

**SUPPLEMENT NO. 1 DATED 2 MARCH 2018 TO THE BASE PROSPECTUS
DATED 29 SEPTEMBER 2017**

BANCA IFIS

Banca IFIS S.p.A.

(incorporated as a società per azioni under the laws of the Republic of Italy)

€5,000,000,000

Euro Medium Term Note Programme

This supplement (the “**Supplement**”) is supplemental to, forms part of and must be read and construed in conjunction with, the base prospectus dated 29 September 2017 (the “**Base Prospectus**”) prepared by Banca IFIS S.p.A. (the “**Issuer**”) in connection with its Euro Medium Term Note Programme (the “**Programme**”) for the issuance of up to €5,000,000,000 in aggregate principal amount of notes (“**Notes**”). Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) as a base prospectus supplement issued in compliance with Article 16 of the Prospectus Directive and relevant implementing measures in the Republic of Ireland. The Central Bank of Ireland only approves this Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

The purpose of the publication of this Supplement is to: (i) update the front cover of the Base Prospectus; (ii) update the section of the Base Prospectus entitled “*Important Notice*”; (iii) update the section of the Base Prospectus entitled “*Risk Factors*”; (iv) incorporate by reference certain press releases; (v) update the section of the Base Prospectus entitled “*Form of Final Terms*”; (vi) amend the section of the Base Prospectus entitled “*Terms and Conditions*” in order to, *inter alia*, include a new class of Senior Non-Preferred Notes; (vi) update the section of the Base Prospectus entitled “*Description of the Issuer*”; (vii) update the section of the Base Prospectus entitled “*Taxation*”; and (viii) update the football team of the Base Prospectus.

The Issuer accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

With effect from the date of this Supplement, each reference in the Base Prospectus to “Base Prospectus” shall be read and construed as a reference to the Base Prospectus as amended and supplemented by this Supplement. To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no significant new fact, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the

assessment of the Notes issued under the Programme has arisen or been noted, as the case may be, since publication of the Base Prospectus.

This Supplement may only be used for the purposes for which it has been published.

The date of this Supplement is 2 March 2018.

CONTENTS

Section	Page
FRONT COVER.....	4
IMPORTANT NOTICE.....	4
RISK FACTORS	5
OVERVIEW OF THE PROGRAMME.....	5
INFORMATION INCORPORATED BY REFERENCE	5
FORM OF FINAL TERMS	6
TERMS AND CONDITIONS	6
DESCRIPTION OF THE ISSUER.....	6
TAXATION.....	7
FOOTBALL TEAM	7
APPENDIX 1	9
APPENDIX 2.....	17
APPENDIX 3.....	24
APPENDIX 4.....	37
APPENDIX 5.....	78

With effect from the date of this Supplement the information appearing in, or incorporated by reference into, the Base Prospectus shall be amended and supplemented in the manner described herein.

FRONT COVER

1. The following paragraph shall be inserted on the front cover of the Base Prospectus immediately before the paragraph beginning “*Tranches or Series of Notes to be issued under the Programme will be rated or unrated.*”:

“Amounts payable under the Notes may be calculated by reference, *inter alia*, to EURIBOR, which is provided by the European Money Markets Institute, or to LIBOR, which is provided by ICE Benchmark Administration, in each case as specified in the relevant Final Terms. As at the date hereof, the European Money Markets Institute and ICE Benchmark Administration do not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“**ESMA**”) pursuant to Article 36 of Regulation (EU) 2016/1011 (the “**Benchmarks Regulation**”). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the European Money Markets Institute and ICE Benchmark Administration are not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).”

2. On the front cover, the identities of the “Arranger” and “Dealers” shall be deleted and replaced as follows:

*“ Arranger
UniCredit Bank
Dealers*

Banca IMI	BNP PARIBAS
Citigroup	Deutsche Bank
Goldman Sachs International	Intermonte
J.P. Morgan	Mediobanca
Morgan Stanley	MPS Capital Services Banca per le Imprese
NatWest Markets	Nomura
UBS Investment Bank	UniCredit Bank ”

IMPORTANT NOTICE

3. The following paragraph shall be inserted at page (i) of the Base Prospectus immediately before the paragraph beginning “*The Issuer has not authorised the making or provision of any representation or information regarding the Issuer, the Group or the Notes other than as contained in this Base Prospectus.*”:

“**MIFID II product governance / target market** – The Final Terms in respect of any Notes will include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for

undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MiFID Product Governance Rules**”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.”

RISK FACTORS

4. The risk factor “*The Bank Recovery and Resolution Directive may affect Notes*” on pages 12 and 13 of the Base Prospectus shall be amended by deleting the last paragraph entirely and replacing it as follows:

“For a description of the loss absorption requirement, see Condition 2 (*Status of Senior Notes*), Condition 2A (*Status of Senior Non-Preferred Notes*) and Condition 3 (*Status of Subordinated Notes*).”

5. The sub-section entitled “*Risks related to the structure of a particular issue of Notes*” on pages 13 to 16 of the Base Prospectus shall be deleted in its entirety and replaced as set out at Appendix 1 to this Supplement.

OVERVIEW OF THE PROGRAMME

6. The section of the Base Prospectus entitled “*Overview of the Programme*” on pages 20 to 25 of the Base Prospectus shall be deleted in its entirety and replaced as set out at Appendix 2 to this Supplement.

INFORMATION INCORPORATED BY REFERENCE

7. At page 26 of the Base Prospectus, the list of information incorporated in, and forming part of, the Base Prospectus shall be deleted in its entirety and replaced as follows:

“

- i. the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2016, prepared in accordance with IFRS, together with the accompanying notes and the independent auditors’ report, which can be found at http://www.bancaifis.it/wp-content/uploads/2017/03/ENGLISH_Bilancio-Consolidato-2016_publicaz.29.03.2017.pdf;
- ii. the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2015, prepared in accordance with IFRS, together with the accompanying notes and the independent auditors’ report, which can be found at http://www.bancaifis.it/wp-content/uploads/2016/10/2015_Consolidated_Annual_Report.pdf;
- iii. the unaudited consolidated interim report of the Issuer as at and for the six months ended 30 June 2017, , prepared in accordance with IFRS, together

with the accompanying notes, which can be found at https://www.bancaifis.it/wp-content/uploads/2017/08/Relazione-Semestrale-ENG_30.06.2017v2.pdf,

- iv. a press release dated 30 January 2018 entitled “*Banca IFIS: agreements to purchase Credifarma SpA signed*” (the “**Credifarma S.p.A. Press Release**”) relating to the acquisition by the Issuer of a controlling interest in Credifarma S.p.A., which can be found at <https://www.bancaifis.it/en/press-releases/banca-ifis-agreements-to-purchase-credifarma-spa-signed/>;
 - v. a press release dated 2 February 2018 entitled “*Banca IFIS has completed today the acquisition of Cap.Ital.Fin S.p.A. and enters the CQS (Salary-Backed Loan) market*” (the “**Cap.Ital.Fin S.p.A. Press Release**”) relating to the acquisition by the Issuer of control of Cap.Ital.Fin S.p.A., which can be found at <https://www.bancaifis.it/en/press-releases/banca-ifis-has-completed-today-the-acquisition-of-cap-ital-fin-s-p-and-enters-the-cqs-salary-backed-loan-market/>; and
 - vi. a press release dated 8 February 2018 entitled “*Banca IFIS Group: 180,8 million Euro in profit, extremely robust capital ratios (CET1: 15,64%¹). The dividend guidance continues improving, 1 Euro/share.*” (the “**FY 2017 Preliminary Results Press Release**”) relating to the preliminary results of the Issuer as of and for the year ended 31 December 2017, which can be found at <https://www.bancaifis.it/en/press-releases/banca-ifis-group-1808-million-euro-profit-extremely-robust-capital-ratios-cet1-15641-the-dividend-guidance-continues-improving-1-euroshare/>. ”
8. Copies of each of the FY 2017 Preliminary Results Press Release, the Credifarma S.p.A. Press Release and the Cap.Ital.Fin S.p.A. Press Release have been filed with the Central Bank and are incorporated by reference in and form part of this Supplement in their entirety.

FORM OF FINAL TERMS

9. The section of the Base Prospectus entitled “*Form of Final Terms*” on pages 32 to 42 of the Base Prospectus shall be deleted in its entirety and replaced as set out at Appendix 3 to this Supplement.

TERMS AND CONDITIONS

10. The section of the Base Prospectus entitled “*Terms and Conditions*” on pages 43 to 76 of the Base Prospectus shall be deleted in its entirety and replaced as set out at Appendix 4 to this Supplement.

DESCRIPTION OF THE ISSUER

11. The section of the Base Prospectus entitled “*Description of the Issuer*” shall be updated by inserting the following paragraphs at the end of the sub-section entitled “*Recent Developments*” on page 111:

“On 22 December 2017, Banca IFIS announced the founding of IFIS NPL, the company of Banca IFIS that will accommodate the Bank’s NPL division.

On 8 February, the Board of Directors of Banca IFIS S.p.A. formally launched the reverse merger of La Scogliera S.p.A. into Banca IFIS S.p.A. in order to, *inter alia*, streamline the Bank's ownership structure and improve its regulatory ratios."

TAXATION

12. The section of the Base Prospectus entitled "*Taxation*" on pages 112 to 119 of the Base Prospectus shall be deleted in its entirety and replaced as set out at Appendix 5 to this Supplement.

FOOTBALL TEAM

13. The identities of the "Dealers" on the penultimate page of the Base Prospectus shall be amended as follows:

"DEALERS

Banca IMI S.p.A.

Largo Mattioli, 3
20121 Milan
Italy

BNP Paribas

10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, London Branch

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

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

Intermonte SIM S.p.A.

Galleria De Cristoforis 7/8
20122 Milan
Italy

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Mediobanca – Banca di Credito Finanziario S.p.A.

Piazzetta Enrico Cuccia,
1 20121 Milan
Italy

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

MPS Capital Services Banca per le Imprese S.p.A.

Viale Mazzini 23
53100 Siena
Italy

Nomura International plc

1 Angel Lane
London EC4R 3AB
United Kingdom

The Royal Bank of Scotland plc (trading as NatWest Markets)

250 Bishopsgate
London EC2M 4AA
United Kingdom

UBS Limited

UniCredit Bank AG

5 Broadgate
London EC2M 2QS
United Kingdom

Arabellastrasse, 12
81925 Munich
Germany ”

** *** **

Copies of this Supplement and of the FY 2017 Press Release, the Credifarma S.p.A. Press Release and the Cap.Ital.Fin S.p.A. Press Release incorporated by reference in this Supplement may be inspected in electronic format during normal business hours at the specified office of each Paying Agent and will be electronically available for viewing on the Issuer’s website (*www.bancaifis.it*).

APPENDIX 1

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 features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may, or there is an actual or perceived increase in the likelihood that the Issuer may, elect to redeem Notes, the market value of those Notes normally will not rise 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. If this occurs, there can be no assurance that it will be possible for Noteholders to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes.

Redemption prior to maturity for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of the Notes due to any change in or amendment to the laws or regulations of the Republic of Italy or any political subdivision thereof or of any authority therein or thereof having the power to tax or in the interpretation or administration thereof, the Issuer may redeem all outstanding Notes in accordance with the Conditions of the Notes. If this occurs, there can be no assurance that it will be possible for Noteholders to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes. See also “*Notes subject to optional redemption by the Issuer*” above.

Redemption for regulatory reasons

In addition, the Issuer may also, at its option, redeem Subordinated Notes following a Regulatory Event in accordance with Condition 11.3 (*Redemption for regulatory reasons*). Any redemption of the Subordinated Notes shall be subject to the prior approval of the Relevant Authority, as further set out in Condition 11.6 (*Redemption of Subordinated Notes*). See also “– *Regulatory Classification of the Subordinated Notes*”. If this occurs, there can be no assurance that it will be possible for Noteholders to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes. See also “*Notes subject to optional redemption by the Issuer*” above.

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

The London Interbank Offered Rate (“**LIBOR**”), the Euro Interbank Offered Rate (“**EURIBOR**”) and other indices which are deemed “benchmarks” are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such “benchmarks” to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to a “benchmark”.

Key international reforms of “benchmarks” include IOSCO’s proposed Principles for Financial Market Benchmarks (July 2013) (the “**IOSCO Benchmark Principles**”) and the EU’s Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the “**Benchmarks Regulation**”).

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability, as

well as the quality and transparency of benchmark design and methodologies. A review published in February 2015 on the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation has been in force since 1 January 2018, except that the regime for ‘critical’ benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the Market Abuse Regulation) have applied from 3 July 2016. The Benchmarks Regulation would apply to “contributors”, “administrators” and “users of” “benchmarks” in the EU, and would, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of “benchmarks” and (ii) ban the use of “benchmarks” of unauthorised administrators. The scope of the Benchmarks Regulation is wide and, in addition to so-called “critical benchmark” indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including “proprietary” indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on any listed Notes linked to a “benchmark” index, including in any of the following circumstances:

- (i) an index which is a “benchmark” could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular “benchmark” and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted, redeemed or otherwise impacted;
- (ii) the methodology or other terms of the “benchmark” related to a series of Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing or increasing the rate or level of the “benchmark” or of affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Notes, including Calculation Agent determination of the rate or level in its discretion.

Any of the international, national or other reforms (or proposals for reform) or the general increased regulatory scrutiny of “benchmarks” could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain “benchmarks”, trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the disappearance of certain “benchmarks”. The disappearance of a “benchmark” or changes in the manner of administration of a “benchmark” could result in adjustment to the terms and conditions, early redemption, discretionary valuation by the Calculation Agent, delisting (if listed) or other consequence in relation to Notes linked to such “benchmark”. Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Notes linked to a “benchmark”.

CMS Linked Interest Notes

The Issuer may issue Notes with interest determined by reference to the CMS Rate (the “**Relevant Factor**”). Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) the Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (iv) 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 principal or interest payable likely will be magnified; and
- (v) the timing of changes in a 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.

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

Fixed Rate Notes

Investment in Fixed Rate Notes involves the risks that substantial changes in market interest rates adversely affect the value of the Fixed Rate Notes.

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.

Notes issued at a substantial discount or premium

The market values of Notes 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 Notes, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Reset Notes

Reset Notes will initially earn interest at the Initial Rate of Interest until (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date). On the first Reset Date and on each subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Reset Reference Rate and the applicable Reset Margin (the “**Reset Rate**”), which could be less than the Initial Rate of Interest or the Reset Rate for prior Reset Periods, and could affect the market value of an investment in the Reset Notes.

Senior Non-Preferred Notes

Italian law applicable to the Senior Non Preferred Notes was recently enacted

On 1 January 2018, the Italian law No. 205 of 27 December 2017 (the “**2018 Budget Law**”) came into force introducing certain amendments to the Legislative Decree No. 385 of 1 September 1993 (the “**Consolidated Banking Law**”), including the possibility for banks and companies belonging to banking groups to issue senior non-preferred securities (the so-called “*strumenti di debito chirografario di secondo livello*”).

In particular, the 2018 Budget Law set forth certain requirements for notes to qualify as senior non-preferred securities:

- (i) the original maturity period is at least equal to twelve months;
- (ii) are not derivative securities or linked to derivative securities, nor include any feature of such derivative securities;
- (iii) the minimum denomination is at least equal to Euro 250,000;
- (iv) may be offered only to qualified investors (*investitori qualificati*), as referred to in Article 100, letter a), of the Financial Services Act as implemented by Article 34-ter, first paragraph, letter b) of Regulation No. 11971/1999 and Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of 29 October 2007;
- (v) the prospectus and the agreements regulating the issuance of senior non-preferred securities expressly provide that payment of interests and reimbursement of principal due in respect thereof are subject to the provisions set forth in of Article 91, section 1-bis, letter c-bis of the Consolidated Banking Law.

According to Article 91, section 1-bis, letter c-bis of the Consolidated Banking Law, in case an issuer of senior non-preferred securities is subject to compulsory liquidation (*liquidazione coatta amministrativa*), the relevant payment obligations in respect thereof will rank in right of payment (A) after unsubordinated creditors (including depositors), (B) at least *pari passu* with all other present and future unsubordinated and non-preferred obligations which do not rank or are not expressed by their terms to rank junior or senior to such senior non-preferred securities and (C) in priority to any present or future claims ranking junior to such senior non-preferred securities and the claims of the shareholders.

Furthermore, Article 12-bis of the Consolidated Banking Law also provides that:

- (A) the provisions set forth in Article 91, paragraph 1-bis, letter c-bis of the Consolidated Banking Law shall apply to such senior non-preferred securities only to the extent that the requirements described in paragraphs (i), (ii) and (v) above have been complied with; any contractual provision which does not comply with any of the above requirements is invalid but such invalidity does not imply the invalidity of the entire agreement;
- (B) the senior non-preferred securities, once issued, may not be amended in a manner that the requirements described in paragraphs (i), (ii) and (v) above are not complied with and that any different contractual provision is null and void; and

- (C) the Bank of Italy may enact further regulation providing for additional requirements in respect of the issuance and the characteristics of senior non-preferred securities.

Any prospective investor in the Senior Non-Preferred Notes should be aware that the provisions of Articles 12-*bis* and 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law was recently enacted and that, as at the date of this Base Prospectus, no interpretation of the application of such provisions has been issued by any Italian court or governmental or regulatory authority and no regulation has been issued by the Bank of Italy in respect thereof. Consequently, it is possible that any regulation or official interpretation relating to the above will be issued in the future by the Bank of Italy or any different authority, the impact of which cannot be predicted by the Issuer as at the date of this Base Prospectus.

The Senior Non-Preferred Notes are senior non-preferred obligations and are junior to certain obligations

In order to be eligible to meet the requirements and conditions of Articles 12-*bis* and 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority and also qualify as eligible liabilities available to meet the MREL Requirements (as defined in the Conditions), Senior Non-Preferred Notes will rank junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes. As a result, the default risk on the Senior Non-Preferred Notes will be higher than the risk associated with preferred senior debt (such as Senior Notes) and other senior liabilities (such as wholesale deposits).

Although Senior Non-Preferred Notes may pay a higher rate of interest than comparable Senior Notes which are not issued on a senior non-preferred basis, there is a greater risk that an investor in Senior Non-Preferred Notes will lose all or some of its investment should the Issuer become insolvent.

Senior Non-Preferred Notes are new types of instruments

Market participants, including credit rating agencies, are in the initial stages of evaluating the risks associated with senior non-preferred obligations. The credit ratings assigned to senior non-preferred securities such as the Senior Non-Preferred Notes may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value of senior non-preferred securities such as the Senior Non-Preferred Notes will be lower than those expected by investors at the time of issuance of the Senior Non-Preferred Notes. If so, investors may incur losses in respect of their investments in the Senior Non-Preferred Notes.

Senior Non-Preferred Notes could be subject to a MREL Disqualification Event redemption

The intention of the Issuer is for Senior Non-Preferred Notes to qualify on issue as “*strumenti di debito chirografario di secondo livello*” as defined under, and for the purposes of, Articles 12-*bis* and 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority and also qualify as eligible liabilities available to meet the MREL Requirements (as defined in the Conditions). Current regulatory practice by the Bank of Italy (acting as lead regulator) does not require (or customarily provide) a confirmation prior to the issuance of the Senior Non-Preferred Notes that the Senior Non-Preferred Notes will comply with such provisions.

Although it is Issuer’s expectation that the Senior Non-Preferred Notes qualify as “*strumenti di debito chirografario di secondo livello*” as defined under, and for the purposes of, Articles 12-*bis* and 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority and also qualify as eligible liabilities available to meet the MREL Requirements (as defined in the Conditions) there can be no representation that this is or will remain the case during the life of the Senior Non-Preferred Notes.

In addition, the Senior Non-Preferred Notes are intended to be eligible liabilities available to meet the MREL Requirements (as defined in the Conditions)). However, there is uncertainty regarding the final substance of the applicable MREL Requirements, and the Issuer cannot provide any assurance that the Senior Non-Preferred Notes will be or remain eligible for the purposes of the MREL Requirements. Any changes to MREL under the European Commission's combined legislative proposal may be more restrictive than the EC Proposals (as defined in the Conditions).

If Senior Non-Preferred Notes are not eligible for the purposes of the MREL Requirements (or if they initially are compliant with the MREL Requirements and subsequently become ineligible due to a change in the relevant final regulations implementing the MREL requirements), then an MREL Disqualification Event will occur.

In this respect, if at any time a MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Non-Preferred Notes, and the applicable Final Terms for the Senior Non-Preferred Notes of such Series specify that Issuer Call due to a MREL Disqualification Event is applicable, the Issuer may redeem all, but not part, of the Notes of such Series at the price set out in the applicable Final Terms together (if appropriate) with interest accrued to (but excluding) the date of redemption. Senior Non-Preferred Notes may only be redeemed by the Issuer subject to (to the extent that the Relevant Authority so requires at the time of the proposed redemption) the Issuer having given such notice to the Relevant Authority as the Relevant Authority may then require prior to such redemption and no objection thereto has been raised by the Relevant Authority or (if required) the Relevant Authority has provided its consent thereto and any other requirements of the Relevant Authority applicable (if any) to such redemption at the time have been complied with by the Issuer (including with respect to Article 12-bis and Article 91, section 1-bis, letter c-bis of the Consolidated Banking Law, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority at the relevant time). A MREL Disqualification Event shall be deemed to have occurred if, by reason of a change in the MREL Requirements as implemented in Italian law and regulations and/or EU regulations, as the case may be, which was not reasonably foreseeable by the Issuer at the Issue Date of the Senior Non-Preferred Notes, all or part of the aggregate outstanding nominal amount of such Series of Senior Non-Preferred Notes are or will be excluded fully or partially from the eligible liabilities available to meet the MREL Requirements. The implementation of the minimum requirements for eligible liabilities under the BRRD is subject to the implementation of the EC Proposals (as defined in the Conditions) in the EU and in Italy.

If the Senior Non-Preferred Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Senior Non-Preferred Notes. In addition, the occurrence of a MREL Disqualification Event could result in a decrease in the market price of the Notes. See also "*Notes subject to optional redemption by the Issuer*" above.

Early redemption and repurchase of the Senior Non-Preferred Notes may be restricted

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

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

- on or before such early redemption or repurchase of the Senior Non-Preferred Notes, the Issuer replaces the Senior Non-Preferred Notes with own funds instruments or eligible

liabilities of an equal or higher quality on terms that are sustainable for the income capacity of the relevant Issuer;

- the Issuer has demonstrated to the satisfaction of the Relevant Authority that its own funds and eligible liabilities would, following such redemption or repurchase, exceed the requirements for own funds and eligible liabilities set out in the CRD IV Directive or the BRRD (or, in either case, any relevant provisions of Italian law implementing the CRD IV Directive or, as appropriate, the BRRD) or the CRR Regulation by a margin that the Relevant Authority considers necessary; or
- the Issuer has demonstrated to the satisfaction of the Relevant Authority that the partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the CRR Regulation and in the CRD IV Directive for continuing authorisation.

The Relevant Authority shall consult with the Relevant Resolution Authority before granting that permission.

The EC Proposals are in draft form and may be subject to change prior to any implementation (see also “– *The Issuer may be unable to meet minimum capital adequacy requirements*”).

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

If (i) at any time a MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Non-Preferred Notes, and the applicable Final Terms for the Senior Non-Preferred Notes of such Series specify that Modification or Substitution of Senior Non-Preferred Notes for MREL Disqualification Event is applicable, or (ii) in order to ensure the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Relevant Authority (without any requirement for the consent or approval of the Holders of the Senior Non-Preferred Notes of that Series), at any time either substitute all (but not some only) of such Senior Non-Preferred Notes, or vary the terms of such Senior Non-Preferred Notes so that they remain or, as appropriate, become, Qualifying Senior Non-Preferred Notes, as applicable, provided that such variation or substitution does not of itself give rise to any right of the Issuer to redeem the varied or substituted securities.

Qualifying Senior Non-Preferred Notes, as applicable, are securities issued by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), have terms not materially less favourable to the Noteholders (as certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing) than the terms of the Senior Non-Preferred Notes, as applicable. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such substituted or varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such substitution or variation.

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. Furthermore, repayment of principal on the Subordinated Notes, whether at the Maturity Date or otherwise, is subject to the approval of the Relevant Authority in accordance with the Applicable Banking Regulations.

The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and will rank junior in priority to the claims of unsubordinated, unsecured creditors (including depositors) of the Issuer and any other subordinated obligations which rank or are expressed to rank senior to the Subordinated Notes. Although Subordinated Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become insolvent.

For a full description of the subordination provisions relating to Subordinated Notes, see Condition 3 (*Status of Subordinated Notes*).

Modification or Substitution of Subordinated Notes

In relation to any series of Subordinated Notes, if the relevant Final Terms specify that Modification or Substitution of Subordinated Notes for Regulatory Event or Tax Event is applicable, then the Issuer may in certain circumstances modify the terms and conditions of such Subordinated Notes or substitute new notes for the Subordinated Notes so that they remain or, as appropriate, become, Qualifying Subordinated Notes, as applicable, without any requirement for the consent or approval of the Noteholders to the extent that such modification or substitution is reasonably necessary to ensure that no Regulatory Event or Tax Event would exist after such modification. Any such modification or substitution could have a material adverse effect on the price or value of any investment in any Notes.

Qualifying Subordinated Notes, as applicable, are securities issued by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), have terms not less favourable to the Noteholders (as certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing) than the terms of the Subordinated Notes, as applicable. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. In addition, the tax and stamp duty consequences of holding such substituted or varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such substitution or variation.

Waiver of set-off

As specified in Condition 2 (*Status of Senior Notes*) in respect of Senior Notes, Condition 2A (*Status of Senior Non-Preferred Notes*) in respect of Senior Non-Preferred Notes, and Condition 3 (*Status of Subordinated Notes*) in respect of Subordinated Notes, the holder of a Note will unconditionally and irrevocably waive any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Note.

Conflict of interest – Calculation Agent

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

APPENDIX 2

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, a new Base Prospectus or a drawdown prospectus, if appropriate, in the case of listed Notes only, will be made available which will describe the effect of the agreement reached in relation to such Notes.

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

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

Issuer:	Banca IFIS S.p.A.
Arranger:	UniCredit Bank AG.
Dealers:	Banca IMI S.p.A., BNP Paribas, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, Intermonte SIM S.p.A., J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., Morgan Stanley & Co. International plc, MPS Capital Services Banca per le Imprese S.p.A., Nomura International plc, The Royal Bank of Scotland plc (trading as NatWest Markets), UBS Limited 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 of Notes.
Issuing and Principal Paying Agent:	BNP Paribas Securities Services, Luxembourg Branch.
Description:	Euro Medium Term Note Programme
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the applicable Final Terms.
Initial Programme Amount:	The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €5,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement). The Issuer may increase the amount of the Programme, from time to time, in accordance with the terms of the Dealer Agreement.
Issuance in Series:	Notes may be issued on a syndicated or non-syndicated basis and will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date, the issue price 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:

Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, completes 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 are the Terms and Conditions of the Notes as completed by the applicable Final Terms.

In addition, where the Issuer agrees with any Dealer to issue Notes in a form not contemplated in the section of this Base Prospectus entitled “*Form of Final Terms*”, a drawdown prospectus will be made available and will describe the effect of the agreement in relation to such Notes.

Currencies:

Subject to any applicable legal and/or regulatory and/or central bank requirements, any currency agreed between the Issuer and the relevant Dealer as specified in the applicable Final Terms.

Status of the Notes:

Notes may be issued on a senior basis, senior non-preferred basis or subordinated basis, as specified in the applicable Final Terms (see Condition 2 (*Status of Senior Notes*), Condition 2A (*Status of Senior Non-Preferred Notes*) and Condition 3 (*Status of Subordinated Notes*)).

The Senior Notes and the Coupons will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Coupons shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, at all times rank at least equally with its other present and future unsecured and unsubordinated obligations, subject to any applicable legislation that permits or requires certain such indebtedness or obligations to rank either junior or senior to the Senior Notes.

Subject to the provisions of Condition 2A (*Status of Senior Non-Preferred Notes*), Senior Non-Preferred Notes and any related Coupons constitute direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer, ranking (i) junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes, and (ii) *pari passu* without any preferences among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes and in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law, as amended from time to time, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority, all as described in 2A (*Status of Senior Non-Preferred Notes*) and the applicable Final

Terms.

Subject to the provisions of Condition 3 (*Status of Subordinated Notes*), Subordinated Notes and any related Coupons 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 3 (*Status of Subordinated Notes*) and the applicable Final Terms. In the event of the winding up, dissolution, liquidation or bankruptcy (including *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer, the payment obligations of the Issuer under each Series of Subordinated Notes and the relative Coupons will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors and any holder of Senior Notes and their respective Coupons) of the Issuer and all other creditors of the Issuer holding instruments that are less subordinated than the Subordinated Notes but (B) at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes and (C) in priority to the claims of shareholders of the Issuer and to the claims of creditors of the Issuer holding instruments that are more subordinated than the Subordinated Notes.

Modification or Substitution of Subordinated Notes following a Regulatory Event or a Tax Event:

If Modification or Substitution of Subordinated Notes for Regulatory Event or Tax Event is specified as applicable in the Final Terms, the Issuer may without the consent of the holders of Subordinated Notes substitute new notes for the Subordinated Notes whereby such new notes shall replace the Subordinated Notes, or vary the terms of the Subordinated Notes subject to Condition 17.3 (*Modification or Substitution of Subordinated Notes following a Regulatory Event or a Tax Event*).

Modification or Substitution of Senior Non-Preferred Notes following a MREL Disqualification Event

If Modification or Substitution of Subordinated Notes for MREL Disqualification Event is specified as applicable in the Final Terms, the Issuer may without the consent of the holders of Senior Non-Preferred Notes substitute new notes for the Senior Non-Preferred Notes whereby such new notes shall replace the Senior Non-Preferred Notes, or vary the terms of the Senior Non-Preferred Notes subject to Condition 17.4 (*Modification or Substitution of Senior Non-Preferred Notes following a MREL Disqualification Event*).

Maturities:

Any maturity or no fixed maturity date, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

In the case of Senior Non-Preferred Notes, unless otherwise permitted by current laws, regulations, directives and/or the Relevant Authority's requirements applicable to the issue of Senior Non-Preferred Notes by the Issuer, Senior Non-Preferred Notes shall have a maturity of not less than twelve months.

In the case of Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Relevant Authority's requirements applicable to the issue of Subordinated

Notes by the Issuer, 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 (the “FSMA”) by the Issuer.

Issue Price:

Notes may be issued at any price, as specified in the applicable 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.

Form of Notes:

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

Interest:

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

Redemption:

Subject to any purchase and cancellation or early redemption or repayment, Notes are redeemable at par as specified in the applicable Final Terms.

The redemption at maturity of Senior Non-Preferred Notes pursuant to Condition 11.1 (*Final Redemption*) and any early redemption pursuant to Condition 11.2 (*Redemption for Taxation Reasons*), Condition 11.4 (*Redemption at the Option of the Issuer*) and Condition 11.8 (*Issuer Call Due to a MREL Disqualification Event*) shall be subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by (i) the MREL Requirements at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Non-Preferred Notes at such time as eligible liabilities available to meet the MREL Requirements) and (ii) Article 12-bis and Article 91, section 1-bis, letter c-bis of the Consolidated Banking Law, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority at the relevant time.

The redemption at maturity of Subordinated Notes pursuant to Condition 11.1 (*Final Redemption*) and any early redemption pursuant to Condition 11.2 (*Redemption for Taxation Reasons*), Condition 11.3 (*Redemption for Regulatory Reasons*) and Condition 11.4 (*Redemption at the Option of the Issuer*) shall be subject to the prior approval of the Relevant Authority to the extent required by and in accordance with the Applicable Banking Regulations. If such approval is not given on or prior to the relevant redemption date, the Issuer will re-apply to the Relevant Authority for its consent to such redemption as soon as the conditions permit. The Issuer will use its best endeavours to maintain the required regulatory capital and to obtain such approval.

Optional Redemption:

Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or (where the Notes are Senior Notes) the Noteholders to the extent (if at all) specified in the applicable Final Terms and subject to all relevant legal and regulatory requirements. In the case of Subordinated Notes, early redemption may occur only with the prior approval of the Relevant Authority. In the case of Senior Non-Preferred Notes, early redemption shall be subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by applicable laws and regulations.

Tax or Regulatory Redemption

Except as described in “Optional Redemption” above, early redemption will only be permitted for tax reasons or, in the case of Subordinated Notes, for regulatory reasons, as described in Condition 11.2 (*Redemption for Taxation Reasons*) and Condition 11.3 (*Redemption for Regulatory Reasons*).

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 and, in the case of Senior Non-Preferred Notes, €250,000 (or, in each case, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation: All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will (subject as provided in Condition 12 (*Taxation*)) 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 or deduction been required.

However, as more fully set out in Condition 12 (*Taxation*), the Issuer will not be liable 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 on account of Italian substitute tax (*imposta sostitutiva*), as defined therein in relation to interest or premium payable on, or other income deriving from, any Notes. See “*Taxation*” below.

Negative Pledge: None.

Cross Default: The terms of the Senior Notes will contain a cross default provision as further described in Condition 15.1 (*Events of Default of Senior Notes*).

Rating: Tranches or Series of Notes to be issued under the Programme will be rated or unrated. Where a Tranche or Series of Notes is to be rated, such rating will not necessarily be the same as the rating that may be assigned to the Issuer or to Notes already issued. Where a Tranche or Series of Notes is rated, the applicable rating(s) may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”) will be disclosed in the Final Terms.

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.

Listing and admission to trading: This Base Prospectus has been approved by the Central Bank, as competent authority under the Prospectus Directive. Application has also been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to trading on the regulated market of the Irish Stock Exchange and to be listed on the Official List of the Irish Stock Exchange.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Governing Law:	English law, except for Conditions 2A (<i>Status of Senior Non-Preferred Notes</i>), 3 (<i>Status of Subordinated Notes</i>), 11.6 (<i>Redemption of Subordinated Notes</i>), 11.7 (<i>Redemption of Senior Non-Preferred Notes</i>) and 15.2 (<i>Events of Default of Senior Non-Preferred Notes and Subordinated Notes</i>) and any non-contractual obligations arising from or connected with those Conditions, which are governed by, and shall be construed in accordance with, Italian law.
Enforcement of Notes in Global Form:	In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 29 September 2017 a copy of which will be available for inspection at the specified office of the Agent.
Selling Restrictions:	<p>There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including, without limitation, the United Kingdom, the Republic of Italy and France), Japan and such other restrictions as may be required or applied in connection with the offering and sale of a particular Tranche of Notes, see "<i>Subscription and Sale</i>".</p> <p>The Senior Non-Preferred Notes shall be distributed to qualified investors only according to Italian law 27 December 2017 No. 205 on the budget of the Italian government for 2018.</p>
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.
Risk Factors:	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under " <i>Risk Factors</i> " above and include risks relating to the economic conditions in Italy and relating to the operating and general banking risks. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and include risks related to the structure of a particular issue of Notes and risks common to the Notes generally.

APPENDIX 3

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[[MIFID II Product Governance / Professional investors and ECPs only target market] – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “MiFID II”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[Date]

Banca IFIS S.p.A.

(incorporated as a società per azioni under the laws of the Republic of Italy)

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €5,000,000,000
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 (the “**Conditions**”) set forth in the Base Prospectus dated 29 September 2017 as supplemented by the supplement[s] to it dated 2 March 2018 [and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “**Base Prospectus**”). [This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus as so supplemented. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus as so supplemented. The Base Prospectus and the supplement[s] to the Base Prospectus [is/are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]]. The Base Prospectus and, in the case of Notes admitted to trading on the regulated

market of the Irish Stock Exchange, the Final Terms will also be published on the website of the Irish Stock Exchange (www.ise.ie).¹

[In these Final Terms, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.]²

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

[(When completing any 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 Prospectus under Article 16 of the Prospectus Directive).]

- | | | |
|---|--|---|
| 1 | Issuer: | Banca IFIS S.p.A. |
| 2 | (a) Series Number: | [●] |
| | (b) Tranche Number: | [●] |
| | (c) Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with <i>[identify earlier Tranches]</i> on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 25 below, which is expected to occur on or about <i>[date]</i>] / [Not Applicable] |
| 3 | Specified Currency or Currencies: | [●] |
| 4 | Aggregate Nominal Amount: | [●] |
| | (a) Series: | [●] |
| | (b) Tranche: | [●] |
| 5 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (if applicable)] |
| 6 | (a) Specified Denominations: | [●]

[[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].] |

(N.B. Notes must have a minimum denomination of €100,000 (or equivalent). In the case of Senior Non-Preferred Notes, Notes must have a minimum denomination of €250,000 (or equivalent)).)

(Notes including Notes denominated in Sterling, in

¹ In case of unlisted notes, references to requirements under the Prospectus Directive may be deleted.

² In case of unlisted notes, references to requirements under the Prospectus Directive may be deleted.

respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies.)

- (b) Calculation Amount: [●]
- (If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
- 7 (a) Issue Date: [●]
- (b) Interest Commencement Date: [[●]/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
- 8 Maturity Date: [Fixed rate or Zero Coupon Notes – specify date/Floating rate Notes – Interest Payment Date falling in or nearest to [specify month and year]]
- [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 on 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.]*
- 9 Interest Basis: [[●] per cent. Fixed Rate]
- [[●] per cent. Fixed Rate from [●] to [●], then [●] per cent. Fixed Rate from [●] to [●]]
- [[●] month [LIBOR/EURIBOR] +/- [●] per cent. Floating Rate]
- [Floating Rate: CMS Linked Interest]
- [Zero Coupon]
- (further particulars specified below under items [10 / 13 / 14 / 15 / 16])*
- 10 Change of Interest Basis: [Applicable / Not Applicable]
- (If applicable, specify the date when any fixed to*

floating rate or floating to fixed rate change occurs or when any fixed to fixed or floating to floating rate change occurs or cross refer to items 13 and 14 (as appropriate) below and identify there)

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(N.B. To be completed in addition to items 13, 14 and 15 (as appropriate) if any fixed to floating or fixed reset rate change occurs)

- (a) Reset Date(s) [•]
- (b) Switch Options: [Applicable – [specify details of the change(s) in Interest Basis and the relevant Interest Periods to which the change(s) in Interest Basis applies] / [Not Applicable]

(N.B. The Issuer must give notice of the exercise of the Switch Option to Noteholders in accordance with Condition 16 (Notices) on or prior to the relevant Switch Option Expiry Date)

- (c) Switch Option Expiry Date: [•]
- (d) Switch Option Effective Date: [•]

- 11 Put/Call Options: [Call Option]
[Regulatory Call]
[Issuer Call due to MREL Disqualification Event]
[Put Option]
[(further particulars specified below under items [17 / 18 / 19 / 20 / 21])]
[Not Applicable]

- 12 Status of the Notes: [Senior Notes] / [Senior Non-Preferred Notes] / [Subordinated Notes]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 13 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 subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [•] [and [•]] in each year, commencing on [•], up to

and including the Maturity Date

[There will be a [long/short] [first/last] coupon in respect of the period from and including [●] to but excluding [●]]

- (c) Fixed Coupon Amount(s): [●] per Calculation Amount
(Applicable to Notes in definitive form.)
- (d) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] in respect of the period from and including [●] to but excluding [●]] [Not Applicable]
(Applicable to Notes in definitive form.)
- (e) Day Count Fraction: [Actual/Actual]/[Actual/Actual (ICMA)]/[Actual/Actual (ISDA)]/[Actual/365 (Fixed)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[30E/360 (ISDA)]/ [Eurobond basis]
- 14 Reset Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Initial Rate of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (b) Interest Payment Date(s): [●] in each year up to and including the Maturity Date
- (c) Day Count Fraction: [Actual/Actual]/[Actual/Actual (ICMA)]/[Actual/Actual (ISDA)]/[Actual/365 (Fixed)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[30E/360 (ISDA)]/ [Eurobond basis]
- (d) Reset Date(s): [●]
- (e) Reset Reference Rate(s) and Relevant Financial Centre: Reset Reference Rate: [Mid Swaps/Reference Bond]
- (f) Reset Margin: [+/-][●] per cent. per annum
- (g) Reset Rate Screen Page: [●]
- (h) Mid Swap Maturity: [●]
- (i) Reset Determination Date: [●]
- (j) Reset Rate Time: [●]
- (k) Party responsible for calculating the Reset Rate and Interest Amount(s) (if not the Agent): [[Name] shall be the Calculation Agent (*no need to specify if the Agent is to perform this function*)]

15	Floating Rate Note Provisions	<p>[Applicable/Not Applicable (<i>if a Change of Interest Basis applies</i>): Applicable for the period starting from [and including] [●] ending on [but excluding] [●]]</p> <p><i>(If not applicable, delete the remaining sub-paragraphs of this paragraph.)</i></p>
	(a) Interest Payment Dates:	[●]
	(b) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
	(c) Specified Period:	[●] / [Not Applicable]
	(d) Additional Business Centre(s):	[●] / [Not Applicable]
	(e) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(f) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent):	[[Name] shall be the Calculation Agent (<i>no need to specify if the Agent is to perform this function</i>)]
	(g) Screen Rate Determination:	[Applicable/Not Applicable]
	Reference Rate:	[EURIBOR/LIBOR/CMS Rate/[●]]
	Reference Banks:	[●] / [Not Applicable]
	Interest Determination Date(s):	[●]
		<i>(in the case of a CMS Rate where the Reference Currency is Euro):</i> [Second day on which the TARGET2 System is open prior to the start of each Interest Period]
		<i>(in the case of a CMS Rate where the Reference Currency is other than Euro):</i> [Second [specify type of day] prior to the start of each Interest Period]
	Relevant Screen Page:	[For example, Reuters page EURIBOR01]
		<i>(In the case of CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions)</i>
	Relevant Time:	[For example, 11.00 a.m.[London/Brussels] time]
	Relevant Financial Centre:	[For example, London/Euro-zone (<i>where Euro-zone means the region comprised of the countries whose lawful currency is the Euro</i>)]
	[Reference Currency:]	[●]
	<i>(only relevant where the</i>	

CMS Rate is the Reference Rate)

[Designated Maturity:] [●]
(only relevant where the CMS Rate is the Reference Rate)

(h) ISDA Determination: [Applicable/Not Applicable]

Floating Rate Option: [●]

Designated Maturity: [●]

Reset Date: [●]

(In the case of a LIBOR or EURIBOR or CMS Rate based option, the first day of the Interest Period)

(i) Margin(s): [+/-] [●] per cent. per annum

(j) Minimum Rate of Interest: [[●] per cent. per annum] / [Not Applicable]

(k) Maximum Rate of Interest: [[●] per cent. per annum] / [Not Applicable]

(l) Day Count Fraction: [Actual/Actual (ICMA)]/ [Actual/365]/ [Actual/Actual (ISDA)]/ [Actual/365 (Fixed)]/ [Actual/360]/[30/360]/[30E/360]/ [Eurobond basis]

16 Zero Coupon Note Provisions [Applicable/Not Applicable]

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

(a) Accrual Yield: [●] per cent. per annum

(b) Reference Price: [●]

PROVISIONS RELATING TO REDEMPTION

17 Call Option: [Applicable/Not Applicable]

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

(a) Optional Redemption Date(s) (Call): [●]

(b) Optional Redemption Amount(s) (Call): [[●] per Calculation Amount]

(c) If redeemable in part:

(i) Minimum Redemption Amount: [●]

(ii) Maximum Redemption Amount: [●]

(d) Notice period (if other [●]

- than as set out in the Conditions): *(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
- 18 Regulatory Call: [Condition 11.3 (Redemption for Regulatory Reasons) is applicable/Not Applicable]
(Only applicable for Subordinated Notes)
- 19 Put Option: [Applicable/Not Applicable]
(Applicable only to Senior Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Optional Redemption Date(s) (Put): [●]
- (b) Optional Redemption Amount(s) Put: [●] per Calculation Amount
- (c) Notice period (if other than as set out in the Conditions): [●]
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and the Agent)
- 20 Early Redemption Amount(s) payable on redemption for taxation or regulatory reasons or on event of default: [Not Applicable (if Early Redemption Amount (Tax), Early Redemption Amount (Regulatory Event) and Early Termination Amount are the principal amount of the Notes)/ specify [●] per Calculation Amount]
- 21 Issuer Call due to MREL Disqualification Event: [Applicable]/[Not Applicable]
(Only relevant in the case of Senior Non-Preferred Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Notice period (if other than as set out in the Conditions): [●]
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
- (b) Early Redemption Amount payable on redemption upon the occurrence of a MREL Disqualification Event as contemplated by Condition 11.8 (Issuer

*Call Due to a MREL
Disqualification Event):*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22 Form of Notes:

(a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on [●] days' notice/at any time/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/at any time/in the limited circumstances specified in the Permanent Global Note]]

[In relation to any Notes issued with a denomination of EUR 100,000 (or equivalent) and integral multiples of EUR 1,000 (or equivalent), the Permanent 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.]

(b) New Global Note: [Yes] / [No]

23 Additional Financial Centre(s): [Not Applicable/give details]

(Note that this paragraph relates to the place of payment)

24 Talons for future Coupons to be attached to Definitive Notes: [Yes/No. *If yes, insert as follows:*

One Talon in the event that more than 27 Coupons need to be attached to each Definitive Note. On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Agent in exchange for a further Coupon sheet. Each Talon shall be deemed to mature in the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures]

25 Modification or Substitution of Subordinated Notes for Regulatory Event/Tax Event: [Applicable]/[Not Applicable] in relation to [Regulatory Event/Tax Event]

26 Modification or Substitution of Senior Non-Preferred Notes for MREL Disqualification Event: [Applicable]/[Not Applicable]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[●] has been extracted from [●]. 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 [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of
Banca IFIS S.p.A.

By:

Duly authorised

**PART B
OTHER INFORMATION**

1 LISTING AND ADMISSION TO TRADING

- (a) Listing and Admission to trading [[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Irish Stock Exchange and listing on the Official List of the Irish Stock Exchange with effect from [].] / [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Irish Stock Exchange and listing on the Official List of the Irish Stock Exchange with effect from [].] / [Not Applicable.]]
- (b) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

Ratings: [The Notes to be issued [[have been][have not been]/[are expected to be]] rated *[insert details]* by *[insert the legal name of the relevant credit rating agency entity(ies)]*]:

Each of *[Insert the legal name of the relevant credit rating agency entity]* is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”). As such *[insert the legal name of the relevant credit rating agency entity]* is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

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

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

4 REASONS FOR THE OFFER – USE OF PROCEEDS

[The net proceeds of the issuance of the Notes will be used for the general corporate purposes of the Group, as set forth in “*Use of Proceeds*” in the Base Prospectus / Other]

(If “Other”, set out use of proceeds here)

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

Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6 **HISTORIC INTEREST RATE** (*Floating Rate Notes and CMS Index Linked Interest Notes only*)

[[Details of historic [LIBOR/EURIBOR/CMS] rates can be obtained from [Reuters]]/[Not Applicable]]

7 **OPERATIONAL INFORMATION**

(a) ISIN Code: [●]

(b) Common Code: [●]

(c) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

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

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

(f) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes: Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [*include this text if “yes” selected in which case the Notes must be issued in NGN form*]

[No: Note that 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.] [*include this text if “no” selected*]

8 **DISTRIBUTION**

- (a) Method of distribution: [Syndicated/Non-syndicated]
- (b) If syndicated, names of Managers: [Not Applicable/*give names*]
- (c) Date of Subscription Agreement: [●]
- (d) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
- (e) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (f) U.S. Selling Restrictions: Reg. S Compliance Category 2;
[TEFRA D/TEFRA C/TEFRA not applicable]

9 **PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

Prohibition of sales to EEA Retail Investors: [Applicable] / [Not Applicable]
(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products, “Applicable” should be specified.)

10 **BENCHMARKS**

Benchmark: [Not Applicable] / [[*Benchmark*] provided by [*Benchmark administrator*]. As at the date hereof, [*Benchmark administrator*] [appears] / [does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011 (the “**Benchmarks Regulation**”). [As far as the Issuer is aware, *EITHER* [[*Benchmark administrator*] does not fall within the scope of the Benchmarks Regulation] *OR* [the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that [*Benchmark administrator*] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence)].]]

APPENDIX 4

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which, as completed by the applicable Final Terms, will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant competent authority, stock exchange and/or quotation system (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The provisions of Part A of the applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to the “Form of Final Terms” for a description of the content of Final Terms which will specify which of such terms and conditions are to apply to the relevant Notes. 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 “Summary of Provisions relating to the Notes in Global Form” below.

This Note is one of a Series (as defined below) of Notes issued by Banca IFIS S.p.A. (the “**Issuer**”) pursuant to the Agency Agreement (as defined below).

References herein to the “**Notes**” shall be references to the Notes of this Series only and not to all Notes that may be issued under the Programme and shall mean:

- (i) in relation to any Notes represented by a global Note (a “**Global Note**”), units of each Specified Denomination in the Specified Currency;
- (ii) any Global Note; and
- (iii) any definitive Notes issued in exchange for a Global Note.

Reference herein to NGN shall mean a Temporary Global Note or a Permanent Global Note in either case where the applicable Final Terms specify the Notes as being in NGN form.

The Notes and the Coupons (as defined below) have the benefit of an agency agreement (as amended, restated, modified and/or supplemented from time to time, the “**Agency Agreement**”) dated 29 September 2017, and made between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent (the “**Agent**”, which expression shall include any additional or successor issuing and principal paying agent) and the other paying agents named therein (together with the Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents).

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the “**Conditions**”). References to the “**applicable Final Terms**” are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest-bearing definitive Notes have interest coupons (the “**Coupons**”) and, in the case of Notes which (when issued in definitive form) have more than 27 interest payments remaining, talons for further Coupons (the “**Talons**”) attached on issue. Any reference herein to Coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons attached on issue. Global Notes do not have Coupons or Talons attached on issue.

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

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

The Noteholders and the Couponholders are entitled to the benefit of a deed of covenant (as modified and/or supplemented and/or restated from time to time, the “**Deed of Covenant**”) dated 29 September 2017 and made by the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection free of charge during normal business hours at the specified office for the time being of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Irish Stock Exchange (*www.ise.ie*) and copies thereof are available for viewing at the registered office of the Issuer and of the Agent and copies may be obtained from those offices. If this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

In these Conditions, euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). 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.

This Note may be a Fixed Rate Note, a Reset Note, a Floating Rate Note or a Zero Coupon Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest Basis shown hereon.

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

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.

2. STATUS OF SENIOR NOTES

This Condition 2 (*Status of Senior Notes*) is applicable only to Senior Notes. The Senior Notes and the Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves. The payment obligations of the Issuer under the Senior Notes and the Coupons shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, at all times rank at least equally with its other present and future unsecured and unsubordinated obligations (other than obligations ranking, in accordance with their terms and/or by provision of law, junior to the Senior Notes from time to time (including Senior Non-Preferred Notes and any further obligations permitted by law to rank junior to the Senior Notes following the Issue Date) if any.

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

2A. STATUS OF SENIOR NON-PREFERRED NOTES

This Condition 2A (*Status of Senior Non-Preferred Notes*) is applicable only to Senior Non-Preferred Notes. Senior Non-Preferred Notes (notes intending to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under, and for the purposes of, Article 12-bis and Article 91, section 1-bis, letter c-bis of the Consolidated Banking Law, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority), any related Receipts and Coupons constitute direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer, ranking (i) junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms and/or by provision of law, senior to the Senior Non-Preferred Notes, and (ii) *pari passu* without any preferences among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes and in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-bis, letter c-bis of the Consolidated Banking Law, as amended from time to time, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority.

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

3. STATUS OF SUBORDINATED NOTES

This Condition 3 (*Status of Subordinated Notes*) is applicable only to Subordinated Notes. Subordinated Notes and any related Coupons constitute direct, unsecured and subordinated obligations of the Issuer and, subject to the provisions of this Condition 3, will at all times rank *pari passu* 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 *pro rata* on all Subordinated Notes of such Series.

In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa* of the Issuer), the payment obligations of the Issuer under each Series of Subordinated Notes, and the relative Coupons as the case may be, will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors

and any holder of Senior Notes, Senior Non-Preferred Notes and their respective Coupons) of the Issuer and all other creditors of the Issuer holding instruments that are less subordinated than the Subordinated Notes but (B) at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes and (C) in priority to the claims of shareholders of the Issuer and to the claims of creditors of the Issuer holding instruments that are more subordinated than the Subordinated Notes.

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

4. DEFINITIONS

For the purposes of these Conditions:

“**Accrual Yield**” has the meaning given in the applicable Final Terms.

“**Additional Business Centre(s)**” means the city or cities specified as such in the applicable Final Terms.

“**Additional Financial Centre(s)**” means the city or cities specified as such in the applicable 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, the Prudential Regulations for Banks of the Bank of Italy and those other 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).

“**Bank of Italy**” means the Bank of Italy and/or any competent authority which at a future date carries out the functions which the Bank of Italy performs as at the Issue Date.

“**Broken Amount**” has the meaning given in the applicable Final Terms.

“**BRRD**” means Directive 2014/59/EU of the European Parliament and of the Council providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms, as amended, supplemented or replaced from time to time.

“**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 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 applicable Final Terms and, if so specified in the applicable 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 applicable Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*
 - (a) 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;
 - (b) 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
 - (c) 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 Agent or such other Person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest, Reset Rate and Interest Amount(s).

“Calculation Amount” has the meaning given to it in the applicable Final Terms.

“CMS Rate” means the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question, all as determined by the Calculation Agent.

“CMS Reference Banks” means (i) where the Reference Currency is Euro, the principal office of five major banks in the Euro-zone inter-bank market, (ii) where the Reference Currency is Sterling, the principal London office of five major banks in the London inter-bank market, (iii) where the Reference Currency is U.S. dollars, the principal New York City office of five major banks in the New York City inter-bank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five major banks in the Relevant Financial Centre inter-bank market, in each case selected by the Calculation Agent.

“Common Equity Tier 1 Instruments” means at any time common equity tier 1 instruments as interpreted and applied in accordance with Applicable Banking Regulations.

“**Consolidated Banking Law**” means Legislative Decree No. 385 of 1 September 1993, as amended or supplemented from time to time.

“**Consolidated Net Banking Income**” means, in respect of any Relevant Period, the consolidated net banking income of the Group for that Relevant Period.

“**Consolidated Profit Before Tax**” means, in respect of any Relevant Period, the consolidated profit before tax from continuing operations of the Group for that Relevant Period.

“**Consolidated Total Assets**” means, in respect of any Relevant Period, the consolidated total assets of the Group as at the end date of that Relevant Period.

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

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

“**CRD IV Directive**” means 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, as amended, supplemented or replaced from time to time, including any successor regulations.

“**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, if applicable, 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, if applicable, consolidated basis).

“**CRR**” means 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, as amended, supplemented or replaced from time to time, including any successor regulations.

“**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 applicable Final Terms and:

- (i) if “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) 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:

- (A) 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
 - (B) 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;
- (iii) If “**Actual/365 (Fixed)**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
 - (iv) If “**Actual/360**” is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
 - (v) If “**30/360**”, “**360/360**” or “**Bond Basis**” is specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

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

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; and

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

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

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

- (vii) If “**30E/360 (ISDA)**” is specified, the number of days in the Calculation Period in respect of which payment is being made 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 Termination 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.

“**Deed of Covenant**” means the deed of covenant dated 29 September 2017 relating to the Notes executed by the Issuer, as amended, restated or supplemented from time to time.

“**Designated Maturity**” has the meaning given in the applicable 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, or determined in accordance with, the applicable Final Terms.

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms.

“Early Termination Amount” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the applicable Final Terms.

“EC Proposals” means the amendments proposed to the CRD IV Directive, the CRR and BRRD published by the European Commission on 23 November 2016.

“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).

“Euro” or **“euro”** or **“€”** means the currency introduced at the start of the third stage of the 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.

“Event of Default” has the meaning given to that term in Condition 15 (*Events of Default*).

“Extraordinary Resolution” has the meaning given to that term in the Agency Agreement.

“Final Redemption Amount” means, in respect of any Note, its principal amount.

“Fixed Coupon Amount” has the meaning given in the applicable Final Terms.

“Government Entities” means any body, agency, ministry, department, authority, statutory corporation or other entity of or pertaining to the Republic of Italy or the government thereof or any political subdivision, municipality or local government thereof (whether autonomous or not).

“Group” means the Issuer and its Subsidiaries from time to time (if any).

“Indebtedness” means any present or future indebtedness (whether principal, premium, interest or other amounts) for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing.

“Initial Rate of Interest” has the meaning given in the applicable 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 applicable 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 applicable Final Terms.

“**Interest Determination Date**” has the meaning given in the applicable Final Terms.

“**Interest Payment Date**” means the date or dates specified as such in, or determined in accordance with the provisions of, the applicable Final Terms and, if a Business Day Convention is specified in the applicable 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 applicable 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 from (and including) the Interest Commencement Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

“**Intermediate Holding Company**” means a Subsidiary of the Issuer which itself has one or more Subsidiaries.

“**ISDA Definitions**” means the 2000 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 applicable Final Terms) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the applicable Final Terms, 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 applicable Final Terms) as published by the International Swaps and Derivatives Association, Inc.).

“**Issue Date**” has the meaning given in the applicable Final Terms.

“**Issue Price**” has the meaning given in the applicable Final Terms.

“**Italian Civil Code**” means the Italian civil code, enacted by Royal Decree No. 262 of 16 March 1942, as subsequently amended and supplemented.

“**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.

“**Liquidazione Coatta Amministrativa**” means *Liquidazione Coatta Amministrativa* as described in Articles 80 to 94 of the Consolidated Banking Law.

“**Margin**” has the meaning given in the applicable Final Terms.

“**Material Subsidiary**” means, at any time, any Subsidiary of the Issuer which accounts for 15 per cent. or more of the Consolidated Net Banking Income, Consolidated Profit Before Tax or Consolidated Total Assets and, for these purposes:

- (i) the Consolidated Net Banking Income, Consolidated Profit Before Tax or Consolidated Total Assets will be determined by reference to the then latest audited consolidated annual financial statements of the Group (the “**Relevant Consolidated Financial Statements**”);

- (ii) the net banking income or operating income, profit from continuing operations before tax and total assets of each Subsidiary (the “**Relevant Line Items**”) will be determined by reference to the annual financial statements (whether or not audited) of such Subsidiary and those of its own Subsidiaries (if any), in each case upon which the Relevant Consolidated Financial Statements have been based,

provided that: (A) if a Person has become a Subsidiary of the Issuer after the date on which the Relevant Consolidated Financial Statements have been prepared, the Relevant Line Items of that Subsidiary will be determined by reference to its latest annual financial statements (whether or not audited) and will be consolidated if that Subsidiary itself has Subsidiaries; (B) the Relevant Consolidated Financial Statements and the corresponding financial statements of each relevant Subsidiary will be adjusted (where appropriate) to reflect fairly the Consolidated Net Banking Income, Consolidated Total Assets or Consolidated Profit Before Tax and/or the Relevant Line Items of, or represented by, any Person, business or assets subsequently acquired or disposed of; and (C) where an Intermediate Holding Company has one or more Subsidiaries at least one of which, under this definition, is a Material Subsidiary, then such Intermediate Holding Company will be deemed to be a Material Subsidiary.

“**Maturity Date**” has the meaning given in the applicable Final Terms.

“**Maturity Period**” means the period from and including the Issue Date to but excluding the Maturity Date.

“**Maximum Redemption Amount**” has the meaning given in the applicable Final Terms.

“**Mid Swap Benchmark Rate**” means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not Euro.

“**Mid Swap Maturity**” has the meaning specified in the applicable Final Terms.

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

“**Minimum Redemption Amount**” has the meaning given in the applicable Final Terms.

“**MREL Disqualification Event**” means that, by reason of the introduction of or a change in MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the Senior Non-Preferred Notes, all or part of the aggregate outstanding nominal amount of such Series of Senior Non-Preferred Notes are or will be excluded fully or partially from the eligible liabilities available to meet the MREL Requirements. For the avoidance of doubt: (a) the exclusion of a Series of Senior Non-Preferred Notes from the MREL Requirements due to the remaining maturity of such Senior Non-Preferred Notes being less than any period prescribed thereunder, does not constitute a MREL Disqualification Event; and (b) any exclusion shall not be ‘reasonably foreseeable’ by the Issuer at the Issue Date where such exclusion arises as a result of (i) any legislation which gives effect to the EC Proposals differing, as it applies to the Issuer and/or the Group, in any respect from the form of the EC Proposals, or if the EC Proposals have been amended as at the Issue Date of the first Series of

Senior Non-Preferred Notes, in the form so amended at such date (including if the EC Proposals are not implemented in full), or (ii) the official interpretation or application of the EC Proposals as applicable to the Issuer and/or the Group (including any interpretation or pronouncement by any relevant court, tribunal or authority) differing in any respect from the official interpretation or application, if any, in place as at the Issue Date of the first Series of Senior Non-Preferred Notes.

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

“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 applicable Final Terms.

“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 applicable Final Terms.

“Optional Redemption Date (Call)” has the meaning given in the applicable Final Terms.

“Optional Redemption Date (Put)” has the meaning given in the applicable 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:
 - (a) 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
 - (b) 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:
 - (a) 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
 - (b) 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 or 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 applicable Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the applicable Final Terms.

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

“**Reference Banks**” has the meaning given in the applicable Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate or Mid Swap Rate.

“**Reference Bond**” means for any Reset Period a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is Euro, shall be Germany) selected by the Issuer on the advice of an investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Notes and of a comparable maturity to the relevant Reset Period.

“**Reference Currency**” has the meaning given in the applicable Final Terms.

“**Reference Price**” has the meaning given in the applicable Final Terms.

“**Reference Rate**” means EURIBOR, LIBOR or the CMS Rate as specified in the applicable Final Terms in respect of the currency and period specified in the applicable 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 after the Issue Date that would be likely to result in their exclusion, in whole or in part, from Tier 2 Capital of the Issuer and, in case the Regulatory Event has occurred before five years from the issue of the relevant Subordinated Notes, 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 such other authority (including the European Central Bank) having primary responsibility for prudential oversight and supervision of the Issuer from time to time.

“Relevant Date” means, in relation to any payment, whichever is the later of (A) the date on which such payment 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 Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders and Couponholders in accordance with Condition 16 (*Notices*).

“Relevant Financial Centre” has the meaning given in the applicable Final Terms.

“Relevant Indebtedness” means any Indebtedness which is in the form of or represented by, any note, bond, debenture, debenture stock, loan stock, certificate or other security or instrument which is, or is capable of being, traded, quoted, listed or dealt in on any stock exchange, over-the-counter or other securities market.

“Relevant Jurisdiction” means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes or the Coupons.

“Relevant Period” means a twelve-month period ending on 31 December in each year.

“Relevant Screen Page” means the page, section or other part of a particular information service (including, without limitation, the Reuters Money 3000 Service) specified as the Relevant Screen Page in the applicable Final Terms, or such other page, section or other part

as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

“Relevant Swap Rate” means:

- (i) where the Reference Currency is Euro, the mid market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed for floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR EURIBOR Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed for floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (a) if the Designated Maturity is greater than one year, to GBP LIBOR BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (b) if the Designated Maturity is one year or less, to GBP LIBOR BBA with a designated maturity of three months;
- (iii) where the Reference Currency is U.S. dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed for floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD LIBOR BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and
- (iv) where the Reference Currency is any other currency or if the Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the applicable Final Terms.

“Relevant Time” has the meaning given in the applicable Final Terms.

“Representative Amount” means an amount that is representative for a single transaction in the relevant market at the relevant time;

“Reserved Matter” has the meaning given to it in the Agency Agreement and includes any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution.

“Reset Date(s)” means the date(s) specified in the applicable Final Terms.

“Reset Determination Date” means, for each Reset Period, the date as specified in the applicable Final Terms falling on or before the commencement of such Reset Period on which the rate of interest applying during such Reset Period will be determined.

“Reset Margin” means the margin specified as such in the applicable Final Terms.

“Reset Period” means the period from (and including) the first Reset Date to (but excluding) the Maturity Date if there is only one Reset Period or, if there is more than one Reset Period, each period from (and including) one Reset Date (or the first Reset Date) to (but excluding) the next Reset Date up to (but excluding) the Maturity Date.

“Reset Rate” for any Reset Period means the sum of (i) the applicable Reset Reference Rate and (ii) the applicable Reset Margin (rounded down to four decimal places, with 0.00005 being rounded down).

“Reset Rate Screen Page” has the meaning specified in the applicable Final Terms.

“Reset Rate Time” has the meaning specified in the applicable Final Terms.

“Reset Reference Rate” means either:

- (i) if “Mid Swaps” is specified in the applicable Final Terms, the Mid Swap Rate displayed on the Reset Rate Screen Page at or around the Reset Rate Time on the relevant Reset Determination Date for such Reset Period; or
- (ii) if “Reference Bond” is specified in the applicable Final Terms, the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Bond, assuming a price for such Reference Bond (expressed as a percentage of its nominal amount) equal to the relevant Reference Bond Price.

“Security Interest” means any mortgage, charge, pledge, lien, other encumbrance or other form of security interest (including, without limitation, anything substantially analogous to any of the foregoing) securing any obligation of any person or any other agreement or arrangement having a similar effect under the laws of any jurisdiction.

“Senior Non-Preferred Notes” means Notes specified in the applicable Final Terms as Senior Non-Preferred obligations and intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under, and for the purposes of, Article 12-bis and Article 91, section 1-bis, letter c-bis of the Consolidated Banking Law, as amended from time to time, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority.

“Senior Note” means a Note specified in the applicable Final Terms as being Senior Notes (and, for the avoidance of doubt, excludes Senior Non-Preferred Notes).

“Specified Currency” has the meaning given in the applicable Final Terms.

“Specified Denomination(s)” has the meaning given in the applicable Final Terms.

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

“Specified Period” has the meaning given in the applicable Final Terms.

“SRM” means the Single Resolution Mechanism established pursuant to Regulation (EU) No. 806/2014 of the European Parliament and of the Council, as amended, supplemented or replaced from time to time.

“**Subordinated Notes**” means Notes specified as such in the applicable Final Terms, being Notes intended to qualify as Tier 2 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 respect of the Issuer at any particular time, any *società controllata*, as defined in Article 2359 of the Italian Civil Code.

“**Talon**” means a talon for further Coupons.

“**TARGET Settlement Day**” means any day on which the TARGET System is open for the settlement of payments in euro.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) system.

“**Tier 2 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.

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

Save as the context otherwise provides, any reference in these Conditions to a provision of law, decree or regulation is a reference to that provision as amended or re-enacted.

5. FIXED RATE NOTE PROVISIONS

5.1 Application

This Condition 5 (*Fixed Rate Note Provisions*) is applicable to the Notes only if (a) the Fixed Rate Note Provisions are specified in the applicable Final Terms as being applicable or (b) if a Change of Interest Basis is specified in the applicable Final Terms as being applicable, in respect of those Interest Periods for which the Fixed Rate Note Provisions are stated to apply.

5.2 Interest Accrual

The Notes bear interest from the Interest Commencement Date at the Rate of Interest (in respect of the relevant Interest Period) payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*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 or unless default is otherwise made in respect of payment. In such events, it will continue to bear interest in accordance with this Condition 5 (both before and after judgment) until whichever is the earlier of:

- (i) the day on which all amounts due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (ii) the day falling seven calendar days after the Agent has notified the Noteholders of receipt of all sums due in respect of all Notes up to that seventh calendar day (except to the extent that there is any subsequent default in payment in accordance with these Conditions) in accordance with Condition 16 (*Notices*).

5.3 Fixed Coupon Amount

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

5.4 Calculation of Interest Amount

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon 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 Fixed Rate Note comprises more than one Calculation Amount, the Amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

6. RESET RATE NOTE PROVISIONS

6.1 Application

This Condition 6 (*Reset Rate Note Provisions*) is applicable to the Notes only if the applicable Final Terms specifies the Interest Basis reset on Reset Date as being applicable.

6.2 Interest Basis Reset Provisions

The Notes will bear interest in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter) at the relevant Reset Rate (to be determined by the Calculation Agent on the relevant Reset Determination Date in accordance with this Condition 6) payable, subject as provided in Condition 10 (*Payments*), in arrear on the Interest Payment Date(s) specified in the applicable Final Terms.

6.3 Interest Accrual

The Notes bear interest from (and including) the Interest Commencement Date to (but excluding) the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Issue Date), at the Initial Rate of Interest payable, subject as provided in Condition 10 (*Payments*), in arrear on the Interest Payment Date specified in the applicable Final Terms. 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 or unless default is otherwise made in respect of payment. In such events, it will continue to bear interest in accordance with this Condition 6 (both before and after judgment) until whichever is the earlier of:

- (i) the day on which all amounts due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (ii) the day falling seven calendar days after the Agent has notified the Noteholders of receipt of all sums due in respect of all Notes up to that seventh calendar day (except to the extent that there is any subsequent default in payment in accordance with these Conditions) in accordance with Condition 16 (*Notices*).

6.4 Reset Rate Screen Page

If the Reset Rate Screen Page is not available, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reset Reference Rate at approximately the Reset Rate Time on the Reset Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Reset Rate for the relevant Reset Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the

applicable Reset Margin (if any), all as determined by the Calculation Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the foregoing provisions of this Condition 6, the Reset Rate shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Reset Rate shall be the Initial Rate of Interest.

6.5 Calculation of Interest Amount

The Calculation Agent will calculate the Interest Amount payable on the Reset Notes for each relevant period (in the case of Interest Periods falling after the Reset Date, as soon as practicable after the time at which the Reset Reference Rate is to be determined in relation to such Reset Interest Period) by applying the Initial Rate of Interest or the applicable Reset Rate (as the case may be) to the Calculation Amount and 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 Interest Amount payable in respect of such Note shall be aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

6.6 Publication

The Calculation Agent will cause each Reset Rate and each Interest Amount determined by it for each Reset Period, 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 Issuer, 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 Reset Rate, 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) in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

6.7 Notifications

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6 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.

7. FLOATING RATE AND CMS LINKED INTEREST NOTE PROVISIONS

7.1 Application

This Condition 7 (*Floating Rate and CMS Linked Interest Note Provisions*) is applicable to the Notes only if (a) the Floating Rate Note Provisions or CMS Linked Interest Note Provisions are specified in the applicable Final Terms as being applicable or (b) if a Change of Interest Basis is specified in the applicable Final Terms as being applicable, in respect of

those periods for which the Floating Rate Note Provisions or the CMS Linked Interest Note Provisions are stated to apply.

7.2 Interest Accrual

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 10 (*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 or unless default is otherwise made in respect of payment. In such events, it will continue to bear interest in accordance with this Condition 7 (both before and after judgment) until whichever is the earlier of:

- (i) the day on which all amounts due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (ii) the day falling seven calendar days after the Agent has notified the Noteholders of receipt of all sums due in respect of all Notes up to that seventh calendar day (except to the extent that there is any subsequent default in payment in accordance with these Conditions) in accordance with Condition 16 (*Notices*).

7.3 Screen Rate Determination for Floating Rate Notes other than CMS Linked Interest Notes

If Screen Rate Determination is specified in the applicable 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 applicable 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:
 - (a) 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
 - (b) 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.

7.4 Screen Rate Determination for Floating Rate Notes which are CMS Linked Interest Notes

If Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and “CMS Rate” is specified as the Reference Rate in the applicable Final Terms, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent by reference to the following formula:

CMS Rate plus Margin

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in good faith on such commercial basis as considered appropriate by the Calculation Agent in its absolute discretion, in accordance with standard market practice.

7.5 ISDA Determination

If ISDA Determination is specified in the applicable 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 applicable Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the applicable 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 applicable Final Terms.

7.6 Maximum or Minimum Rate of Interest

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the applicable Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

7.7 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 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 Floating Rate Note or CMS Linked Interest Note comprises more than one Calculation Amount, the Interest Amount 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.

7.8 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 Issuer, 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) in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

7.9 Notifications

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 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 5 (*Fixed Rate Note Provisions*) or Condition 7 (*Floating Rate and CMS 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 16 (*Notices*) 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 (including different Fixed Rates or Floating Rates in respect of Fixed Rate Notes or Floating Rate Notes respectively) 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**” and “**Switch Option Effective Date**” shall mean any date specified as such in the applicable Final Terms provided that any date specified in the applicable Final Terms as a Switch Option Effective Date 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 16 (*Notices*) prior to the relevant Switch Option Expiry Date.

9. ZERO COUPON NOTES PROVISIONS

9.1 Application

This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the applicable Final Terms as being applicable.

9.2 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 (a) the day on which all amounts due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day falling seven calendar days after the Agent has notified the Noteholders of receipt of all sums due in respect of all Notes up to that seventh calendar day (except to the extent that there is any subsequent default in payment in accordance with these Conditions) in accordance with Condition 16 (*Notices*).

10. PAYMENTS

10.1 Payments in respect of Notes

Payments of principal and interest in respect of the Notes will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Notes or the appropriate Coupons (as the case may be) 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). Payments of interest due in respect of any Note other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.

10.2 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.

10.3 Payments subject to applicable laws

All payments in respect of the Notes made in accordance with these Conditions shall be subject to:

- (i) any fiscal or other laws, regulations and directives applicable thereto; and
- (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, any intergovernmental agreement in place between the United States and another jurisdiction facilitating the implementation thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto,

but, in each case, without prejudice to the provisions of Condition 12 (*Taxation*).

No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

10.4 Surrender of unmatured Coupons

If the applicable 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 (i) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.

10.5 Unmatured Coupons void

If the applicable Final Terms specifies that this Condition 10.5 is applicable or that the Floating Rate Note Provisions or 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 11.2 (*Redemption for Taxation Reasons*), Condition 11.3 (*Redemption for Regulatory Reasons*), Condition 11.4 (*Redemption at the Option of the Issuer*), Condition 11.8 (*Issuer Call due to a MREL Disqualification Event*), Condition 11.9 (*Redemption at the Option of Noteholders*) or Condition 15 (*Events of Default*), all unmaturing Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

10.6 Payments on a Business Day

A Note or Coupon may only be presented for payment on a day which is a Payment Business Day in the place of presentation. If the due date for payment in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder will not be entitled to payment of the amount due until the next succeeding Payment Business Day and no further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this Condition 10 falling after the due date.

10.7 Agents

The initial Paying Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the applicable Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent, appoint additional or other Paying Agents and appoint a successor issuing and principal paying agent or Calculation Agent, provided it will at all times maintain:

- (i) an Agent;
- (ii) if a Calculation Agent is specified in the applicable Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (iii) for so long as the Notes are listed on any stock exchange or admitted to trading by any relevant authority, a Paying Agent (which may be the Agent) having its Specified Office in such place as may be required by applicable laws and regulations or the rules and regulations of the relevant stock exchange.

Notice of any change in the Paying Agents or their Specified Offices will promptly be given to the Noteholders in accordance with Condition 16 (*Notices*).

10.8 Partial Payments

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

10.9 Exchange of Talons

On or after the maturity date of the final Coupon which is (or was at the time of issue) attached to the Notes, the Talon attached to such Note may be exchanged at the Specified Office of the Agent for further Coupons, as the case may be (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*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.

11. REDEMPTION AND PURCHASE

11.1 Final Redemption

Unless previously redeemed, or purchased and cancelled as provided below, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11.6 (*Redemption of Subordinated Notes*), Condition 11.7 (*Redemption of Senior Non-Preferred Notes*) and Condition 10 (*Payments*).

11.2 Redemption for Taxation Reasons

If:

- (i) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction, or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after the date of issue of the first Tranche of the Notes, (a) the Issuer would be required to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) or (b) for Subordinated Notes only, deductibility of interest payable by the Issuer in respect of the Subordinated Notes is materially reduced for Italian income tax purposes;
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; and
- (iii) in the case of Subordinated Notes only, if the circumstances under items (i) and (ii) above have occurred before five years from the issue of the relevant Subordinated Notes, the Issuer has demonstrated to the satisfaction of the Relevant Authority that such change is material and was not reasonably foreseeable at the Issue Date,

(any such event, a “**Tax Event**”)

the Issuer may at its option (but subject to Condition 11.6 (*Redemption of Subordinated Notes*) and to Condition 11.7 (*Redemption of Senior Non-Preferred Notes*), as applicable, having given not less than 30 nor more than 60 days’ notice to the Noteholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at their Early Redemption Amount (Tax) together with interest accrued to but excluding the relevant date of redemption:

- (A) at any time (if neither the Floating Rate Note Provisions nor CMS Linked Interest Note Provisions are specified in the applicable Final Terms as being applicable); or

- (B) on any Interest Payment Date (if the Floating Rate Note Provisions or CMS Linked Interest Note Provisions are specified in the applicable Final Terms as being applicable),

provided, however, that no such notice of redemption shall be given (i) earlier than (a) 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, were a payment in respect of the Notes then due; or (b) 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, were a payment in respect of the Notes then due and (ii) unless, at the time such notice is given, such change or amendment remains in effect (or due to take effect).

Prior to the publication of any notice of redemption pursuant to this Condition 11.2, the Issuer shall deliver to the Agent to make available at its Specified Office to the Noteholders (i) a certificate signed by two Authorised Signatories of the Issuer stating the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of the change or amendment.

Upon the expiry of any notice as is referred in this Condition 11.2, the Issuer shall be bound to redeem the Notes in accordance with the terms of this Condition 11.2 (subject to Condition 11.6 (*Redemption of Subordinated Notes*) and to Condition 11.7 (*Redemption of Senior Non-Preferred Notes*)).

11.3 Redemption for Regulatory Reasons

This Condition 11.3 applies only to Notes specified in the applicable Final Terms as being Subordinated Notes.

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 to Condition 11.6 (*Redemption of Subordinated Notes*)), in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor a CMS Linked Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note or a CMS Linked Interest Note), on giving not less than 15 nor more than 30 days' notice to the Agent and, in accordance with Condition 16 (*Notices*) to the Noteholders.

Prior to the publication of any notice of redemption pursuant to this Condition 11.3, the Issuer shall deliver or procure that there is delivered to the 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 11.3, the Issuer shall – subject to Condition 11.6 (*Redemption of Subordinated Notes*) - be bound to redeem the Notes in accordance with this Condition 11.3, at the Early Redemption Amount (Regulatory Event) described in the applicable Final Terms, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

11.4 Redemption at the Option of the Issuer

If the Call Option is specified in the applicable Final Terms as being applicable, the Notes may (subject to Condition 11.6 (*Redemption of Subordinated Notes*) and to Condition 11.7 (*Redemption of Senior Non-Preferred Notes*)) be redeemed at the option of the Issuer in whole or, if so specified in the applicable 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 – subject to Condition

11.6 (*Redemption of Subordinated Notes*) and to Condition 11.7 (*Redemption of Senior Non-Preferred Notes*), as applicable - 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).

11.5 Partial Redemption

If the Notes are to be redeemed in part only on any date in accordance with Condition 11.4 (*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 Agent approves and in such manner as the Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 11.4 (*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 applicable Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or less than the minimum so specified.

11.6 Redemption of Subordinated Notes

Any redemption of the Subordinated Notes in accordance with Condition 11.1 (*Final Redemption*), Condition 11.2 (*Redemption for Taxation Reasons*), Condition 11.3 (*Redemption for Regulatory Reasons*), Condition 11.4 (*Redemption at the Option of the Issuer*), and any purchase in accordance with Condition 11.12 (*Purchases*) shall be subject to:

- (i) Issuer giving notice to the Relevant Authority and such Relevant Authority granting prior permission to redeem or repurchase the relevant Subordinated Notes, in each case to the extent required by and in accordance with the Applicable Banking Regulations. Failure to redeem any such Notes where such consent has not been granted (to the extent such consent was required by and in accordance with the Applicable Banking Regulations) shall not constitute a default of the Issuer for any purpose; and
- (ii) compliance by the Issuer with any alternative or additional requirements to redemption or repurchase, as applicable, set out in the Applicable Banking Regulations.

Amounts that would otherwise be payable on the due date will continue to bear interest until whichever is the earlier of (a) the day on which all amounts due in respect of such Subordinated Notes up to that day are received by or on behalf of the Noteholders and (b) the day falling seven calendar days after the Agent has notified the Noteholders of receipt of all sums due in respect of all Notes up to that seventh calendar day (except to the extent that there is any subsequent default in payment in accordance with these Conditions) in accordance with Condition 16 (*Notices*).

11.7 Redemption of Senior Non-Preferred Notes

Any redemption of the Senior Non-Preferred Notes in accordance with Condition 11.1 (*Final Redemption*), Condition 11.2 (*Redemption for Taxation Reasons*), Condition 11.4 (*Redemption at the Option of the Issuer*), Condition 11.8 (*Issuer Call Due to a MREL Disqualification Event*), and any purchase in accordance with Condition 11.12 (*Purchases*) shall be subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by (i) the MREL Requirements at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Non-Preferred Notes at such time as eligible liabilities available to meet the MREL

Requirements); and (ii) Article 12-*bis* and Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority at the relevant time.

11.8 Issuer Call Due to a MREL Disqualification Event

This Condition 11.8 applies only to Notes specified in the applicable Final Terms as Senior Non-Preferred Notes.

If Issuer Call due to a MREL Disqualification Event is specified as being applicable in the applicable Final Terms, the Notes may be redeemed at the option of the Issuer (subject to the provisions of Condition 11.7 (*Redemption of Senior Non-Preferred Notes*)), having given not less than 15 nor more than 30 days' notice the Agent and, in accordance with Condition 16 (*Notices*), to the Noteholders (which notice shall specify the date fixed for redemption), in whole, but not in part, at any time (if the Note is neither a Floating Rate Note nor a CMS Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or a CMS Linked Interest Note), if the Issuer determines that a MREL Disqualification Event has occurred and is continuing.

Prior to the publication of any notice of redemption pursuant to this Condition 11.8, the Issuer shall deliver or procure that there is delivered to the 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 11.8, the Issuer shall – subject to Condition 11.7 (*Redemption of Senior Non-Preferred Notes*) – be bound to redeem the Notes in accordance with this Condition 11.8 at the Early Redemption Amount described in the applicable Final Terms, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

11.9 Redemption at the Option of Noteholders

This Condition 11.9 (*Redemption at the Option of Noteholders*) is applicable only to Senior Notes and if the Put Option is specified in the applicable 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. In order to exercise the option contained in this Condition 11.9, the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), 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 11.9, 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 11.9, the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

11.10 No other redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 11.1 (*Final Redemption*) to 11.9 (*Redemption at the Option of Noteholders*).

11.11 Early Redemption of Zero Coupon Notes

Unless otherwise specified in the applicable Final Terms, 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 applicable Final Terms for the purposes of this Condition 11.9 or, if none is so specified, a Day Count Fraction of 30E/360.

11.12 Purchases

The Issuer or any of its Subsidiaries may purchase Notes in any manner and at any price, *provided that*:

- (i) all unmatured Coupons appertaining to the Notes are purchased with such Notes);
- (ii) in the case of Subordinated Notes, the purchase of the relevant Subordinated Notes by the Issuer or any of its Subsidiaries shall take place subject as provided in Condition 11.6 (*Redemption of Subordinated Notes*); and
- (iii) in the case of Senior Non-Preferred Notes, the purchase of the relevant Subordinated Notes by the Issuer or any of its Subsidiaries shall take place subject as provided in Condition 11.7 (*Redemption of Senior Non-Preferred Notes*).

11.13 Cancellations

All Notes which are redeemed and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold. Subject to the requirements (if any) of any stock exchange or securities market on which the Notes may be admitted to listing and/or trading at the relevant time and subject to compliance with all applicable laws and regulations, Notes purchased by the Issuer or any of its Subsidiaries may be held or re-sold by the Issuer or submitted for cancellation by the Issuer or its Subsidiaries, in each case, at the Issuer's discretion.

12. TAXATION

12.1 Payment without Withholding

All payments of principal (if applicable) 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 by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after such withholding or

deduction shall be equal to the amounts of principal, in the case of Senior Notes and Senior Non-Preferred Notes, and interest, in the case of any Notes, which would have been received in respect of the Notes or the Coupons in the absence of such withholding or deduction; except that no additional amounts shall be payable in respect of any Note or Coupon:

- (i) presented for payment by, or by a third party on behalf of, the holder who is liable to such Taxes in respect of such Note or Coupon by reason of it having some connection with the Relevant Jurisdiction other than a mere holding of the Note or the Coupon; or
- (ii) presented for payment in the Relevant Jurisdiction; or
- (iii) presented for payment by or on behalf of a holder of Notes or Coupons who would have been able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for an exemption; or
- (iv) requested more than 30 days after the Relevant Date except to the extent that a holder of such Note or Coupon would have been entitled to such additional amounts on presenting such payment Note or Coupon for payment on the last day of the period of 30 days; or
- (v) in relation to any payment or deduction on principal, interest or other proceeds of any Note on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended or supplemented from time to time, or related implementing regulations (the “**Decree No. 239**”); or
- (vi) in circumstances in which the formalities to obtain an exemption from *imposta sostitutiva* under Decree No. 239 have not been complied with, except where such formalities have not been complied with due to the actions or omissions of the Issuer or its agents; or
- (vii) in relation to any payment or deduction on principal, interest or other proceeds of any Note on account of any withholding or deduction pursuant to Italian Law Decree No. 512 of 30 September 1983, as amended or supplemented from time to time.

The Issuer will have no obligation to pay additional amounts or otherwise indemnify an investor for any amounts required to be withheld or deducted pursuant to Sections 1471 through 1474 of the Code, any regulation or agreements thereunder, any official interpretations thereof, any intergovernmental agreement in place between the United States and another jurisdiction facilitating the implementation thereof or any law implementing an intergovernmental approach thereto to be deducted or withheld by the Issuer, the paying agent or any other party.

12.2 Additional Amounts

Any reference in these Conditions to any amounts of principal and interest in respect of the Notes and the Coupons shall be deemed also to refer to any additional amounts which may be payable under this Condition 12.

13. PRESCRIPTION

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 10 (*Payments*) within a period of ten years in the case of principal and five years in the case of interest from the appropriate Relevant Date, subject to provisions of Condition 10 (*Payments*).

14. 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 Agent, subject to all applicable laws and stock exchange or other

relevant authority 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 require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

15. EVENTS OF DEFAULT

15.1 Events of Default of Senior Notes

This Condition 15.1 is applicable only to Notes specified in the applicable Final Terms as Senior Notes. If any of the following events occurs:

- (i) *Non-payment*: if the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven days of the due date for payment thereof; or
- (ii) *Breach of other obligations*: if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 calendar days following the service by any Noteholder, either to the Issuer or to the Specified Office of the Agent, of written notice addressed to the Issuer requiring the same to be remedied; or
- (iii) *Cross-default*: if (a) any Indebtedness of the Issuer or any of its Subsidiaries is declared (or is capable of being declared) to be due and repayable prior to its stated maturity by reason of any actual or potential event of default (however described); or (b) the Issuer or any of its Subsidiaries fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any originally applicable grace period; (c) any security given by the Issuer or any of its Subsidiaries for any Indebtedness is (or becomes capable of being) enforced; or (d) default is made by the Issuer or any of its Subsidiaries in making any payment when due or (as the case may be) within any originally applicable grace period under any guarantee and/or indemnity given by it in relation to any Indebtedness, provided that the aggregate amount of the Indebtedness, guarantees and/or indemnities in respect of which one or more of the events mentioned in this paragraph (iii) have occurred individually or in the aggregate equals or exceeds Euro 30,000,000 (or its equivalent in any other currency); or
- (iv) *Winding up, etc.*: if an order is made by any competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries save for the purposes of (a) a solvent reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by an Extraordinary Resolution of the Noteholders, or (b) pursuant to a Permitted Reorganisation; or
- (v) *Cessation of business*: if the Issuer or any of its Material Subsidiaries ceases, threatens to cease or announces that it shall cease to carry on the whole or substantially the whole of its business or operations, save for the purposes of (a) solvent reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by an Extraordinary Resolution of the Noteholders, or (b) a Permitted Reorganisation. For the avoidance of doubt, the transfer of receivables and securities by the Issuer or any of its Material Subsidiaries in the ordinary course of business will not constitute a cessation of business; or
- (vi) *Insolvency/Composition*: if the Issuer or any of its Material Subsidiaries:

- (i) is (or is, or could be, deemed by law or a court to be) insolvent or unable to pay its debts as they fall due; or
- (ii) stops or suspends (or threatens to stop or suspend) payment of all or a part of, or admits in writing its inability to, its debts; or
- (iii) becomes subject to any liquidation, insolvency, composition, reorganisation or other similar proceedings or application is made for the appointment of an administrative or other receiver, administrator, liquidator or other similar official or an administrative or other receiver, administrator, liquidator or other similar official is appointed in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them; or
- (iv) proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or of a particular type of) its debts (or of any part which it will or it might otherwise be unable to pay when due); or
- (v) proposes or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors in respect of any of all of (or of a particular type of) its debts (or of any part which it will or it might otherwise be unable to pay when due, or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of such debts of the Issuer or any of its Material Subsidiaries; or
- (vii) *Enforcement proceedings*: if a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a substantial part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 30 calendar days; or
- (viii) *Security enforced*: if any Security Interest created or assumed by the Issuer in respect of all or a substantial part of the undertaking, property, assets or revenues of the Issuer or any of its Material Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and such enforcement or any step taken to enforce it are not discharged or stayed within 30 calendar days; or
- (ix) *Unsatisfied judgment*: if one or more judgment(s) or order(s) for the payment of any amount in excess of Euro 30,000,000 (or its equivalent in other currencies), whether individually or in aggregate, is rendered against the Issuer or any of its Subsidiaries, becomes enforceable in a jurisdiction where the Issuer or any of its Subsidiaries are incorporated and continue(s) unsatisfied and unstayed for a period of 30 calendar days after the date(s) thereof or, if later, the date therein specified for payment; or
- (x) *Analogous event*: if any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 15.1(iv), 15.1(v), 15.1(vi), 15.1(vii), 15.1(viii) or 15.1(ix); or
- (xi) *Failure to take action*: any action, condition or thing (including, without limitation, the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence or order) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, perform and comply with its obligations under and in respect of the Notes and the Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to

make the Notes and the Coupons admissible in evidence in the courts of the Republic of Italy is not taken, fulfilled or done; or

- (xii) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Agency Agreement, unless the matter giving rise to such unlawfulness is promptly remedied by the Issuer,

then any Senior 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 Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest without further action or formality.

In these Conditions:

“Permitted Reorganisation” means, in respect of the Issuer or any of its Subsidiaries, an amalgamation, merger, spin-off, reconstruction, reorganisation, restructuring, transfer or contribution of assets or other similar transaction (a **“relevant transaction”**) whilst solvent and:

- (i) on terms approved by an Extraordinary Resolution of the Noteholders; or
- (ii) in the case of a Subsidiary, whereby the assets and undertaking of such Subsidiary are transferred, sold, contributed, assigned or otherwise vested in the Issuer and/or another Subsidiary;
- (iii) with respect to Condition 15.1(v) only, whereby the Issuer or a Subsidiary sells, transfers, leases, exchanges or otherwise disposes of its business (or a substantial part thereof) (whether in the form of property or assets, including any receivables, shares, interest or other equivalents or corporate stock or other indicia of ownership) that is made on arm’s length terms for a consideration that represents or is equivalent to the fair market value of the relevant business (or part thereof), as confirmed by the Issuer’s Board of Directors; or
- (iv) in the case of the Issuer, whereby the assets and undertaking of the Issuer, including equity interests in Subsidiaries, or (in the case of a demerger) all or substantially all of such assets and undertaking, are vested in a body corporate in good standing (the **“Substitute”**) and:
 - (a) the Substitute is a bank duly incorporated and licensed to operate in Italy or in another Member State of the European Union;
 - (b) the Substitute assumes the obligations of principal debtor under the Notes by operation of Italian law under the doctrine of universal succession, failing which on or prior to completion of the transaction it executes and delivers a deed of substitution, a supplemental agency agreement and such other documents (if any), together with (where applicable) the other parties to the Agency Agreement, as may be necessary to give full effect to the substitution of such body corporate for the Issuer (such documents together, the **“Substitution Documents”**);
 - (c) a certificate of the Substitute, signed by two directors or by a director and the chief financial officer of the Substitute and addressed to the Agent has been made available to the Noteholders at the Specified Offices of the Agent, confirming the Substitute’s belief that neither (1) the ability to perform the payment obligations of the principal debtor under the Notes nor (2) the rights and interests of Noteholders will be impaired as a result of the transaction;

- (d) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Notes and/or the Substitution Documents (as applicable) represent valid, legally binding and enforceable obligations of the Substitute have been taken, fulfilled and done and are in full force and effect;
- (e) the Substitute has obtained opinions from lawyers of recognised standing as to matters of Italian law and (if different) of the jurisdiction of the place of incorporation of the Substitute, confirming as follows:
 - (1) fulfilment of the condition in paragraph (d) above (subject to all applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles);
 - (2) that the Substitute is validly incorporated under the laws of its jurisdiction with power and capacity to assume and perform the obligations under the Notes and/or the Substitution Documents (as applicable); and
 - (3) that the Substitute has obtained all necessary approvals and consents (including governmental and regulatory consents) for the assumption and performance of its obligations, and from lawyers of recognised standing as to matters of English law confirming the matters set out in (1) above, all such opinions to be made available to Noteholders at the Specified Offices of the Agent, together with the Substitution Documents; and
- (f) not later than 15 calendar days after the execution of any Substitution Documents, the Substitute shall give notice thereof to the Noteholders in accordance with Condition 16 (*Notices*),

and, following any such transaction, any reference in these Conditions to the “**Issuer**” shall be a reference to the Substitute and references to obligations under the Notes in Conditions 15.1(ii), 15.1(xi) and 15.1(xii) shall be deemed to include obligations under the Substitution Documents.

15.2 Events of Default of Senior Non-Preferred Notes and Subordinated Notes

This Condition 15.2 is applicable only to Notes specified in the applicable Final Terms as Senior Non-Preferred Notes or Subordinated Notes. If any of the following events occurs:

- (i) *Winding-up etc*: if an order is made by any competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of and pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (ii) *Analogous event*: any event occurs which under the laws of the Relevant Jurisdiction has an analogous effect to any of the events referred to in paragraph (i) (*Winding up, etc.*) above,

then any Senior Non-Preferred Notes and Subordinated 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 Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest without further action or formality.

16. NOTICES

Notices to Noteholders will be valid if published in a reputable leading English language daily newspaper published in London with an international circulation (which is expected to be the Financial Times) and (so long as the Notes are listed on a securities market of the Irish Stock Exchange and it is a requirement of applicable laws and regulations or the rules of the Irish Stock Exchange) a leading newspaper having general circulation in the Republic of Ireland or on the website of the Irish Stock Exchange (www.ise.ie) or, if such publication shall not be practicable, in an leading English language daily newspaper of general circulation in Europe (which is expected to be the Financial Times). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 16.

17. MEETING OF NOTEHOLDERS, NOTEHOLDERS' REPRESENTATIVE; MODIFICATION

17.1 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 it 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 one or more Persons holding or representing a clear majority of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one 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 one or more Persons holding or representing not less than three-fourths or, at any adjourned meeting, one third 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.

17.2 Modification

The Notes, the Coupons and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, 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 not materially prejudicial to the interests of the Noteholders.

17.3 Modification or Substitution of Subordinated Notes following a Regulatory Event or a Tax Event

This Condition 17.3 applies to Subordinated Notes if Modification or Substitution of Subordinated Notes for Regulatory Event or Tax Event is specified in the applicable Final Terms as being applicable. If at any time a Tax Event or a Regulatory Event occurs or in order to ensure the effectiveness and enforceability of Condition 23 (*Contractual Recognition*

of *Bail-in Powers*), then the Issuer may either: (a) substitute new notes for the Subordinated Notes whereby such new notes shall replace the Subordinated Notes, or (b) vary the terms of the Subordinated Notes, at any time without any requirement for consent of the holders of Subordinated Notes, so that the Subordinated Notes are substituted for, or as applicable, varied to, become or remain, Qualifying Subordinated Notes, subject to having given not less than 30 nor more than 60 days' notice to the Agent and the holders of Subordinated Notes and subject to receiving the prior consent from the Relevant Authority if and as required therefor under the Applicable Banking Regulations and in accordance with the Applicable Banking Regulations in force at the relevant time.

The holders of Subordinated Notes shall, by virtue of subscribing and/or purchasing and holding any Subordinated Notes, be deemed to have accepted the substitution and modification of the terms of Subordinated Notes and to have granted to the Issuer full powers and authority to take any action and/or execute and deliver any document in the name and /or on behalf of the holders of Subordinated Notes which is necessary or convenient to implement the substitution or modification of the terms of Subordinated Notes.

For the purposes of this Condition 17.3, “**Qualifying Subordinated Notes**” means securities issued directly or indirectly by the Issuer that:

- (i) other than in respect of the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), have the terms not less favourable to the holders of Subordinated Notes, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing, than the terms of the Subordinated Notes, and they shall also (a) contain terms such that they comply with the minimum requirement under the Applicable Banking Regulations for inclusion in the Tier 2 Capital of the Issuer; (b) provide for a ranking at least equal to that of the Subordinated Notes; (c) have the same interest rate and the same Interest Payment Dates as those from time to time applying to the Subordinated Notes; (d) have the same redemption rights as the Subordinated Notes; (e) preserve any existing rights under the Subordinated Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of modification or substitution; and (f) are assigned (or maintain) the same credit ratings with the same outlook as were assigned to the Subordinated Notes (if rated) immediately prior to modification or substitution;
- (ii) are listed or admitted to trading on a recognised stock exchange if the Subordinated Notes were listed or admitted to trading immediately prior to such modification or substitution; and
- (iii) are not subject, at the time of, or immediately following, such modification or substitution, to any early redemption right for taxation reasons.

17.4 Modification or Substitution of Senior Non-Preferred Notes following a MREL Disqualification Event

This Condition 17.4 applies to Senior Non-Preferred Notes if Modification or Substitution of Senior Non-Preferred Notes for MREL Disqualification Event is specified in the applicable Final Terms as being applicable. If at any time a MREL Disqualification Event occurs or in order to ensure the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), then the Issuer may either, subject to giving any notice required to be given to, and receiving any consent required from, the Relevant Authority; (a) substitute new notes for the Senior Non-Preferred Notes whereby such new notes shall replace the Senior Non-Preferred Notes, or (b) vary the terms of such Senior Non-Preferred Notes, at any time without any requirement for consent of the holders of Senior Non-Preferred Notes, so that the Senior Non-Preferred Notes are substituted for, or as applicable, varied to, become or remain,

Qualifying Senior Non-Preferred Notes, subject to having given not less than 30 nor more than 60 days' notice to the Agent and the holders of Senior Non-Preferred Notes and subject to receiving the prior consent from the Relevant Authority if and as required therefor under the MREL Requirements in force at the relevant time.

The holders of Senior Non-Preferred Notes shall, by virtue of subscribing and/or purchasing and holding any Senior Non-Preferred Notes, be deemed to have accepted the substitution and modification of the terms of Senior Non-Preferred Notes and to have granted to the Issuer full powers and authority to take any action and/or execute and deliver any document in the name and /or on behalf of the holders of Senior Non-Preferred Notes which is necessary or convenient to implement the substitution or modification of the terms of Senior Non-Preferred Notes.

For the purposes of this Condition 17.4, "**Qualifying Senior Non-Preferred Notes**" means securities issued directly or indirectly by the Issuer that:

- (i) other than in respect of the effectiveness and enforceability of Condition 23 (*Contractual Recognition of Bail-in Powers*), have terms not materially less favourable to a holder of the Senior Non-Preferred Notes, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing, than the terms of the Senior Non-Preferred Notes, and they shall also (a) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (b) provide for a ranking at least equal to that of the Senior Non-Preferred Notes; (c) have the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Non-Preferred Notes; (d) have the same redemption rights as the Senior Non-Preferred Notes; (e) preserve any existing rights under the Senior Non-Preferred Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of modification or substitution; and (e) are assigned (or maintain) the same credit ratings with the same outlook as were assigned to the Senior Non-Preferred Notes (if rated) immediately prior to such variation or substitution; and
- (ii) are listed or admitted to trading on a recognised stock exchange if the Senior Non-Preferred Notes were listed or admitted to trading immediately prior to such modification or substitution.

18. ROUNDING

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the applicable 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.

19. FURTHER ISSUES

The Issuer may from time to time without the requirement to give notice to, or seek the consent of, the Noteholders or the Couponholders create and issue further notes having the same terms and conditions as those of the Notes in all respects (or in all respects except for

the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding Notes, or upon such terms as the Issuer may determine at the time of their issue.

20. 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 or Couponholder, on the written demand of such Noteholder or Couponholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the 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.

21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

22. GOVERNING LAW AND SUBMISSION TO JURISDICTION

22.1 Governing Law

The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and construed in accordance with, English law, except for Conditions 2A (*Status of Senior Non-Preferred Notes*), 3 (*Status of Subordinated Notes*), 11.6 (*Redemption of Subordinated Notes*), 11.7 (*Redemption of Senior Non-Preferred Notes*) and 15.2 (*Events of Default of Senior Non-Preferred Notes and Subordinated Notes*) which are governed by and shall be construed in accordance with Italian law.

22.2 Submission to Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Notes or the Coupons (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition 22.2 is for the benefit of each of the Noteholders and Couponholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

22.3 Agent for Service of Process

The Issuer irrevocably appoints Law Debenture Corporate Services Limited of fifth Floor, 100 Wood Street, London EC2V 7EY as its agent in England to receive service of process in any Proceedings in England based on any of the Notes or the Coupons. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process

agent and notify the Noteholders of such appointment in accordance with Condition 16 (*Notices*). The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

23. **CONTRACTUAL RECOGNITION OF BAIL-IN POWERS**

By the acquisition of the Notes, each Noteholder acknowledges and agrees to be bound by the exercise of any Bail-in Power by the Relevant Resolution Authority that may result in the write-down or cancellation of all or a portion of the principal amount of, or distributions on, the Notes and/or the conversion of all or a portion of the principal amount of, or distributions on, the Notes into ordinary shares or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes to give effect to the exercise by the Relevant Resolution Authority of such Bail-in Power. Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Bail-in Power by the Relevant Resolution Authority.

Upon the Issuer being informed or notified by the Relevant Resolution Authority of the actual exercise of the date from which the Bail-in Power is effective with respect to the Notes, the Issuer shall notify the Noteholders without delay. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Bail-in Power nor the effects on the Notes described in this clause.

The exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Notes shall not constitute an Event of Default and the terms and conditions of the Notes shall continue to apply in relation to the residual principal amount of, or outstanding amount payable with respect to, the Notes subject to any modification of the amount of distributions payable to reflect the reduction of the principal amount, and any further modification of the terms that the Relevant Resolution Authority may decide in accordance with applicable laws and regulations relating to the resolution of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State.

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Bail-in Power to the Notes.

As used in this Condition:

“Bail-in Power” means any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of credit institutions, investment firms and/or Group Entities incorporated in the relevant Member State in effect and applicable in the relevant Member State to the Issuer or other Group Entities, including (but not limited to) any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of any European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of a credit institution, investment firm and/or any Group Entities can be reduced, cancelled and/or converted into shares or obligations of the obligor or any other person.

“Group Entity” means the Issuer or any legal person that is part of the Group.

“Relevant Resolution Authority” means the Italian resolution authority, the Single Resolution Board (SRB) established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Resolution Power or Bail-in Power from time to time.

“Resolution Power” means any statutory write-down, transfer and/or conversion power existing from time to time under any laws regulations, rules or requirements relating to the resolution of the Issuer or any other entities of the Group, including but not limited to any laws, regulations, rules or requirements implementing the BRRD and/or the SRM Regulation.

“SRM Regulation” means Regulation (EU) No 806/2014 of the European Parliament and Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended or replaced from time to time.

APPENDIX 5

TAXATION

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

Tax treatment of Notes issued by the Issuer

Italian Legislative Decree No. 239 of 1 April 1996 (“**Decree No. 239**”) sets out the applicable tax treatment of 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 debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian banks.

For these purposes, securities similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

The tax regime set forth by Decree No. 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

Italian Resident Noteholders

Pursuant to Decree No. 239, where the Italian resident holder of Notes, who is the beneficial owner of such Notes, is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected; or
- (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership), or a de facto partnership not carrying out commercial activities or professional association; or
- (c) private or public entity (other than companies), trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
- (d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes). All the above categories are qualified as “net recipients” (unless the Noteholders referred to under (a), (b) and (c) above have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so called “*regime del risparmio gestito*” (the “**Asset Management Regime**”) according to Article 7 of Italian Legislative Decree No. 461 of 21st November, 1997, as amended (“**Decree No. 461**”).

Where the resident holders of the Notes described above under (a) and (c) are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Subject to certain conditions, Interest in respect of Notes issued by the Issuer that qualify as *obbligazioni* or *titoli similari alle obbligazioni*, including Notes intended to qualify as Tier II Capital for regulatory capital purposes, received by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law No. 232 of 11 December 2016 ("**Law No. 232**").

Pursuant to Decree No. 239, the 26 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so called "**SIMs**"), fiduciary companies, *società di gestione del risparmio* ("**SGRs**"), stock brokers and other qualified entities identified by a decree of the Ministry of Finance ("**Intermediaries**" and each an "**Intermediary**"). An Intermediary must (a) be resident in Italy or be a permanent establishments in Italy of a non-Italian resident Intermediary, and (b) intervene, in any way, in the collection of Interest or, also as transferees, in transfers or disposals of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant notes or in a change of the Intermediary with which the notes are deposited.

Where the Notes and the relevant coupons are not deposited with an authorised Italian Intermediary (or with a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is applied and withheld by any Italian Intermediary paying Interest to the holders of the Notes or, absent that by the Issuer.

Payments of Interest in respect of Notes that qualify as *obbligazioni* or *titoli similari alle obbligazioni* are not subject to the 26 per cent. *imposta sostitutiva* if made to beneficial owners who are:

- (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;
- (ii) Italian resident partnerships carrying out commercial activities ('*società in nome collettivo*' or '*società in accomandita semplice*');
- (iii) Italian resident open-ended or closed-ended collective investment funds (together the "**Funds**" and each a "**Fund**"), SICAVs, SICAFs, Italian resident real estate investment funds subject to the regime provided for by Law Decree No. 351 of 25 September 2001 and Italian resident pension funds referred to in Legislative Decree No. 252 of 5 December 2005 ("**Decree No. 252**"); and
- (iv) Italian resident holders of the Notes included in the abovementioned "net recipients" categories who have entrusted the management of their financial assets, including the Notes, to an authorised financial Intermediary and have opted for the Asset Management Regime.

Such categories are qualified as "gross recipients". To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, gross recipients indicated above under (i) to (iv) must: (a) be the beneficial owners of payments of Interest on the Notes and (b) deposit the Notes in due time, together with the coupons relating to such Notes, directly or indirectly with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary). Where the Notes and the relevant coupons are not deposited with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva*

is applied and withheld by any Italian Intermediary paying Interest to the holders of the Notes or, absent that, by the Issuer.

Gross recipients that are Italian resident corporations or partnerships or permanent establishments in Italy of foreign entities to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

Interest accrued on the Notes shall be included in the corporate taxable income (and in certain circumstances, depending on the “status” of the Noteholder, also in the net value of production for purposes of regional tax on productive activities – “**IRAP**”) of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident investors who have opted for the Asset Management Regime are subject to a 26 per cent. annual substitute tax (the “**Asset Management Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised Intermediary.

If the investor is resident in Italy and is a Fund, a SICAV or a SICAF and the relevant Notes are held by an authorised intermediary, Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the financial results of the Fund, the SICAV or the SICAF. The Fund, SICAV or SICAF will not be subject to taxation on such result, but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the “**Collective Investment Fund Tax**”).

Where a Noteholder is an Italian resident real estate investment fund or an Italian real estate SICAF, to which the provisions of Law Decree No. 351 of 25th September, 2001, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, apply, Interest accrued on the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or SICAF. The income of the real estate fund or of the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Where a Noteholder is an Italian resident 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 Italian resident 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 relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax (the “**Pension Fund Tax**”) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). Subject to certain conditions, Interest in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 92, of Law No. 232 if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraph 100 – 114, of Law No. 232.

Non-Italian resident Noteholders

According to Decree No. 239, payments of Interest in respect of the Notes issued by the Issuer will not be subject to the *imposta sostitutiva* at the rate of 26 per cent. if made to beneficial owners who are non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected provided that:

- (a) such beneficial owners are resident for tax purposes in a state or territory which allows an adequate exchange of information with the Italian tax authorities and listed in the Ministerial Decree dated 4 September 1996 as amended and supplemented from time to time (last amendment being made by Italian Ministerial Decree dated 23 March, 2017) (the “**White**”

List”). According to Article 11, par. 4, let. c) of Decree no. 239, the White List will be updated every six months period; and

- (b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

Decree No. 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; and (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, non-Italian resident investors indicated above must:

- (a) be the beneficial owners of payments of Interest on the Notes;
- (b) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with an Italian Intermediary, or a permanent establishment in Italy of a non-Italian Intermediary, or with a non-Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and
- (c) file with the relevant depository a statement (*autocertificazione*) in due time stating, *inter alia*, that he or she is resident, for tax purposes, in one of the above mentioned White List states. Such statement (*autocertificazione*), which must comply with the requirements set forth by Ministerial Decree of 12 December 2001 (as amended and supplemented), is valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The statement (*autocertificazione*) is not required for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, inter alia, the official reserves of a foreign state.

Failure of a non-resident holder of the Notes to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-resident holder of the Notes.

Non-resident holders of the Notes who are subject to substitute tax might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant holder of the Notes.

Fungible issues

Pursuant to Article 11, paragraph 2 of Decree No. 239, where the Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva* (if any), the issue price of the new Tranche will be deemed to be the same as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 per cent. of the nominal value of the Notes multiplied by the number of years of the duration of the Notes.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*), so called “*titoli atipici*”, may be subject to a withholding tax, levied at the rate of 26 per cent under Law Decree No. 512 of 30

September 1983 (“**Decree No. 512**”). For this purpose, securities similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

Where the Noteholder is (i) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (ii) an Italian company or a similar Italian commercial entity, (iii) a permanent establishment in Italy of a foreign entity to which the Notes are connected, (iv) an Italian commercial partnership or (v) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, the withholding tax is a final withholding tax.

Non-resident holders of the Notes who are subject to the withholding tax under Decree No. 512 might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant holder of the Notes, subject to timely filing of required documentation.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the withholding tax on interest, premium and other income relating to the Notes not falling within the category of bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) and qualify as titoli atipici ("atypical securities") pursuant to Article 5 of Law Decree No. 512 of 30 September 1983, including Notes intended to qualify as Tier II Capital for regulatory capital purposes, if such Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraph 100 -114 of Law No. 232.

Capital Gains

Italian resident Noteholders

Pursuant to Decree No. 461, a 26 per cent. capital gains tax (referred to as “*imposta sostitutiva*”) is applicable to capital gains realised by:

- (a) an Italian resident individual not engaged in entrepreneurial activities to which the Notes are connected;
- (b) an Italian resident partnership not carrying out commercial activities;
- (c) an Italian private or public institution not carrying out mainly or exclusively commercial activities

on any sale or transfer for consideration of the Notes or redemption thereof.

Under the so called “*regime della dichiarazione*” (the “**Tax Declaration Regime**”), which is the standard regime for taxation of capital gains, the 26 per cent. *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains together with any balance income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent fiscal year. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 published in the Official Gazette No. 143 of 23 June 2014, (“**Decree No. 66**”), capital losses realized from 1st January 2012 to 30 June 2014 may be offset against capital gains of the same nature realized after 30 June 2014 for an overall amount of 76.92 per cent. of the same capital losses.

Alternatively to the Tax Declaration Regime, holders of the Notes who are:

- (a) Italian resident individuals not engaged in entrepreneurial activities to which the Notes are connected;
- (b) Italian resident partnerships not carrying out commercial activities;
- (c) Italian private or public institutions not carrying out mainly or exclusively commercial activities,

may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes under the so called “*regime del risparmio amministrato*” (the “**Administrative Savings Regime**”). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the Administrative Savings Regime being made in writing in due time by the relevant holder of the Notes. The intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Pursuant to Decree No. 66, capital losses realised from 1 January 2012 to 30 June 2014 may be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the same capital losses. Under the Administrative Savings Regime, the realised capital gain is not required to be included in the annual income tax return of the Noteholder.

Special rules apply if the Notes are part of a portfolio managed under the Asset Management Regime by an Italian asset management company or an authorised intermediary. The capital gains realised upon sale, transfer or redemption of the Notes will not be subject to 26 per cent. *imposta sostitutiva* on capital gains but will contribute to determine the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year end may be carried forward against appreciation accrued in each of the following years up to the fourth. Pursuant to Decree No. 66, depreciations of the managed assets registered from 1 January 2012 to 30 June, 2014 may be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of 76.92 per cent. of the same depreciations in value. Also under the Asset Management Regime the realised capital gain is not required to be included in the annual income tax return of the Noteholder.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Notes realized upon sale, transfer or redemption by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may be exempt from taxation, including the 26 per cent. *imposta sostitutiva*, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant Article 1, paragraph 100 – 114, of Law No. 232.

In the case of Notes held by Funds, SICAVs and SICAFs, capital gains on Notes contribute to determinate the increase in value of the managed assets of the Funds, SICAVs or SICAFs accrued at the end of each tax year. The Funds, SICAVs or SICAFs will not be subject to taxation on such increase, but the Collective Investment Fund Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where a Noteholder is an Italian resident real estate investment fund or an Italian real estate SICAF, to which the provisions of Law Decree No. 351 of 25th September, 2001, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March

2014, all as amended, apply, capital gains realised will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or SICAF. The income of the real estate fund or of the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax. Subject to certain conditions, capital gains realised in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 92, of Law No. 232 if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraph 100 – 114, of Law No. 232.

The 26 per cent. *imposta sostitutiva* on capital gains may in certain circumstances be payable on any capital gains realised upon sale, transfer or redemption of the Notes by non-Italian resident individuals and corporations without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, pursuant to Article 23 of Decree No. 917, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (*autocertificazione*) of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Where the Notes are not listed on a regulated market in Italy or abroad:

- (a) pursuant to the provisions of Decree No. 461 non Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes: (a) in a state or territory listed in the White List as defined above, and (b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Regime or are subject to the Administrative Savings Regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies where the beneficial owners of the Notes are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State; and
- (b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

Under these circumstances, if non Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Regime or are subject to the Administrative Savings Regime, exemption from Italian capital gains tax will apply upon condition that they promptly file with the Italian authorised financial intermediary a self declaration attesting that all the requirements for the application of the relevant double taxation treaty are met.

Any capital gains realised by Italian resident corporations or similar commercial entities or permanent establishments in Italy of non-Italian resident corporations to which the Notes are connected, will be included in their business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant ordinary tax rules.

Inheritance and gift tax

Pursuant to Law Decree No. 262 of 3 October 2006, converted with amendments by Law No. 286 of 24 November 2006 effective from 29 November 2006, and Law No. 296 of 27 December 2006, the transfers of any valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

- (a) 4 per cent. if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);
- (b) 6 per cent. if the transfer if made to brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding €100,000 (per beneficiary);
- (c) 6 per cent. if the transfer is made to relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree; and
- (d) 8 per cent. in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

If the donee sells the Notes for consideration from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift has never taken place.

Transfer tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to fixed registration tax at rate of €200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Tax Monitoring Obligations

Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions are required to report in their yearly income tax return, according to Law Decree No. 167 of 28 June 1990 converted into law by Law Decree No. 227 of 4 August 1990, as amended from time to time, for tax monitoring purposes, the amount of Notes held abroad during each tax year. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Notes deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their aggregate value does not exceed a €15,000 threshold throughout the year.

Stamp duty

Pursuant to Article 13 par. 2 *ter* of the tariff 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 which are not individuals. This stamp duty is determined on the basis of the market value or, if no market value figure is available, on the face value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of the financial assets (including banking bonds, *obbligazioni* and capital adequacy financial instruments) held.

The statement is deemed to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release nor the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable based on the period accounted.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201 of 6 December 2011, Italian resident individuals holding financial assets – including the Notes – outside of the Italian territory are required to pay in its own annual tax declaration a wealth tax at the rate of 0.2 per cent. This tax is calculated on the market value at the end of the relevant year or, if no market value figure is available, on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes) held abroad by Italian resident individuals. A tax credit is granted for any foreign property tax levied abroad on such financial assets. The financial assets held abroad are excluded from the scope of the wealth tax if administered by Italian financial intermediaries pursuant to an administration agreement.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. However, if additional notes (as described under "*Terms and Conditions – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.