Reference Rate]
- Reference Currency: (Condition 2(a) (*Interpretation – “Reference Currency”*)) [●]
- Designated Maturity: Condition 7(d) (*Floating Rate, CMS Linked, Index-Linked Interest Note and Year-on-Year Index-Linked Interest Note Provisions - Floating Rate Notes which are CMS Linked Interest Notes*)) [●]/[The CMS Rate having a Designated Maturity of [●] shall be “CMS Rate 1” and the CMS Rate having a Designated Maturity of [] shall be “CMS Rate 2”]

(Where more than one CMS Rate, specify the Designated Maturity for each relevant CMS Rate)

- Interest Determination Date(s): (Condition 2(a) (*Interpretation – “Interest Determination Date”*)) [●]

(In the case of a CMS Rate where the Reference Currency is euro): [Second day on which the TARGET2 system is open prior to the start of each interest Period]

(In the case of a CMS Rate where the Reference Currency is other than euro): [Second (specify type of day) prior to

	the start of each Interest Period]
<ul style="list-style-type: none"> Relevant Screen Page: (Condition 2(a) (Interpretation – “Relevant Screen Page”)) 	[●]
	(In the case of a CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions)
<ul style="list-style-type: none"> Relevant Time: (Condition 2(a) (Interpretation – “Relevant Time”)) 	[●]
<ul style="list-style-type: none"> Relevant Financial Centre: (Condition 2(a) (Interpretation – “Relevant Financial Centre”)) 	[●]
<ul style="list-style-type: none"> CMS Rate definitions: Condition 7(d) (Floating Rate, CMS Linked, Index-Linked Interest Note and Year-on-Year Index-Linked Interest Note Provisions - Floating Rate Notes which are CMS Linked Interest Notes)) 	[Cap means [] per cent. per annum]
	[Floor means [] per cent. per annum]
	[Leverage means [] per cent.]
(viii) ISDA Determination: (Condition 7(e) (Floating Rate, CMS Linked, Index-Linked Interest Note and Year-on-Year Index-Linked Interest Note Provisions – ISDA Determination))	
<ul style="list-style-type: none"> Floating Rate Option: 	[●]
<ul style="list-style-type: none"> Designated Maturity: 	[●]
<ul style="list-style-type: none"> Reset Date: 	[●]
	(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period. In the case of a CMS Linked Interest Note, if based on Euro then the first day of each Interest Period and if otherwise to be checked).
(ix) Margin(s):	[+/-][●] per cent. per annum

(Condition 2(a) (<i>Interpretation – “Margin”</i>)) (Condition 10 (<i>Step-up Notes</i>))	[The Notes are Step-up Notes. The Step-up Margin is [●] per cent. The Rating Agency is [Fitch]/[S&P]/[DBRS]/[●] The Step-up Rating Threshold is [●] The Step-down Rating Threshold is [●] (<i>The Step-up Rating Threshold and the Step-down Rating Threshold will usually be equal to the rating of the Notes at the time of issue</i>)]
(x) Minimum Rate of Interest: Condition 23(b) (<i>Margin, Maximum Rate of Interest, Minimum Rate of Interest and Rounding – Maximum or Minimum Rate of Interest</i>))	[●] per cent. per annum
(xi) Maximum Rate of Interest: Condition 23(b) (<i>Margin, Maximum Rate of Interest, Minimum Rate of Interest and Rounding – Maximum or Minimum Rate of Interest</i>))	[●] per cent. per annum
(xii) Day Count Fraction: (Condition 2(a) (<i>Interpretation – “Day Count Fraction”</i>))	[Actual/Actual (ICMA)] / [Actual/Actual (ISDA)] / [Actual / 365 (Fixed)] / [Actual/360] / [360/360] / [Eurobond Basis] / [30E / 360 (ISDA)]
(xiii) [Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>)]
16 Zero Coupon Note Provisions Condition 9 (<i>Zero Coupon Note Provisions</i>)	[Applicable/Not Applicable] (<i>If not applicable, delete the remaining paragraphs of this paragraph</i>)
(i) Accrual Yield: (Condition 2(a) (<i>Interpretation – “Accrual Yield”</i>))	[●] per cent. per annum
(ii) Reference Price: (Condition 2(a) (<i>Interpretation – “Reference Price”</i>))	[●]

17	Index-Linked Interest Note Provisions (Condition 7 (<i>Floating Rate, CMS Linked, Index-Linked Interest Note and Year-on-Year Index-Linked Interest Note Provisions</i>)) (Condition 14 (<i>Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes</i>)) (Condition 2(a) (<i>Interpretation</i>)) (Condition 23(b) (<i>Margin, Maximum Rate of Interest, Minimum Rate of Interest and Rounding – Maximum or Minimum Rate of Interest</i>))	[Applicable/Not Applicable/(if a <i>Change of Interest Basis applies</i>): Applicable for the period starting from [and including] [●] ending on [but excluding] [●]]]
		<i>(If not applicable, delete the remaining paragraphs of this paragraph)</i>
	(i) Index:	[CPI/HICP/UK RPI]
	(ii) Index Figure:	[●][Specify the relevant Index Figure]
	(iii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[[name] shall be the Calculation Agent (<i>no need to specify if the Fiscal Agent is to perform this function</i>)] / [Not Applicable]
	(iv) Interest Determination Date(s):	[●]
	(v) Calculation Period(s):	[●]
	(vi) Specified Period(s):	[●]
	(vii) Business Day Convention:	[Floating Rate Convention/ Following Business Convention/ Modified Following Business Convention/ Preceding Business Day Convention/ No Adjustment]
	(viii) Additional Business Centre(s):	[Not Applicable/[●]]
	(ix) Minimum Rate of Interest:	[[●]per cent. per annum /Not Applicable]
	(x) Maximum Rate of Interest:	[[●]per cent. per annum /Not Applicable]
	(xi) Real Rate of Interest:	[●]
	(xii) Day Count Fraction:	[Actual/Actual (ICMA)] / [Actual/Actual (ISDA)] / [Actual / 365 (Fixed)] / [Actual/360] / [360/360] / [Eurobond Basis] / [30E / 360 (ISDA)]
	(xiii) Minimum Indexation Factor:	[Not Applicable/ specify]
	(xiv) Maximum Indexation Factor:	[Not Applicable/ specify]

	(xv) Limited Indexation Month(s) or Limited Indexation Date for calculation of Limited Indexation Factor:	[Not Applicable/[●]]
	(xvi) Limited Indexation Month Reference Period:	[Not Applicable/[●]]
	(xvii) Commencement Date of the Index:	[●] <i>[Specify the relevant commencement month of the retail price index]</i>
	(xviii) Base Index Figure on Commencement Date of the Index:	[●] <i>[Specify the relevant commencement month of the retail price index]</i>
	(xix) Interpolation:	[Applicable/Not Applicable]
	(xx) Indexation Month Reference Period X:	[Not Applicable/[●]]
	(xxi) Indexation Month Reference Period Y:	[Not Applicable/[●]]
	(xxii) Base Index Figure:	[●]
	(xxiii) Reference Bond:	[●]
18	Year-on-Year Index-Linked Note Provisions <i>(Condition 14A (Year-on-Year Index-Linked Note Provisions))</i>	[Applicable/Not Applicable/(if a Change of Interest Basis applies): Applicable for the period starting from [and including] [●] ending on [but excluding] [●]]] <i>(If not applicable, delete the remaining sub- paragraphs of this paragraph)</i>
	(i) Inflation Index:	[CPI/HICP/ UK RPI]
	(ii) Inflation Index Sponsor:	[●]
	(iii) Reference Month:	The calendar month falling [●] month[s] prior to the relevant Interest Payment Date. [Reference Month:] [Interest Payment Date:] [●] [●]
	(iv) Related Bond:	[●] / [As specified in the Conditions]
	(v) Participation:	[●] / [As specified in the Conditions] [Interest Payment Date:] [Participation:] [●] [●]
	(vi) Spread:	[zero] / [plus] / [minus] [●] per cent. [Interest Payment Date:] [Spread:] [●] [●]
	(vii) Cap Rate:	[Not Applicable] / [[●] per cent.] [Interest Payment Date:] [Cap Rate (per cent.):] [●] [●]
	(viii) Floor Rate:	[Not Applicable] / [[●] per cent.]

	[Interest Payment Date:]	[Floor Rate (per cent.):]
	[●]	[●]
(ix) Day Count Fraction:	[Actual/Actual (ICMA)] / [Actual/Actual (ISDA)] / [Actual / 365 (Fixed)] / [Actual/360] / [360/360] / [Eurobond Basis] / [30E / 360 (ISDA)]	

PROVISIONS RELATING TO REDEMPTION

19	Call Option	[Applicable/Not Applicable]
	Condition 11(d) (<i>Redemption and Purchase – Redemption at the option of the Issuer</i>) and Condition 11(e) (<i>Redemption and Purchase – Partial redemption</i>)	
		(If not applicable, delete the remaining sub- paragraphs of this paragraph)
(i)	Optional Redemption Date(s): (Condition 2(a) (<i>Interpretation – “Optional Redemption Date - Call”</i>)))	[●]
(ii)	Optional Redemption Amount(s) of each Note: (Condition 2(a) (<i>Interpretation – “Optional Redemption Amount - Call”</i>)))	[●] per Calculation Amount
(iii)	If redeemable in part:	
(i)	Minimum Redemption Amount: (Condition 2(a) (<i>Interpretation – “Minimum Redemption Amount”</i>)))	[●]
(ii)	Maximum Redemption Amount: (Condition 2(a) (<i>Interpretation – “Maximum Redemption Amount”</i>)))	[●]
(iv)	Notice period ((if other than as set out in the Conditions)):	[●]

	Condition 11(d) (<i>Redemption and Purchase – Redemption at the option of the Issuer</i>) and Condition 11(e) (<i>Redemption and Purchase – Partial redemption</i>)	
20	Regulatory Call Condition 11(c) (<i>Redemption and Purchase – Redemption for regulatory reasons</i>))	[Condition 11(c) is applicable/Not Applicable] (Only applicable for Subordinated Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph)
21	Put Option Condition 11(f) (<i>Redemption and Purchase – Redemption at the option of Noteholders</i>))	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Optional Redemption Date(s): (Condition 2(a) (<i>Interpretation – “Optional Redemption Date - Put”</i>)))	[●]
	(ii) Optional Redemption Amount(s): (Condition 2(a) (<i>Interpretation – “Optional Redemption Amount - Put”</i>)))	[●]
	(iii) Notice period: Condition 11(f) (<i>Redemption and Purchase – redemption at the option of Noteholders</i>))	Minimum period: [] days Maximum period: [] days
		(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent.)
22	Early Redemption Amount / Early Termination Amount Early Redemption Amount (Tax) / Early Redemption Amount (Regulatory Event) / [Early Redemption Amount (Indexation)] / Early Termination Amount of each Note payable on redemption for taxation [,indexation] or regulatory reasons or on event of default: (Condition 2(a) (<i>Interpretation – “Early</i>	[As per the Conditions] (if Early Redemption Amount (Tax), Early Redemption Amount (Regulatory Event), Early Redemption Amount (Indexation) and Early Termination Amount are the principal amount of the Notes subject, in the case of Index-Linked Redemption Notes, to adjustments for indexation in accordance with Condition 14 (<i>Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes</i>)) and, in the case of Year-on-Year Index-Linked Interest Notes, to adjustments

Redemption Amount (Tax)”, “Early Redemption Amount (Regulatory Event)”, “Early Redemption Amount (Indexation)” and “Early Termination Amount”)

for indexation in accordance with Condition 14A (Year-on-Year Index-Linked Interest Notes) / [●]] (specify [●] per Calculation Amount)

- 23 **Final Redemption Amount of each Note** [[●] per Calculation Amount] / [Index-Linked Redemption Note – See Condition 14 (*Indexation for Index-Linked Interest Notes and Index-Linked Redemption Notes*) and item 17]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24 Form of Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on [●] days' notice or] in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]

[Permanent Global Note exchangeable for Definitive Notes [on [●] days' notice or] in the limited circumstances specified in the Permanent Global Note]

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

- 25 New Global Note Form: [Applicable/Not Applicable]
- 26 Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 13(ii), 14(ii) and 15(i) relate]
- 27 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No/Not Applicable/if yes, give details]
- 28 Consolidation provisions: [Not Applicable/The provisions [in Condition 20 (*Further Issues*) apply]]

THIRD PARTY INFORMATION

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

Signed on behalf of the Issuer:

By:
Duly authorised

PART B

1 LISTING AND ADMISSION TO TRADING

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

2 RATINGS

- Ratings
- The Notes to be issued [have been rated]/[are expected to be rated]:
- [Fitch: [●]]
- [DBRS: [●]]
- [[Other]: [●]]
- (*Insert the following where the relevant credit rating agency is established in the EEA:*)
- [[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and [is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> as being registered]/[has applied for registration although notification of the corresponding registration decision has not yet been provided by the relevant competent authority]/[is neither registered nor has it applied for registration] under Regulation (EU) No. 1060/2009, as amended (the “**CRA Regulation**”).]
- (*Insert the following where the relevant credit rating agency is not established in the EEA:*)
- [[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA [but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EEA and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets

Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> as being registered] / [but is certified] / [and is not certified under nor is the rating it has given to the Notes endorsed by a credit rating agency established in the EEA and registered] under Regulation (EU) No 1060/2009, as amended (the “CRA Regulation”).]

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the EEA before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

(Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.)

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3 [NOTIFICATION]

The *Commission de Surveillance du Secteur Financier* [has been requested to provide/has provided – include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Luxembourg Law of 10 July 2005 which implements the Prospectus Directive.]

4 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE]

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

“So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

5	[Fixed Rate Notes only – YIELD	[●]
6	[Floating Rate Notes and CMS Linked Interest Notes Only – HISTORIC INTEREST RATES Details of historic [LIBOR/EURIBOR/CMS] rates can be obtained from [Reuters]/[●].]	
7	[Index-Linked / Year-on-Year Index-Linked Notes only – PERFORMANCE OF INDEX AND OTHER INFORMATION (i) Name of the [Index] / [Inflation Index]: [CPI/HICP/UK RPI] (ii) Information about the [Index] / [Inflation Index], its volatility and where past and future performance can be obtained: [●] The Issuer [intends to provide post-issuance information (<i>specify what information will be reported and where it can be obtained</i>)] [does not intend to provide post-issuance information]]	
8	OPERATIONAL INFORMATION ISIN: [●] Common Code: [●] New Global Note intended to be held in a manner which would allow Eurosystem eligibility: Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, <i>société anonyme</i> and the relevant identification number(s): Delivery: Names and addresses of additional Paying Agent(s) (if any):	 [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] / [No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]] [Not applicable/give name(s), number(s) and address(es)] Delivery [against/free of] payment [●]

DISTRIBUTION

- (i) Method of distribution: [Syndicated]/[Non-syndicated]
- (ii) If syndicated:
- (A) Names and addresses of Dealers: [Not Applicable/give names and addresses]
(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Dealers)
- (B) Date of Subscription Agreement: [●]
- (C) Stabilising Manager(s) (if any): [Not Applicable/give name and addresses]
- (D) Names and addresses of entities which have a firm commitment to act as intermediaries in secondary trading providing liquidity through bid and offer rates and description of the main terms of their commitment: [Not Applicable/give names and addresses]
- (iii) If non-syndicated, name and address of Dealer: [●]
- (iv) U.S. Selling Restrictions: [Reg. S Compliance Category [1/2/3];
[TEFRA C]/[TEFRA D]/[TEFRA Not applicable]]

OVERVIEW OF THE PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM

Relationship of Accountholders with Clearing Systems

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to “**Noteholder**” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or CBL and/or any other relevant clearing system, will be that depositary or common depositary, or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or CBL or any other clearing system as being entitled to an interest (each an “**Accountholder**”) in a Global Note (which expression includes a Temporary Global Note and a Permanent Global Note) must look solely to Euroclear and/or CBL or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note.

The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear, CBL and any other relevant Clearing System from time to time. Accountholders shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note, in respect of each amount so paid.

Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or CBL and/or any other relevant clearing system and received by the Fiscal Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 18 September 2015 (the “**Deed of Covenant**”) executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or CBL and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or CBL and/or any other relevant clearing system.

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered in accordance with the foregoing by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part thereof) has become due and payable in accordance with the Conditions, or the date for final redemption of the Note has occurred and, in either case, payment in full of the amount of principal falling due together with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then such Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (i) above) or at 5.00 p.m. (London time) on such due date (in the case of (ii) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant). Under the Deed of Covenant, persons shown in the records of Euroclear and/or CBL (or any other relevant clearing system as being entitled to interests in the Notes) will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the Holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or CBL and/or other relevant clearing system (as the case may be).

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is an overview of certain of those provisions:

Payments: All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent outside the United States and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto, and in respect of an NGN the payment is entered *pari passu* in the records of Euroclear and CBL. Unless Condition 12(c) (*Payments – Payments in New York City*) of the Terms and Conditions of the Notes applies, no payments of amounts due under the Notes (whether in respect of interest or principal or other amounts) will be made by mail or wire transfer to an address or account inside the United States and its possessions.

Exercise of put option: In order to exercise the option contained in Condition 11(f) (*Redemption and Purchase - Redemption at the Option of Noteholders*) of the Terms and Conditions of the Notes the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 11(d) (*Redemption and Purchase - Redemption at the option of the Issuer*) of the Terms and Conditions of the Notes in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and CBL (to be reflected in the records of Euroclear and CBL as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Condition 21 (*Notices*), of the Terms and Conditions of the Notes while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or CBL and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or CBL and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) of

the Terms and Conditions of the Notes on the date of delivery to Euroclear and/or CBL and/or any other relevant clearing system and so long as the Notes are traded on the regulated market of the Luxembourg Stock Exchange and are listed on the official list of the Luxembourg Stock Exchange, notice shall be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Payment Business Day: Notwithstanding the definition of “Payment Business Day” in Condition 2(a) (*Definitions*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, “Payment Business Day” means:

- (a) if the currency of payment is euro, any day which is a target settlement day and a day on which dealings in foreign currencies may be carried on in each (if any) additional financial centre; or
- (b) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) additional financial centre.

BUSINESS DESCRIPTION OF BANCA POPOLARE DI VICENZA

Overview

Banca Popolare di Vicenza S.c.p.a. (a *società cooperativa per azioni*) (the “**Issuer**”, the “**Bank**” or “**BPV**” and its group of companies, the “**BPV Group**” or the “**Group**”) is an Italian bank with registered office and headquarters in Vicenza, operating in compliance with the Legislative Decree No. 385 of 1 September 1993 (the “**Italian Banking Act**”), which provides a wide range of retail and commercial banking and other financial services to customers in Italy and abroad. The shares of BPV are not listed on any regulated market. BPV was incorporated and authorised with the Royal Decree No. 1808 of 12 September 1866. The duration of BPV has been established until 12 September 2066, and may be extended thereafter. BPV's registered office and principal place of business is located in Vicenza, via Battaglione Framarin, 18, Italy, telephone no. +39-0444339111. BPV is registered at the Register of Enterprises of Vicenza with number 00204010243.

Under BPV's by-laws its corporate purpose is to collect savings and provide loans to its own shareholders and to customers. In addition, BPV is entitled to perform, in compliance with applicable laws and regulations, all banking and financial transactions and services, including activities that would benefit from the “European passport” regime, and to carry out any other activity related to its corporate purpose, including the purchase of trade receivables and the issuance of bonds. In order to achieve its corporate purpose, BPV can participate in associations and consortia and enter into agreements in Italy and abroad. As parent company of the BPV Group, BPV is responsible for the direction and coordination of the other Group companies and provides guidelines to Group companies to ensure compliance with the instructions of the Bank of Italy, in the interest of the Group's stability.

The principal products and services offered by BPV are deposit taking, lending, capital markets services, asset and mutual fund management, securities custody, foreign currency transactions, factoring, insurance products and investment banking. BPV has also developed an international network to provide cross-border banking services to its corporate customers. A more detailed description of BPV's history, structure and activities is set forth below.

History and General Information

BPV was established in 1866 and was the first bank incorporated in Vicenza and the first “*banca popolare*” of the Veneto region. Since its establishment, BPV has operated in the province of Vicenza, where it has its headquarters. Although BPV's business is mainly concentrated in the north-east region of Italy, it operates at a national level through a network of points of sale throughout Italy.

In the 1980s, BPV began increasing its presence in the province of Vicenza by opening new branches and acquiring small local banks: Banca Popolare Agricola di Lonigo in 1985, Banca Popolare di Thiene in 1988, Banca Popolare dei Sette Comuni (Asiago) in 1991 and Banca Popolare di Venezia in 1994. In 1996, BPV acquired controlling interests in other banks: Banca Popolare di Castelfranco Veneto and Banca Popolare di Trieste in 1996; Banca Popolare della Provincia di Belluno in 1997; Banca Popolare “C. Piva” di Valdobbiadene and Banca Popolare Udinese S.p.A. in 1998. As a result of such activity, the BPV Group was formed.

During 2000, the “*Progetto Centro Sud*” began with the creation of Banca Nuova S.p.A, with its registered office located in Palermo operating in the main cities of Sicily and Calabria, and the acquisition of Banca del Popolo di Trapani, with over forty branches in western Sicily. In 2002, Banca del Popolo di Trapani S.p.A was merged by incorporation into Banca Nuova S.p.A and the merged entity was made up of approximately seventy branches. In January 2004 a further 30 branches located in Sicily belonging to Antonveneta Group were acquired by BPV Group.

Towards the end of 2002, Cassa di Risparmio di Prato S.p.A., with 54 branches in Tuscany was incorporated into the BPV Group.

At the beginning of 2007 BPV entered into an insurance partnership with Cattolica Assicurazioni Società Cooperativa (“**Cattolica Assicurazioni**”) in order to develop BPV's provision of insurance services to its customers.

In July 2007 the Issuer acquired a 38.88 stake in the share capital of Farbanca S.p.A a screen based bank specialising in banking services for the pharmaceutical industry. Also in 2007 , the Issuer acquired from UBI Banca Group a line of business made up of 61 branches located in the provinces of Brescia and Bergamo.

Recent Developments

Between November 2013 and October 2014 the Issuer, together with 14 other Italian banks, has been subject to the so-called “Comprehensive Assessment” carried out by the ECB. The main objective of the Comprehensive Assessment was to ensure transparency of the banking system and promote measures aimed at resolving the issues which had been uncovered during the course of the assessment. The assessment was divided into three phases (i) A supervisory risk assessment, which concluded at the end of 2013, addressing key risks in the banks’ balance sheets, including liquidity, leverage and funding. In particular, it embodied quantitative and qualitative analysis based on backward and forward-looking information aimed at assessing a bank’s intrinsic risk profile, its position in relation to its peers and its vulnerability to a number of exogenous factors; (ii) An asset quality review, which concluded at the end of July, examining the asset side of bank balance sheets as at 31 December 2013. This assessment was broad and inclusive, comprising credit and market exposures (including a quantitative and qualitative review of hard-to-value assets, particularly those qualifying as level 3 assets 3), on and off-balance sheet positions and domestic and non-domestic exposures; and (iii) A stress test, which concluded on 26 October 2014, building on and complementing the asset quality review by providing a forward-looking view of banks’ shock-absorption capacity under stress. Following the completion of the Comprehensive Assessment, the BPV Group was ranked amongst the top 120 banks in Europe, having shown a surplus of capital in the sum of 593 million euro in the Asset Quality Review, and 554 million euro in the Stress Test, 30 million euro Adverse Stress Test.

With a view to expanding the Group’s presence, in January 2014, BPV purchased a bank branch in Turin from Banca Popolare di Spoleto S.p.A. and in May 2014, BPV purchased sixteen branches from Cassa di Risparmio di Ferrara. Fourteen branches are located in the province of Rome (thirteen in the Municipality of Rome) and two in Emilia-Romagna (one in Forli and one in Cesena). In December 2014 BPV opened its first branch in Naples (Region of Campania) and a branch in Lecce (Region of Puglia).

As at 31 December 2014, the BPV Group was one of the major banking entities in Italy (the ninth banking group in Italy in terms of number of branches) and had a sales network of 654 branches located in 16 regions of Italy, and approximately 5,500 employees.

On 16 February 2015 the European Central Bank (the “**ECB**”), with a letter informed the Issuer that it had started an inspection to assess the “*Risk Management - Market Risk (Proprietary Trading and Governance Management)*”. The ECB completed this assessment on 1 July 2015.

On 11 March 2015 the ECB informed the Issuer about the start of another inspection to assess the “*thematic risk governance*” and the “*risk appetite framework*”, under Articles 10 and 11 of the Single Supervisory Mechanism Regulation and Article 142 of the Single Supervisory Mechanism Framework Regulation. The ECB started this assessment on 13 April 2015 and completed it by 17 April 2015. The Issuer is yet to be informed of the final outcomes of these inspections.

The inspection concerning the “*Risk Management - Market Risk*” involved, among other things, a verification of the Issuer’s capital increases that occurred in 2013 and 2014 and trading on the secondary market between January 2014 and February 2015. In this respect, the preliminary feedback received by the ECB at the end of its inspection reported certain anomalies regarding the: (i) “*financing of treasury shares Governance and internal controls*”; and (ii) “*trading on treasury shares: primary market MiFID compliance*”.

With regard to the Issuer’s capital increases that occurred in 2013 and 2014 and trading on the secondary market between January 2014 and February 2015, the ECB inspection revealed: (i) certain purchases/subscriptions of the Issuer’s shares linked to *ad hoc* financing transaction; and (ii) other anomalies related to the management of the relationships with shareholders.

The ECB inspection was carried out with assistance from the Issuer (particularly from its Internal Audit department), which provided all information and documentation requested by the ECB.

On 11 April 2015, on the basis of the analysis carried out by an independent consultant which was presented to the Board of Directors on 8 April 2015, the Shareholders' Meeting of BPV reduced the value of the ordinary shares of the Issuer to EUR 48 per share (compared to EUR 62.5 in 2014). Such determination of value is attributed mainly to the effects of the Comprehensive Assessment carried out by the ECB and the consequent impact on shareholders and on capital targets.

During the ECB inspection, on 12 May 2015 the CEO and General Manager, Mr Samuele Sorato, resigned and on 1 June 2015 Mr Francesco Iorio, former General Manager of UBI Banca S.c.p.a., was appointed as new CEO and General Manager. From June, a significant renewal of the top management team started with the appointment of a new Chief Commercial Officer and Deputy General Manager, Mr Iacopo De Francisco, and the new Heads of Finance Division, Credit Division and Risk Management Department. The renewal process is still on-going and further new managers are expected to be hired in the short term.

The new management appointed working group launched a strong balance sheet review, mostly as a consequence of the ECB inspection findings (for further information see “*Business Description of Banca Popolare di Vicenza – Inspections conducted by supervisory authorities*” and “*Business Description of Banca Popolare di Vicenza - ECB Comprehensive Assessment*”), and a turnaround programme aimed at transforming BPV into a Joint Stock Company, pursuant to Decree-Law No. 3 of 2015 converted into law No. 33 of March 24, 2015, listing BPV shares on the Italian Stock Exchange and implementing a capital strengthening programme.

The WG Analysis was the basis for the Issuer’s draft consolidated financial statements as at 30 June 2015 and, in particular, the decision to make provisions for. The WG Analysis was carried out in accordance with the applicable international accounting standards and with a view to making the best use of currently available information; however, more in depth and refined analysis will be required in the coming months.

The turnaround programme has involved a change of strategic vision that resulted in the revision of the business plan. On 21 July 2015 the Board approved the guidelines of the new business plan.

On 28 August 2015 the board of directors of the Issuer approved the half-year financial statements of the Group as of 30 June 2015 showing, *inter alia*, an interim loss equal to approximately Euro 1,053 million and the following regulatory capital ratios:

- CET1 Ratio and Tier 1 Ratio: 6.81% (where the target imposed by the ECB is equal to 10.3%)
- Total Capital Ratio: 7.63% (where the minimum requirement provided for by the CRR is 8%)

In this regard, having examined the external risks and uncertainties associated with the current macroeconomic context, as well as the specific internal risk factors that arose in the first half of 2015, also with reference to capitalisation levels, taking into account the actions already taken in terms of the thorough renewal of management, the resolutions were passed and work is already underway with respect to the Bank's listing and capital strengthening process, as well as the guidelines of the business plan for the years 2015-2020 (the "**New Business Plan**") currently being finalised, the directors of the Bank can reasonably expect that the Group will continue operating in the foreseeable future and so its audited consolidated half-year financial statements as at 30 June 2015 were prepared on a going concern basis.

The negative result of the first half of 2015 was caused, for the most part, by non-recurring valuation components. The current liquidity position and the increased hedging of the loans portfolio are important elements that support the business continuing as a going concern.

The lowering of the Group's levels of capitalisation to below the minimum targets established by the ECB and, with specific regard to the Total Capital Ratio, to below regulatory limits, is associated, *inter alia*, with the results of the assessments of anomalies of the transactions for the purchase and subscription of Bank's shares referred to in the "Inspections" section of the "Interim Report on Operations" section of the Bank's audited consolidated half-year report as at 30 June 2015. The already agreed sale of the shareholding in ICBPI that is expected to be completed by the end of the year would bring the Total Capital Ratio above the regulatory limit of 8%.

The Half-year negative net result was equal to -1,053 million euro, almost entirely due to non-valuation components, including:

- the impairment on goodwill (equal to gross 269 million euro, with a neutral impact on the capital ratios) relating to past acquisitions;
- a significant increase in the overall coverage levels, with net adjustments on receivables equal to 703 million euro (157 million euro in the first half of 2014). The coverage of the impaired loans went from 35.1% at 31 December 2014 to 39.6% at 30 June 2015 (+4.5%);
- net adjustments of the financial assets available for sale and equity investments for 119.3 million euro (27.4 million euro at 30 June 2014);
- net provisions for risks and charges for 380.1 million euro (7 million euro at 30 June 2014), mainly referring to the provisions made on the basis of the outcome of the recent ECB inspection on the capital stock and the subsequent recognition of the Bank's capital structure carried out by the management.

The capital adequacy ratios are affected by the half-year result and the application of a "prudential filter" equal to 622.2 million euro in particular, which was introduced in accordance with the results of the mentioned ECB inspection and the recognition activities carried out internally on the capital, which does not show any requirements for inclusion among the common equity tier 1 elements based on articles 28 and 36 of Regulation (EU) no. 575/2013 (CRR), net of the adjustments concerning credit and of the amounts already included in the provisions for risks and charges for specific anomalies and risk profiles.

As a result of the loss and shortfall detailed above, on 28 August 2015 the board of directors of the Issuer resolved upon, *inter alia*, a recapitalisation plan consisting of (A) a share capital increase of the Bank for an amount up to approximately Euro 1.5 billion (the "**Share Capital Increase**") to be carried out, subject to approvals by the relevant competent authorities and the Extraordinary General Meeting of the Issuer, by spring 2016 to strengthen the CET1 of the Bank and reach the target imposed by the ECB, and (B) the issuance of euro denominated subordinated notes that qualify as Tier II Capital under the CRR (the "**Tier 2 Notes**") and, together with the Share

Capital Increase, the “**Recapitalisation Plan**”) having a total principal amount up to Euro 200,000,000 aimed at restoring the Total Capital of the Bank to above the minimum requirements provided for by the CRR.

The Issuer is aiming to submit the Recapitalisation Plan to the ECB during the month of September.

On 15 July 2015, Fitch placed the Issuer's 'BB' long-term Issuer default rating on a negative rating watch. Fitch has also affirmed the Issuer's short term rating at 'B'. On 2 September 2015, DBRS lowered its ratings on Banca Popolare di Vicenza S.c.p.a., following publication of BPV's first quarter 2015 results which revealed a deterioration in the Bank's capital position. Further progress on the Issuer's restructuring, planned IPO and capital position could contribute to a more supportive view of the rating by DBRS over the medium term.

The board of directors of the Issuer intends to approve the New Business Plan in the coming weeks. The New Business Plan, which is currently being finalised, is expected to reaffirm the Issuer's role as a local bank in its own core areas and outlines a simpler, more streamlined bank, focused on the traditional commercial bank business and concentrated on the distribution of products and services and on advising customers.

Shareholders of BPV

The shares of BPV are not listed on any regulated market.

In accordance with the legal structure of “*banche popolari*” as provided by Italian law (including reforming provisions introduced by Decree No. 179 of 18 October 2012 and converted into law by Law No. 221 of 17 December 2012) each shareholder (with the exception of investment funds) cannot hold more than 1 per cent. of the shareholders' equity and is entitled to one vote. For investment funds, the limits vary depending on the provisions of the specific fund regulation.

It should be noted, however, that the Decree-Law No. 3 of 2015 which was converted into law No. 33 of March 24, 2015, envisages total intervention in order to reform the “*banche popolari*”, involving changes to the legal form and governance of the banks. The provisions provide, *inter alia*, for the introduction of dimensional limits for adopting the form of “*banche popolari*”, with the obligation to transform into joint stock company form for all “*banche popolari*” with total assets exceeding €8 billion. As BPV exceeds this limit, it will then become a joint stock company and cease to be a “*banca popolare*”.

BPV's shareholder structure varies over time, as is the case with all Italian “*banche popolari*”.

Pursuant to Italian law, the holders of shares in a *società cooperativa per azioni* (cooperative company limited by shares) may only exercise both their administrative and economic rights in relation to their shares subject to their admission by the board of directors as a shareholder; those holders whom the board of directors has refused admission as shareholders are entitled to exercise the economic rights attached to the shares (including the right to receive dividends). The holders of shares with full administrative and economic rights are referred to herein as members (the “**Members**”), while those whose rights are only of an economic nature are referred to herein as stockholders (the “**Stockholders**”). The following table sets forth a breakdown of the shareholding by size, number of Members and number of Stockholders as of 31 December 2014:

Size of shareholding (by number of shares owned)	No. of Members	No. of Stockholders without voting right	Total shares
1 - 100.....	33,920	4,025	3,470,785
101 - 200.....	24,332	1,799	3,497,859
201 - 500.....	22,967	1,198	7,645,770
501 - 1,000.....	12,514	559	9,183,301
1,001 - 2,000.....	7,943	248	11,380,842
2,001 - 5,000.....	4,971	105	15,415,913
5,001 - 10,000.....	1,319	19	9,204,684
More than 10,000.....	864	14	34,032,878
	108,830	7,967	93,832,032

The authorised and paid up capital stock of BPV as of 31 December 2014 was €351,870,120 divided into 93,832,032 ordinary shares with a nominal value of €3.75 each.

Structure of the BPV Group

General

As at 31 December 2014, the BPV Group was one of the major banking entities in Italy (the ninth banking group in Italy in terms of number of branches) and had a sales network of 654 branches located in 16 regions of Italy, and approximately 5,500 employees.

The Issuer is the parent company of the BPV Group, which was enrolled with the register of banking groups kept by the Bank of Italy under No. 1515 (data processing number 5728) on 15 June 1992. Therefore, the Issuer carries out the activity of direction and coordination of the BPV Group and issues orders to its members to implement the instructions given by the Bank of Italy in the interest and for the stability of the BPV Group.

The BPV Group is mainly composed of banks and companies active in the financial intermediation sector, while the other companies in the Group are instrumental in the activity carried out by the banks and financial intermediaries.

The BPV Group encompasses the whole peninsula through its parent company BPV, with a widespread presence in North-East Italy and a strong presence in North-West and Central Italy (Tuscany and Lazio). Furthermore, through its subsidiary Banca Nuova, BPV is also present in Southern Italy.

With the aim of offering its customers a comprehensive and innovative range of products, the Group has product companies and service companies active in the insurance, investment banking, private equity, asset management and private banking sectors and is currently active as follows:

- traditional commercial banking activity: BPV and Banca Nuova S.p.A.;
- *bancassurance*: by means of a partnership agreement with Società Cattolica di Assicurazione S.c.p.A. and the latter's subsidiaries Berica Vita S.p.A., Cattolica Life Ltd (Ireland) and ABC Assicura S.p.A.;
- *private equity*: NEM SGR S.p.A.;
- *proprietary trading*: BPV Finance (International) Plc;
- *consumer credit*: Prestinuova S.p.A.;

- *specific industry lending*: Farbanca S.p.A., banks specialising in the provision of services to the pharmaceutical industry;
- *instrumental activities*: Immobiliare Stampa S.c.p.A., Servizi Bancari S.c.p.A., BPVi Multicredito – Agenzia in Attività Finanziaria S.p.A., Popolare di Vicenza Assessoria e Consulteria Ltda (with its own representative office in Brazil) and Sec Servizi S.c.p.A. (a company in which an interest lower than 50 per cent. is held and which does not belong to the Group).

Presence outside Italy

The BPV Group has six representative offices abroad aimed at facilitating commercial transactions between Italian companies and the principal international markets; providing appropriate services for entrepreneurs intending to expand in those areas; and developing lasting business relations with the principal and most experienced banking counterparties in these countries. The representative offices are located in Hong Kong (China), active since the 1980s, Shanghai (China), active since 2005, New Delhi (India), active since April 2006, Sao Paulo (Brazil) active since January 2011, New York (USA), active since mid-October 2011, and Moscow (Russian Federation), which opened in October 2013.

The BPV Group also has a subsidiary in Dublin (Ireland), BPV Finance (International) Plc, which specialises in proprietary trading, investing in financial instruments with a medium-long term perspective, and issuing loans to foreign subsidiaries of companies that are the Group's customers.

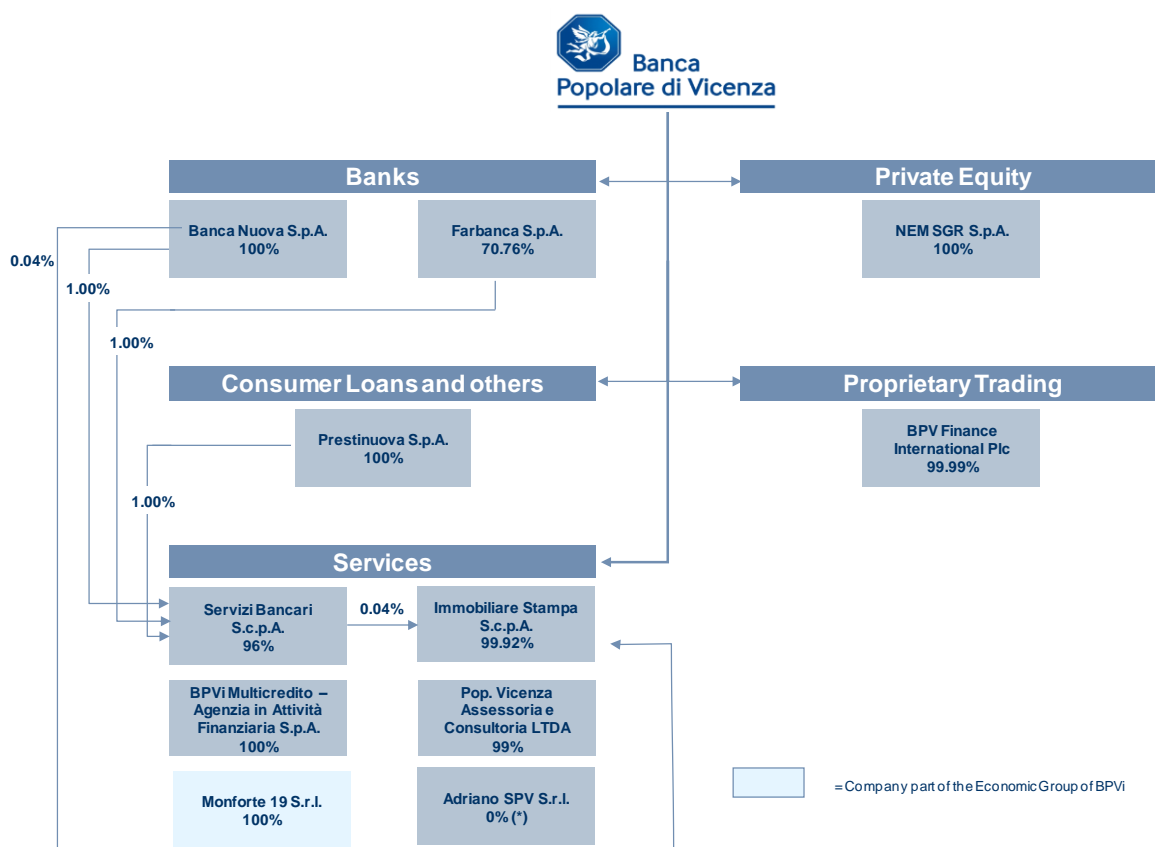
In order to provide the best possible support to international market players BPV has signed cooperation agreements with 71 foreign banks with a total network of approximately 85,000 branches, located in 47 countries.

In 2014 BPV entered into five new cooperation agreements with the Ecuadoran bank Banco Pichincha of Quito, the Thai bank Krung Thai Bank of Bangkok, the English bank Lloyd's Bank, the Mongolian bank Golomt Bank, and with the major Austrian banking group, Raiffeisenbank International. In particular, the cooperation agreement signed with the Raiffeisenbank Group allows BPV to assist its customers, mainly SMEs, in all 15 countries of central-eastern Europe where the Austrian group is active, with over 3,000 branches.

The BPV Group also has relationships with 3,830 correspondent banks located in 167 countries, 86 account relationships with banks located in 45 countries and 520 trusted banks based in 81 countries.

Organisational structure

Below is the organisational chart of the Banca Popolare di Vicenza Banking Group as at 31 March 2015.



(*) Securitisation company of loans sold to that vehicle by the subsidiary company Prestinuova S.p.A.; Adriano SPV S.r.l is not owned by the parent company nor by any company controlled by it. Following the completion of the securitization, BPV determined that, in light of the “Disposizioni di Vigilanza per le Banche” (part one, title I, Chapter 2, section II, para. 3.1 of Circular No. 285), the transaction resulted in BPV acquiring significant control in the SPV in the form of dominant influence, which has led to a modification of the banking group since 1 January 2015.

Description of BPV Group companies

Below is a brief description of the activities carried out by each of the various companies belonging to the BPV Group.

Banca Nuova S.p.A.

A commercial bank, having its registered office in Palermo, present in Sicily, Calabria and Lazio.

Farbanca S.p.A.

An online bank, having its registered office in Bologna, specialising in the offer of banking services for pharmaceutical clients.

PrestiNuova S.p.A.

A company, having its registered office in Rome, active in financing against assignment of one fifth of wages and of pensions and in loans with a withholding on wages and pensions by proxy.

BPV Finance (International) Plc

A company established under the laws of Ireland, having its registered office in Dublin, specialising in proprietary trading and in the investment in securities of Italian and international companies.

NEM SGR S.p.A.

NEM SGR, having its registered office at Vicenza, specialising in private equity by managing closed-end funds.

Servizi Bancari S.c.p.A. and Immobiliare Stampa S.c.p.A.

Consortium companies having their registered office in Vicenza: the former provides back-office services to BPV Group companies; the latter manages the real estate assets of the BPV Group and carried out the administrative activities concerning the lease of property.

BPVi Multicredito – Agenzia in Attività Finanziaria S.p.A.

A company incorporated in 2013 with the sole purpose of financial agency activities pursuant to art. 128-*quater* of the Consolidated Banking Act.

Popolare di Vicenza Assessoria e Consultoria Ltda

The representative office of BPV in Sao Paulo, Brazil. It was necessary to form a company in accordance with local applicable laws.

Monforte 19 S.r.l.

A real estate company belonging to the BPV corporate group (but not the BPV banking group), which manages selected luxury properties instrumental in the BPV Group's activities, as well as non-instrumental properties.

Financial Information

The following table sets forth total assets and net profits of the companies described above as at 31 December 2014 and 2013. The comparative figures at 31 December 2013 were determined by the effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

BPV Group's companies	December 31, 2014		December 31, 2013	
	Total Asset	Net Profit	Total Asset	Net Profit
<i>(Euro/thousands)</i>				
Banca Popolare di Vicenza	43,422,221	(823,682)	42,114,865	(44,625)
Banca Nuova	4,818,013	(13,478)	4,815,135	2,042
Farbanca	500,173	3,168	494,726	5,000
BPV Finance International.....	1,371,691	21,316	950,228	30,095
Prestinuova.....	405,599	3,347	421,119	1,371
Nem Sgr.....	4,288	1,094	4,418	1,163
Servizi Bancari ⁽¹⁾	12,110	-	13,109	-
Immobiliare Stampa ⁽¹⁾	353,580	-	351,829	-
Monforte 19 ⁽¹⁾	109,807	332	110,818	1,638
BPVI Multicredito ⁽²⁾	1,516	254	819	79
Industrial Opportunity Fund ⁽³⁾	54,871	(1,930)	68,273	(1,669)
Fondo NEM Imprese ⁽³⁾	10,446	(208)	10,368	1,521
Fondo NEM Imprese II ⁽³⁾	43,686	(5,532)	31,368	(2,397)

⁽¹⁾ Amounts have derived from the Financial Statements of the company which have been prepared in accordance with accounting principles generally accepted in Italy.

⁽²⁾ The company, wholly-owned by Banca Popolare di Vicenza, was formed in 2013.

⁽³⁾ The fund has been consolidated starting from January 2013 by effect of the adoption of the new accounting standard IFRS 10 "Consolidated Financial Statements".

Organisational Structure

Functional Organisation

The table below shows the number of employees, branches and offices of the BPV Group as of 31 December 2014 and 2013:

FUNCTIONAL ORGANISATION	31 December 2014	31 December 2013	Change per year
Number of permanent employees.....	5,515	5,463	+1.0%
Number of branches	654	640	+2.2%
Number of offices	47	49	-4.1%

Distribution channels structure

The BPV Group has no branches outside Italy. As of 31 December 2014, the BPV Group's main distribution channels were as follows:

	Branches	Tied financial Advisors	Private banking outlets	Financial Shop	Total
BPV Group	654	14	32	1	701
BPV	560		27		587
Banca Nuova.....	93	10	5		108
Farbanca.....	1				1
Prestinuova.....				1	1
BPVi Multicredito		4			4
Geographical distribution					
Northern Italy.....	439	1	22		462
Central Italy	119	3	5		127
Southern Italy.....	96	10	5	1	112

Management

The Board of Directors of BPV comprises 18 members. The Board of Directors is vested with ordinary and extraordinary powers regarding the administration of BPV, except for those reserved specifically for shareholders by Italian laws and BPV's by-laws.

The Chairman and Vice Chairmen of the Board of Directors and the Managing Director are BPV's legal representatives.

The Board of Directors governs BPV's management with the help of the Managing Director and General Manager and of the Executive Committee.

The following table sets out the composition of the Board of Directors together with activities performed in and/or outside the BPV Group which are significant with respect to the Issuer.

Name	Position	Significant activities as at the date of this Base Prospectus
<i>(*) indicates members of the Executive Committee</i>		
Giovanni Zonin (*)	Chairman	Associazione Bancaria Italiana (RM) - Director Associazione Nazionale fra le Banche Popolari (RM)- Director Badia S.a.s. di Zuffellato Silvana (VI) - Shareholder Barboursville Winery Inc. (U.S.A.) – Chairman and Shareholder Casa Vinicola Zonin S.p.A. (VI) – Chairman and Shareholder Fondazione per la Ricerca Biomedica Avanzata (PD) –

Name	Position	Significant activities as at the date of this Base Prospectus
		Director
		Fondazione Onlus Giuseppe Roi (VI) – Chairman
		Fondazione Onlus Mon Lius Limon (VR) - Chairman
		Fondazione Teatro Comunale Città di Vicenza (VI) -
		Chairman of the Founders meeting
		Giovanni Zonin Vineyards S.a.s. di Giovanni Zonin & C.
		(VI) - Shareholder
		Mobiliare Montebello S.p.A. - Shareholder
		San Marco S.r.l. (VI) - Shareholder
		Zonin Giovanni S.a.s. (VI) - Shareholder
		Zonin U.S.A. Inc. (U.S.A.) – Chairman
Marino Breganze (*)	Vice Chairman	Banca Nuova S.p.A. (PA) – Chairman
		Ente Autonomo per le Fiere di Verona (VR) – Director
		Fondazione Onlus Giuseppe Roi - Vice Chairman
		Fondazione Mon Lius Limon (VR) - Vice Chairman
		Fondazione Maria Teresa Mioni Onlus (VI) – Chairman
		Fondazione Maria Grazia Cutuli Onlus - Director
		Fondazione Teatro Comunale Città di Vicenza (VI) – Vice Chairman
Andrea Monorchio (*)	Vice Chairman	Ciro Paone S.p.A. (NA) – Director
		Fondazione per il tuo Cuore Onlus – Director
		Micoperi S.r.l. (RA) - Chairman
		Salini Costruttori S.p.A. (MI) - Chairman of the Board of Statutory Auditors
Francesco Iorio (*)	Managing Director and General Manager	N/A
Giorgio Tbaldo (*)	Director and Secretary	Azienda agricola Fondo Finanza S.S. di Soldà Maurizio e Tbaldo Giorgio (VI) – Shareholder
		C.C.I.A.A di Vicenza (VI) - Director
		Fondazione Maria Teresa Mioni Onlus (VI) – Director
		Società Agricola Codirondine S.S. (VI) - Shareholder

Name	Position	Significant activities as at the date of this Base Prospectus
		Tibaldo Giorgio D.I. (VI) – Owner
Paolo Angius	Director	Airgest S.p.A. (TP) – Vice Chairman Banca Nuova S.p.A. (PA) - Vice Chairman Gifan S.r.l. (PA) - Sole Director and Chairman Marina dei Fenici S.r.l. (TP) – Director Prestinuova S.p.A. (RM) - Chairman
Alessandro Bianchi	Director	Azienda Agricola Sparavieri di Alessandro Bianchi D.I. (VR) - Owner Industria Meridionale Equipaggiamenti Trasporti S.r.l. (CH) – Chairman Servizi e Partecipazioni per l'Industria dei Trasporti S.r.l. (VR) – Chairman, Managing Director and Shareholder
Giorgio Colutta (*)	Director	Azienda Agricola Bandut di Giorgio Colutta – impresa individuale (UD) – Owner Azienda Speciale Imprese e Territorio – I.TER della C.C.I.A.A. di Udine (UD) – Director Banca Nuova S.p.A. (PA) – Director Eat Friuli S.r.l. (UD) – Partner Farbanca S.p.A. (BO) – Chairman Farmacia Antonio Colutta del Dott. Giansandro Colutta & C. S.n.c. (UD) – Managing Partner Giulia Società Semplice (UD) – Partner U.P.A. Udine Servizi S.r.l. (UD) – Director
Vittorio Domenichelli	Director	Azienda Agricola Saccomani S.S. (RO) - Shareholder Fondazione per la Ricerca Biomedica Avanzata (PD) – Director Società Semplice Elettra (PD) – Shareholder
Giovanna Dossena	Director	ADD Value S.r.l. (MI) - Director AVM Associati S.p.A. (MI) – Chairman and shareholder AVM Development S.p.A. (MI) - Chairman AVM e Partners Value Management S.r.l. (MI) – Shareholder AVM Energia S.p.A. (MI) – Chairman AVM Solar S.r.l. (MI) – Chairman

Name	Position	Significant activities as at the date of this Base Prospectus
Giovanni Fantoni (*)	Director	B. Soft Group S.r.l. (MI) – Director
		Capitalimpresa S.p.A. (GE) – Director
		Corporate Services S.r.l. (MI) - Shareholder
		Goccia di Carnia S.r.l. – Director
		Idropejo S.r.l. (TN) – Director
		Sefim S.r.l. (MI) - Shareholder
		Selesta Ingegneria S.p.A. (GE)– Director
		Sorgenti Italiane S.r.l. (MI) – Director
		Alpe Adria Energia S.p.A. (UD) - Director
		Fantoni S.p.A. (UD)- Managing Director and Shareholder
		Fantoni Blu S.p.A. (RM) – Managing Director and Shareholder
		La-Con S.p.A. (UD) – Director
		Novolegno S.p.A. (AV) – Chairman
		Patt S.p.A. (UD) – Managing Director and Shareholder
Maria Carla Macola	Director	Samma S.r.l. (UD) – Director and Shareholder
		Azienda Agricola Bonsembiante di Macola Maria Carla (PD) - Owner
		Camping Italy S.r.l. (PD) - Shareholder
		Camping Market (PD)- Shareholder
		Lispida S.r.l. (PD) – Director and Shareholder
		Società Incremento Turistico Litorale Adriatico S.I.T.L.A. S.r.l. (PD) – Chief Executive Officer and Shareholder
		Tourist Market S.r.l. (PD) - Director and Shareholder
Matteo Marzotto	Director	Antelao S.r.l. (MI) - Sole Director
		Brunello Cucinelli S.p.A. (PG) - Director
		Ca.Ma. Holding di Partecipazione S.r.l. (MI) - Director
		Fiera di Vicenza S.p.A. (VI) – Chairman and Managing Director
		Fondazione CUOA – Centro universitario di organizzazione aziendale (VI) - Chairman
		Marzotto Matteo – Ditta individuale (GR) - Owner

Name	Position	Significant activities as at the date of this Base Prospectus
		Morellato & Sector S.p.A. (PD) - Director
Alessandro Pansa	Director	AN.GI S.r.l. (MI) – Shareholder Effe 205 Gruppo Feltrinelli S.p.A. (MI) – Director Librerie Feltrinelli S.r.l. (MI) – Director
Maurizio Stella	Director	Immobiliare Stampa S.p.A. (VI) – Vice Chairman La Cunetta Immobiliare S.r.l. (VI) – Shareholder Stella Studio Associato (VI) - Shareholder
Nicola Tognana (*)	Director	Alessandro Tognana & co. S.p.A (TV) – Chief Executive Officer and Shareholder Azienda Agricola S. Antonino di Tognana Nicola e Maria S.s. (TV) - Shareholder Camping Garden Paradiso S.r.l. (VE) – Chairman Centro Vacanze Prà delle Torri S.r.l. (VE) – Managing Director Curia Mercatorum (TV) – Chairman Gruppo Industriale Tegolaia S.r.l (TV) - Managing Director Muto e Tegolaia S.r.l. (KR)- – Chief Executive Officer Muto & Tognana Progetti Immobiliari S.r.l. (TV) - Chief Executive Officer and Shareholder Tognana Industrie e Fornaci S.p.A (TV) - Chief Executive Officer and Shareholder C.C.I.A.A. Treviso (TV) – Chairman
Giuseppe Zigliotto	Director	2VIFIN S.p.A. (VI) – Managing Director AIVI Immobiliare S.r.l. (VI) - Sole Director Ares Line S.p.A. (VI) – Chief Executive Officer Ares Engineering S.r.l. (VI) – Chief Executive Officer Blueoil S.r.l. (VI) – Director Confindustria Vicenza (VI) – Chairman C.C.I.A.A. Vicenza (VI) – Director Gruppo Videomedia S.r.l. (VI) – Sole Director IPI Istituto Promozionale per l'Industria (VI) – Sole Director Salin S.r.l. (VI) – Managing Director

Name	Position	Significant activities as at the date of this Base Prospectus
Roberto Zuccato (*)	Director	Salin Immobiliare S.r.l. (VI) – Director
		Società Italiana Finanziaria Immobiliare S.p.A. (VR) – Director
		Società Athesis S.p.A. (VR) – Director
		Trafimet S.p.A. (VI) – Chairman
		Università LUISS Guido Carli (RM) – Director
		Zeta S.r.l. (VI) – Chief Executive Officer and Shareholder
		Ares Engineering S.r.l. (VI) – Chief Executive Officer and Shareholder
		Ares Line S.r.l. (VI) – Chief Executive Officer and Shareholder
		Ares Line USA Inc. – Chairman
		Confindustria Veneto (VE) – Chairman
		Confindustria Veneto SIAV S.p.A. (VE) – Chairman
		Fondazione Il Campiello (VE) – Chairman
		Fondazione Nord Est – Director
		Fondazione Musei Civici di Venezia (VE) – Director
		Fondazione Studium Generale Marcianum – Director

In their capacity as directors, the members of the Board of Directors are all domiciled at the Issuer's registered office.

The following table sets out the management team of the Issuer together with activities performed in and/or outside the BPV Group which are significant with respect to the Issuer.

Name	Position	Significant activities
Francesco Iorio	General Manager	N/A
De Francisco Iacopo	Senior Deputy General Manager	N/A
Adriano Cauduro	Deputy General Manager	Istituto Centrale delle Banche Popolari Italiane S.p.A. (MI) – Director
		SEC Servizi S.C.p.A. (PD) – Director
		Servizi Bancari S.C.p.A. (VI) – Chief Executive Officer

The business address of the foregoing members of the Issuer's management team is Banca Popolare di Vicenza S.c.p.a, Via Btg. Framarin 18, Vicenza Italy.

Board of Statutory Auditors

Under Italian law, the shareholders must appoint a board of statutory auditors (*collegio sindacale*), composed of three standing statutory auditors and two alternate statutory auditors. The statutory auditors are responsible for overseeing the management and verifying compliance with applicable Italian laws and BPV's by-laws. They are also responsible for ensuring that BPV's organisation, internal auditing and accounting system are adequate and reliable. The statutory auditors are usually appointed for a three-year period. They are required to meet on a quarterly basis and are required by law to attend each Board of Directors' meeting and, although not strictly required by law, the executive committee's meetings.

The following table sets out the composition of the current board of statutory auditors together with activities performed in and/or outside the BPV Group which are significant with respect to the Issuer.

Name	Position	Significant activities
Giovanni Zamberlan	Chairman of the Board of Statutory Auditors	<p>Abaco Risorse S.r.l. (VI) - Chairman</p> <p>Azionaria Conduzione Terreni Agricoli A.C.T.A. S.p.A. (VI) - Statutory Auditor</p> <p>Cartografica Veneta S.p.A. (VI) - Alternate Auditor</p> <p>Cavinato S.p.A. - Chairman of the Board of Statutory Auditors</p> <p>Dicra S.p.A. (VI) - Alternate Auditor</p> <p>Dofin S.p.A. (VI) - Chairman of the Board of Statutory Auditors</p> <p>Famacc S.p.A (VI) Chairman of the Board of Statutory</p> <p>F.B.C. S.p.A. (VI) - Chairman of the Board of Statutory Auditors</p> <p>Fiamm Componenti Accessori S.p.A. (VI) – Chairman of the Board of Statutory Auditors</p> <p>Fiamm S.p.A. (VI) - Chairman of the Board of Statutory Auditors</p> <p>Fiamm Energy Storage Solution S.p.A (VI) Chairman of the Board of Statutory Auditors</p> <p>Fiamm Solar (VI) - Chairman of the Board of Statutory Auditors</p> <p>Fiamm Holding S.r.l. (VI) - Chairman of the Board of Statutory Auditors</p> <p>F.lli Bono S.p.A. (VI) - Chairman of the Board of Statutory Auditors</p> <p>Finsimo S.p.A. (VI)- Chairman of the Board of Statutory Auditors</p>

Name	Position	Significant activities
		Ge. In S.p.A. (VI) - Chairman of the Board of Statutory Auditors
		Immobiliare Stelvio S.p.A. (MI) Chairman of the Board of Statutory Auditors
		Maltauro Partecipazioni S.p.A. (VI)- Statutory Auditor
		Omis Commerciale S.r.l. (VI)- Chairman of the Board of Statutory Auditors
		Omis S.p.A. (VI) - Chairman of the Board of Statutory Auditors
		Omis Service S.r.l. (VI) - Chairman of the Board of Statutory Auditors
		Pantalonificio Vicentino S.r.l. (VI)- Director
		Piombifera Italiana S.p.A (VI)- Chairman of the Board of Statutory Auditors
		Polidoro S.p.A. (VI) - Alternate Auditor
		Scala S.p.A. (VI) - Chairman of the Board of Statutory Auditors
		Sintefin S.r.l. (VI)- Chairman of the Board of Statutory Auditors
		Società Italiana accumulatori Produzione Ricerca Avezzano – SIAPRA – S.p.A. (AQ) – Chairman of the Board of Statutory Auditors
		S.I.P.E. Società industriale Prefabbricati Edili S.p.A. (VI) – Alternate Auditor
		Studio Simonetto, Zanetti, Zamberlan & Partners (VI) - Shareholder
		Trend group S.p.A. (VI) – Alternate Auditor
		Vimacchine S.p.A. (VI) - Chairman of the Board of Statutory Auditors
Laura Piussi	Auditor	Acciaierie Bertoli Safau S.p.A. (UD) – Statutory Auditor
		Cecilia Danieli – Asili per l'infanzia S.r.l.(UD) – Statutory Auditor
		Copetti S.p.A. (UD) - Statutory Auditor

Name	Position	Significant activities
Paolo Zanconato	Auditor	Danieli Automation S.p.A. (UD)- Statutory Auditor
		Danieli Construction International S.p.A. (UD) - Statutory Auditor
		Findan S.p.A. (UD) - Statutory Auditor
		More S.r.l. (UD) - Statutory Auditor
		Silos S.p.A. (TS) - Alternate Auditor
		Acciaierie Valbruna S.p.A. (BZ) – Statutory Auditor
		Amenduni Nicola S.p.A. (VI) – Statutory Auditor
		Bericoplast S.p.A. (VI) – Alternate Auditor
		Casa Vinicola Zonin S.p.A. (VI) – Statutory Auditor
		Cosim Costruzioni Immobiliari S.p.A. (VI) – Statutory Auditor
		Cos.ma Costruzioni Maltauro Ing. Piero & Figli – in fallimento (VI) – Chairman of the Board of Statutory Auditors
		Datagest S.a.s. di Baschiroto Giorgio & C. – in liquidazione (VI) – Controlling Shareholder
		Dago S.r.l. in liquidation (VI) - Liquidator
		Farbanca S.p.A. (BO) - Chairman of the Board of Statutory Auditors
		Incoss Italia – S.p.A. (VI) – Statutory Auditor
		Itersan – S.p.A. (VI) – Statutory Auditor
		Mobiliare Montebello – S.p.A. (VI) – Sole Director
		Morgagni S.r.l. (VI) – Sole Director
		Nova S.p.A. – in liquidation (TV) – Statutory Auditor
		Palladio Team S.p.A. (VI) - Chairman of the Board of Statutory Auditors
		Policentro Domus De Janas S.p.A. (MB) –

Name	Position	Significant activities
		Statutory Auditor
		Safond – Martini S.r.l. (VI) - Chairman of the Board of Statutory Auditors
		Siggi Group S.p.A. (VI) - Chairman of the Board of Statutory Auditors
		Sviluppo Cotorossi S.p.A. (VI) - Chairman of the Board of Statutory Auditors
		Tenuta Rocca di Montemassi S.r.l. (GR) – Alternate Auditor
		URI – Utilizzazione Risorse Idriche International Engineering S.p.A. (VI) – Alternate Auditor
		Working S.p.A. – in liquidation (MI) - Chairman of the Board of Statutory Auditors
Giuseppe Mannella	Alternate auditor	A.B.L. S.r.l. (MO) – Statutory Auditor
		Adacta Studio Associato (VI) - Associate
		Adacta Studio Associato Bassano (VI)- Associate
		Adacta Studio Associato Treviso (TV)- Associate
		Agrifutura S.p.A. (VI) – Sole Director
		Alto Vicentino Servizi S.p.A. (VI) – Statutory Auditor
		Biomax S.r.l. (VI)- Alternate Auditor
		BPVI Multicredito S.p.A. (VI) - Statutory Auditor
		Buziol Investimenti S.p.A. (VI) – Chairman of the Board of Statutory Auditors
		Campagnolo S.r.l. (VI) - Alternate Auditor
		Denim Service S.p.A. (VI) - Alternate Auditor
		Dimap S.r.l. (PD)- Statutory Auditor
		Disma Holding S.r.l. (VI) - Statutory Auditor
		Family Box S.r.l. (VI) - Statutory Auditor

Name	Position	Significant activities
		Farbanca S.p.A. (BO) - Alternate Auditor
		Fashion Box S.p.A. (TV) - Statutory Auditor
		Fresh Cut S.p.A. (MO) - Statutory Auditor
		Fin.Com. S.r.l. (VI) –Shareholder
		Hitachi Fercad Power Tools Italia S.p.A. (VI)- Alternate Auditor
		Holding F.I.S. S.p.A. (PN) - Statutory Auditor
		Idas S.p.A. (VI) - Alternate Auditor
		Main Box S.p.A. (TV)– Chairman of the Board of Statutory Auditors
		NEIP III S.p.A. (TV) - Statutory Auditor
		New Mills S.p.A. (TV)– Chairman of the Board of Statutory Auditors
		Nordcom S.p.A. (MI) - Statutory Auditor
		Nordest SGR S.p.A. (VI) – Alternate Auditor
		One Box S.r.l. (TV) – Chairman of the Board of Statutory Auditors
		Sacme S.p.A. (VI)- Statutory Auditor
		Servizi Bancari S.C.p.A. (VI)- Statutory Auditor Sicit 2000 S.p.A. (VI)- Alternate Auditor
		Sicit Chemitech S.p.A. (VI)- Alternate Auditor
		Sunshine S.p.A. (VI)- Statutory Auditor
		Sviluppo Energie Alternative S.p.A. (VI) - Alternate Auditor
		Valtur S.p.A (VI) in liquidazione- Alternate Auditor Vitex S.r.l. (VI) – Director
		Zanella S.p.A. (VI) in liquidation - statutory auditor
Marco Poggi	Alternate Auditor	Abaco Risorse S.r.l. (VI) - Chief Executive Officer and Shareholder
		Automobile Club Vicenza (VI) - Vice

Name	Position	Significant activities
		Chairman
		ACTA S.p.A. (VI) – Alternate Auditor
		BPVI Multicredito S.p.A. (VI)- Chairman of the Board of Statutory Auditors
		Calcestruzzi Atesini S.r.l. (TN)– Statutory Auditor
		Cartografica Veneta S.p.A. (VI)– Statutory Auditor
		Codel. MA S.r.l. (VI)- Chairman of the Board of Statutory Auditors
		Coelsanus S.p.A. (VI)– Statutory Auditor
		Dicra S.p.A. (VI) – Alternate Auditor
		Dinoil S.p.A. (VI) - Chairman of the Board of Statutory Auditors
		Dofin S.p.A. (VI) - Director
		Dolomite Franchi S.p.A. (BS) – Statutory Auditor
		Farbanca S.p.A. (BO)– Alternate Auditor
		F.B.C. S.p.A. (VI)– Statutory Auditor
		Fiera di Vicenza S.p.A. (VI) – Statutory Auditor
		F.lli Bono S.p.A. (VI) - Director
		Famacc S.p.A. (VI) – Statutory Auditor
		Feudo Principi di Butera (CL) – Alternate Auditor
		Fiamm S.p.A. (VI) – Director
		Fiamm Componenti Accessori – F.C.A. (VI) – Director
		Impresa Costruzioni Giuseppe Maltauro S.p.A. (VI) – Alternate Auditor
		Integra S.r.l. - Chairman of the Board of Statutory Auditors
		Leasing Nord S.p.A. (VI) - Chairman of the Board of Statutory Auditors

Name	Position	Significant activities
		Maltauro Partecipazioni S.p.A. (VI) – Statutory Auditor
		ML Lorenzin S.r.l. (PD)- Chairman of the Board of Statutory Auditors
		Moretto S.p.A. (VI) - Statutory Auditor
		Nuova Briantea S.C.a.r.L.– Statutory Auditor
		Pardo S.p.A. (VI)- Director
		Refel S.p.A. (PN)– Statutory Auditor
		RHI Refractories Italiana S.r.l. (BS)– Statutory Auditor
		S.I.P.A.B. S.p.A. (VI)- Chairman of the Board of Statutory Auditors
		Sipe S.p.A. (VI) - Chairman of the Board of Statutory Auditors
		Studio Simonetto, Zanetti, Zamberlan & Partners (VI) - Partner
		Trend Group S.p.A. (VI) –Alternate Auditor

In their capacity as statutory auditors, the members of the board of statutory auditors are all domiciled at the Issuer's registered office.

No conflict of interest

At the date of this Base Prospectus and to the Issuer's knowledge, there are no potential conflicts of interest existing between the Issuer and the members of the Board of Directors, statutory auditors and management, except those that may be inherent in the transactions processed in compliance with applicable law and procedures in place at the time, in particular, article 2391 of the Civil Code, article 136 of the Banking Act, the related parties regulation and by the regulations of the Bank of Italy with regard to “*risk assets and conflicts of interest in related subjects*.”

Pursuant to article 2391 of the Civil Code, the Board of Directors shall inform the other directors and the statutory auditors of every third party interest in each transaction, specifying the nature, terms, origin and extent.

In addition, pursuant to article 136 of the Banking Act, those who perform administrative, managerial or supervisory roles within a bank cannot negotiate debt instruments or buy and sell, directly or indirectly, with the bank they hold their position, without the prior consent of the board of directors by way of a board resolution with the unanimous vote of all members of the supervisory board, without prejudice to their obligations under the Civil Code regarding directors' interests.

Furthermore, in order to comply with the provisions of the Bank of Italy contained in the 9th update of 12 December 2011 of the Circular no. 236 of 27 December 2006 entitled “New Minimum Capital Requirements for

Banks”, which introduced the Title V, Chapter 5, Section III on “Risk and conflicts of interest in connected persons” and as required by Consob with resolution no. 17221 of 12 March 2010 as amended by the “Regulation on Transactions with Related Parties”, the Board of Directors, by resolution of 27 June 2012, adopted the “Regulation on Transactions with Related Parties” which aims to regulate and ensure the methods of identification, approval, execution and communication to the market of transactions with related parties carried out directly or through subsidiaries, and to ensure compliance with the prudential limits for activities at risk in respect of the same.

Finally, on 26 January 2007 the Issuer adopted the “Regulations for the purpose of financial reporting in relation to related party transactions, significant non-recurring transactions, atypical and/or unusual” that defines the criteria quantitative / qualitative identification of transactions with related parties for the purposes of their disclosure in the financial statements.

Independent Auditors

In accordance with applicable Italian laws and regulations, the accounts of BPV must be audited by external auditors appointed by a resolution of the ordinary shareholders' meeting. Their appointment must be proposed by the board of statutory auditors. BPV's external auditors are KPMG S.p.A.

Business Activities

As of 31 December 2014, the Group's loans to customers totalled Euro 28,111 million, while direct and indirect deposits amounted to Euro 30,373 million and Euro 20,851 million, respectively, as indicated in the table below which contains comparative data as at 31 December 2013.

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

BUSINESS ACTIVITIES	31 December 2014	31 December 2013
	<i>(Euro/million)</i>	
Direct deposits ⁽¹⁾	30,373	31,663
Indirect deposits	20,851	19,051
Loans to customers.....	28,111	30,893

⁽¹⁾ Includes the following line items: due to customers, debt securities in issue and financial liabilities at fair value.

The BPV Group's customers include private individuals and professionals, as well as small-medium sized companies. Its business activities are organised into two main customer segments (the retail customers segment and the corporate segment) in order to maximise efficiency and to focus attention on those areas that offer the most potential.

Guarantees and Securities

Guarantees and commitments are all related to standard banking commercial activities and lending activities. The following is a summary of the guarantees and commitments positions of the BPV Group as of 31 December 2014 and 31 December 2013.

Guarantees and commitments	December 31, 2014	December 31, 2013
	<i>(Euro/thousands)</i>	
Financial guarantees	434,638	452,096
Commercial guarantees	644,015	839,191
Irrevocable commitments to make loans	1,176,959	1,218,740

Securitisation activities

At 31 December 2014, the following securitisations existed:

- Berica Residential MBS 1 Srl;
- Berica 5 Residential MBS Srl;
- Berica 6 Residential MBS Srl;
- Berica 8 Residential MBS Srl;
- Berica 9 Residential MBS Srl;
- Berica 10 Residential MBS Srl;
- Berica ABS Srl;
- Berica ABS 2 Srl;
- Berica PMI Srl;
- Piazza Venezia Srl;
- Berica ABS 3 Srl.

The securitisations, all of which are multioriginator, were carried out in accordance with the Italian securitisation law (Law 130/1999).

Berica ABS 3 Srl was completed during 2014 using receivables originated by BPV and Banca Nuova.

For each self-securitisation (including Piazza Venezia) where the originators subscribed in full the asset-backed securities issued, the originators signed specific servicing contracts with the respective vehicle companies for the coordination and supervision of the management, administration and collection of the securitised loans, as well as for recovery activities in the event of borrower default. These contracts require the payment of an annual servicing fee as well as remuneration for each position requiring recovery activities. The function of servicer is carried out by specific structures within the company, whose work has been duly organised and is monitored by BPV's internal auditors, who verify the propriety and conformity of its conduct with respect to the terms of the servicing contract.

Litigation and regulatory matters

In the last 12 months, no governmental or arbitration proceedings have been threatened against the Issuer which may have a significant adverse effect on the financial or economic position of the Issuer or the BPV Group.

The main types of dispute liabilities relate to restitution in the case of insolvency proceedings relating to the investment services linked to day to day banking activities. The group has, where appropriate, made the necessary allocations to cover its risks. As at 31 December 2014, the Issuer has allocated EUR 38.658 million, to pending litigation.

Please see below for further information related to specific proceedings.

Proceedings were commenced by the Italian tax authorities in relation to regional tax on profitable activities (Imposta Regionale sulle Attività Produttive, “IRAP”) payable by the Issuer. The litigation relates to the alleged

irregularities in the calculation and payment of the additional regional IRAP due by the Issuer for the year 2004, for a total amount of EUR 2,663,000. The Regional Tax Commission of Veneto has found in favour of the Issuer, accordingly the Italian tax authorities have appealed to the Supreme Court.

Cariprato - Cassa di Risparmio di Prato S.p.A. is subject to a dispute of a similar nature, it has been served a notice for payment for the year 2006 for alleged irregularities in the calculation and payment of the additional regional IRAP for a total amount of EUR 219,000. At the first instance, the Tax Commission recognised the debt owed and annulled the penalties due. The judgment has since been appealed to the Regional Tax Commission, whose judgment has confirmed the first instance. The Issuer has now filed an appeal with the Supreme Court.

On 18 February 2015 criminal proceedings were initiated by the Public Prosecutor Office at the Court of Palermo against Professor Marino Breganze, the vice chairman of the Board of Directors of the Issuer, in his capacity as chairman and legal representative of Banca Nuova, for offences pursuant to articles 40 (*capoverso*) and article 644 I and V paragraph 1 Civil Procedure Code. (*rapporto di causalità e usura*). The outcome of such proceedings is not expected to have a negative impact on the financial or economic position of the Issuer.

Inspections conducted by supervisory authorities

From 10 March 2014, the Issuer, in compliance with the provisions of art. 33(4) of Council Regulation (EU) no. 1024/2013 of 15 October 2013 and the Decision of the ECB of 4 February 2014 (ECB/2014/3), was subject to an inspection conducted on behalf of the European Central Bank. The outcome of this inspection, which examined the quality of the assets (Asset Quality Review) provided for by the Comprehensive Assessment and conducted at banking system level under the supervision of the ECB, was announced by way of the press statement of the Bank of Italy of 26 October 2014.

On 16 February 2015 the ECB informed the Issuer of the commencement, as of 26 February 2015, of an inspection to evaluate the Risk Management – Market Risk (management del Proprietary Trading e Governance) procedures. Such inspection remains ongoing at the date of this Base Prospectus.

On 11 March 2015, the ECB informed the Issuer of its intention to conduct an audit in accordance with articles 10 and 11 of the SSM Regulation and article 142 of the SSM Framework Regulation, in order to assess the “Thematic risk governance and risk appetite framework”. The audit commenced on 13 April 2015 and ended on 17 April 2015. At the date of this Base Prospectus the results of the audit have not yet been disclosed to the Issuer.

On 21 April 2015, Consob informed the Issuer of the commencement, as of 22 April 2015, of an inspection conducted pursuant to article 10, paragraph 1, and the combined provisions of article 115, paragraph 1, letter c) and article 116, paragraph 1 of Legislative Decree of 24 February 1998 no. 58 (TUF) to ascertain, among other things: (i) the safeguards in place to manage the conflict of interest inherent in the placement of securities issued; (ii) the process of defining the proposal for the updating of the value of its shares annually approved by the Board of Directors; and (iii) the adequacy of customer investments and the management of customer orders relating to the sale of treasury shares. As at the date of this Base Prospectus the audit is ongoing.

On 30 July 2014, CONSOB informed the Issuer of its intention to commence proceedings pursuant to article 195 of TUF against corporate officers (members of the Board of Directors and the board of auditors, the general manager and deputy general manager of the Markets Division, including: Giovanni Zonin, Marino Breganze, Andrea Monorchio, Giorgio Tibaldo, Paolo Bedoni, Paolo Sartori, Alessandro Bianchi, Vittorio Domenichelli, Giovanni Fantoni, Zeffirino Filippi, Maria Carla Macola, Franco Miranda, Gianfranco Pavan, Fiorenzo Sbabo, Maurizio Stella, Paolo Tellatin, Ugo Ticozzi, Nicola Tognana, Giuseppe Zigliotto, Roberto Zuccato, Giovanni Zamberlan, Giacomo Cavalieri, Laura Piussi, Samuele Sorato and Emanuele Giustini) of the Issuer, as jointly and

severally liable together with the Issuer itself, on the basis of its procedural and operational conduct. Highlighting a possible violation to of article 21, paragraph 1, letter (d) of TUF and article 15 of the Joint Regulation of Bank of Italy and Consob dated 29 October 2007, which requires intermediaries to adopt appropriate procedures to ensure the proper conduct of investment services, as well as article 21, paragraph 1, letter (a) of TUF, which requires brokers to act diligently, fairly and transparently, for the best interests of its customers, and of articles 39 and 40 of Consob Regulation no. 16190 of 29 October 2007, governing customer profiling and adequacy. The Issuer and its corporate officers have filed counterclaims. Such proceedings are pending judgment. For more information, please see "–Recent Developments".

ECB Comprehensive Assessment

The Issuer, together with other principal banking groups in Italy, has been subject to the so-called "Comprehensive Assessment" carried out by the ECB starting from November 2014 which lasted for one year. The Comprehensive Assessment was divided into three specific phases:

- (i) A supervisory risk assessment, addressing key risks in the banks' balance sheets, including liquidity, leverage and funding;
- (ii) An asset quality review, to improve the transparency of banks' exposures through an analysis of the asset quality of banks, including the suitability of its evaluation of assets and guarantees; and
- (iii) A stress test, building on and complementing the asset quality review by providing a forward-looking view of banks' shock-absorption capacity under stress.

On 26 October 2014 the results of the Comprehensive Assessment, carried out by the ECB in cooperation with the EBA and with the Bank of Italy, were announced. Such results included the Asset Quality Review and Stress Test.

BPV presented a decrease of capital of 119 million euros as shown in the Asset Quality Review, and 158 million euro as shown in the Ordinary Stress Test and 682 million Euros as shown in the Adverse Stress Test.

After the main capital strengthening measures implemented in 2014 amounted to 459 million euro the Asset Quality Review of BPV presented a capital excess of 340 million euro, the Ordinary Stress Test of 301 million and a shortage of 223 million euro in respect of the Adverse Stress Test. This deficiency must be remedied within nine months from the publication of the results of the Comprehensive Assessment.

Following other measures used to strengthen its capital by 253 million euro resulting from the already approved irrevocable conversion of the mandate signed in 2013, BPV has presented a capital excess in the Asset Quality Review which amounted to 593 million euro, Stress Test amounting to 554 million euro and Adverse Stress Test amounting to 30 million euro.

Asset Quality Review concerned the analysis of bank portfolios with the application of extremely conservative accounting policies. The overall impact of the Asset Quality Review is due to 126 million euro in valuations, already partially implemented in the income statement for the current year. The remaining amount of the Asset Quality Review is due to the application of statistical criteria and the possibility to carry out provisions will be assessed in the light of the economic environment and effective compliance with the accounting standards currently in force.

The Stress Test was instead done through a simulation of development over three years (2014-2016) of the bank's balance sheet under two different scenarios, which point to a normal pattern (baseline scenario) and a particularly adverse (adverse scenario). The exercise was purely hypothetical economic scenario far from the current economic

situation of the country and was conducted by applying parameters that are far stricter than similar tests performed in the past.

The final results for the year are the result of integration (the so-called “join-up”) Asset Quality Review and Stress Test and identify any capital shortfall in terms of the ratio between primary capital Tier 1 and weighted assets the risk (CET1 ratio) compared to predetermined thresholds, but without taking into account the actions undertaken in the capital after 31 December 2013.

Applying that test and taking into account capital transactions finalised by 30 September 2014, the Asset Quality Review shows a surplus of 340 million. Stress Test emerges from the exercise of a lack “technical” assets amounted to 223 million euro.

Given the decrease highlighted by the Stress Test, the ECB has asked BPV together with other banks whose outcome of the Comprehensive Assessment showed a capital shortfall, although only “technical”, within two weeks of notification of the results, confirmation of their plan to ensure coverage of the shortfall; this plan, delivered by BPV to the ECB provides for the conversion of the soft mandatory notes worth 253 million issued in 2013 (the “**2013 Notes**”). The ECB will monitor the achievement of the objectives of capital presented by the banks and that if a plan should not be considered adequate or credible, the ECB will consider possible regulatory measures as provided in article 16 of Regulation SSM. More details on results of the Comprehensive Assessment is available on the website of the Bank of Italy www.bancaditalia.it.

On 4 December 2014, the ECB, despite showing that the Comprehensive Assessment is a practical exercise and that the responsibility for the financial reporting and the application of international accounting standards is the responsibility of each individual financial institution, has requested the Bank to assess the applicability of more conservative criteria in the assessment of claims for the year 2014 in order to be closely aligned with the results of the Asset Quality Review. To this end, the ECB has provided the Issuer with details of the differences noted during the Asset Quality Review and in particular the differences on loans subject to analytical verification (credit file review). It was also asked to evaluate a possible refinement of policy and or the parameters of the models used for valuation and classification of loans. The Bank has begun the process of examination and self-assessment as requested by the ECB in order to assess the adoption of more conservative approaches even in the preparation of the 2014 financial statements.

As for the aforementioned conversion of the 2013 Notes, the Board of Directors irrevocably approved to, within 30 days from the date of the Board of Directors meeting held in April 2015, to redeem the notes pursuant to article 10 of the regulations of the 2013 Notes.

In compliance with the regulations of the 2013 Notes, the fee shall be governed exclusively by delivery of shares of BPV, for a conversion of EUR 253 million, and noteholders will be awarded 10% shares of BPV, for the nominal value of redemption of the notes. On 10 February 2015 the General Meeting of Noteholders approved the proposal to bring forward the settlement date and the interest payment date, from 2 September 2015 to 29 May 2015.

In light of the foregoing, the findings of Asset Quality Review and Stress Test, together with the capital measures carried out in 2014, led BPV to have a surplus of CET1 of approximately 30 million euro.

On 3 March 2015, the Board of Directors of BPV approved the draft financial statements at 31 December 2014 and its consolidated financial statements at 31 December 2014. Accordingly, the final results of the 2014 financial statements have been influenced by the outcome of Asset Quality Review, which was one of the three phases in which it is articulated Comprehensive Assessment of the exercise conducted by the ECB on the 120 largest banks in the Europe, including the Group.

The individual and consolidated financial statements 2014 were approved by the shareholders on 11 April 2015. For more information, please see "–Recent Developments".

Risk Management

The principal categories of risks inherent in the BPV Group's business are credit risk, concentration risk, counterparty risk, market risk (interest rate risk and price risk, which also includes exchange rate risk), liquidity risk and operational risk. According to national rules also risks concerning shareholding exposures and risk assets towards "Related Subjects" are subject to specific monitoring. The following paragraphs describe the management by the Group of these risks, described in further detail in the explanatory notes to the consolidated financial statements as of and for the year ended 31 December 2014.

Credit and concentration Risk Management and Recovery Policies

Credit risk is the risk of incurring losses due to unexpected deterioration in the creditworthiness of a counterparty or client including following contractual non-performance.

Credit risk also usually includes "country risk", being the risk of losses due to events that take place in a foreign country. The concept of country risk is wider than the one of sovereign risk as it refers to all exposures regardless of the nature of the counterparties, be they natural persons, companies banks or public administrations.

Concentration risk is defined by the BPV Group as the risk arising from a concentration of the exposures in the loans portfolio towards counterparties and groups of counterparties operating in the same economic sector, industry or geographical area, as well as the application of credit risk mitigation techniques, including the risk arising from indirect exposures, for example to individual guarantee provider.

Lending by the BPV Group has always aimed to support both the borrowing needs of households and the development and consolidation of businesses, especially small and medium-sized firms, which characterise the local economies where the Group's banks operate.

In line with prior years, the lending policy adopted by the Group seeks to respond to the needs of individuals and firms, while paying particular attention to the difficult economic situation, credit risk exposure and an adequate level of guarantees.

With reference to retail customers, the development of activities has focused on the longer-term segment with the granting and/or renegotiation of home mortgages and personal loans either directly via the Group's banks or via other companies.

Development activities in relation to small businesses have mainly focused on short-term lending, where the risk is spread widely, using technical forms that are supported by underwriting syndicates wherever possible. Medium-term lending has been expanded to medium and large businesses, with a special focus on those with secured guarantees. In all cases, special care has been taken in the selection of economic sectors from which borrowers come, in order to give preference to lower risk activities. Sector analysis has become increasingly important in the credit management process and involves the examination of internal data and external data provided by specialist Italian companies, in order to maximise their significance in view of the characteristics of the different banks and areas in which they operate.

The BPV Group's banks have complied with the "Common Opinion" issued in August 2009 by the Ministry of the Economy and Finance, the Italian Banking Association and business associations, aimed at giving struggling companies some financial respite, and renewed several times in subsequent years.

The Group is not currently active in credit derivatives.

Organisation

The Group's regulations for the management of credit, contained in its Credit Manual, establish a prudent approach to risk assessment. At a preliminary stage, borrowers are required to provide all the documentation needed for an adequate assessment of their credit rating. Such documentation must allow assessment of whether the amount requested, the technical form of the loan and the project to be financed are all consistent; it must also allow the characteristics and qualities of borrowers to be identified, having regard for all forms of relationship with them.

The risks associated with individual customers from the same Group must be considered as a whole. If there are legal or economic relations between individual customers, these parties form a unit in risk terms and represent a Group (economic group or risk group).

When granting and/or renewing lines of credit, it is necessary to verify the exposure by the entire BPV Group to borrowers and that to any groups to which they belong.

Pricing and/or income from the relationship cannot be a factor when evaluating credit rating and agreeing a loan.

The preliminary process depends on the type of customer concerned. For individual and small businesses, the granting for relatively small amounts is dealt with at branch or Area level. This follows a simplified process using an internal rating system, supported by an IT tool that checks credit rating at the time new lines of credit are granted, using both internal and external sources of information. For better control over the process of granting credit to individual customers and small businesses, stricter limits have been introduced on decision-making powers, identified on the basis of the risk profile attributed to the counterparty by the internal rating system.

The granting of credit to companies/entities follows a more complex process: proposed lending to such customers must be supported by a technical opinion from area or head office credit analysts, depending on the amount of credit requested.

Account managers monitor loans day by day and are responsible for their granting. If the customer's risk increases, BPV promptly adopts all the necessary measures to contain it.

Further to the "New prudential supervisory instructions for banks" (Bank of Italy Circular 263/06), the Group has adopted a process which, as far as property securing loans is concerned, constantly checks and updates its estimated value, also by using statistical methods based on geo-referenced systems.

Management, measurement and monitoring systems

The credit process is organised as follows:

- granting of credit, which involves: investigation, assessment, decision, formalisation of the credit and any guarantees;
- management of credit, which involves: way utilised, monitoring, review of facility, management of anomalies; and
- management of non-performing loans and recovery of loans.

The BPV Group has implemented an internal rating system, which is used for assessing customer ratings and for granting and monitoring credit.

BPV Group's rating models focus on the counterparties to which the Group is most exposed:

- Retail Customers;
- Small Business (sole entrepreneurs, companies with turnover below Euro 700,000 and exposure below Euro 1 million);

- SME Retail (Joint-stock companies with turnover below Euro 2.5 million and exposure below Euro 1 million, partnerships with turnover between Euro 700,000 and Euro 2.5 million and exposure below Euro 1 million);
- SME Corporate (corporations and partnerships with turnover below Euro 2.5 million and exposure above Euro 1 million, corporations and partnerships with turnover between Euro 2.5 and Euro 150 million);
- Large Corporate (Companies with turnover above Euro 150 million).

After incorporating such internal ratings in the credit management process, a series of “Credit Policies” were defined and approval limits were revised according to the counterparty’s risk level.

The Credit Policies govern the way in which the Group means to assume credit risk with customers, by fostering balanced growth in loans to counterparties with higher “credit ratings” and regulating/limiting the grant of credit to riskier customers. This also includes the regulations for “critical sectors” i.e. sectors that, based on assessments using internal and external data, exhibit such systemic risk elements that companies in certain sectors should be more carefully evaluated when granting credit. Credit to companies in these sectors is regulated by more stringent limits than ordinary ones.

In this context, according to the *Risk Appetite Framework* (“**RAF**”) approved by the Board of Directors, each year the risk management function identifies, together with the Lending Division, which sectors have to be considered critical and define specific credit line limits.

Still in the context of the RAF, annual targets and limits are identified with reference to the single name concentration. Also warning thresholds are set with respect to the risk level of the performing loans portfolio and geographic and industry concentration.

The credit management application (GdC) plays an important role in monitoring and managing credit risk, allowing account managers to check on changes in the credit status of customers and quickly identify any deterioration in the standing of borrowers. This instrument, developed with the objective of implementing an advanced credit portfolio management model based on predefined strategies (objectives, actions and timelines) that are consistent with the customer's risk level, completely replaced the previous Risk Management System (SGR) early in 2011.

In order to improve the management of customers showing initial signs of distress, a loans monitoring unit within the Non-Performing Loans Department of BPV and Banca Nuova has been put in place. The unit's specific tasks involve providing support to account managers for specific anomalous positions, reviewing the effectiveness of actions taken and spreading a general culture focused on safeguarding against and reducing credit risk.

As required by the Prudential Regulations for Banks (Bank of Italy Circular n. 285), suitable systems for the identification, measurement and control of risks have been adopted in order to manage credit in a proper and prudent manner.

Controls form an integral part of the daily activities of the Group and are comprised of four types:

- Line controls: these are performed at organisational level (e.g. hierarchical controls) or are built into procedures or carried out as part of back-office work;
- Risk-management controls: these contribute to defining the ways in which risk is measured, checking compliance with the limits established for the various functions and monitoring the consistency of operations. These controls are performed by units without operational responsibilities;

- Internal Audit: the purpose of this activity is to reassess the credit rating of individual borrowers, at predetermined intervals; and
- Inspections: these are carried out by the audit function both on-site and on a remote basis, in order to verify the quality of loans and the support for decisions taken by the units responsible for granting and administering credit.

In compliance with the Bank of Italy's instructions relating to Basel II and “groups of connected customers”, BPV introduced a number of changes relating to the management of economic groups for increasing the level of objectivity and process repetition regarding their composition.

In January 2013, to strengthen credit risk procedures, models and controls, the Board of Directors of BPV approved the launch of a project aiming at adopting an “Advanced Internal Ratings Based” (AIRB) system, based on Basel 2 rules, to enhance BPV Group’s credit management, monitoring and processes as long as strategic and operational planning.

In 2014, BPV Group released dedicated rating models for SME retail, SME corporate, large corporate, retail customers and small business segments. In the context of the AIRB project, BPV Group’s internal rating models were enhanced and expanded in order to assign ratings to all customers, independently from any financing in place with the Group

Credit risk mitigation techniques

The credit risk associated with individual counterparties or groups is mitigated by obtaining security (pledges, mortgages and special privileges) and/or personal guarantees (sureties, endorsements, credit mandates and letters of patronage).

The degree of mitigation attributed to each guarantee is governed by specific regulations that take into account the varying nature of the guarantees obtained.

Analysis of these guarantees does not reveal a special degree of concentration within the various technical forms of cover/guarantee since, except with regard to general sureties, they are essentially “specific” to each position. In addition, there are no contractual restrictions that might undermine the legal validity of the guarantees obtained.

Impaired financial assets

Anomalous loans not classified as non-performing are monitored not only by the commercial network but also by specific organisational units, whose mission is to “prevent default”. These units, which report hierarchically and functionally to the Lending Division, operate at Head Office and in the BPV's area offices responsible for the branch network.

Account managers are required to adopt an operational approach aimed at eliminating anomalies and limiting risks.

In the case of “Restructured” loans which are identified and managed in compliance with the supervisory rules (“Cash and off-balance sheet exposures (...) for which a bank, due to deterioration in the borrower's economic and financial status, allows the original contractual conditions to be revised (...) giving rise to a loss”), their management involves checking observance of the agreed restructuring plan and the fact that they may qualify for other internal classifications, such as that of “watchlist” loans.

With regard to positions involved in debt restructuring in its various forms, including restructuring agreements under art. 67 or art. 182 of the Italian bankruptcy law, BPV has a specialist team working on anomalous loans to ensure the precise, professional management of such agreements.

Activities relating to watchlist loans give priority to friendly, even if gradual, recovery of credit or at least to the mitigation of any negative effects in the event of default.

The classification of loans as “non-performing” is based on the criteria laid down in the supervisory regulations. Accordingly, this category comprises loans to parties that are insolvent or in similar circumstances, even if not confirmed by a judge, the recovery of which is the subject of court action or other suitable measures.

Management of non-performing loans and recovery of loans is the responsibility of specific units within the Lending Division.

These units consist of internal lawyers and personnel who carry out administrative and accounting activities in relation to the non-performing loans. The accounting processes adopt an IT procedure used by all the companies belonging to the Sec Servizi consortium.

Recovery activities are carried out on a proactive basis, with a view to optimising the legal procedures and maximising the outcome in economic and financial terms. In particular, when evaluating the steps to take, internal lawyers prefer to take out-of-court action with recourse to settlements that accelerate recoveries and contain the level of costs incurred. Where this route is not applicable, and especially with regard to larger amounts and when higher recoveries can be expected, external lawyers are instructed to take legal action since this represents both a method of putting legitimate pressure on the debtor and a way to resolve disputes.

Small loans that are uncollectible or difficult to collect are generally grouped together and sold without recourse, given that legal action would be uneconomic in cost/benefit terms.

For financial reporting purposes, non-performing loans are analysed on a case-by-case basis to determine the provisions required to cover expected losses. The extent of the loss expected from each relationship is determined with reference to the solvency of the debtor, the nature and value of the guarantees obtained and the progress made by recovery procedures. Estimates are made on a prudent basis, including by discounting to present value, as required by the applicable accounting standards.

This complex evaluation process is facilitated by subdividing the total loan book into similar categories and years of origin, taking account of the realisable value of the personal and/or corporate assets of the debtor and the guarantors.

The proper performance of the task of administering and evaluating non-performing loans is assured by both periodic internal audit and by external verification activities, carried out by the Board of Statutory Auditors and the independent auditors.

In terms of credit quality, the consolidated risk ratios were as follows:

<u>Consolidated Risk ratios</u>	<u>31 December 2014</u>	<u>31 December 2013</u>
Net non-performing loans / net loans to customers	6.03%	5.07%
Net impaired loans ⁽¹⁾ / Net loans to customers	14.95%	12.66%

⁽¹⁾ Including non-performing loans, watchlist loans, restructured loans and exposures past due date.

Counterparty Risk Management

Counterparty risk is defined as the risk that a counterparty of a transaction involving specific financial instruments may default prior to settlement. Transactions falling into the scope of counterparty risk include:

- Transactions in OTC financial and credit derivatives;
- Securities Financial Transactions (SFTs);
- Long-term settlement transactions.

With regard to the way counterparty risk is recorded and monitored, the Group defined a policy that describes the methodologies for the measurement of risk, the roles and responsibilities of the Group's bodies, committees and business functions involved, and the related management reports.

As regards the monitoring of counterparty risk, the Group uses the associated consolidated capital requirement, calculated in accordance with supervisory regulations, including the so-called Credit Valuation Adjustment (CVA) on OTC derivative transactions (a capital add-on to take into account potential losses in value connected to value adjustments deriving from a change in the creditworthiness of the counterparty in an OTC derivative). The calculation of this additional requirement was introduced by Regulation (EU) no. 575/2013 and has been subject to reporting since 2014, starting from the report concerning the capital requirement as of 31 March 2014.

Monitoring of counterparty risk, as set forth in the RAF of the Group, requires the calculation of the capital absorption in a normal situation (business as usual) and in predefined stress scenarios.

Market Risk Management

Interest Rate Risk and Price Risk Management - Trading Book for Supervisory Purposes

The Group monitors constantly market risks incurred by its trading book. Market risks are measured in terms of interest rate risk and price risk.

Interest rate risk represents the risk of incurring losses due to adverse trends in the rates of return on debt securities and other interest rate related instruments. Three types of interest rate risk can be identified:

- Level. Risk associated with an absolute change in the forward structure of risk-free interest rates (parallel shifts in the yield curve).
- Curve and fundamental. The first identifies the risk deriving from a relative change in the structure of interest rates. The second derives from the imperfect correlation of the elements of a position, particularly with reference to hedging strategies.
- Credit spread. Risk deriving from changes in the prices of bonds and credit derivatives associated with unexpected changes in the issuer's credit rating.

Price risk represents the risk associated with changes in the value of equity portfolios due to fluctuations in market prices. This risk is further divided into:

- Generic risk. Change in the price of an equity instrument following fluctuations in the market concerned.
- Specific risk. Change in the market price of a specific equity instrument due to revised market expectations about the financial strength or prospects of the Issuer.

The investment policy adopted by the Group focuses on optimising operating results and on reducing their volatility.

The Board of Directors of BPV is responsible for defining propensity to market risk through the RAS metrics and warning thresholds and the guidelines for the management of such risk, with the support of the Finance and ALMs Committee and other functions in charge of operational and strategic management of risk.

Specifically, for market risk management:

- As part of its consulting functions, the Finance and ALMs Committee proposes the guidelines for managing market risk to the Board of Directors.
- The Finance Division carries out:
 - activities concerning the trading of financial instruments in accordance with the risk limits and its delegated powers, as part of the performance of its operational management tasks;
 - monitoring of the operation and stop loss limits assigned to the trading portfolio and to the Group's covered call portfolio where the underlying instruments are government bonds and equity in the AFS accounting category;
- The Risk Management Department monitors the absorption of the VaR limit specifically assigned to the Group's covered call portfolio and to the rest of the portfolio: the reason for this choice of decoupling is found in the specific nature of these transactions, which, being written on securities already present in the portfolio, effectively represents the risk of lost profit.

BPV's Board of Directors has approved "*Trading book management guidelines*", following their discussion by the Finance and ALMs Committee.

The Board of Directors also resolved that investment strategies must be conducted in compliance with the risk propensity and the risk/return targets agreed in the budget and that the consequent operating limits must be approved on a general or specific basis by the competent bodies.

In brief, these guidelines establish that the Group's trading book investment strategy must be conducted through market-making and trading by the Trading & Sales Department (in turn organised into Global Markets, Interest Rate & Inflation, Equity, Credit & Solutions, Forex & Commodities, Secondary Market). This activity primarily translates into the process of managing financial instruments held for trading and treasury purposes, also in support of the branch network's flow business (positions held to create the underlying for repo transactions with customers, secondary markets for issues by BPV or placed by BPV, etc.).

The control of market risk is, therefore, centralised under the BPV Risk Management Department. This activity involves the daily monitoring of the observance of the VaR limits approved by the Board of Directors.

Operating and stop loss limits are also used to guide the activity of individual desks. The responsibility for monitoring and controlling these limits rests with the Finance Division (in particular the Financial Monitoring & Documentation Office).

Monitoring of market risk of the BPV Group is based on:

- defining a system for delegating powers in line with the risk limits and identifying the related escalation procedures in the event of overruns of these limits; and
- controlling observance of the limits and powers.

For the Group's book (HFT), the Group has defined a risk-based system for delegating powers in line with the risk targets resolved by the Board of Directors.

BPV's Board of Directors approved the following RAS metrics for 2015:

- VaR limit: measure of the maximum potential loss over a given period of time for a predefined confidence level;

- a monthly and annual stop loss limit: measure of the maximum accumulated loss over a specified period of time, allowed at a given level in the hierarchy without the need to take specific action.

A set of sensitivity indicators for each asset class is monitored based on the following indicators:

- sensitivity (interest rate risk): change in profit or loss that would occur in the event of a parallel shift in the reference curve by one basis point;
- vega (interest rate risk): change in profit or loss that would occur in the event of a 1 % change in volatility (or in the volatility curves) for the financial instrument;
- vega (equity risk): change in profit or loss that would occur in the event of a 1% change in volatility (or in the volatility curves) for the financial instrument;
- vega (exchange rate risk): change in profit or loss that would occur in the event of a 1 % change in the volatility of the exchange rate;
- delta in cash terms (exchange rate risk): cash equivalent position for spot, forward and exchange rate derivative portfolios;
- delta equivalent (equity risk): market value of shares and cash equivalent position for equity and stock index derivatives;
- maximum invested amount (position): book value of cash securities/funds (gross of the derivatives' delta) to ensure that assets and liabilities are balanced within the assigned budget limits;
- concentration: maximum limit, in percentage or absolute terms, on an asset that can be held in the portfolio (by instrument or issuer);
- credit risk sensitivity (credit risk): change in profit or loss that would occur in the event of a shift in the reference credit curve by one- basis point.

Value at Risk (“**VaR**”) is a statistical measure that indicates the maximum potential loss on an investment in a given period of time. VaR is calculated by simulating past trends and estimates portfolio risks on the basis of:

- past market movements;
- holding period of 1 day;
- 99% confidence level.

The VaR limit refers to overall operations carried out by the Trading & Sales Department.

The Risk Management Department is responsible for reporting VaR. This analysis is performed on a daily basis, partly to check that the VaR remains within the parameters established and defined by the Board of Directors in line with the RAS metrics and warning thresholds.

The calculation of VaR extends to the trading book reported for supervisory purposes.

For the purposes of having a standard representation of the underlying risk factors and a consistent method of calculation, the Group uses a single risk calculation system based on the VaR program by Murex. This has the benefit not only of being able to use the same system of position keeping as for managing and measuring risks but also of producing important operational synergies. In addition, operational risks have also been reduced as a result

of no longer having to replicate in an external system the positions and deals contained in the Group's official system.

In addition to monitoring VaR limits, the Risk Management Department carries out back-testing and stress testing on a daily basis.

As regards back-testing the model's results, a clean back-testing approach has been used, which compares the VaR calculated at time "t" for estimating the expected loss in time "t+1", with the P&L change computed using market parameters between time "t" and time "t+1" for the same portfolio.

The stress test, instead, measures potential vulnerability upon the occurrence of exceptional events that are nonetheless possible. The analysis is carried out on a daily basis and the scenarios used represent a grid with extreme, symmetrical variations regarding stock markets, parallel shifts in rate curves, trends in exchange rates, volatility and credit spreads.

In defining stress scenarios, the following assumptions have been made regarding correlation between risk factors:

- rises in the stock market are accompanied by downward movements in government securities, meaning that shares and risk-free rates rise at the same time;
- declines in the stock market are followed by a collapse in the corporate bond market (high correlation between equities and credit spreads), meaning credit spreads rise when stock markets fall.

Apart from the scenarios described above - which simulate a specifically defined hypothetical market situation - two stress tests are also conducted based on past actual market crashes, involving the reproduction of:

- the market shifts reported after the World Trade Center Attack on 11 September 2001;
- the market shifts reported after Lehman Brothers filed for bankruptcy under Chapter 11 on 15 September 2008.

The VaR models are used solely for management control purposes and are not used for the calculation of capital requirements.

Interest Rate Risk and Price Risk Management - Banking Book

The banking book comprises all the positions other than those included in the trading book for supervisory purposes.

Interest rate risk is the risk of incurring losses or a drop in profits due to the negative effect of a fluctuation in interest rates on the value of the assets and liabilities in the bank portfolio. The interest rate risk incurred by the BPV Group in relation to the banking book mainly derives from the activity of transforming maturities. It arises primarily from the mismatch of interest-bearing assets and liabilities in terms of amount, due date and interest rates.

As regards price risk, the banking book comprises minority holdings in equities classified as available for sale (AFS) and mutual funds. Investments in associates and subsidiaries are also included.

The process of measuring and controlling interest rate risk on the Group's banking book, with the aim of effectively managing the medium/long-term economic and financial equilibrium of the BPV Group, is governed by a specific policy which defines:

- the principles and methods of managing risk with reference to the roles and responsibilities of corporate bodies and functions;
- the methods of measuring risk, of defining operating limits and of structuring the risk management process;
- the principles and methods used for conducting stress tests; and
- the Management Reporting System.

The governance of the interest rate risk involves several bodies and functions of the Issuer and of other legal entities. Responsibility for managing interest rate risk lies with the BPV's Board of Directors, supported by the Finance and ALMs Committee and Functions in charge of strategic and operational management of interest rate risk. In particular, the governance of interest rate risk involves the following bodies at BPV:

- the Board of Directors approves the strategic guidelines, RAS metrics and warning thresholds, and is periodically informed about changes in exposure to interest rate risk and its operational management;
- the Finance and ALMs Committee proposes strategic guidelines to manage interest rate risk, according to its consultative role;
- the Managing Director and General Manager of BPV, having heard the opinion of the Finance and ALMS Committee, having assessed the potential impacts on the Group's multi-year net interest income deriving from the proposed strategies for managing the interest rate risk, formally defines the actions which the Finance Division has to implement both in the short and in the medium to long term, observing the guidelines defined by the Board of Directors;
- the Risk Management Department is responsible, among other things, for reporting and monitoring RAS metrics and warning thresholds, for the improvement of ALM system, for conducting stress tests and has a consultative role, together with the Finance Division, towards the Group's bodies and functions on interest rate risk;
- the Finance Division has direct responsibility for the operational management of interest rate risk according to the instructions received by the Finance and ALMs Committee.

The Asset & Liability Management methods adopted by the BPV Group largely respond to the need to monitor exposure of all interest-earning assets and interest-bearing liabilities to interest rate risk when market conditions change.

Rate risk is monitored using the following models:

- repricing gap analysis: estimates repricing mismatches and expected change in net interest income following a sudden, parallel shock to rate curves (+100 basis points);
- refixing gap analysis: estimates refixing mismatches (split by benchmark, such as to ensure monitoring of lags and basis risks) for floating-rate positions;
- maturity gap analysis fixed rate: estimates mismatches between fixed-rate statement of financial position items in the banking book, and the corrective effects of any hedging strategies;

- duration gap analysis and sensitivity analysis: estimates market value, duration, sensitivity, bucket sensitivity of the economic value of the banking book following a sudden, parallel shock to rate curves of +100 bp and +200 bp.

The analyses performed are static and therefore exclude assumptions about future changes in the structure of assets and liabilities, in terms of volumes and product mix. Sight positions with customers are managed using a specific internal model, which makes it possible to take account of the stickiness of the rate applied to such transactions when market rates change, as well as of the duration of such positions. The inclusion of this “behavioural” model in static ALM analyses completes the collection of methods used to estimate the interest rate risk of the banking book, thereby going beyond the assumption of full and immediate repricing of such positions when market rates change and of the assumptions of the Bank of Italy’s simplified model.

The BPV Group has defined a system of RAS metrics and warning thresholds for 2015 in order to monitor the interest rate risk of the banking book approved by BPV’s Board of Directors. In particular:

- the interest rate indicator (identified as the ratio between the change in the economic value of assets and liabilities following an immediate parallel shock to the rate curves of 200 basis points (with respect to the inertia situation), and the own funds at the measurement date);
- negative market value for floating rate loans (related to derivatives afferent the macro fair value hedge strategy); and
- negative market value for sight deposit (related to derivatives afferent the macro fair value hedge strategy on the core inelastic component).

The warning thresholds can be summarised as follows:

- bucket sensitivity (the sensitivity of the banking book economic value following of a parallel and sudden shock of the rate curves of +100 basis points);
- cumulative change in the net interest income over a time span of one year following of a parallel and sudden shock of the rate curves of +100 basis points;
- negative market value for fixed rate loans (related to derivatives afferent the micro cash flow hedge strategy).

The variables to be monitored are those generated by the static Asset & Liability Management analyses with the “outlook for current profits” and with the “outlook for market values” approach.

Strategic and operating decisions regarding the banking book aim to minimise the volatility in net interest income expected in the gapping period (12 months) or rather to minimise the volatility in total economic value when interest rates change.

Fair value hedges

The Group has arranged specific hedges for fixed-rate or fixed-rate step up multi-callable bonds, which are reported using the Fair Value Option (FVO). The strategy underlying the hedge is to reduce the *duration* of the liability. During the first half of 2008 instruments and processes were defined for hedge accounting for specific clusters of similar fixed-rate medium-term loans (fair value hedge - group micro hedges). All BPV's hedges of fixed-rate loans were unwound in October 2009. In June 2010, the above fixed-rate loans were hedged again, with forward-start hedges from July 2012. In June 2012 a portion of these hedges was renegotiated with new forward-starting hedges starting from July 2013. The BTPs and inflation-linked BTPs purchased since January 2010 have been hedged through asset swaps. This type of transaction has also adopted hedge accounting (fair value hedges - specific micro hedges). After extending hedge accounting to interest-bearing liabilities, some of the fixed-rate bonds not hedged under the fair value option were hedged since March 2010 in application of hedge accounting

(fair value hedge – specific micro hedges). In the second half of 2010 the hedge accounting process was extended to cover floating-rate loans with embedded interest rate caps (fair value hedge – group micro hedges). This type of hedging has been carried on from 2011 and is carried out at the date of the Base Prospectus.

Cash flow hedges

During the first half of 2011, instruments and processes were defined for hedge accounting for specific clusters of similar floating-rate loans (macro cash flow hedge). From July 2011 onwards, the Group has arranged cash flow hedges for loans of this kind. Additionally, starting in May 2012, to mitigate the asset side interest rate risk thus generated, ancillary swaption collars were also entered into; they were systematically renewed in correspondence with their out-of-the-money expiry. Starting from January 2013, BPV extended the cash flow hedge to floating-rate and inflation linked treasury bonds held in AFS portfolio. In 2015 the Group has continued to implement the cash flow hedge strategies, described above.

Hedges of foreign investments

The Group does not undertake hedges of foreign investments.

Exchange Rate Risk Management

Exchange rate risk represents the risk associated with changes in the value of positions denominated in foreign currencies deriving from unexpected variations in the cross rates. Exchange rate risk is principally generated by the support provided for commercial activity in foreign currencies and by trading in foreign securities.

Automatic network systems interfaced with a single position-keeping system enable the Trading & Sales Department to monitor constantly, in real time, the currency flows that are processed instantaneously on the interbank forex market. In addition, a specific unit within the Trading & Sales Department is responsible for managing on own account positions and products relating to the exchange derivatives needed to meet the various investment and hedging requirements of Group customers.

An advanced management system (MXG2000, the subject of work in the year to improve input of volatility parameters) and an external pricing system (Super-Derivatives) assure the efficient management of spot, forward and option flows within a specific framework of limits set by the competent organisational bodies.

Currency positions generated by other banks of the Group are also now managed by these systems.

Hedging of exchange rate risk

Currency investment and hedging of exchange rate risk involve transactions that minimise currency exposure (purchase and sale of currency on the interbank market) as well as management of the derivatives book within predetermined risk limits in terms of underlying spot positions (delta) and of volatility (vega).

Liquidity Risk Management

The Group defines liquidity risk as the risk of incurring losses or a drop in profits resulting from a temporary inability either to obtain funding (funding liquidity risk) and/or the difficulty in selling assets (market liquidity risk), necessary for the Issuer to meet its payment obligations. Funding liquidity risk refers to the risk that the Group will be unable to meet its payments and other obligations effectively (according to coherent logics, i.e. with the "desired" risk profile and under "fair" economic conditions) due to its inability to obtain funds without impairing its traditional activity and/or financial situation. Market liquidity risk refers to the risk that the Group may be unable to sell an asset, except at a capital loss, due to the lack of liquidity in the reference market and/or due to the timing required for the transaction.

The policy for managing liquidity risk of the BPV Group lays down the following fundamental principles for governing this risk:

- liquidity is managed centrally by BPV;
- BPV's Board of Directors has the responsibility for defining the propensity to liquidity risk and the guidelines for managing that risk; and
- the liquidity funding plan (for ordinary liquidity management) and the contingency funding plan (for contingency management) are developed and managed by BPV for the entire BPV Group.

BPV's Board of Directors uses the Finance and ALMs Committee and relevant functions for the operational and strategic management of this risk. In particular:

- the Finance and ALMs Committee proposes strategic guidelines in its consultative capacity to BPV's Board of Directors;
- within the scope of their powers, the Managing Director and General Manager manage the liquidity stress situations and lay out the necessary corrective measures within the scope of the delegated powers attributed by the Board of Directors, and inform the competent bodies of the situation;
- the Risk Management Department defines the methodologies for the measurement and monitoring of the risks, in compliance with the provisions of the risk appetite framework regulation. With pre-defined frequency, it monitors the compliance with the risk objectives, the results of stress tests and generally, the liquidity profile of the Group and of the individual subsidiaries. In addition, with the support of the Finance Division, the Accounting Department and the Strategic Planning Department, it regularly checks and updates the Contingency Funding Plan based on the results of the stress tests. It also informs the corporate bodies of the results of its activities;
- together with the Finance Division and the Risk Management Department, the Management Control & Operational Planning Department defines the Internal Funds Transfer Price System, submitting it to the Finance and ALMs Committee and afterwards to the Board of Directors. It also monitors the loan-to-deposit ratio;
- the Finance Division is tasked with the operational management of the liquidity position of the Group, in compliance with the risk limits and within the scope of its delegated powers;
- the Internal Audit Department executes periodic checks on the adequacy of the information recording and checking system, on the liquidity risk measurement system and the related internal assessment process, as well as on the stress tests process, the Contingency Funding Plan review and update process and on the Internal Funds Transfer Price System. In addition, it assesses the functionality and reliability of the entire liquidity risk management framework.

Intraday liquidity is monitored through the analysis of the intraday cumulative liquidity position (time-ordered cumulative position of all positive and negative cash flows), which allows to check the lowest value between the intraday cumulative liquidity position and the closing position on the working day. Analysis are also developed checking the adequacy of the Intraday Liquidity Buffer compared to the lowest value of the intraday cumulative liquidity position, in a baseline and in a specific stress scenarios. Also time critical payments are monitored.

Short-term liquidity (within a 12-month horizon) is monitored through an Operating Maturity Ladder, which assesses the matching of the expected cash flows, by comparing assets and liabilities whose maturities fall within each maturity range, and which also makes it possible to highlight the matches, and thus the mismatches, between

expected cash inflows and outflows for each maturity range. The construction of cumulative imbalances (or cumulative gaps) allows the computation of the net requirement (or surplus) for the financial horizon.

Medium/long-term liquidity (beyond 12 months) is monitored through a Structural Maturity Ladder which assesses the balance between assets and liabilities (related to both on and off balance sheet items) highlighting matches and mismatches between assets and liabilities for each maturity range. The objective is to ensure that a sufficiently balanced structural liquidity profile is maintained, by imposing restrictions on the possibility of financing medium/long term assets with liabilities with an incongruent duration (the so-called maturity transformation rule).

Following activation of the ALMPro ERMAS software at the start of 2010, an integrated liquidity risk monitoring process has been developed as part of the Risk Management and Treasury functions. The high level of automation in terms of both database input and report production fosters early monitoring of the risk/operating limit indicators.

As part of overall risk management, the Board of Directors approves, at least yearly, the system of RAS metrics and warning thresholds for monitoring.

The system of RAS limits approved for 2015 is based on the use of the following risk indicators:

- Liquidity Coverage Ratio: identifies, at Group level, the stock of not committed high quality liquid assets, which can be used to cover net cash outflows, which BPV might need to cover in the event of a short-term liquidity crisis. It is the reference indicator selected for monitoring short-term liquidity;
- Net Stable Funding Ratio: identifies, at Group level, the ratio of available stable funding to required stable funding, which are both calculated as the sum of capital cash flows in the banking book expiring starting from the time bucket of one year, exclusive, up to the end of the time bucket in which the Group operates. It is the reference indicator selected for monitoring medium/long-term liquidity;
- Loan-to-Deposit ratio (LTD): ratio between loans to customers and direct funding from clients (without considering the wholesale funding), on a consolidated basis; and
- Cumulated liquidity position 1 month/Total asset and Cumulated liquidity position 3 months/Total assets.

In addition to these metrics, the Group defines some specific warning thresholds:

- Funding concentration;
- Direct funding-To-Total liability ratio;
- Structural and signalling early warning indicators.

Following the guidelines provided by the Basel Committee on diversifying funding sources, specific warning thresholds related to the level of funding concentration of individual counterparties, for the following two types of funding sources:

- wholesale demand funding (defined as such if the contribution from an individual counterparty amounts to at least 50 €/mln), including time deposits;
- funding on the interbank, non-collateral Euro market.

Direct funding-To-Total liability ratio considers the customers direct funding and the total liability as shown in the Balance Sheet on a consolidated level.

Early warning indicators, aimed at identifying and recognising a liquidity stress situation, are divided into the following categories:

- signalling early warning indicators, providing information or alarm signals on the potential existence of a liquidity stress situation in the financial markets (these indicators are normally represented by market indexes and other related variables);

- structural early warning indicators, providing information on the existence of a liquidity stress situation (the indicators are normally constructed on the basis of the information deriving from the operative maturity ladder).

The trend of the Group's liquidity situation is reported monthly to BPV's Boards and weekly to the Finance and ALMs Committee. Top management is informed of the Group's exposure to liquidity risk on a daily basis and the same report is sent weekly to the ECB and to the Bank of Italy.

Operational Risk Management

Operational risk is defined as the risk of suffering losses due to errors, infringements, interruptions, damages caused by internal processes, personnel or systems or caused by external events.

The definition includes losses arising from fraud, human factors, business disruption and system failures, failed transactions processing or process management, natural disaster. Operational risk includes also legal risk.

Operational risks are monitored by the Risk Management Department.

For the purposes of the prudential capital requirements for operational risks, the Group uses the so-called basic approach or BIA (Basic Indicator Approach), whereby the capital requirement is equal to the average over the last 3 years of Business Indicator (calculated according to art. 315 and 316 of CRR) multiplied by a fixed coefficient of 15%.

The core principles of the operational risk governance model of the BPV Group prescribe that:

- BPV's Board of Directors has the responsibility to define the guidelines on managing operational risks;
- riskiness is monitored centrally by BPV with reference to the individual legal entities, included in the perimeter, and to the Group as a whole;
- individual legal entities must comply with the guidelines defined by BPV for risk and capital management.

The operational risk management framework of the BPV Group is based on:

1. the assessment of the first and second level organisational safeguards and on the construction of the so-called Risk Map, which is the method used by the Group to conduct its risk self-assessment;
2. the operational Loss Data Collection.

The Internal Audit Department carries out remote and on-site checks in relation to the distribution network in order to verify compliance with company standards (i.e. correct application of regulations and correct performance of line controls).

The audit of processes, rather than their central owners, also examined regulatory, procedural and organisational structure in order to assess the adequacy of controls over operational risks in terms of compliance with corporate strategy, of achieving process effectiveness and efficiency, of protecting the value of assets and protecting against losses, of the reliability and completeness of accounting and management information, and the compliance of transactions with the law, supervisory requirements and internal instructions.

The results attest the existence and the adequacy of the system of control protecting against such risks, and as far as distribution processes are concerned, are based on the compliance observed during audit activities within the Network.

With regard to the monitoring of operational risks, in 2002 BPV was a founding member of DIPO, the interbank consortium promoted by ABI that maintains an Italian database of operational losses. As a consequence, the Group gathers regular information about its operational losses.

The current operational risk management policy, submitted to the BPV Board of Directors, describes:

- the steps and structure of the operational risk management process;
- the roles and responsibilities of the company bodies and functions within the operational risk management process;
- the reporting system addressed to company bodies and functions (Management Reporting System);
- the information flow to the bodies and committees and in particular the dynamics of operational risks which shall be submitted to the Risk Committee on a quarterly basis, with specific reference to Loss Data Collection results which enable the Group to monitor also the RAS metrics in place.

It should be noted that during 2014, the Group approved a specific framework in order to also monitor reputational risk.

For a discussion of legal risks, see further “ - *Litigation and regulatory matters*”. Certain types of operational risks are mitigated through insurance policies.

Risks related to holdings and risks connected to the risk process and conflicts of interest with respect to “Related Parties”

Risks related to holdings is the risk of an excessive tying-up of the assets resulting from equity investments in financial and non-financial companies; with specific reference to the latter, risk and conflicts of interest between investments and banking activity is included in accordance with the standards of sound and prudent management.

Risks connected to the risk process and conflicts of interest with respect to related parties is the risk that the closeness of certain parties to the Group’s decision-making centres may bias the objectivity and impartiality of the decisions to issue loans and to carry out other transactions with the same persons, leading to possible distortions in the resource allocation process, exposure of the bank to inadequately measured or controlled risks as well as potential damage for depositors and stockholders.

For both type of risks, since 2012, the Group has being adopted internal regulation and policy in order to manage the risks, defining the role and the responsibility of Group’s Bodies, Committee and Business Functions as well as the reporting flows. Specific RAS metrics and warning thresholds have been developed (according to regulatory limits) and approved by the Group’s Board of Directors. The RAF limits are monitored periodically by the Risk Management Department.

Own funds and capital adequacy ratios

The Group’s own funds and the prudential ratios at 31 December 2014 were determined in accordance with the new regulatory framework of Basel 3, including the transitory provisions and the national discretionary powers, that came into effect starting from 1 January 2014 subsequent to the issuing of the CRD IV Package. Therefore, the comparison with the figures at the end of 2013 is not homogeneous, inasmuch as they had been determined with the previous Basel II rules.

Capital adequacy requirements were calculated using the same methods as those already adopted last year. In particular:

- risk-weighted assets used for determining the credit and counterparty risk requirement were quantified using the standard method and credit risk mitigation (CRM), by adopting unsolicited external ratings provided by the ECAI DBRS for the supervisory portfolio “Exposures to or guaranteed by Central governments and central banks” by ECAI Moody’s, S&P and Fitch for the supervisory portfolio “Elements that represent positions relating to securitisations” and unsolicited ratings by the ECAI Cerved Group for the supervisory portfolio “Exposures to Companies”;
- the market risk requirement was determined using the standard method, wherein sensitivity models were used to represent derivatives and other off-balance sheet transactions involving interest rates and debt securities;
- the operational risks requirement was determined using the basic method, whereby the calculation of the reference aggregate was aligned to the new supervisory provisions.

The following table shows the composition of the BPV Group's regulatory capital as established by the Bank of Italy's rules on a consolidated basis as at 31 December 2014 and 31 December 2013:

Own funds and capital adequacy ratios	December 31, 2014	December 31, 2013
	<i>(Euro/thousands)</i>	
CET1 capital - Tier 1 Capital.....	3,025,116	2,585,436
Tier 2 Capital.....	323,901	728,357
Total Own Funds - Regulatory capital.....	3,349,017	3,313,793
Risk-weighted assets	28,985,070	28,060,738
CET1 ratio - Core tier 1 ratio ⁽¹⁾	10.44%	9.21%
Tier 1 ratio ⁽²⁾	10.44%	9.21%
Total Capital Ratio ⁽³⁾	11.55%	11.81%

⁽¹⁾ CET1 capital(Core tier 1 capital)/ Risk-weighted assets

⁽²⁾ Tier 1 capital / Risk-weighted assets

⁽³⁾ Total Own Funds/Risk-weighted assets

It should be noted the ECB sent the final decision made with respect to the prudential requirements for the BPV Group, prescribing, at the consolidated level, a minimum Total Capital Ratio of 11%, which from 31 July 2015 onwards shall have to be fully covered by CET1. However, the ECB target requirements were already exceeded by the “pro-forma” ratio (taking into account the conversion of the convertible bond due to occur on 29 May 2015) of the BPV Group at 31 December 2014, attaining respectively 11.34% in terms of CET1 Ratio, and 12.49% in terms of Total Capital Ratio. Following the results of the Asset Quality Review, on 7 May 2015 the ECB communicated to the BPV Group that the minimum capital requirement in terms of the CET1 ratio was reduced from 11% to 10.3% and confirmed that the minimum Total Capital Ratio remained at 11%.

On 28 August 2015 the board of directors of the Issuer approved the half-year financial statements of the Group as of 30 June 2015 showing, inter alia, an interim loss equal to approximately Euro 1,053 million and the following regulatory capital ratios:

- CET1 Ratio and Tier 1 Ratio: 6.81% (where the target imposed by the ECB is equal to 10.3%)
- Total Capital Ratio: 7.63% (where the minimum requirement provided for by the CRR is 8%)

For more information on the abovementioned regulatory capital ratios, please see “*Risk Factors—Bank capital adequacy risks (CRD IV)*”.

Strategy

In light of the significant changes that have affected the Bank, either by external circumstances (obligation of transformation into a Joint Stock Company) and internal factors (findings of ECB inspection, managerial turnaround), on 21 July 2015 the new management has submitted for approval by the Board of Directors new strategic guidelines.

The need to review and refine the guidelines of the multiannual strategic plan of the Group is therefore linked to the radical change of the situation for BPV, which sees:

- the transformation of BPV into a joint-stock company and the decision to proceed to the next listing on Borsa Italiana;
- the need of a capital strengthening, in order to achieve a level of capitalisation aligned with ECB requirements;
- the presence of institutional investors in the capital, after transformation into a joint-stock company;

On the occasion of the definition of the new strategic plan, given the radical change that will face the Bank even after the transformation into a joint stock company, it was felt necessary to redefine the Vision and Mission of the BPV Group, indicating the objectives and characteristics of the *modus operandi* of the BPV Group.

The Vision foresees that BPV is "the Italian North-East Bank Network", namely:

- Bank of territory in its core areas, Veneto and North East.
- Bank “focused” on traditional commercial banking business.
- Bank that is “simple and streamlined”, which focuses on distribution, services and advice to customers.

The Group's Mission is to serve BPV Corporate clients/SMEs and entrepreneurs throughout their business and personal needs, in the North East and in other regions of Italy and of serving affluent customers and households in a simple way, providing asset management services of the highest quality.

The new guidelines of the 2015-2020 strategic plan include: (i) implementation of integrated platform for businesses and entrepreneurs exploiting synergies between Corporate/SME segments and Private segment; (ii) community bank for retail customers, focused on savings and management service and supported by an extensive multi-channel; (iii) a Credit Management platform, with active management of non-performing loans portfolio; (iv) the maximisation of operational efficiency, through a streamlined operational structure and tight cost control; (v) focus on traditional business, simplifying the corporate structure and shareholdings; (vi) a new organisational structure, governance and management team.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected consolidated financial information and key ratios relating to BPV, that have been derived from the audited consolidated financial statements of BPV as at and for the year ended 31 December 2014 and from the audited condensed interim consolidated financial statements as at and for the six months ended 30 June 2015. This information should be read in conjunction with, and is qualified in its entirety by reference to, the audited consolidated financial statements of BPV as at and for the years ended 31 December 2014 and 2013 and the audited condensed interim consolidated financial statements of BPV as at and for the six month period ended 30 June 2015, together with the explanatory notes thereto, which are incorporated by reference into this Base Prospectus.

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

Selected consolidated financial information**December 31, 2014****December 31, 2013***(Euro/thousands)***Income statement selected data**

Net interest income	511,065	528,388
Net interest and other banking income	1,014,768	1,034,718
Administrative costs	(696,281)	(675,936)
Net profit from operating activities ⁽¹⁾	(539,938)	(37,783)
Net adjustments to tangible and intangibles assets	(28,521)	(27,352)
Adjustments to goodwill	(600,000)	(15,225)
Net income (loss) for the year pertaining to the parent bank	(758,520)	(32,161)

Balance sheet selected data

Loans and receivables to customers	28,110,636	30,892,706
- of which non performing loans	1,696,271	1,566,683
Total direct deposits ⁽²⁾	30,373,149	31,662,653
- of which:		
deposits from customers	22,157,659	22,992,714
bonds and other securities	8,215,490	8,669,939
Indirect deposits	20,520,207	19,049,417
Non controlling interests	18,400	20,589
Shareholders' equity (including net result for the year)	3,731,462	3,647,183

Per share data

Profit (loss) from current operations before tax/number of shares	(12.09)	(0.58)
Net income (loss) for the year pertaining to the parent bank/number of shares	(8.08)	(0.38)
Shareholders' equity (including net result for the year)/number of shares	39.77	43.60

Other data

Price / Earning ⁽³⁾	(5.94)	(162.58)
Price / Book Value ⁽³⁾	1.21	1.43
Price / Cash flow ⁽³⁾	(34.65)	501.98
Market capitalization ⁽⁴⁾	4,503,938	5,228,655

⁽¹⁾ Includes the following line items: net result of financial and insurance activities and operating costs.

⁽²⁾ Includes the following line items: due to customers, debt securities in issue and financial liabilities at fair value.

⁽³⁾ The share price, established by the shareholders' meeting once a year, refers to the same year as the ratios.

⁽⁴⁾ The market capitalization was calculated by multiplying the number of shares constituting the share capital on the date to the value established by the shareholders' meeting once a year (Euro 62.50 for 2013 and 48.00 for 2014).

Consolidated keys ratios	December 31, 2014	December 31, 2013
Profitability ratios		
ROE ⁽¹⁾	-16.89%	-0.87%
Net Interest Income / Net interest and other banking income.....	50.36%	51.07%
Net fee and commissions / Net interest and other banking income.	29.69%	26.69%
Administrative costs ⁽²⁾ / Net interest and other banking income...	68.61%	65.33%
Cost Income ⁽³⁾	61.13%	58.52%
Risk ratios		
Net non-performing loans / Net loans to customers	6.03%	5.07%
Net non-performing loans / Shareholder's equity ⁽⁴⁾	45.46%	42.96%
Solvency ratios		
Shareholder's equity ⁽⁴⁾ / Loans to customers (net).....	13.27%	11.81%

⁽¹⁾ Defined as the portion of net income (loss) for the year pertaining to the parent bank divided by the book value of shareholders' equity (excluding the portion of net result for the current year) as at the end of the year, expressed as a percentage.

⁽²⁾ Includes payroll costs and other administrative expenses.

⁽³⁾ The indicator is the ratio of administrative costs plus net adjustments to property, plant and equipment and intangible assets plus other operating charges/income to net interest and other banking income.

⁽⁴⁾ Includes net income (loss) for the year.

Selected consolidated financial information

Selected consolidated financial information	June 30, 2015	June 30, 2014
	(Euro/thousands)	
Income statement selected data		
Net interest income.....	257,474	259,975
Net interest and other banking income.....	546,633	528,411
Administrative costs.....	(353,436)	(345,745)
Net profit from operating activities ⁽¹⁾	(992,457)	30,802
Net adjustments to tangible and intangibles assets.....	(14,994)	(14,205)
Adjustments to goodwill.....	(268,792)	-
Net income (loss) for the period pertaining to the parent bank.....	(1,052,923)	22,038
Balance sheet selected data	June 30, 2015	December 31, 2014
Loans and receivables to customers.....	26,778,936	28,110,636
- of which non performing loans.....	1,778,149	1,696,271
Total direct deposits ⁽²⁾	27,645,712	30,373,149
- of which:		
deposits from customers.....	20,738,457	22,157,659
bonds and other securities.....	6,907,255	8,215,490
Indirect deposits.....	19,778,862	20,520,207
Non controlling interests.....	17,885	18,400
Shareholders' equity (including net result for the year).....	2,954,206	3,731,462
Per share data		
Profit (loss) from current operations before tax/number of shares.....	(12.52)	(12.09)
Net income (loss) for the year pertaining to the parent bank/number of shares.....	(10.55)	(8.08)
Shareholders' equity (including net result for the year)/number of shares.....	29.59	39.77
Other data		
Price / Earning ⁽³⁾	(4.55)	(5.94)
Price / Book Value ⁽³⁾	1.62	1.21
Price / Cash flow ⁽³⁾	(6.23)	(34.65)
Market capitalization ⁽⁴⁾	4,791,587	4,503,938

⁽¹⁾ Includes the following line items: net result of financial and insurance activities and operating costs.

⁽²⁾ Includes the following line items: due to customers, debt securities in issue and financial liabilities at fair value.

⁽³⁾ The share price, established by the shareholders' meeting once a year, refers to the same year as the ratios.

⁽⁴⁾ The market capitalization was calculated by multiplying the number of shares constituting the share capital on the date to the value established by the shareholders' meeting once a year (Euro 62.50 for 2013 and 48.00 for 2014).

Consolidated keys ratios	June 30, 2015	December 31, 2014
Profitability ratios		
ROE ⁽¹⁾	-26.28%	-16.89%
Net Interest Income / Net interest and other banking income.....	47.10%	50.36%
Net fee and commissions / Net interest and other banking income.	31.13%	29.69%
Administrative costs ⁽²⁾ / Net interest and other banking income...	64.66%	68.61%
Cost Income ⁽³⁾	62.20%	61.13%
Risk ratios		
Net non-performing loans / Net loans to customers	6.64%	6.03%
Net non-performing loans / Shareholder's equity ⁽⁴⁾	60.19%	45.46%
Solvency ratios		
Shareholder's equity ⁽⁴⁾ / Loans to customers (net).....	11.03%	13.27%

⁽¹⁾ Defined as the portion of net income (loss) for the year pertaining to the parent bank divided by the book value of shareholders' equity (excluding the portion of net result for the current year) as at the end of the year, expressed as a percentage.

⁽²⁾ Includes payroll costs and other administrative expenses.

⁽³⁾ The indicator is the ratio of administrative costs plus net adjustments to property, plant and equipment and intangible assets plus other operating charges/income to net interest and other banking income.

⁽⁴⁾ Includes net income (loss) for the period.

CONSOLIDATED FINANCIAL INFORMATION

The annual consolidated financial statements of BPV as at and for the years ended 31 December 2014 and 2013 were prepared by the Issuer in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission under the procedure contained in Art. 6 of Regulation (EC) 1606/2002 of the European Parliament and Council dated 19 July 2002 and in force at the current reporting date, including the related interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The condensed interim consolidated financial statements as at and for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 “Interim Financial Reporting”. As allowed by this standard, they are presented in a condensed format and, as such, do not make all the disclosures required for annual financial statements.

The consolidated financial statements as at and for the years ended 31 December 2014 and 2013 and the condensed interim consolidated financial statements as at and for the six months ended 30 June 2015 have been audited by KPMG S.p.A., an independent firm of auditors, who gave unqualified opinions thereon.

The following tables present the consolidated statement of financial position of BPV for the six month period ended 30 June 2015 and the years ended 31 December 2014 and 31 December 2013, and the income statement of BPV for the years ended 31 December 2014 and 31 December 2013 and the six month periods ended 30 June 2015 and 30 June 2014. This information should be read in conjunction with, and is qualified in its entirety by reference to, the audited consolidated financial statements of BPV as at and for the periods ended 31 December 2014 and 2013 and the audited condensed interim consolidated financial statements of BPV as at and for the six month period ended 30 June 2015, together with the explanatory notes thereto, which are incorporated by reference into this Base Prospectus.

The comparative figures at 31 December 2013 were re-determined by effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

Consolidated Statement of Financial Position

ASSETS	June 30, 2015	December 31, 2014	December 31, 2013
			<i>(Euro/thousands)</i>
Cash and cash equivalents.....	165,461	192,755	2,389,157
Financial assets held for trading.....	4,283,849	7,579,380	2,069,062
Financial assets at fair value.....	8,146	4,260	-
Financial assets available for sale.....	4,972,164	5,321,059	4,094,277
Financial assets held to maturity.....	32,870	43,374	48,606
Loans and advances to banks.....	2,035,209	2,254,927	2,794,000
Loans and advances to customers.....	26,778,936	28,110,636	30,892,706
Hedging derivatives.....	85,258	97,860	74,934
Remeasurement of financial assets backed by macro hedges (+/-).....	56,730	87,447	38,064
Equity investments.....	486,129	494,857	384,967
Property, plant and equipment.....	621,749	626,373	623,300
Intangibles assets.....	77,152	347,812	947,733
<i>of which - goodwill</i>	<i>61,070</i>	<i>329,862</i>	<i>927,362</i>
Tax Assets.....	1,147,070	948,516	570,511
a) current.....	172,062	81,437	45,216
b) deferred tax assets.....	975,008	867,079	525,295
<i>of which Law 14/2001</i>	<i>666,975</i>	<i>734,435</i>	<i>424,586</i>
Other assets.....	388,163	365,611	308,712
Total assets	41,138,886	46,474,867	45,236,029

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2015	December 31, 2014	December 31, 2013
		<i>(Euro/thousands)</i>	
Due to banks.....	4,429,401	4,757,848	7,053,463
Due to customers.....	20,738,457	22,157,659	22,992,714
Debt securities in issue.....	5,993,274	6,668,144	6,957,740
Financial liabilities held for trading.....	3,673,068	5,956,524	1,733,166
Financial liabilities at fair value.....	913,981	1,547,346	1,712,199
Hedging derivatives.....	595,440	525,379	411,093
Fair value adjustment of financial liabilities subject to macro hedge (+/-)	0	-	(2,824)
Tax liabilities.....	187,886	182,170	187,256
a) current.....	2,927	1,842	45,723
b) deferred.....	184,959	180,328	141,533
Other liabilities.....	1,132,134	791,454	387,863
Provision for severance indemnities.....	73,268	80,132	75,298
Provisions for risks and charges.....	429,886	58,349	60,289
a) pensions and similar commitments.....	4,985	5,253	5,681
d) other provisions.....	424,901	53,096	54,608
Valuation reserves.....	209,923	186,831	16,355
Equity instruments.....	1,370	3,195	3,332
Reserves.....	237,529	608,879	586,307
Additional paid-in capital.....	3,209,434	3,365,095	2,767,383
Capital stock.....	374,343	351,870	313,719
Treasury shares (-).....	(25,470)	(25,888)	(7,752)
Non controlling interests.....	17,885	18,400	20,589
Net income (loss) for the year (+/-).....	(1,052,923)	(758,520)	(32,161)
Total Equity and Liabilities	41,138,886	46,474,867	45,236,029

Consolidated Income Statement

	December 31, 2014	December 31, 2013
	<i>(Euro/thousands)</i>	
Interest income and similar revenues	1,171,079	1,279,300
Interest expense and similar charges	(660,014)	(750,912)
Net interest income.....	511,065	528,388
Fee and Commission income.....	357,518	353,187
Fee and Commission expense.....	(56,217)	(77,013)
Net fee and commission income.....	301,301	276,174
Dividend and similar income.....	15,564	13,192
Net trading income.....	96,330	55,670
Net hedging gains (losses)	54,017	71,263
Gains (losses) on disposal or repurchase of.....	44,861	100,909
a) loans and advances.....	299	57
b) financial assets available for sale.....	47,051	99,629
d) financial liabilities.....	(2,489)	1,223
Net change in financial assets and liabilities at fair value.....	(8,370)	(10,878)
Net interest and other banking income.....	1,014,768	1,034,718
Net impairment adjustments to:.....	(915,960)	(454,593)
a) loans and advances.....	(868,456)	(432,355)
b) financial assets available for sale.....	(30,934)	(16,484)
d) other financial transactions.....	(16,570)	(5,754)
Net income from financial activities.....	98,808	580,125
Net result of financial and insurance activities.....	98,808	580,125
Administrative costs:.....	(696,281)	(675,936)
a) payroll.....	(401,951)	(392,288)
b) other administrative costs.....	(294,330)	(283,648)
Net provisions for risks and charges.....	(18,456)	(12,347)
Net adjustments to property, plant and equipment.....	(24,023)	(23,244)
Net adjustments to intangible assets.....	(4,498)	(4,108)
Other operating charges/income.....	104,512	97,727
Operating costs.....	(638,746)	(617,908)
Profit (loss) from equity investments.....	8,501	6,841
Net gains (losses) arising on fair value adjustments to property, plant and equipment and intangible assets.....	(2,850)	(2,822)
Adjustments to goodwill.....	(600,000)	(15,225)
Gains (losses) on disposal of investments.....	13	54
Profit (loss) from current operation before tax.....	(1,134,274)	(48,935)
Income taxes on current operations.....	376,687	3,262
Profit (loss) from current operation after tax.....	(757,587)	(45,673)
Profit (loss) from discontinued operations net of tax.....	-	15,225
Net income (loss) for the year.....	(757,587)	(30,448)
Non controlling interests.....	(933)	(1,713)
Net income (loss) for the year pertaining to parent bank.....	(758,520)	(32,161)

	June 30, 2015	June 30, 2014
	<i>(Euro/thousands)</i>	
Interest income and similar revenues.....	496,252	611,263
Interest expense and similar charges.....	(238,778)	(351,288)
Net interest income.....	257,474	259,975
Fee and Commission income.....	188,757	179,923
Fee and Commission expense.....	(18,615)	(32,883)
Net fee and commission income.....	170,142	147,040
Dividend and similar income.....	18,568	9,944
Net trading income.....	31,998	54,656
Net hedging gains (losses).....	48,376	31,304
Gains (losses) on disposal or repurchase of.....	23,647	29,899
a) loans and advances.....	396	42
b) financial assets available for sale.....	23,659	30,996
d) financial liabilities.....	(408)	(1,139)
Net change in financial assets and liabilities at fair value.....	(3,572)	(4,407)
Net interest and other banking income.....	546,633	528,411
Net impairment adjustments to:.....	(818,976)	(186,464)
a) loans and advances.....	(703,035)	(157,442)
b) financial assets available for sale.....	(117,956)	(26,813)
d) other financial transactions.....	2,015	(2,209)
Net income from financial activities.....	(272,343)	341,947
Net result of financial and insurance activities.....	(272,343)	341,947
Administrative costs:.....	(353,436)	(345,745)
a) payroll.....	(207,268)	(200,155)
b) other administrative costs.....	(146,168)	(145,590)
Net provisions for risks and charges.....	(380,097)	(7,325)
Net adjustments to property, plant and equipment.....	(12,513)	(12,029)
Net adjustments to intangible assets.....	(2,481)	(2,176)
Other operating charges/income.....	28,413	56,130
Operating costs.....	(720,114)	(311,145)
Profit (loss) from equity investments.....	11,453	8,388
Net gains (losses) arising on fair value adjustments to property, plant and equipment and intangible assets.....	(463)	-
Adjustments to goodwill.....	(268,792)	-
Gains (losses) on disposal of investments.....	13	18
Profit (loss) from current operation before tax.....	(1,250,246)	39,208
Income taxes on current operations.....	197,958	(16,666)
Profit (loss) from current operation after tax.....	(1,052,288)	22,542
Profit (loss) from discontinued operations net of tax.....	-	-
Net income (loss) for the period.....	(1,052,288)	22,542
Non controlling interests.....	(635)	(504)
Net income (loss) for the period pertaining to parent bank.....	(1,052,923)	22,038

CAPITALISATION AND INDEBTEDNESS

The following table summarises the consolidated capitalisation and indebtedness of the BPV Group as at 30 June 2015, 31 December 2014 and 31 December 2013. This information should be read in conjunction with, and is qualified in its entirety by reference to, the audited consolidated financial statements of BPV as at and for the years ended 31 December 2014 and 2013 and the audited condensed interim consolidated financial statements of BPV as at and for the six month period ended 30 June 2015, together with the explanatory notes thereto, which are incorporated by reference into this Base Prospectus.

The comparative figures at 31 December 2013 were redetermined by effect of the retrospective adoption of the new accounting standard IFRS 10 “Consolidated Financial Statements”.

Capitalization and indebtedness

Liabilities and Shareholders' equity	June 30, 2015	December 31, 2014	December 31, 2013
	<i>(Euro/thousands)</i>		
Capital stock.....	374,343	351,870	313,719
Additional paid-in capital.....	3,209,434	3,365,095	2,767,383
Reserves.....	237,529	608,879	586,307
Valuation reserves.....	209,923	186,831	16,355
Equity instruments.....	1,370	3,195	3,332
Treasury shares.....	(25,470)	(25,888)	(7,752)
Total shareholders' equity⁽¹⁾.....	4,007,129	4,489,982	3,679,344
Due to banks.....	4,429,401	4,757,848	7,053,463
Due to customers.....	20,738,457	22,157,659	22,992,714
Debt securities in issue ⁽²⁾	10,580,323	14,172,014	10,403,105
Total liabilities.....	35,748,181	41,087,521	40,449,282
Total liabilities and shareholders' equity.....	39,755,310	45,577,503	44,128,626

¹ The amount as of 30 June 2015 includes Euro 611.6 million of restricted reserves ex art.2358, c. 6, Civil Code.

² Amounts include also financial liabilities held for trading and financial liabilities at fair value.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following 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 acquiring, holding and disposing of the Notes, including, without limitation, the tax consequences of receiving payments of interest, principal and/or other amounts under the Notes.

*Please note that on 22 December 2014, the Italian Parliament definitively approved Law No. 190 of 23 December 2014, published in the Official Gazette No. 300 of 29 December 2014, so-called “2015 stability law” (“**Finance Act 2015**”).*

REPUBLIC OF ITALY

Tax Treatment of Interest

Under Legislative Decree No. 239 of 1 April 1996 as subsequently amended and restated (“**Decree 239**”), in general, interest, premium and other income (including the difference between the redemption amount and the issue price, hereinafter collectively referred to as “**Interest**”) from notes falling within the category of bonds (*obbligazioni*) or bond-like securities (*titoli similari alle obbligazioni*) issued, inter alia, by Italian banks may be subject to a tax withheld at source in Italy, referred to as “*imposta sostitutiva*”, levied at the rate of 26 per cent, depending on the legal status of the beneficial owner of such Interest.

For these purposes, under Article 44(2)(c) of Presidential Decree No. 917 of 22 December 1986 (“**Decree 917**”), bonds and bond-like securities (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation for the Issuer to pay, at maturity (or at any earlier full redemption of the securities), an amount not lower than their nominal / par value / principal and that do not grant the holder any direct or indirect right of participation in (or control on) the management of the Issuer or of the business in connection with which these securities are issued.

Italian resident Noteholders

Noteholders not Engaged in an Entrepreneurial Activity

Where an Italian resident beneficial owner of the Notes (a “**Noteholder**”) is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected;
- (b) a non-commercial partnership;
- (c) a non-commercial private or public institution; or
- (d) an investor exempt from Italian corporate income taxation,

then Interest derived from the Notes, and accrued during the relevant holding period, is subject to *imposta sostitutiva* levied at the rate of 26 per cent, unless the relevant Noteholder holds the Notes in a discretionary investment portfolio managed by an authorised intermediary and, if meeting the relevant conditions, has validly opted for the application of the “*Risparmio Gestito*” regime provided for by Article 7 of Decree No.

461 of 21 November 1997 (“**Decree 461**”). In such latter case the Noteholder is subject to a 26 per cent annual substitute tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The substitute tax is applied on behalf of the taxpayer by the managing authorised intermediary. For more information, see also “Tax Treatment of Capital Gains” below.

As from fiscal year 2015, as provided by Finance Act 2015, social security entities incorporated under Law No. 509 of 30 June 1994 or Law No. 103 of 10 February 1996 are entitled to a tax credit equal to the positive difference between withholding taxes and substitute taxes levied at a rate of 26 per cent on financial proceeds deriving from medium- and long-term investments (as identified by a decree to be issued by the Minister of Finance), as certified by the relevant withholding agent, and a notional 20 per cent taxation. The tax credit should be disclosed in the entities’ annual tax return and could be used from the first year following the investment.

Noteholders Engaged in an Entrepreneurial Activity

In the event that the Italian resident Noteholders described under clauses (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be subject to *imposta sostitutiva* on a provisional basis and will then be included in the relevant beneficial owner’s income tax return. As a consequence, Interest will be subject to the ordinary income tax and *imposta sostitutiva* may be recovered as a credit that can be offset against the income tax due.

If a Noteholder is an Italian resident company or similar commercial entity, a commercial partnership, or a permanent establishment in Italy of a non-resident company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*. Interest must, however, be included in the relevant Noteholder’s income tax return and is therefore subject to general Italian corporate taxation (“**IRES**”) and, in certain circumstances, depending on the “status” of the Noteholder, also to the regional tax on productive activities (“**IRAP**”).

Italian Real Estate Alternative Investment Funds (Real Estate Investment Funds and Real Estate SICAFs)

Under Law Decree No. 351 of 25 September 2001 (“**Decree 351**”), converted into law with amendments by Law No. 410 of 23 November 2001, Article 32 of Law Decree No. 78 of 31 May 2010, converted into law with amendments by Law No. 122 of 30 July 2010, and Article 2(1)(c) of Decree 239, payments of Interest deriving from the Notes to Italian resident real estate investment funds are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Italian real estate fund, provided that the Notes, together with the relevant coupons, are timely deposited with an authorised intermediary. However, a withholding tax or a substitute tax at the rate of 26 percent will generally apply to income realised by unitholders in the event of distributions, redemption or sale of the units.

Subject to certain conditions, income realised by Italian real estate investment funds is attributed pro rata to the unitholders irrespective of any actual distribution on a tax transparency basis.

Under Article 9 of Legislative Decree No. 44 of 4 March 2014 (“**Decree 44**”), the above regime applies also to Interest payments made to real estate SICAFs which meet the requirements expressly provided by applicable law.

Undertakings for Collective Investment (Funds, SICAFs and SICAVs)

If an Italian resident Noteholder is an open-ended or a closed-ended collective investment fund (a “**Fund**”), a *Società di Investimento a Capitale Fisso* (“**SICAF**”) or a *Società di Investimento a Capitale Variabile* (a

“SICAV”) established in Italy and either (i) the Fund, the SICAF or the SICAV or (ii) their manager is subject to supervision by the competent regulatory authority and the Notes are deposited with an authorised intermediary, Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*. Interest must, however, be included in the management results of the Fund, the SICAF or the SICAV accrued at the end of each tax period. The Fund, the SICAF or the SICAV will not be subject to *imposta sostitutiva*, but a withholding tax of 26 per cent will be levied, in certain circumstances, on proceeds distributed in favour of unitholders or shareholders by the Fund, the SICAF or the SICAV.

Pension Funds

If an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the pension fund as calculated at the end of the tax period, which will be subject to a 20 per cent substitute tax (as increased by Finance Act 2015).

However, income from government bonds accrued by the pension fund remain subject to taxation at 12.5 per cent. As from fiscal year 2015, as provided by Finance Act 2015, a 9 per cent tax credit is granted to the pension funds on income from medium- and long-term financial investments (as identified by a decree to be issued by the Minister of Finance) included in the annual result of the pension fund. The tax credit should be disclosed in the pension fund’s tax return and could be used from the first year following the investment.

Application of Imposta Sostitutiva

Under Decree 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (SIM), fiduciary companies, *società di gestione del risparmio* (SGR), stockbrokers and other entities identified by a decree of the Ministry of Finance (each, an “**Intermediary**”).

An Intermediary must (a) be resident in the Republic of Italy or be a permanent establishment in the Republic of Italy of a non-Italian resident financial intermediary or an organisation or a company not resident in the Republic of Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which includes Euroclear and Clearstream) having appointed an Italian representative for the purposes of Decree 239, 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. If the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary (or permanent establishment in Italy of a non-resident financial intermediary) paying Interest to a Noteholder or, absent that, by the Issuer.

Non-Italian Resident Noteholders

If the Noteholder is a non-Italian resident without a permanent establishment in the Republic of Italy to which the Notes are effectively connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is:

- (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Republic of Italy as listed (i) in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time (the “**White List**”), or (ii) as from the fiscal year in which the decree to be issued under the authority of Article 168-bis of Decree 917 is effective, in the list of States allowing an adequate exchange of information with the Italian tax authorities (the “**New White List**”). For 5 years

starting from the date of publication of the decree in the Official Gazette, States and territories that are included neither in the current black-lists set forth by Italian Ministerial Decrees of 4 May 1999, 21 November 2001 (such black-list is about to be updated) and 23 January 2002 (such black-list is about to be updated) nor in the White List will be deemed to be included in the New White List; or

- (b) an international body or entity set up in accordance with international agreements which have entered into force in the Republic of Italy; or
- (c) a central bank or an entity which manages, *inter alia*, official reserves of a foreign State (including sovereign wealth funds); or
- (d) an “institutional investor”, whether or not subject to tax, which is established in a country included in the White List (or in the New White List once this is effective), even if it does not possess the status of a taxpayer in its own country of establishment.

In order to ensure gross payment, non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected must be the beneficial owners of the payments of Interest and must timely deposit the Notes together with the coupons relating to such Notes directly or indirectly with:

- an Italian or foreign bank or financial institution (there is no requirement for the bank or financial institution to be EU resident) (the “**First Level Bank**”), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); or
- an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or brokerage company (SIM), acting as depositary or sub depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Department of Revenue of the Ministry of Finance (the “**Second Level Bank**”). Organisations and companies that are not resident of Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of 24 February 1998) for the purposes of the application of Decree 239. In the event that a non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and a Second Level Bank.

The exemption from the *imposta sostitutiva* for non-Italian resident Noteholders is conditional upon:

the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and

the submission, at the time or before the deposit of the Notes, to the First Level Bank or the Second Level Bank (as the case may be) of an affidavit by the relevant Noteholder (*autocertificazione*), to be provided only once, in which it declares, *inter alia*, that it is the beneficial owner of any interest on the Notes and it is eligible to benefit from the exemption from the *imposta sostitutiva*.

This affidavit, which is required neither for international bodies or entities set up in accordance with international agreements that have entered into force in Italy nor for foreign central banks or entities which manage, *inter alia*, official reserves of a foreign State, must comply with the requirements set forth by the Italian Ministerial Decree of 12 December 2001 and is valid until withdrawn or revoked (unless some

information provided therein has changed). The affidavit need not be submitted if a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent to Interest paid to Noteholders who do not qualify for the exemption or do not timely and properly comply with set requirements.

Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for full or partial relief under an applicable tax treaty, provided that the relevant conditions are satisfied (including documentary fulfilments).

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or bond-like securities (*titoli similari alle obbligazioni*), as defined above, may be subject to a withholding tax, levied at the rate of 26 per cent.

In the case of Notes issued by an Italian resident issuer, where the Noteholder is:

- (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected;
- (b) an Italian resident company or a similar Italian commercial entity;
- (c) a permanent establishment in the Republic of Italy of a non-resident entity;
- (d) an Italian commercial partnership; or
- (e) an Italian commercial private or public institution,

such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the 26 per cent withholding tax rate may be reduced under the applicable tax treaty, provided that the relevant conditions are satisfied (including documentary fulfilments).

Tax Treatment of Capital Gains

Italian Resident (and Italian Permanent Establishment) Noteholders

Noteholders Not Engaged in an Entrepreneurial Activity

If an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (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 a capital gain tax (“CGT”), levied at the rate of 26 per cent. Noteholders may set off any losses against their capital gains subject to certain conditions.

As from fiscal year 2015, as provided by Finance Act 2015, social security entities incorporated under Law No. 509 of 30 June 1994 or Law No. 103 of 10 February 1996 are entitled to a tax credit equal to the positive difference between withholding taxes and substitute taxes levied at a rate of 26 per cent on financial proceeds deriving from medium- and long-term investments (as identified by a decree to be issued by the Minister of Finance), as certified by the relevant withholding agent, and a notional 20 per cent taxation. The tax credit should be disclosed in the entities’ annual tax return and could be used from the first year following the investment.

In respect of the application of CGT, taxpayers may opt for any of the three regimes described below.

- (a) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, CGT on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realised by the Italian resident individual Noteholder holding the Notes. In this instance, “capital gains” means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay CGT on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward and offset against capital gains realised in any of the four succeeding tax years. Under Decree No. 66 of 24 April 2014 (“**Decree 66**”), capital losses may be carried forward and offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent of the relevant capital losses realised before 1 January 2012; and (ii) 76.92 per cent of the capital losses realised from 1 January 2012 to 30 June 2014.
- (b) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay CGT separately on capital gains realised on each sale or redemption of the Notes (the administrative savings regime, “*regime del risparmio amministrato*”). Such separate taxation of capital gains is allowed subject to:
 - (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of non-resident intermediaries); and
 - (ii) an express election for the administrative savings regime being timely made in writing by the relevant Noteholder.

The depository must account for CGT 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. The depository must also pay CGT to the Italian tax authorities on behalf of the Noteholder, 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 administrative savings regime, any possible capital loss resulting from a sale or redemption of the Notes 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 administrative savings regime, the Noteholder is not required to declare the capital gains / losses in the annual tax return. Under Decree 66, capital losses may be carried forward and offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent of the relevant capital losses realised before 1 January 2012; and (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

- (c) Under the asset management regime (*regime del risparmio amministrato*), any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets (including the Notes) to an authorised intermediary will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent substitute tax, to be paid by the managing authorised intermediary. Any decrease in value of the managed assets accrued at the year-end may be carried forward and offset against any increase in value of the managed assets accrued in any of the four following tax years. Under Decree 66, decreases in value of the managed assets may be carried forward and offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of: (i) 48.08 per cent of the relevant decreases in value occurred before 1 January 2012;

and (ii) 76.92 per cent of the decreases in value occurred from 1 January 2012 to 30 June 2014. The Noteholder is not required to declare the capital gains realised in the annual tax return.

Noteholders Engaged in an Entrepreneurial Activity

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

Italian Real Estate Alternative Investment Funds (Real Estate Investment Funds and Real Estate SICAFs)

Any capital gains realised by a Noteholder which is an Italian real estate investment fund or an Italian real estate SICAF to which the provisions of Decree 351 or Decree 44 apply will be subject neither to CGT nor to any other income tax at the level of the real estate investment fund or the real estate SICAF (see “Tax Treatment of Interest”). However a withholding tax or a substitute tax at the rate of 26 per cent will generally apply to income realised by unitholders / shareholders in the event of distributions, redemption or sale of units / shares.

Undertakings for Collective Investment (Funds, SICAFs and SICAVs)

Any capital gains realised by a Noteholder which is a Fund, a SICAF or a SICAV will not be subject to CGT but will be included in the result of the relevant portfolio accrued at the end of the relevant tax period. Such result will not be taxed at the level of the Fund, the SICAF or the SICAV, but income realised by the unitholders or shareholders in case of distributions, redemption or sale of the units / shares may be subject to a withholding tax of 26 per cent (see “Tax Treatment of Interest”).

Pension Funds

Any capital gains realised by a Noteholder that is an Italian pension fund (subject to the regime provided for by Article 17 of Decree 252 of 5 December 2005) will be included in the result of the pension fund as calculated at the end of the tax period, to be subject to a 20 per cent substitute tax (as increased by Finance Act 2015).

However, income from government bonds accrued by the pension fund remain subject to taxation at 12.5 per cent. As from fiscal year 2015, as provided by Finance Act 2015, a 9 per cent tax credit is granted to the Italian pension funds on income from medium- and long-term financial investments (as identified by a decree to be issued by the Minister of Finance) included in the annual result of the pension fund. The tax credit should be disclosed in the pension fund’s tax return and could be used from the first year following the investment.

Non-Italian Resident Noteholders

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected upon the sale or the redemption of Notes issued by an Italian resident issuer and traded on regulated markets are subject neither to CGT nor to any other Italian income tax. The exemption applies provided that the non-Italian resident Noteholders file in due course with the authorised financial intermediary an appropriate affidavit (*autocertificazione*) stating that the Noteholder is not resident in the Republic of Italy for tax purposes and has no permanent establishment in Italy to which the Notes are effectively connected.

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

- (a) resident in a country included in the White List (or in the New White List once this is effective);
- (b) an international entity or body set up in accordance with international agreements which have entered into force in the Republic of Italy;
- (c) a central Bank or an entity which manages, inter alia, the official reserves of a foreign State (including sovereign wealth funds); or
- (d) an “institutional investor”, whether or not subject to tax, which is established in a country included in the White List (or in the New White List once this is effective), even if it does not possess the status of a taxpayer in its own country of establishment.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected upon the sale or the redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to CGT at the current rate of 26 per cent. However, Noteholders may benefit from an applicable tax treaty with the Republic of Italy providing that capital gains realised upon the sale or the redemption of the Notes may be taxed only in the country of residence of the transferor.

Italian Inheritance and Gift Tax

Subject to certain exceptions, Italian inheritance and gift tax is generally payable on transfers of assets and rights, including the Notes, (i) by reason of death or gifts by Italian resident persons (or other transfers for no consideration and the creation of liens on such assets for a specific purpose, including the segregation of assets into a trust), even if the transferred assets are held outside Italy, and (ii) by reason of death or gifts by non-Italian resident persons (or other transfers for no consideration and the creation of liens on such assets for a specific purpose, including the segregation of assets into a trust), but only if the transferred assets are held in Italy.

In such event, Italian inheritance and gift tax applies as follows:

- (a) at a rate of 4 per cent in case of transfers in favour of the spouse or relatives in direct line on the portion of the global net value of the transferred assets exceeding, for each beneficiary, € 1,000,000;
- (b) at a rate of 6 per cent in case of transfers in favour of relatives up to the fourth degree or relatives in-law up to the third degree on the entire value of the transferred assets. Transfers in favour of brothers / sisters are subject to the 6 per cent inheritance and gift tax on the value of the transferred assets exceeding, for each beneficiary, € 100,000; and
- (c) at a rate of 8 per cent in any other case.

If the beneficiary of any such transfer is a disabled individual, whose handicap is recognised under Law No. 104 of 5 February 1992, the tax is applied only on the value of the assets (including the Notes) received in excess of € 1,500,000 at the rates illustrated above, depending on the type of relationship existing between the deceased or the donor and the beneficiary.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average trading price of the last quarter preceding the date of the succession or of the gift (including any accrued interest).

Transfer Tax

Contracts relating to the transfer of securities are subject to a € 200 registration tax as follows: (i) public deeds and private deeds with notarised signatures are subject to mandatory registration; and (ii) private deeds are subject to registration only in the case of voluntary registration or if the so-called “*caso d’uso*” or “*enunciazione*” occurs.

Stamp duty

Under Article 13(2-ter) of the Tariff, Annex A, Part I, attached to Presidential Decree No. 642 of 26 October 1972, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to their clients in respect of any financial product and instrument (including the Notes), which may be deposited with such financial intermediary in Italy. The stamp duty applies at a rate of 0.2 per cent and it cannot exceed € 14,000 for taxpayers other than individuals. The taxable base is the market value or, in the lack thereof, the face value or redemption value, or in the case the face or redemption values cannot be determined, the purchase price of the financial products held (including the Notes).

The statement is deemed to be sent at least once a year. In case of reporting periods of less than 12 months, the stamp duty is payable on a pro-rata basis.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Finance on 24 May 2012, the proportional 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 Financial Products Held Abroad

Under Article 19(18) of Decree No. 201 of 6 December 2011, Italian resident individuals holding financial products – including the Notes – outside the Republic of Italy are required to pay a wealth tax at the rate of 0.2 per cent (the tax is determined in proportion to the period of ownership). This tax is calculated on the market value at the end of the relevant year or, in the lack thereof, on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase price of any financial product (including the Notes) held abroad by Italian resident individuals. A tax credit is generally granted for foreign wealth taxes levied abroad on such financial products.

Certain Reporting Obligations for Italian Resident Noteholders

Under Law Decree No. 167 of 28 June 1990, as subsequently amended and supplemented, individuals, non-commercial entities and non-commercial partnerships that are resident in Italy and, during the fiscal year, hold investments abroad or have financial assets abroad (including possibly the Notes) must, in certain circumstances, disclose these investments or financial assets to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding € 15,000 threshold throughout the year, which per se do not require such disclosure). The requirement applies also where the persons above, being not the direct holder of the financial assets, are the actual economic owners thereof for the purposes of anti-money laundering legislation.

No disclosure requirements exist for investments and financial assets (including the Notes) under management or administration entrusted to Italian resident intermediaries (Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree No. 167 of 28 June 1990) and for contracts concluded through their intervention, provided that the cash flows and the income derived from such activities and contracts have been subjected to Italian withholding or substitute tax by the such intermediaries.

Savings Directive

The Savings Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person established within their jurisdiction to (or secured by such a person for the benefit of) an individual resident, or to (or secured for) certain other types of entity established, in that other Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise.

A number of third countries and territories (including Switzerland) have adopted measures similar to the Savings Directive.

On 24 March 2014 the Council of the European Union has adopted the Amending Directive which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. In particular, the Amending Directive will expand the range of payments covered by the Savings Directive (for example to include additional types of income payable on securities) and will expand the circumstances in which payments must be reported or paid subject to withholding. The Amending Directive requires Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

The Council of the European Union also adopted Directive 2014/107/EU of 9 December 2014 (the “**Amending Cooperation Directive**”) amending Council Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. The Amending Cooperation Directive requires Member States to adopt national legislation necessary to comply with it by 31 December 2015, which legislation must apply from 1 January 2016 (1 January 2017 in the case of Austria). The Amending Cooperation Directive is generally broader in scope than the Savings Directive, although it

does not impose withholding taxes, and provides that to the extent there is overlap of scope, the Amending Cooperation Directive prevails. The European Commission has therefore published a proposal for a Council Directive repealing the Savings Directive from 1 January 2016 (1 January 2017 in the case of Austria) (in each case subject to transitional arrangements). The proposal also provides that, if it is adopted, Member States will not be required to implement the Amending Directive. Information reporting and exchange will however still be required under Council Directive 2011/16/EU (as amended).

Investors who are in any doubt as to their position or would like to know more should consult their professional advisers.

Implementation in Italy

Italy 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, where interest is paid starting as from 1 July 2005 (including interest accrued on the Notes at the time of their disposal) to individuals who qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State of the European Union or in a dependent or associated territory under the relevant international agreement, Italian paying agents (including any banks, SIMs, fiduciary companies and SGRs resident for tax purposes in Italy) are required to report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the state of residence of the beneficial owner.

In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to an entity established in another EU Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstances, undertakings for collective investments in transferable securities or “UCITS” recognised in accordance with Directive 85/611/EEC.

Either payments of interest on the Notes or the realisation of the accrued interest through the sale of the Notes would constitute “payments of interest” under Article 6 of the Savings Directive and, as far as Italy is concerned, Article 2 of Decree 84. Accordingly, such payments of interest arising out of the Notes would fall within the scope of the Savings Directive being the Notes issued after 1 March 2001.

As already mentioned, the Council of the European Union adopted the Amending Directive on 24 March 2014. Implementing rules should be adopted by the Member States of the European Union by January 2016. Accordingly the Italian Government has already taken the first steps to implement the Amending Directive.

Prospective investors resident in a Member State of the European Union should consult their own legal or tax advisers regarding the consequences of the Savings Directive (also in light of the Amending Directive) in their particular circumstances.

Implementation in Luxembourg

The Savings Directive was implemented in Luxembourg by the Laws of 21 June 2005, as amended. In accordance with the law of 25 November 2014, Luxembourg elected out of the withholding tax system in favour of an automatic exchange of information under the Savings Directive as from 1 January 2015.

LUXEMBOURG

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an

indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. This overview is based upon the law as in effect on the date of this Base Prospectus. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

All payments of interest and principal by the relevant Issuer in the context of the holding, disposal, redemption or repurchase of the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10 per cent. withholding tax on savings income paid by a Luxembourg paying agent (within the meaning of the Savings Directive) (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005, as amended, implementing the Savings Directive). 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. In addition, pursuant to the Luxembourg law of 17 July 2008, Luxembourg resident individuals can opt to self-declare and pay a 10 per cent. tax (which is final when the Luxembourg resident individuals are acting in the context of the management of their private wealth) on interest payments made after 31 December 2007 by certain paying agents not established in Luxembourg (defined in the same way as in the Savings Directive), i.e. paying agents located in an EU member state other than Luxembourg, a member state of the European Economic Area or in a State which has concluded an international agreement directly related to the Savings Directive.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 23 December 2005, as amended, is assumed by the Luxembourg paying agent within the meaning of these laws.

In accordance with the law of 25 November 2014, Luxembourg elected out of the withholding tax system in favour of an automatic exchange of information under the Savings Directive as from 1 January 2015. Payments of interest by Luxembourg paying agents to non resident individual Noteholders and to certain residual entities are thus no longer subject to any Luxembourg withholding tax.

Taxes on Income and Capital Gains

Noteholders who derive income from Notes or who realise a gain on the disposal or redemption thereof will not be subject to Luxembourg taxation on income or capital gains (subject to the application of the law of 23 December 2005, as amended, which has introduced a 10 per cent. final withholding tax on savings income as regards Luxembourg resident individuals) unless:

- (a) such Noteholders are, or are deemed to be, resident in Luxembourg for Luxembourg tax purposes (or for the purposes of the relevant provisions);
- (b) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in Luxembourg or a fixed base of business in Luxembourg.

Net Wealth Tax

Luxembourg net wealth tax will not be levied on Noteholders unless:

- (a) Noteholders are, or are deemed to be, residents in Luxembourg for the purpose of the relevant provisions; or
- (b) Notes are attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative or a fixed base of business in Luxembourg;

Value Added Tax

There is no Luxembourg value added tax payable by a holder of a Note in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes, or the transfer of the Notes.

Other Taxes and Duties

There is no Luxembourg registration tax, capital tax, stamp duty or any similar tax or duty payable in Luxembourg in respect of or in connection with the issue, execution, delivery and enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Notes or the performance of the relevant Issuer obligations under the Notes, except that in the case of a voluntary registration or in case of courts proceedings in a Luxembourg court or the representation of the documents in relation to the Notes to an “*autorité constituée*”, such court or such “*autorité constituée*” may require registration thereof, in which case the documents will be subject to registration duties depending on the nature of the documents. In case it is expected that the documents in relation to the Notes will be presented to a Luxembourg court or to an “*autorité constituée*”, investors are recommended to seek appropriate advice at that time.

Residence

A Noteholder will not become resident, or deemed to be resident, in Luxembourg by reason of the only holding of Notes or the execution, performance, delivery and/or enforcement of that or any other Notes.

The Proposed Financial Transaction Tax (“FTT”)

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

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

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

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

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

Foreign Account Tax Compliance Act

Whilst the Notes are in global form and held within the ICSDs, in all but the most remote circumstances it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent, the depositary, common depositary or common safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. However, the Programme documentation expressly contemplates the possibility that the Notes may be exchanged into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA withholding. However, definitive notes will only be issued in remote circumstances. Further, foreign financial institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banca IMI S.p.A., Banca Popolare di Vicenza Società Cooperativa per Azioni, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Deutsche Bank AG, London Branch, Goldman Sachs International, J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., Natixis, Nomura International plc and UniCredit Bank AG or any other dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes (the “**Dealers**”). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated 18 September 2015 (the “**Dealer Agreement**”) and made between the Issuer and the Dealers named therein. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision, *inter alia*, for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

1 UNITED STATES OF AMERICA

Regulation S Category 2; TEFRA D, unless TEFRA C is specified as applicable in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.

Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (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, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form 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 U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to or for the account or benefit of U.S. persons.

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

2 PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS DIRECTIVE

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented, warranted and agreed and each Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

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

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

3 SELLING RESTRICTIONS ADDRESSING ADDITIONAL UNITED KINGDOM SECURITIES LAWS

Each Dealer has represented and agreed that:

- (a) *No deposit-taking*: in relation to any Notes which have a maturity of less than one year from the date of their issue:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention by the Issuer of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”);

- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

4 THE REPUBLIC OF ITALY

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time); and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or any other Italian authority.

5 JAPAN

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the “FIEA”) and, accordingly, each Dealer has represented and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Resident of Japan or to others for re offering or resale, directly or indirectly, in Japan or to any Resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, “Resident of Japan” shall mean any resident of Japan including any corporation or other entity organised under the laws of Japan.

6 GENERAL

Other than with respect to the admission listing, trading and/or quotation by such listing authorities, stock exchanges and/or quotation systems as may be specified in the Final Terms, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Base Prospectus or any Final Terms comes

are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

Each Dealer has agreed that it will, to the best of its knowledge and belief, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus, any other offering material or any Final Terms and neither the Issuer nor any other Dealer shall have responsibility therefor.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in a supplement to this document.

GENERAL INFORMATION

Listing and admission to trading

Application has been made to the Luxembourg Stock Exchange for Notes issued under this Base Prospectus to be traded on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the Luxembourg Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such other or further listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

Authorisations

The update of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 1 September 2015. The Issuer has obtained and will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Clearing of Notes

The Notes have been accepted for clearance through Euroclear and CBL. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi, Albert I, B-1210 Brussels, Belgium and the address of CBL is 42 Avenue J.F. Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Final Terms.

Use of proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer to meet part of its general financing requirements.

Determination of Issue Price and amount

The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions.

U.S. Legends

Each Note, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

Litigation

Save as disclosed on pages 141-143 of this Base Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings, which are pending or threatened of which the Issuer is aware) during a period covering at least the previous 12 months which may have, or has had in the recent past, significant effects on the Issuer's financial position or profitability.

No significant change

Since the last day of the financial period in respect of which the most recent audited financial statements of the Issuer have been prepared (dated 30 June 2015), there has been no significant change in the financial or trading position of the Issuer or any of its Subsidiaries that is significant in the context of the Programme or the issue of the Notes thereunder.

Material Adverse Change

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements (dated 30 June 2015).

Documents available

For as long as Notes issued pursuant to this Base Prospectus are to be traded on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list of the Luxembourg Stock Exchange, electronic copies and, where appropriate, English translations of the following documents will be available during normal business hours at the Specified Offices of the Fiscal Agent and the Paying Agent in Luxembourg, namely:

- (a) the Base Prospectus and any supplements thereto;
- (b) the Fiscal Agency Agreement;
- (c) the Programme Manual;
- (d) any Final Terms relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. In the case of any Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be obtainable by a Holder of or, as the case may be, a beneficiary in respect of, such Notes;
- (e) the audited consolidated and unconsolidated annual financial statements of the Issuer for the years ended 31 December 2014 and 2013;
- (f) the most recent available audited or unaudited consolidated semi-annual economic situation and financial position of the Issuer if published;
- (g) the By-laws of the Issuer; and
- (h) the 2014 Base Prospectus.

Auditors

KPMG S.p.A., of Via Vittor Pisani 25, 20124 Milano MI, Italy, authorised and regulated by CONSOB and a member of the *ASSIREVI- Associazione Nazionale Revisori Contabili* have audited and rendered an unqualified audit report on, the financial statements of the Issuer for the years ended 31 December 2014 and 2013 and on the financial statements of the Issuer for the six months ended 30 June 2015.

Interim Financial Information

As of the date of this Base Prospectus, the Issuer does not publish quarterly financial information.

Legal Advisers

Linklaters Studio Legale Associato has advised the Arranger and the Dealers as to English and Italian law and has provided legal opinions as to English law to the Dealers in connection with the update of the Programme. Clifford Chance Studio Legale Associato has advised the Issuer as to English and Italian law and as to Italian tax law in connection with the update of the Programme and has provided a legal opinion as to Italian law and Italian tax law to the Dealers in connection with the update of the Programme.

Interests of natural and legal persons involved in the issue/offer

Certain of the Dealers and their affiliates (including parent companies) have engaged, and may in the future engage, in financing, in investment banking and/or commercial banking transactions, including securitisation transactions and may perform services for the Issuer and its affiliates in the ordinary course of business. The relevant Final Terms will specify any other interests of natural and legal persons involved in each issue/offer of Notes under the Programme.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme.

Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "affiliates" includes also parent companies.

Rating Agencies

Each of Fitch Italia S.p.A. and DBRS Ratings Limited is established in the EEA and registered under the CRA Regulation, and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.

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