

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

Under this €5,000,000,000 Euro Medium Term Note Programme (the “**Programme**”), Banca IFIS S.p.A. (the “**Issuer**” or “**Banca IFIS**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €5,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the “**relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

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

This Base Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under Directive 2003/71/EC, as amended (the “**Prospectus Directive**”). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes which are to be admitted to trading on the regulated market of The Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) or other regulated markets for the purposes of Directive 2014/65/EU, as amended (“**MiFID II**”) and/or which are to be offered to the public in any Member State of the European Economic Area. Application has also been made to Euronext Dublin for Notes issued under the Programme to be admitted to trading on Euronext Dublin’s regulated market and to be listed on the official list (the “**Official List**”) of Euronext Dublin.

References in this Base Prospectus to Notes being “**listed**” (and all related references) shall mean that such Notes have been admitted to trading on Euronext Dublin’s regulated market (i.e. Main Securities Market) and have been admitted to the Official List of Euronext Dublin. Euronext Dublin’s regulated market is a regulated market for the purposes of MiFID II. The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the “**Final Terms**”) which, with respect to Notes to be listed, will be filed with the Central Bank. Copies of Final Terms in relation to Notes to be listed on Euronext Dublin’s Official List will also be published on the website of Euronext Dublin (www.ise.ie).

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 Regulation (EC) No.1060/2009 (as amended) (the “**CRA Regulation**”), and included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation, will be disclosed in the applicable 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. Please also refer to “*Risk Factors*”.

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 Limited, as specified in the relevant Final Terms. As at the date of this Base Prospectus, the European Money Markets Institute does 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 is not currently required to obtain authorisation or registration (or, if located outside the

European Union, recognition, endorsement or equivalence). As at the date of this Base Prospectus, ICE Benchmark Administration Limited appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to the Benchmarks Regulation.

Arranger

Goldman Sachs International

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

The date of this Base Prospectus is 26 September 2018

IMPORTANT NOTICE

This Base Prospectus comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive.

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

The Issuer has confirmed that this Base Prospectus (including, for this purpose, each applicable Final Terms (as defined below)) contains all information regarding the Issuer and its consolidated subsidiaries (together with the Issuer, the “**Group**”) and the Notes which is material in the context of the Programme and the issue of the Notes; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Base Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect.

Important – EEA Retail Investors – If the Final Terms in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, 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 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 / 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.

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. Any such representation or information should not be relied upon as having been authorised by the Issuer or any Dealer.

This Base Prospectus has not been submitted to the clearance procedure or registered with the *Commissione Nazionale per le Società e la Borsa* and may not be used in connection with the offering of the Notes in the Republic of Italy, its territories and possessions and any areas subject to its jurisdictions other than in accordance with applicable Italian securities laws and regulations, as more fully set out under “*Subscription and Sale*”.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. This Base Prospectus may only be used for the purposes for which it has been published. For a description of certain restrictions on offers, sales and deliveries of the Notes and on distribution of this Prospectus and other offering material relating to the Notes, see “*Subscription and Sale*”.

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered in the United States or to U.S. persons. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold in the United States or to U.S. persons except as permitted under applicable U.S. federal and state securities laws pursuant to a registration statement or an exemption from registration.

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall in any circumstances create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) or prospects of the Issuer or the Group since the date of this Base Prospectus or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Base Prospectus is to be read and construed in conjunction with any supplement hereto, all documents which are deemed to be incorporated herein by reference and, in relation to any Tranche of Notes, the applicable Final Terms. See “*Information Incorporated by Reference*” below. This Base Prospectus shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Base Prospectus.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty, expressed or implied, or accept any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Dealers that any recipient of this Base Prospectus or the Final Terms should purchase the Notes. In making an investment decision, prospective investors must rely on their own examination of the Issuer’s and the Group’s business and the terms of the offering. Prospective investors should not consider any information contained in this Base Prospectus to be investment, legal, financial, business, accounting or tax advice. Each prospective investor should consult its own counsel, business adviser, accountant, tax adviser and other advisers for legal, financial, business, accounting, tax and related advice regarding an investment in the Notes.

The information set out in the sections of this Base Prospectus describing clearing arrangements is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream, Luxembourg (the “**Clearing Systems**”), in each case as currently in effect. If prospective investors wish to use the facilities of any of the Clearing Systems, they should confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. The Issuer will not be responsible or liable for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such book-entry interests.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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

STABILISATION

In connection with the issue of any Tranche of Notes under the Programme, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the

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

MARKET SHARE INFORMATION AND STATISTICS

This Base Prospectus contains statements regarding the Issuer's and the Group's industry and its relative competitive position in the industry that are not based on published statistical data or information obtained from independent third parties, but are based on the Issuer's experience and its own investigation of market conditions, including its own elaborations of such published statistical or third-party data. Although the Issuer's estimates are based on information obtained from its customers, sales force, trade and business organisations, market survey agencies and consultants, government authorities and associations in its industry which it believes to be reliable, there is no assurance that any of these assumptions are accurate or correctly reflect the Issuer's or the Group's position in the industry. None of the Issuer's internal surveys or information has been verified by independent sources.

While the Issuer has compiled, extracted and, to the best of its knowledge, correctly reproduced market or other industry data from external sources, including third parties or industry or general publications, the Issuer has not independently verified such data. The Issuer cannot assure investors of the accuracy and completeness of, and takes no responsibility for, such data other than the responsibility for the correct and accurate reproduction thereof. The Issuer confirms that this information has been accurately reproduced, and so far as the Issuer is aware and is able to ascertain from information available from such external sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

PRESENTATION OF FINANCIAL INFORMATION

Financial information incorporated by reference and included in the Base Prospectus

This Base Prospectus incorporates by reference the translation into English of the audited consolidated financial statements of the Issuer as of 31 December 2017 and 2016, and for the years then ended, and the unaudited consolidated interim financial statements of the Issuer as of 30 June 2018 and for the six months then ended.

The consolidated financial statements of the Issuer as of and for the years ended 31 December 2017 and 2016 (the "**Audited Consolidated Financial Statements**") have been prepared by the Issuer's management in accordance with IFRS and have been audited without qualification by EY S.p.A. as stated in the English translations of their audit reports incorporated by reference in this Base Prospectus.

The unaudited consolidated financial statements of the Issuer as of 30 June 2018 and for the six months then ended (the "**Unaudited Consolidated Interim Financial Statements**") have been prepared by the Issuer's management in accordance with IAS 34 and applying the same accounting principles and measurement criteria as those used for the preparation of the Audited Consolidated Financial Statements, except for the application of the new accounting standards "IFRS 9 – Financial Instruments" and "IFRS 15 – Contracts with Customers" and new other standards, amendments or improvements applicable from 1 January 2018, whose effects are illustrated in the notes "*Impact of the first-time adoption of IFRS 9*" and "*Impact of the first-time adoption of IFRS 15*" to the Unaudited Consolidated Interim Financial Statements.

The Unaudited Consolidated Interim Financial Statements have been reviewed by EY S.p.A. as stated in the English translation of its unmodified review report incorporated by reference in this Base Prospectus. See "*Information Incorporated by Reference*".

Comparability of financial information

The comparability of the Group's results of operations for the years ended on 31 December 2017 and 2016 is affected by the acquisition (the "**Acquisition**") of Interbanca S.p.A. and its subsidiaries (together, the "**Interbanca Group**"), which was finalised on 30 November 2016. For additional information on the Acquisition, please see "*Description of the Issuer – Acquisition of Interbanca*" below.

As a result of the Acquisition, the Group's consolidated results of operations for the year ended 31 December 2016 include the contribution of the Interbanca Group's results of operations from 30 November 2016 to 31 December 2016, while the Group's consolidated results of operations for the year ended 31 December 2017 include the contribution of the Interbanca Group's results of operations for the full year.

Concerning the cost for the acquisition of the former GE Capital Interbanca Group, provisionally estimated at 119.2 million Euro, in July 2017 the Group and the seller agreed to additional adjustments, bringing the final acquisition cost to 109. million Euro. The impact of this price adjustment was applied retrospectively to the data as of and for the year ended 31 December 2016 (column "31 December 2016 Restated") included as comparative in the financial statements as of and for the year ended 31 December 2017.

Concerning the first-time adoption of IFRS 9, effective 1 January 2018, as permitted under the transitional provisions of the new accounting standard, the Group elected not to restate the comparative information at 31 December 2017; therefore, the amounts for 2017, calculated under IAS 39, are not fully comparable. Strictly for the purposes of allowing to compare the information for the period, in the Unaudited Consolidated Interim Financial Statements as of 30 June 2018, the statement of financial position and the income statement for prior periods have been reclassified and restated using the new line items set out in the 5th update to Circular 262: "*Banks' financial statements: layouts and preparation*". Furthermore, to ensure accounting consistency under the IFRS 9, the line items of the statement of financial position as at 30 June 2018 are compared with those at 1 January 2018. For more details, please refer to the paragraph "*Impact of first-time adoption of IFRS 9*" in the section "*Description of the Issuer*" of this Base Prospectus.

Finally, starting from 2018, the Group reorganised its reporting segments, as further described in the 2018 Consolidated interim financial statements. As a result, the Unaudited Consolidated Interim Financial Statements present information based on different reportable segments compared to the Audited Consolidated Financial Statements. In view of these changes, the 2017 financial information by segment, including the 2017 financial results by segment and the financial position by segment at 31 December 2017, presented as comparatives in the Unaudited Consolidated Interim Financial Statements have been restated to ensure full comparability.

ALTERNATIVE PERFORMANCE MEASURES

In order better to evaluate Banca IFIS's financial management performance, management has identified Alternative Performance Measures (each an "**APM**"). Management believes that these APMs provide useful information for investors as regards the financial position, cash flows and financial performance of the same, because they facilitate the identification of significant operating trends and financial parameters.

This Base Prospectus contains the following alternative performance measures as defined by the European Securities and Markets Authority's Guidelines on Alternative Performance Measures (ESMA/2015/1415), which are used by the management of the Issuer to monitor its financial and operating performance:

"**ROA**": Return on Assets is an indicator that measures the return on the invested capital or the business carried out. It is the ratio between pre-tax operating profit and total assets.

"**ROE**": Return On Equity is a synthetic measure of the company's operating results. It is calculated as the ratio of net profit to the average of equity.

"**Cost/Income ratio**": Cost/Income ratio is a ratio of operating costs to net banking income. For this purpose, net impairment losses on receivables of the NPL segment were reclassified to interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.

“Book value per share”: Book value per share is an indicator of the value of each share based on the book value of company’s assets minus its liability. It is calculated as the ratio of consolidated equity to the number of shares outstanding.

“Payout Ratio”: Payout Ratio is a ratio of dividends to net profits. It is calculated as the ratio of Parent company dividends to consolidated net profit.

“Parent company dividends”: Parent company dividends is an indicator of dividends paid by Banca IFIS S.p.A. It is the product of the dividends payable per share multiplied by the number of shares outstanding.

It should be noted that:

- i. the APMs are based exclusively on the Group’s historical data and are not indicative of future performance;
- ii. the APMs are not derived from IFRS, they are derived from the consolidated financial statements of the Group prepared in conformity with these principles, and they are not subject to audit;
- iii. the APMs are non-IFRS financial measures and are not recognised as a measure of performance or liquidity under IFRS and should not be recognised as alternative to performance measure derived in accordance with IFRS or any other generally accepted accounting principles;
- iv. the APMs should be read together with financial information for the Group taken from the consolidated financial statements of the Issuer;
- v. as the APMs are non-IFRS measures, the definitions of APMs used by the Group may differ from, and therefore not be comparable to, those used by other companies/groups; and
- vi. the APMs and definitions used herein are consistent and standardised for all the period for which financial information in this Base Prospectus are included.

The APM “ROCA” (Return on Core Assets is an indicator of the return on the assets dedicated to the core business. It is calculated as the ratio between gross profit minus net earnings on debt securities and total assets excluding debt securities) has been decommissioned.

FORWARD LOOKING STATEMENTS

This Base Prospectus may contain certain statements that are, or may be deemed to be, forward-looking, including statements with respect to the Issuer’s and the Group’s business strategies, expansion of operations, trends in their business and their competitive advantage, information on technological and regulatory changes and information on exchange rate risk and generally includes all statements preceded by, followed by or that include the words “believe”, “expect”, “project”, “anticipate”, “seek”, “estimate”, “aim”, “intend”, “plan”, “continue” or similar expressions. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Potential investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof.

Any forward-looking statements are only made as of the date of this Base Prospectus, and the Issuer does not intend, and does not assume any obligation, to update forward-looking statements set forth in this Base Prospectus. Many factors may cause the Issuer’s or the Group’s results of operations, financial condition, liquidity and the development of the industries in which they compete to differ materially from those expressed or implied by the forward-looking statements contained in this Base Prospectus.

The risks described under “*Risk Factors*” in this Base Prospectus are not exhaustive. Other sections of this Base Prospectus describe additional factors that could adversely affect the Issuer’s and the Group’s results of operations, financial condition, liquidity and the development of the industries in which they operate. New risks can emerge from time to time, and it is not possible for the Issuer to predict all such risks, nor can the Issuer

assess the impact of all such risks on its business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.

CERTAIN DEFINED TERMS

References to the “**Issuer**”, the “**Bank**” or the “**Company**” are to Banca IFIS S.p.A.; references to the “**Group**” are to the Issuer and its consolidated subsidiaries.

References to the “**Agent**” are to BNP Paribas Securities Services, Luxembourg Branch, as issuing and principal paying agent, and any successor issuing and principal paying agent appointed from time to time in connection with the Notes.

References to the “**Paying Agent**” are to BNP Paribas Securities Services, Luxembourg Branch, as paying agent, and any successor or additional paying agents appointed from time to time in connection with the Notes.

References to “**€**” or “**Euro**” are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the functioning of the European Union, as amended.

References to “**billions**” are to thousands of millions.

References to the “**Conditions**” are to the terms and conditions relating to the Notes set out in this Prospectus in the section “*Terms and Conditions of the Notes*” and any reference to a numbered “**Condition**” is to the correspondingly numbered provision of the Conditions.

References to “**IFRS**” in this Prospectus are to International Financial Reporting Standards as adopted by the European Commission, which are those required to be used by companies listed on regulated markets in the European Union.

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RISK FACTORS

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but this is not an exhaustive list or explanation of all risks which investors may face when making an investment in Notes issued under the Programme and should be used as guidance only. The inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risk of holding any Notes are exhaustive. In addition, the order in which the risk factors are presented below is not intended to be indicative either of the relative likelihood that each risk will materialise or of the magnitude of their potential impact on the business, financial condition and results of operations of the Issuer and the Group.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus (including the information incorporated by reference herein) and consider carefully whether an investment in Notes issued under the Programme is suitable for them in light of the information contained in this Base Prospectus and their personal circumstances, based upon their own judgment and upon the advice from such financial, accounting, legal, tax and other advisers as they may deem necessary.

Words and expressions defined in “Terms and Conditions of the Notes” or elsewhere in this Base Prospectus have the same meaning in this section, unless otherwise noted. References to a “Condition” is to such numbered condition in the Terms and Conditions of the Notes. Prospective investors should read the entire Base Prospectus, including the information incorporated by reference.

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

The Issuer’s business and results are affected by economic conditions in Italy and, more generally, by a volatile macroeconomic environment

The global economy, the sovereign debt crisis in Europe, the condition of financial markets and adverse macroeconomic developments in Italy, the Issuer’s primary market, could all influence the Issuer’s performance. The Issuer’s earning capacity and stability could be affected by the overall economic situation and by the dynamics of financial markets.

In 2017, the Issuer generated 99.52 per cent. of its operating income in Italy and its results therefore depend in particular on economic conditions in Italy which, in turn, are affected by European and global economic trends. Italy’s economic performance has been significantly influenced by the international financial crisis and has been characterised by stagnation. In particular, from the second half of 2011, the Italian economy went through a prolonged phase of recession that culminated at the end of 2014. Since 2015, the Italian economy has been in a phase of recovery, albeit weak, due to a gradual stabilisation in domestic demand, moderately favourable dynamics in foreign trade and an improved level of production with positive effects on employment. However, an inconclusive general election in March 2018 led to a prolonged period of negotiation among the rival parties and the President of the Republic of Italy and a coalition government was finally formed at the beginning of June 2018. The economic implications of the policies of the new Italian government remain uncertain. Political instability, if material, could negatively affect the country’s economic recovery, and it cannot be ruled out that changes to economic policies and/or political instability could have a material adverse effect on the Group’s business, results of operations and financial condition.

Following the crisis that hit global markets starting in August 2007, the global financial system and financial markets have found themselves operating under difficult and unstable conditions that have required action by governments, central banks and supranational organisations to support financial institutions, including the injection of liquidity and direct intervention in the recapitalisation of some of these entities. This situation has

negatively affected the financial markets and has particularly penalised the Italian banking system. The scenarios described above have generated for European banks a slowdown in ordinary activity, a decline in the value of assets resulting from the decline in stock and bond prices, deterioration of loan portfolios with an increase in non-performing loans, and situations of insolvency and additional costs caused by a write-down and reduction in the price of assets, with a consequent reduction in the ability to produce profits. In addition, the introduction of austerity programmes has dampened economic growth, which could exacerbate the difficulty of Eurozone sovereigns and non-sovereigns in refinancing their debt as it comes due, further increasing pressure on the macroeconomic environment in the Eurozone and the global economy, which could have a material adverse effect on the Issuer's business, results of operations and financial condition.

Overall, 2017 was characterized by a global economic recovery. In the Eurozone, the overall positive scenario hides different trends of the member states' economies, although differences have lessened over the course of the last few quarters. In the favourable international and European scenario, Italy recorded a period of economic recovery, increasing its gross domestic product ("GDP") compared to previous recent years. Although still wide, the gap with the best performing economies of the Eurozone was reduced in 2017. Nevertheless, a number of uncertainties remain in the current macroeconomic environment, namely: (a) trends in the economy and the prospects of recovery and consolidation of the economies of countries like the US and China, which have shown consistent growth in recent years; (b) future development of the European Central Bank's ("ECB") monetary policy in the Euro area, the Federal Reserve System, and in the Dollar area, and the policies implemented by other countries aimed at promoting competitive devaluations of their currencies; (c) the sustainability of the sovereign debt of certain countries and related recurring tensions on the financial markets; and (d) the consequences and potential lingering uncertainties caused by the Brexit vote. In particular, uncertainties arising from the Brexit vote and the planned withdrawal of the United Kingdom from the European Union could have a material adverse effect on the economies of the EU Member States in general, and the Italian economy in particular, with a consequential deterioration of the sovereign debt crisis.

Renewed turmoil in the banking system and financial markets, further consolidation in the banking and financial services industry or market failures could trigger a further crunch in credit access, low liquidity level and significant volatility in financial markets. Such factors could have a number of effects on the Issuer's operations, including bankruptcy, financial instability or a reduction in the spending capacity of its clients, suppliers or partners, its inability to provide its products and services and the inability of its clients to access credit to finance the purchase of these services and products. Therefore, should Italian or global economic conditions worsen, the Issuer's services and products may consequently decline due to a variety of factors, which could have a material adverse effect on its business, financial condition and results of operations.

Economic uncertainty and changes in regulations could significantly affect the Issuer's customer and debtor performance

The Issuer's business comprises the following operations:

- factoring services, which allow customers to finance trade receivables and debtors to enter into customised payment plans;
- leasing (both operating and finance leases);
- corporate banking, designed to support companies in their growth through extraordinary transactions aimed at repositioning or expanding their business (through medium/long-term financing and structured finance);
- purchasing and managing tax receivables, either from ongoing businesses or arising from insolvency proceedings; and
- purchasing and managing retail non-performance loans.

The Issuer is exposed to the risk that its customers or their debtors may become subject to bankruptcy or insolvency proceedings and, as a result, may not be able to meet their contractual obligations or enter into new contractual obligations or that debtors may cause the deterioration of its asset quality.

In the case of customers, this could entail non-payment of commission for the Issuer's credit management services. Such risk is heightened in dealing with new or small size corporates, although the Issuer carries out credit analysis prior to engaging with them.

The Issuer is also exposed to sovereign risks in each of the countries in which it operates (mainly in Italy, but also in Poland). Although the Issuer believes that the risk of insolvency of public debtors in these countries is low, if the central governments of these countries were to default, the public debtors themselves would no longer be able to rely on government funding and as a result would no longer be able to repay their debts. Furthermore, the Issuer is exposed to the sovereign debt of the Italian government. The credit standing of the Italian government, like that of other sovereign states, is subject to monitoring and evaluation by rating agencies. The book value of Italian government securities held by the Issuer as at 31 December 2017 and 30 June 2018 amounted respectively Euro 428 million and Euro 411 million (representing 4.5 per cent. and 4.2 per cent., respectively, of total assets).

Therefore, any deterioration in economic conditions or any changes in the regulatory landscape could have a material adverse effect on the Issuer's business, results of operations and financial condition.

The Issuer may evaluate incorrectly the credit risk associated with the timing and/or the amount of future payments by debtors

The Issuer aims to estimate the income that it can generate from its receivables portfolio on the basis of its past experience and databases of information relating to debtors.

The pricing of each receivable acquired in the context of the Issuer's non-recourse factoring business is determined on the basis of its "days sales outstanding" ("DSO") and the credit assessment of the relevant customer and debtor. This formula allows the Issuer to manage the liquidity it needs to run its business and determine its margins. Therefore, an extension of the Issuer's DSO may cause its liquidity no longer to be sufficient to cover the financing needs of its non-recourse factoring business.

Although the Issuer carefully monitors the payment patterns of debtors through its database, which tracks payment patterns and average DSOs for each debtor in order to estimate the average timing for collection, it cannot rule out the possibility that its estimates may be incorrect. In addition, since certain of its debtors are public bodies, following the implementation of certain legislative measures aimed at the reorganisation of public administration (including the consolidation of local health authorities in a number of regions in Italy or the completion of mergers of municipalities in accordance with the so called Stability Law 2016 (Law 208/2015)), the Issuer's counterparties may be replaced by new entities and it may have to interact with new debtors not registered in its database, which could give rise to difficulties in estimating the DSOs and pricing.

Increased inefficiencies in the public sector in Italy or Poland, or deficiencies in their resources, could lead to longer DSOs and, as a result, the Issuer's estimates of timing for collection and future liquidity could be incorrect and management costs could increase. This could have a material adverse effect on its business, results of operations and financial condition.

Distressed retail loans ("DRL") are recorded at their amortised cost; the forecast cash-flows on which the calculation of the amortised cost is based are estimated by using a proprietary statistical model whose parameters are based both on internal historical data series and analysis performed by subject matter experts. Significant market deviations from the historical dataset can affect model predictability and the related amount and timing of the estimated cash inflows.

In connection with the Corporate Banking and Leasing portfolios, which the Group has acquired in the context of the acquisition of the Interbanca Group, even though it has performed specific assessment activities, the Group is exposed to the risks associated with a further deterioration of such portfolios. Notwithstanding the assessment of the Corporate Banking and Leasing portfolios carried out by the Group, an unexpected deterioration in the quality of the assets could derive also from a further deterioration of the generalised economic situation or the reference sector of the customers of the Group. This could have a material adverse effect on its business, results of operations and financial condition.

Extensive regulation in the banking sector may adversely affect the Issuer's business

The Issuer operates in a highly-regulated environment for banks and the laws and government regulations related to its industry may change from time to time. In particular, the Issuer is subject to extensive regulation and supervision by the Bank of Italy, the European Central Bank, the European Banking Authority and the European System of Central Banks. The Issuer is subject to law and regulations that govern the activities carried out by banks and are aimed at maintaining banks' safety and soundness and limiting their exposure to risk. In addition, the Issuer must comply with any financial services law which may apply to its marketing and selling activities.

The Issuer has established specific procedures and internal policies in order to comply with applicable regulations. However, the Issuer cannot rule out any breach of such regulations in the future, particularly with respect to anti money laundering and fairness in dealing with clients, or any failure by the competent authorities to interpret such regulations correctly or any inspections by the Bank of Italy having a negative outcome. This could have a material adverse effect on the Issuer's business, results of operations and financial condition.

The Basel III Proposals were implemented by the Capital Requirements Directive 2013/36/EU ("**CRD IV**") and Capital Requirements Regulation (Regulation (EU) No 575/2013) ("**CRR**"), which came into force following their adoption in June 2013. Full implementation began on 1 January 2014, with some elements to be phased in over a period of time. The requirements must become fully effective and applicable from 2019, though some minor transitional provisions will be introduced by 2024. Nevertheless, implementation in each country may require more time. See "*—The Issuer may be unable to meet the minimum capital adequacy requirements*" below.

In addition, in June 2012 the European Commission published the Bank Recovery and Resolution Directive (Directive 2014/59/EU) ("**BRRD**"), a legislative proposal for a directive providing for the establishment of an EU wide framework for the recovery and resolution of credit institutions and investment firms. The stated aim of the BRRD is to provide authorities with common tools and powers to address banking crisis pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses, including the so-called "bail-in" tool which has been applied by Member States since 1 January 2016. The powers set out in the BRRD will affect how credit institutions and investment firms are managed, as well as, in certain circumstances, the right of creditors such as Noteholders, as described in further details under "*– Risks applicable to all Notes—The Bank Recovery and Resolution Directive may affect the Notes*".

As some of the banking laws and regulations which apply to the Issuer's business have only recently been adopted, the manner in which those laws and regulations are applied to the operations of financial institutions is still evolving. There can be no assurance that such laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on its business, financial condition and results of operations.

Moreover, the Issuer's factoring business is subject to extensive and complex legislation and regulations, the most significant of which is Directive 2011/7/EU, which is applicable to late payments and establishes, among other things, the rate of late payment interest. The application of this directive in Italy and Poland enables the Issuer with a reasonable degree of certainty and uniformity to make profit estimates for the Issuer's non-recourse factoring business. Any changes to the current regulations, including at an EU level, could lead to unanticipated costs and have a material adverse effect on its business, financial condition and results of operations. In particular, any significant reductions to late payment interest rates could adversely affect its profitability.

Directive 2014/49/EU on deposit guarantee schemes (the so called "**Deposit Guarantee Schemes Directive**") introduced a new mixed funding mechanism based on ordinary contributions (ex ante) and extraordinary contributions (ex post) linked to the amount of covered deposits and the risk level of each member of the deposit guarantee scheme. As a result of the implementation of these measures, the Issuer has incurred costs of €6.3 million. In relation to the Single Resolution Fund – SRF, evaluated by the Single Resolution Board – SRB, (in accordance with Directive 2014/59/UE) the Issuer has incurred costs of € 2.4 million.

Moreover, the Basel Committee on Banking Supervision has embarked on a very significant risk weighted average ("**RWA**") variability agenda. This includes the "Fundamental Review of the Trading Book", revised standardised approaches (e.g. credit, market, operational risk), constraint on the use of internal models, as well as the introduction of a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA

variance. The new setup will have a significant impact on risk modelling. From a credit risk perspective, an impact is expected both on capital held against the exposures assessed via standardised approach and on those evaluated via an internal ratings-based approach (“**IRB**”), due to the introduction of capital floors that, according to the new framework, will be calculated based on the revised standardised approach. Implementation of these new rules on risk models will take effect from 1 January 2022.

The introduction of new regulations in the future or any changes to the legislation currently in force in the countries in which the Issuer operates may require the Issuer to comply with new standards in ways that the Issuer cannot currently predict or restrict the Issuer’s ability to do business in those countries. As a result, the Issuer could incur additional costs from having to adapt the features of its products and services or distribution and control structures to comply with such new regulations. As a result, the Issuer may also have to limit its operations. This could have a material adverse effect on the Issuer’s business, financial condition and results of operations.

The Issuer may be unable to meet minimum capital adequacy requirements

Capital adequacy rules for banks set out the minimum capital, asset quality and risk mitigation instrument prudential requirements. The Basel III framework also provides for the creation of additional capital buffers in excess of the minimum requirements in order to provide banks with high quality capital resources to be used in times of market stress, as well as to address the risks posed by systemically important banks at a global or domestic level. The total amount of such capital buffers is referred to as the combined buffer requirement (the “**Combined Buffer Requirement**”). The Combined Buffer Requirement must be met through CET1 capital.

A failure to satisfy the Combined Buffer Requirement subjects banks to capital conservation measures, such as restrictions on distributions, including (i) payment of cash dividends, (ii) distribution of fully or partly paid bonus shares or other CET1 capital instruments, (iii) redemption or purchase by an institution of its own shares or other CET1 capital instruments, (iv) a repayment of amounts paid up in connection with CET1 capital instruments and (v) distribution of share premium accounts related to the CET1 capital instruments, retained earnings, accumulated other comprehensive income, other reserves and funds for general banking risk. As at the date of this Base Prospectus the Issuer has complied with this requirement. However, if the Bank of Italy were to require additional capital buffers in the future, the Issuer may fail to meet such requirements or, in order to comply, the Issuer may have to divert funds which were intended to be used for its core activities. Any such requirements could also have a material adverse effect on its business, results of operations and financial condition.

In addition, the Group is subject to the Pillar 2 requirements for banks imposed under the CRD and CRR, which will be impacted, on an on-going basis, by the SREP. The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. The key purpose of the SREP is to ensure that institutions have adequate arrangements as well as capital and liquidity to ensure sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, as well as risks the institution may pose to the financial system.

The quantum of any Pillar 2 requirement imposed on a bank, the type of capital which it must apply to meeting such capital requirements, and whether the Pillar 2 requirement is “stacked” below the capital buffers (i.e. the bank’s capital resources must first be applied to meeting the Pillar 2 requirements in full before capital can be applied to meeting the capital buffers) or “stacked” above the capital buffers (i.e. the bank’s capital resources can be applied to meeting the capital buffers in priority to the Pillar 2 requirement) may all impact a bank’s ability to comply with the Combined Buffer Requirement. As to whether Pillar 2 requirements are stacked below or above capital buffers, in its publication of the 2016 EU-wide stress test results on 29 July 2016, the EBA has recognised a distinction between “pillar 2 requirements” (stacked below the capital buffers) and “Pillar 2 capital guidance” (stacked above the capital buffers). With respect to Pillar 2 capital guidance, the publication stated that, in response to the stress test results, competent authorities may (among other things) consider “setting capital guidance, above the combined buffer requirement. Competent authorities have remedial tools if an institution refuses to follow such guidance. The ECB published a set of “Frequently asked questions on the 2016 EU-wide stress test”, confirming this distinction between Pillar 2 requirements and Pillar 2 capital guidance and noting that “Under the stacking order, banks facing losses will first fail to fulfil their Pillar 2 capital guidance. In case of further losses, they would next breach the combined buffers, then Pillar 2 requirements, and finally

Pillar 1 requirements”. Under the current CRD Reform Package proposals, only Pillar 2 requirements, and not Pillar 2 capital guidance, will be relevant in determining whether an institution is meeting its combined buffer requirement.

As of 31 December 2017 and 30 June 2018, the Common Equity Tier 1 capital ratio of the Group was equal to 11.66 per cent. and 11.11 per cent., respectively; as of 31 December 2017 and 30 June 2018, the Total Capital ratio was equal to 16.15 per cent and 15.43 per cent., respectively. Although the Issuer’s capital adequacy levels currently exceed the minimum levels prescribed by the Bank of Italy, no assurance can be given that the Issuer will be able to maintain this capital adequacy level.

The regulatory framework to which the Group is subject is open to ongoing changes. In particular, on 23 November 2016, the European Commission presented a comprehensive package of reforms designed to further strengthen the resilience of EU banks (the “**EU Banking Reform**”). The proposals contained in the EU Banking Reform amend many of the existing provisions set forth in the CRD IV, CRR and related legislation, the BRRD and the SRM Regulation.

The EU Banking Reform proposes to change the rules for calculating the capital requirements for market risks against trading book positions set out in the CRR. The proposal seeks to transpose the work done by the Basel Committee (but not yet finalised in all its elements at that time) with the Fundamental Review of the Trading Book (January 2016) into EU law by establishing clearer and more easily enforceable rules on the scope of application to prevent regulatory arbitrage; improving risk capture, making requirements proportionate to reflect more accurately the actual risks to which banks are exposed; and strengthening the conditions to use internal models to enhance consistency and risk-weight comparability across banks. The proposed new rules envisage a phase-in period.

Following the agreement reached by the European Parliament, the Council and the Commission in October 2017, selected aspects of the EU Banking Reform have been fast-tracked, including amendments to Article 108 of the BRRD to create a new category of senior non-preferred debt instruments that will be eligible for the purposes of the “minimum requirement for own funds and eligible liabilities”. Such instruments will be subject to bail-in and rank between current senior unsecured liabilities and capital instruments. See further the risk factor “*Senior Notes and Senior Non-Preferred Notes could be subject to a MREL Disqualification Event redemption*” below.

On 28 December 2017, Directive (EU) 2017/2399, amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy (the “**BRRD Amending Directive**”) entered into force. The BRRD Amending Directive must be brought into force by the EU Member States by 29 December 2018. It requires Member States to create a new class of the so-called “senior non-preferred” debt instruments which would rank just below the most senior debt and other senior liabilities for the purposes of liquidation, while still being part of the senior unsecured debt category (only as a lower tier of senior debt). The new creditor hierarchy will not have a retroactive effect and will only apply to new issuances of bank debts. In this regard, the Italian Law No. 205/2017, approved by the Italian Parliament on 27 December 2017, contains the implementing provisions pertaining to “non-preferred” senior debt instruments. The amendments introduced to the BRRD by the BRRD Amending Directive create a new category of unsecured debt in bank creditors’ insolvency ranking. It establishes an EU harmonised approach on the priority ranking of bank bond holders in insolvency and in resolution.

Until such time as all the proposals within the EU Banking Reform package are formally approved by the European Parliament and Council, there can be no assurance as to whether, or when, the proposed amendments will be adopted and whether they will be adopted in the manner currently proposed in the EU Banking Reform package.

Furthermore, the Issuer cannot accurately predict whether future changes may be made to certain criteria established by the European Central Bank in the countries in which the Issuer operates and in particular, whether changes will be made to the exposure classes established by the CRR for states and central administrations (currently 0 per cent.) as well as local authorities (20 per cent.). Accordingly, such changes could make it more difficult for the Issuer to satisfy and comply with capital adequacy levels, standards and/or regulations.

There can be no assurances that the Issuer's capital ratios will not fall below the minimum requirement in future. If this were to occur, the ECB or supervisory authorities may take action that could have a material adverse effect on the Group's business, financial condition and results of operations.

The Issuer is exposed to liquidity risk

Liquidity risk represents the risk that the Issuer is unable to honour those payment commitments which are certain or are with a reasonable degree of certainty expected as they become due. Two forms of liquidity risk can be identified: (a) funding liquidity risk, namely, the risk that the Issuer is unable to honour its payment commitments and its obligations efficiently due to its inability to secure funding, without prejudice to its core activity and/or its financial position; and (b) market liquidity risk, namely, the risk that the Issuer is unable to sell a financial asset without incurring capital account losses due to the market's limited liquidity and/or as a consequence of the time period in which the transaction must be carried out.

In order to ensure that the Issuer continues to meet its funding obligations and to maintain or grow its business, it relies on ongoing access mainly to the market for online retail deposit accounts. This type of funding may adversely affect its liquidity soundness because the interest rate policy of competitors or economic market factors could lead to unexpected outflows. Other significant changes in the Issuer's overall liquidity profile could be caused by receivables DSOs (e.g. incorrect assumptions of the expected cash inflows), which may cause a negative liquidity gap and affect its ability to meet financial obligations. Increases in past-due loan amounts could also affect secured funding and, under certain scenarios, act as a trigger event and cause an early termination.

The Issuer's ability to access funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and confidence in the Italian banking system.

The global financial crisis and resulting financial instability have significantly reduced the levels and availability of liquidity and term funding. In particular, the perception of counterparty credit risk between banks has increased significantly, resulting in reductions in inter-bank lending and the level of confidence from banks' customers. Should the Issuer be unable to continue to source a sustainable funding profile which can absorb these sudden shocks, its ability to fund its financial obligations at a competitive cost, or at all, could be affected which, in turn, could have a material adverse effect on its business, results of operations and financial condition.

The Issuer may not be able to cover its exposure to credit and market risk

To the extent that any of the instruments and strategies, including legal actions and the enforcement of claims, used by the Issuer to hedge or otherwise manage exposure to credit or market risks are not effective, the Issuer may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The Issuer's market risk arises in relation to the banking portfolio, which is generally linked to differences in interest rates, foreign currencies and credit spreads of the issuers of debt securities.

The Issuer's financial results also depend upon how effectively the Issuer determines and assesses the cost of credit and manage exposure related to its most relevant risks, in line with its established risk appetite.

In addition, since the Issuer's business is focused primarily on Italy and, to a lesser extent, Poland, a return of adverse economic conditions in Italy and Poland could have a significant effect on the credit profile of debtors and their ability to meet payment obligations when due, which, in turn, could have a material adverse effect on its business, results of operations and financial condition.

The Issuer may be unable to meet the objectives of its growth strategy

The Issuer's strategic plan for the years 2017 to 2019 (as referred to in "*Description of the Issuer—Recent Developments*", the "**Strategic Plan**") is based, among other things, on cross-selling opportunities amongst existing and recently acquired products and services offered that may not materialise, plus numerous assumptions and estimates some of which relate to events not fully controlled by the Board of Directors of the Group. In particular, the Strategic Plan contains a set of assumptions, estimates and predictions that are based on the occurrence of future events and actions to be taken by management and the Board of Directors of the Issuer in the period in question, which include, among other things, various hypothetical assumptions subject to risks and uncertainties arising from the current economic environment, relating to future events and actions of

directors and the management of the Group that may not necessarily occur, events, actions, and other assumptions including those related to performance of main economic and financial values or other factors that affect their development over which the directors and management of the Group have no or limited control. These assumptions may or may not occur to an extent and at times different from those projected. Furthermore, events may occur which are unpredictable at the time of approval of the Strategic Plan. Given that the assumptions underlying the Strategic Plan are inherently affected by subjective assessments, hypotheses and discretionary judgments, should one or more of the underlying assumptions fail to materialise (or materialise only in part) or should the actions taken and choices made by management in the implementation of the Strategic Plan produce effects different from those expected, the targets set forth in the Strategic Plan may not be met (or may be met only partially) and the actual results of the Group may differ, possibly significantly, from the estimated results of the Group envisaged in the Strategic Plan with a consequential negative impact on the business, financial condition and/or results of operations of the Group.

The Group's historical financial and operating results are not indicative of future performance and will not be comparable with its future financial and operating results

The Group's historical financial and operating results are not indicative of its future performance. There can be no assurance of the Group's continued profitability in future periods.

In addition, the financial and operating results of the Group following the Acquisition reflect and will reflect the contribution of the Interbanca Group from 30 November 2016.

Therefore the Group's consolidated financial statements as of and for the year ended 31 December 2016 are not comparable with the future Group's financial statements due to the contribution of the Interbanca Group's to the 2016 financial and operating results of the Group only from 30 November 2016 to 31 December 2016. For additional information, see also the section "*Description of the Issuer –Acquisition of Interbanca*" of this Base Prospectus.

The Issuer's business is exposed to a variety of operational risks, including fraud, errors, security breaches or other adverse events, some that are wholly or partially out of its control

In conducting its business the Issuer is exposed to different types of operational risk, such as the risk of losses resulting from: (i) internal or external fraud, (ii) customer claims and disputes, (iii) unauthorised activity or transactions, (iv) penalties for breaches of any applicable laws, (v) errors, omissions and delays in providing its services, (vi) inadequacy or incorrect functioning of internal procedures, including, in particular, failure to follow procedures for the identification, monitoring and management of business risks, (vii) shortcomings in the preparation and/or preservation of documents relating to its transactions, (viii) lack of resources; and (ix) damage to property caused by weather, other conditions or natural disasters. Although the Issuer has a system of controls and procedures in place to mitigate and minimise the risks connected with its operations, prevent and/or limit their possible negative effect and use various resources to mitigate such risks, these measures may prove to be inadequate to cover all types of risks that could arise. One or more such risks could occur in the future as a result of unpredictable events wholly or partly outside of its control (for example, fraud, scams or losses due to employee negligence or misconduct or violation of control procedures or losses due to natural disasters). The occurrence of any of these risks could have an adverse effect on its business, results of operations and financial condition.

The Issuer's business activities require the Issuer to record and process a large number of transactions and handle large amounts of money accurately on a daily basis. The proper functioning of financial control, accounting or other data collection and processing systems is critical to its business and to its ability to compete effectively. A human or technological failure, error, omission or delay in recording or processing transactions, or any other material breakdown in internal controls, could subject the Issuer to claims for losses from clients, including claims for breach of contractual and other obligations, and to regulatory fines and penalties. Given the Issuer's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified, and there can be no assurance that risk assessments made in advance will adequately estimate the costs of these errors.

Additionally, the Issuer faces the risk of theft, fraud or deception carried out by clients, third-party agents, employees and managers. If persons are able to circumvent its security measures, they could wrongfully use its confidential information or that of its clients, which could expose the Issuer to a risk of loss, regulatory

consequences or litigation and could have a negative impact on its reputation and brand name, all of which could have a material adverse effect on its business, results of operations and financial condition.

Furthermore, if any of the Issuer's managers or employees engage in misconduct in carrying out their duties, the mechanisms the Issuer has in place may be deemed inadequate and the Issuer may be subject to sanctions (including fines and, in the most serious cases, disqualification, prohibition from carrying on its business, suspension or revocation of licences and authorisations) which could have an adverse effect on its business, results of operations and financial condition. In addition, the Issuer cannot rule out any future breach of money laundering legislation, for example by not properly carrying out background checks on customers.

Any malfunction or defect in the Issuer's information technology systems could materially affect its ability to operate its business

The Issuer's business relies on the proper and uninterrupted functioning of its IT and data processing systems. The Issuer has made significant investments to develop a secure and reliable IT system. However, the Issuer cannot rule out the possibility that any serious failure of the factoring system or of its disaster recovery plan or any external IT attacks could interrupt its business or materially affect its activities.

Risks related to technology and cyber-security change rapidly and require continued innovation and investment. Given the rapidly increasing sophistication and scope of potential cyber-attack, future attacks may lead to significant breaches in the Issuer's security. Any of these disruptions, the inability to manage cyber-security risk adequately, or the interception of confidential or proprietary information could give rise to losses in service to its customers and to loss or liability to its Group.

The Issuer uses information systems that enable integration among the distribution structure, internal operating structures and software applications through which customers access the services offered. Any malfunctioning or interruption of these information systems, due to internal or external factors, could expose the Issuer's business to operational, strategic and reputational risks. In addition, its ability to remain competitive depends in part on its ability to upgrade its information technology on a timely and cost-effective basis. The Issuer may not be able to maintain the level of capital expenditure necessary to support the improvement or upgrading of its information technology infrastructure. If the design of its controls and procedures prove inadequate, or are circumvented, delays in detection or errors in information may occur and its reputation could be damaged and/or its competitive position weakened.

Any serious or repeated system failure could result in the loss of information on payment patterns and timing contained in the Issuer's database or such information becoming inaccurate or unreliable and could compromise its ability to competitively purchase or manage receivables, which could have a material adverse effect on its business, results of operations and financial condition.

The Issuer collects, stores and processes sensitive personal data belonging to its customers

In carrying out its activities the Issuer collects, stores and processes the sensitive personal and business data of its customers. The Issuer also adopts internal procedures and measures to regulate access to data by its own staff and its treatment in order to prevent unauthorised access and treatment.

The Issuer is exposed to the risk that the procedures implemented and the measures adopted may prove not to be adequate and/or in compliance with laws and regulations and/or promptly or properly implemented by employees and associates (possibly due to continuous changes in the rules and procedures themselves). Thus, the data could be subject to damage, loss or theft, or disclosure or processing for purposes other than those authorised by the customers, or even use by unauthorised parties (whether third parties or employees of companies of the Group).

Furthermore, as the Issuer's business is subject to the Code of Ethics of the Data Protection Authority (*Autorità Garante per la Protezione dei Dati Personali*), any changes in such legislation, including at EU level, especially following the introduction of Regulation (EU) 2016/679 ("GDPR"), could force the Issuer to bear the costs of adapting to the new legislation.

If any of these circumstances occur they could have a material adverse effect on the Group's business, including its reputation, and the application of administrative and criminal penalties by the Data Protection Authority on

one or more companies of the Group or their representatives, which could have a material adverse effect on its business, results of operation and financial condition.

In this regard, the Issuer has started in July 2017 a major project for complying to the GDPR. The project aims at carrying out numerous activities for addressing the provisions of the new regulation, which include those related to the draft and the maintenance of the data processing records, the appointment of a Data Protection Officer (DPO), the creation of a system for managing Data Processor, the update of the privacy policies for all the third parties with whom the issuer comes in contact (e.g. customers, employees or candidates), the management of data subject's rights, the analysis and the implementation of adequate organisational and technical security measures and the review of all the internal documentation concerning personal data protection

The Issuer's risk management policies, procedures and methods may leave it exposed to unidentified or unanticipated risks

The Issuer believes it has in place an adequate risk management system, in terms of defined governance framework, adopted policies and procedures, used systems and dedicated human resources which allow the Issuer to identify, monitor and manage potential risks (so called "risk management") that the Issuer is exposed to in the course of its business, including credit, counterparty, liquidity, market, interest rate, concentration, operational and IT risks.

The Issuer has developed specific policies and procedures which provide for corrective mechanisms to be applied before potential risks reach certain thresholds set by the Bank of Italy or by its Board of Directors. Methods used to monitor and manage these risks include analysis of historical data series, market trends and the use of statistical models for the identification, monitoring, control and management of risks.

If the policies and procedures the Issuer uses to identify, monitor and manage risk turn out to be inadequate, or the Issuer's assessments and assumptions turn out to be inaccurate, thus exposing the Issuer to unforeseen and unquantified risks, the Issuer may incur significant losses, which could have a material adverse effect on its business, results of operations and financial condition.

Furthermore, even if the Issuer's internal procedures for the identification and management of risk are adequate, the occurrence of certain events that cannot be predicted or quantified (in light of the uncertainty and volatility that currently characterises global markets) may increase such risks, which could have a material adverse effect on its business, results of operations and financial condition.

The Issuer may not be able to attract and retain key personnel

The results and the future success of the Issuer's business depend on its ability to attract, retain and motivate highly skilled individuals within its management team who have expertise in the business sector in which the Issuer operates.

The Issuer's business and the sector in which it operates depend on a relatively small number of key individuals. The loss of one or more key individuals or its inability to attract and retain further qualified personnel could cause its business to lose its competitive advantage. Although in the past three years there has been no turnover of its senior managers, the Issuer cannot guarantee that it will be able to attract and retain the qualified personnel upon which its business relies.

In addition, the Issuer invests a considerable amount of time and resources in training its employees to be highly qualified and, as a result, its employees are often sought after by competitors. The Issuer may not be able to recruit and retain such personnel at levels consistent with its salary structure since some competitors may be able to offer more favourable working conditions. In addition, any changes to European banking legislation could impose limits on the compensation of its managers, which might make it more difficult for the Issuer to attract and retain qualified management.

Any inability to attract or retain qualified personnel could have a material adverse effect on its business, results of operations and financial condition.

The Issuer is involved in disputes, investigations and legal proceedings which could have a material adverse effect on the Issuer

In the ordinary course of its business, the Issuer are exposed to the risk of being party to legal, civil, administrative and tax proceedings or actions. Although it believes that it has set aside sufficient reserves to cover ongoing proceedings, the Issuer cannot predict with certainty the outcome of such proceedings, which may be unfavourable for the Issuer, or whether new unexpected proceedings may arise, both of which could have a material adverse effect on its business, results of operations and financial condition. See also “Description of the Issuer — Legal Proceedings”.

There can be no assurances of the success of any of the Group’s future attempts to acquire additional businesses or of the Group’s ability to integrate any businesses acquired in the future

The Group evaluates potential acquisitions on an ongoing basis and, from time to time, may seek opportunities to expand its operations by way of strategic acquisitions, both in markets in which it currently operates and in complementary / ancillary markets. Although the Group assesses each investment based on financial and market analysis, which include certain assumptions, additional investments could materially adversely affect the Group’s business, results of operations and financial condition, if: (i) the Group incurs substantial costs, delays or other operational or financial problems in acquiring and/or integrating acquired businesses; (ii) the Group is not able to identify, acquire or profitably manage such additional businesses; (iii) such acquisitions divert management’s attention from the operation of existing businesses; (iv) the Group is not able to retain key personnel of acquired businesses; (v) the Group encounters unanticipated events, circumstances or legal liabilities; or (vi) the Group has difficulties in obtaining the required financing or the required financing may only be available on unfavourable terms.

Additionally, if such acquisitions are completed, there can be no assurances that the Group will be able to successfully integrate any businesses acquired in the future, due to unforeseen difficulties in operations and insufficient support systems among other things.

The Issuer operates in a highly competitive market and may not be able to maintain its current market share

Although the Issuer is one of the main players in the markets in which it operates and the number of competitors is relatively low, its competitors may penetrate or consolidate their position in these markets, attract its customers and deprive the Issuer of a significant market share by offering more innovative products and services. Competitive pressure may also arise either from consumer demand for new services and products on the funding side as well as technological demand, with the consequent necessity to make investments, or as a result of competitors’ specific competitive actions. If it is unable to maintain its market position in the future it is likely to have a material adverse effect on its business, results of operations and financial condition.

Risks applicable to all Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes should determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets; and

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

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

The Bank Recovery and Resolution Directive may affect Notes

As described in “– *Factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme – Extensive regulation in the banking sector may adversely affect the Issuer’s business*” above, the BRRD gives wide powers to governments aimed at addressing banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers’ exposure to losses. These include the so-called “bail-in tool”, by which resolution authorities would have the power to write down the claims relating to the liabilities of a failing institution that are eligible for bail-in and/or to convert such liabilities into equity. In addition to the bail-in tool, the BRRD provides for additional resolution tools such as (1) the sale of business assets or shares of the entity subject to resolution; (2) the establishment of a bridging organisation; and (3) the separation of the unimpaired assets of the failing organisation from those which are deteriorated or impaired.

The BRRD has required Member States to modify their national insolvency regimes so that deposits of natural persons and micro, small and medium-sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors (as well as unsecured, subordinated creditors), such as holders of the Notes. Furthermore, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, such as holders of corporate deposits or other operating liabilities of the Issuer with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors, as well as unsecured, subordinated creditors (such as holders of the Notes). In this respect, Italian Legislative Decree No. 181/2015 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to liquidation proceedings (and therefore the hierarchy which will apply in order to assess claims pursuant to the safeguard provided for in the BRRD as described above), by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and micro, small and medium-sized enterprises (which benefit from the super-priority required under Article 108 of the BRRD) will benefit from priority over senior unsecured liabilities, though with a ranking which is lower than that provided for individual/micro, small and medium-sized enterprises deposits exceeding the coverage limit of the deposit guarantee scheme created pursuant to Directive 2014/49/EU.

As a result, significant amounts of liabilities that previously would have ranked *pari passu* with the Senior Notes under the national insolvency regime in Italy will be ranked higher than the Notes in normal insolvency proceedings and, on application of the general bail-in tool, such creditors will be written-down or converted into equity after the Notes, meaning that holders of the Notes will therefore be subject to greater losses than the claims of such other creditors. Furthermore, the right of holders of the Notes have only very limited rights to challenge and/or seek a suspension of any decision by resolution authorities or to have it reviewed by a judicial or administrative process or otherwise.

The measures set out in the BRRD, including the bail-in tool, have already been implemented in Italy, taking effect from 1 January 2016. The powers set out in the BRRD will have a significant impact on how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. As a result, holders of the Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool, which may result in their losing some or all of their investment. In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to write-down permanently or convert into equity capital instruments such as Subordinated Notes at the point of non-viability of the financial institution or the group and before any other resolution action is taken (“**non-viability loss absorption**”). Any shares issued to holders of Subordinated Notes upon any such conversion into equity may also be subject to any application of the general bail-in tool. For the purposes of the application of any non-viability loss absorption

measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution (or group) meets the conditions for resolution (but no resolution action has yet been taken) or that the institution (or group) will no longer be viable unless the relevant capital instruments (such as Subordinated Notes) are written-down or converted or extraordinary public support is to be provided. The exercise of any power under the BRRD or any suggestion of such exercise taking place could, therefore, have a material adverse effect on the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

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*).

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”. As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcement**”). The FCA Announcement indicates that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021 and that planning a transition to alternative reference rates that are based firmly on transactions, such as reformed SONIA (the Sterling Over Night Index Average), must begin.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a “risk free overnight rate” which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated

entirely, or there could be other consequences that cannot be predicted. The disappearance of a “benchmark” or changes in the manner of administration of a “benchmark” could require or result in adjustment to the interest calculation provisions of the Conditions (as described in Condition 7.10 (*Benchmark Replacement*)) or result in adverse consequences to holders of any securities linked to such benchmark (including but not limited to Floating Rate Notes or Reset Notes whose interest rates are linked to LIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark.

The Conditions provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, including the possibility that the rate of interest could be set by reference to a reference bond rate, a successor rate or an alternative reference rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark. In certain circumstances the ultimate fallback of interest for a particular Interest Period or Reset Period (as applicable) may result in the rate of interest for the last preceding Interest Period or Reset Period (as applicable) being used. This may result in the effective application of a fixed rate for Floating Rate Notes or Reset Notes (as applicable) based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

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

The Events of Default in respect of Senior Notes and Senior Non-Preferred Senior Notes, being events upon which the Noteholders may declare the Senior Notes or Senior Non-Preferred Senior Notes to be immediately due and payable, are limited to circumstances in which the relevant Issuer becomes subject to insolvency or liquidation as set out in Condition 15. Accordingly, other than following the occurrence of an Event of Default, even if the Issuer fails to meet any of its obligations under the Senior Notes or Senior Non-Preferred Senior Notes, including the payment of any interest, the Noteholders will not have the right of acceleration of principal and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

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 35, paragraph 1(d) of CONSOB Regulation No. 20307 of 15 February 2018;
- (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.

Qualification of Senior Non-Preferred Notes as “strumenti di debito chirografario di secondo livello”

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.

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

Senior Notes and 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 Notes and 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 Notes or 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 Notes or 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 Notes and 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 reference to Senior Non-Preferred Notes, 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 Notes or 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 Notes or 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 Notes and Senior Non-Preferred Notes may be restricted

Any early redemption or repurchase of Senior Notes and 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 Notes and 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 Notes and 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 Notes and Senior Non-Preferred Notes, the Issuer replaces the Senior Notes and 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 Notes and 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 Notes or 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 24 (*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 and/or as appropriate the Relevant Resolution Authority (without any requirement for the consent or approval of the Holders of the Senior Notes or Senior Non-Preferred Notes of that Series), at any time either substitute all (but not some only) of such Senior Notes or Senior Non-Preferred Notes, or vary the terms of such Senior Notes or Senior Non-Preferred Notes so that they remain or, as appropriate, become, Qualifying Senior Notes or 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 Notes and 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 24 (*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 relevant Senior Notes or 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 24 (*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.

Risks related to Notes generally

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

Payments in respect of the Notes may in certain circumstances be made subject to withholding or deduction of tax

All payments in respect of the 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 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. The Issuer's obligation to gross up is, however, subject to a number of exceptions, including withholding or deduction of Italian substitute tax (*imposta sostitutiva*), pursuant to Italian Legislative Decree No. 239 of 1 April 1996. See "*Terms and Conditions of the Notes—Taxation*".

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional or local tax laws of any country or territory. See also "*Taxation*".

U.S. Foreign Account Tax Compliance Act (FATCA) Withholding

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. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions, including the Republic of Italy, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as 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 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). 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.

Regulatory classification of the Subordinated Notes

If any Subordinated Notes are issued under the Programme, the Issuer's intention is that they should qualify on issue as Tier 2 Capital, for so long as this is permitted under Bank of Italy regulations. Current regulatory practice by the Bank of Italy does not require (or customarily provide for) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such. There can be no assurance that any such Subordinated Notes will continue to qualify as Tier 2 Capital during the life of the Notes. If there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion, in whole

or, to the extent permitted by the Applicable Banking Regulations, in part, from Tier 2 Capital of the Issuer, the Issuer will (if so specified in the applicable Final Terms) have the right to redeem the Notes in accordance with Condition 11.3 (*Redemption and Purchase - Redemption for Regulatory Reasons*), subject to the prior approval of the Relevant Authority. There can be no assurance that holders of such Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Notes, as the case may be.

Risks relating to change of law or administrative practices

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus, other than subordination and certain other provisions relating to the Notes, which are based on Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English law (or Italian law) or administrative practice after the date of this Base Prospectus.

Decisions at Noteholders' meetings bind all Noteholders

Provisions for calling meetings of Noteholders are contained in the Agency Agreement and summarised in Condition 17.1 (*Meetings of Noteholders*). Noteholders' meetings may be called to consider matters affecting Noteholders' interests generally, including modifications to the terms and conditions relating to the Notes. These provisions permit defined majorities to bind all Noteholders, including those who did not attend and vote at the relevant meeting or who voted against the majority. Possible modifications to the Notes include, without limitation, lowering the ranking of the Notes, reducing the amount of principal and interest payable on the Notes, changing the time and manner of payment, changing provisions relating to redemption, limiting remedies on the Notes and changing the amendment provisions. Any such modification may have an adverse impact on Noteholders' rights and on the market value of the Notes.

The Conditions also provide that the Notes, the Coupons and the Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, pursuant to Condition 7.10 (*Benchmark Replacement*), certain changes may be made to the interest calculation provisions of the Floating Rate Notes or Reset Notes in the circumstances and as otherwise set out in such Condition, without the requirement for consent of the Noteholders.

Investors must rely on the procedures of the clearing systems

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg (the "ICSDs"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. While the Notes are represented by one or more Global Notes, the ICSDs will maintain records of the beneficial interests in the Global Notes and investors will be able to trade their beneficial interests only through the ICSDs. Similarly, the Issuer will discharge its payment obligations under the Notes by making payments to the ICSDs for distribution to their accountholders and has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. A holder of a beneficial interest in a Global Note must therefore rely on the procedures of the ICSDs to receive payments under the relevant Notes.

In addition, holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the ICSDs to appoint appropriate proxies.

Minimum Denomination

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

The Notes do not restrict the amount of debt which the Issuer may incur

The Terms and Conditions of the Notes do not contain any restriction on the amount of indebtedness which the Issuer may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with other indebtedness of the Issuer having the same ranking and, accordingly, any increase in the amount of such indebtedness or higher ranking indebtedness of the Issuer in the future may reduce the amount recoverable by Noteholders. In addition, the Notes are unsecured and do not contain any restriction on the giving of security by the Issuer to secure present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets.

Risk Factors Relating to Markets Generally

Set out below is a brief description of the principal market risks that may be relevant in connection with an investment in the Notes.

The secondary market generally

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

Transfers of the Notes may be restricted, which may adversely affect the secondary market liquidity and/or trading prices of the Notes

Subject to applicable Italian laws and regulations, the ability to transfer the Notes may also be restricted by securities laws or regulations of certain countries or regulatory bodies. See “*Subscription and Sale*”.

The Notes have not been, and will not be, registered under the Securities Act or any state securities laws or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States or for the account or benefit of a U.S. person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws and regulations. In addition, transfers to certain persons in certain other jurisdictions may be limited by law and regulations, or may result in the imposition of penalties or liability. For a description of restrictions which may be applicable to transfers of the Notes, see “*Subscription and Sale*”.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. Where an issue of Notes is rated, investors should be aware that:

- (i) such rating will reflect only the views of the rating agency and may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes;
- (ii) a rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency; and
- (iii) notwithstanding the above, an adverse change in a credit rating (even if unsolicited) could adversely affect the trading price for the Notes.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not

been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus and if a Tranche of Notes is rated such rating will be disclosed in the applicable Final Terms.

The Notes may be delisted

Application has also been made to Euronext Dublin for Notes issued under the Programme to be admitted to trading on Euronext Dublin’s regulated market and to be listed on the Official List and Notes issued under the Programme may also be admitted to trading, listing and/or quotation by any other listing authority, stock exchange or quotation system (each, a “**listing**”), as specified in the applicable Final Terms. Such Notes may subsequently be delisted despite the best efforts of the Issuer to maintain such listing and, although no assurance is made as to the liquidity of the Notes as a result of listing, any delisting of the Notes may have a material effect on a Noteholder’s ability to resell the Notes on the secondary market.

Legal investment considerations may restrict certain investments

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

Exchange rate risks and exchange controls

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

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

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:	Goldman Sachs International
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., NatWest Markets Plc, Nomura International plc, 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 18.1 (*Modification or Substitution of Subordinated Notes following a Regulatory Event or a Tax Event*).

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

If Modification or Substitution of Notes for MREL Disqualification Event is specified as applicable in the Final Terms, the Issuer may without the consent of the holders of Senior Notes or Senior Non-Preferred Notes substitute new notes for the Senior Notes or Senior Non-Preferred Notes whereby such new notes shall replace the Senior Notes or Senior Non-Preferred Notes, or vary the terms of the Senior Notes or Senior Non-Preferred Notes subject to Condition 18.2 (*Modification or Substitution of Senior Notes and 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 of Senior Notes and Senior Non-Preferred Notes 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 Notes or Senior Non-Preferred Notes at such time as eligible liabilities available to meet the MREL Requirements) and (ii) in case of Senior Non-Preferred Notes only, 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 (in case of Senior

Notes and Senior Non-Preferred Notes) at the option of the Issuer due to a MREL Disqualification Event and/or (where the Notes are Senior Notes) at the option of 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 Notes and 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.

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 Euronext Dublin for Notes issued under the Programme to be admitted to trading on Euronext Dublin’s regulated market and to be listed on the Official List of Euronext Dublin.

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 Condition 2A (*Status of Senior Non-Preferred Notes*), 3 (*Status of Subordinated Notes*), 11.6 (*Redemption of Subordinated Notes*) and 11.7 (*Redemption of Senior Notes and Senior Non-Preferred Notes*) 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 26 September 2018 a copy of which will be available for inspection at the specified office of the Agent.

Selling Restrictions:

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 “*Subscription and Sale*”.

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.

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 “*Risk Factors*” 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.

INFORMATION INCORPORATED BY REFERENCE

The following information is incorporated in, and forms part of, this Base Prospectus:

- i. the translation into English of certain sections of the Directors' Report 2017 and the translation into English of the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2017, prepared in accordance with IFRS and together with the accompanying notes and the English translation of the independent auditors' report, included in the 2017 annual report, which can be found at https://www.bancaifis.it/wp-content/uploads/2018/03/Progetto-Relazioni-e-Bilancio-Consolidato_ENG.pdf;
- ii. the translation into English of certain sections of the Directors' Report 2016 and the translation into English of the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2016, prepared in accordance with IFRS and together with the accompanying notes and the English translation of the independent auditors' report, included in the 2016 consolidated annual report, which can be found at http://www.bancaifis.it/wp-content/uploads/2017/03/ENGLISH_Bilancio-Consolidato-2016_publicaz.29.03.2017.pdf;
- iii. the translation into English of certain section of the Interim Directors' Report 2018 and the translation into English of the unaudited consolidated interim financial statements of the Issuer as at and for the six months ended 30 June 2018 prepared in accordance with IAS 34 and together with the accompanying notes and the English translation of the independent auditors' review report, included in the consolidated half year report at 30 June 2018, which can be found at <https://www.bancaifis.it/wp-content/uploads/2018/08/Relazione-semestrale-30.06.2018-ENG-per-pubblicazione-1.pdf>;
- iv. the Terms and Conditions of the Notes contained in the Base Prospectus dated 29 September 2017, pages 43 to 76 (inclusive), prepared by the Issuer in connection with the Programme, which can be found at http://www.ise.ie/debt_documents/Banca%20IFIS%20EMTN%20Programme%20-%20Base%20Prospectus_9751482f-0c74-4b21-a473-544fe18b2008.pdf; and
- v. the Terms and Conditions of the Notes contained in the supplement dated 2 March 2018 to the Base Prospectus dated 29 September 2017, pages 37 to 77 (inclusive), prepared by the Issuer in connection with the Programme which can be found at http://www.ise.ie/debt_documents/Banca%20IFIS%20EMTN%20Programme%20-%20Supplement%20No.%201%20to%20Base%20Prospectus_11a78852-5ea9-42c9-a870-a3971d7d4bbe.pdf.

Cross-reference list

The following table shows where the information incorporated by reference in this Prospectus can be found in the above-mentioned documents. Information contained in those documents other than the information listed below does not form part of this Prospectus and is either not relevant or covered elsewhere in this Prospectus.

Annual Report at 31 December

	<u>2017</u>	<u>2016</u>
Directors' Report		
Section entitled <i>Group KPIs</i>	p. 86	p. 42
Section entitled <i>APM – Alternative Performance Measures</i>	pp. 94-95	n.a.
Section entitled <i>Contribution of business segments</i>	pp. 99-114	pp. 51-65
Section entitled <i>Loans to customers</i>	pp. 116-119	pp. 67-69
Section entitled <i>Funding</i>	p. 123	pp. 72-74
Section entitled <i>Own funds and capital adequacy ratios (2017) - Equity and capital adequacy ratios (2016)</i>	pp. 128-130	pp. 74-76
Consolidated Annual Financial Statements		
Consolidated Statement of Financial Position	p. 145	p. 91
Consolidated Income Statement	p. 146	p. 92
Consolidated Statement of Comprehensive Income	p. 147	p. 93
Statement of Changes in Consolidated Equity	pp. 148 – 149	pp. 94 – 95
Consolidated Cash Flow Statement	p. 150	p. 96
Notes to the financial statements	pp. 151 – 282	pp. 97 – 226
Independent auditors' report	pp. 295 – 300	pp. 240 – 242

Consolidated Half Year Report at 30 June 2018

Interim Directors' Report

Section entitled <i>Highlights</i>	10-11
Section entitled <i>APM – Alternative Performance Measures</i>	p. 18
Section entitled <i>Contribution of operating segments to Group results – reclassified data</i>	pp. 20-39

Consolidated Interim Financial Statements

Consolidated Statement of Financial Position.....	p. 49
Consolidated Income Statement.....	p. 51
Consolidated Statement of Comprehensive Income.....	p. 52
Statement of Changes in Consolidated Equity	pp. 53 – 54
Consolidated Cash Flow Statement.....	p. 55
Notes to the financial statements.....	pp. 56 – 136
Independent auditors' review report.....	pp. 137 – 138

The documents set out above are translated into English from the original Italian. The Issuer has accepted responsibility for the accuracy of such translations.

This Base Prospectus should be read and construed together with the information incorporated by reference herein. Copies of any document incorporated by reference in this Base Prospectus are available free of charge at the specified office of the Paying Agent, unless such documents have been modified or superseded. Such documents will also be available for viewing on the website of the Issuer.

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

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

FURTHER PROSPECTUSES AND SUPPLEMENTS

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

In addition, the Issuer may agree with any Dealer to issue Notes in a form not contemplated in the section of this Base Prospectus entitled "*Form of Final Terms*". To the extent that the information relating to that Tranche of Notes constitutes a significant new factor in relation to the information contained in this Base Prospectus, a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**") will be made available and will contain such information. Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) pursuant to Article 5.3 of the Prospectus Directive, by a registration document containing the necessary information relating to the Issuer, a securities note containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, references in this Base Prospectus to information specified or identified in the Final Terms shall (unless the context requires otherwise) be read and construed as information specified or identified in the relevant Drawdown Prospectus.

FORM OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (a “**Temporary Global Note**”), without Coupons, or a permanent global note (a “**Permanent Global Note**”), without Coupons and Talons, in each case as specified in the applicable Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) which is not intended to be issued in a new global note form (a “**Classic Global Note**” or “**CGN**”), as specified in the applicable Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”) and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a “**New Global Note**” or “**NGN**”), as specified in the applicable Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

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

The applicable Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the applicable Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be in the form of a Temporary Global Note without Coupons (as defined herein), interests in which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without Coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership.

No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused, provided that, in the case of an improper withholding of, or refusal to exchange, an interest in the Permanent Global Note, a certificate of non-U.S. beneficial ownership has been properly provided. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

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

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Agent; and
- (ii) receipt by the Agent of a certificate or certificates of non-U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

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

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

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

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

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (i) a minimum denomination of EUR 100,000, plus (ii) integral multiples of EUR 1,000, provided that such denominations are not less than EUR 100,000 nor more than EUR 199,000 and that Senior Non-Preferred Notes issued under the Programme will have a denomination of at least EUR 250,000 (or, where the Notes are denominated in a currency other than Euro, the equivalent amount in such other currency). For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Notes. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Temporary Global Note exchangeable for Definitive Notes

If the applicable Final Terms specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note, without Coupons, interests in which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

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

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

Where the Temporary Global Note is to be exchanged for Definitive Notes, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts whether in global or definitive form.

Permanent Global Note exchangeable for Definitive Notes

If the applicable Final Terms specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be in the form of a Permanent Global Note, without Coupons, interests in which will be exchangeable in whole, but not in part, for Definitive Notes:

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

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

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (i) a minimum denomination of EUR 100,000, plus (ii) integral multiples of EUR 1,000, provided that such denominations are not less than EUR 100,000 nor more than EUR 199,000 and that Senior Non-Preferred Notes issued under the Programme will have a denomination of at least EUR 250,000 (or, where the Notes are denominated in a currency other than Euro, the equivalent amount in such other currency). For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Notes. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Terms and Conditions applicable to the Notes

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

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

Legend concerning U.S. persons

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

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

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)

Legal entity identifier (LEI): 8156005420362AE59184

**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 26 September 2018 [as supplemented by the supplement[s] to it dated [date] [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 plc trading as Euronext Dublin (“**Euronext Dublin**”), the Final Terms will also be published on the website of Euronext Dublin (www.ise.ie).]¹

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

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]

[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 / the supplement dated 2 March 2018 to the Base Prospectus dated 29 September 2017], which are incorporated by reference in the Base Prospectus dated 26 September 2018. 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 dated 26 September 2018 [and the supplements] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “**Base Prospectus**”), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [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 plc trading as Euronext Dublin (“**Euronext Dublin**”), the Final Terms will also be published on the website of Euronext Dublin (www.ise.ie).]

[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 [date]] / [Not Applicable] |
| 3 | Specified Currency or Currencies: | [●] |
| 4 | Aggregate Nominal Amount: | [●] |
| | (a) Series: | [●] |
| | (b) Tranche: | [●] |
| 5 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [<i>insert date</i>] (<i>if applicable</i>)] |
| 6 | (a) Specified Denominations: | [●] |

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

[[€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 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 [[Name] shall be the Calculation Agent *(no need to specify if the Agent is to perform this function)*]

and Interest Amount(s) (if not the Agent):

- 15 Floating Rate Note Provisions [Applicable/Not Applicable (*if a Change of Interest Basis applies*): Applicable for the period starting from [and including] [●] ending on [but excluding] [●]]
- (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
- (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 (*no need to specify if the Agent is to perform this function*)]
- (g) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [EURIBOR/LIBOR/CMS Rate]
- Reference Banks: [●] / [Not Applicable]
- Interest Determination Date(s): [●]
- (*in the case of a CMS Rate where the Reference Currency is Euro*): [Second day on which the TARGET2 System is open prior to the start of each Interest Period]
- (*in the case of a CMS Rate where the Reference Currency is other than Euro*): [Second [specify type of day] prior to the start of each Interest Period]
- Relevant Screen Page: [*For example, Reuters page EURIBOR01*]
- (*In the case of CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions*)
- Relevant Time: [*For example, 11.00 a.m.[London/Brussels] time*]
- Relevant Financial Centre: [*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the Euro)*]
- [Reference Currency:] [●]
(*only relevant where the*

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 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 Notes or 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*): [●] per Calculation Amount/[●]

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 Notes and Senior Non-Preferred Notes for MREL Disqualification Event: [Applicable]/[Not Applicable]
- 27 Modification or Substitution of Senior Notes: [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 Euronext Dublin’s regulated market and listing on the Official List of Euronext Dublin 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 Euronext Dublin’s regulated market and listing on the Official List of Euronext Dublin 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) FISN: [•]

(d) CFI Code: [•]

(e) 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)]

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

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

(h) 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)].]]

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 26 September 2018 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 26 September 2018 and made

by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

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 Irish Stock Exchange plc trading as Euronext Dublin (“**Euronext Dublin**”) the applicable Final Terms will be published on the website of the Euronext Dublin (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
- (iii) 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:

- (i) 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
- (ii) at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes and
- (iii) in priority to the claims of shareholders of the Issuer and 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 and subject to Condition 7.10 (*Benchmark Replacement*).

“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 Issuer.

“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:

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

Where:

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

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

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

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

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

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

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

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 (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 26 September 2018 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 Notes or Senior Non-Preferred Notes, all or part of the aggregate outstanding nominal amount of such Series of Senior Notes or 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 Notes or Senior Non-Preferred Notes from the MREL Requirements due to the remaining maturity of such Senior Notes or Senior Non-Preferred Notes being less than any period

prescribed thereunder, does not constitute a MREL Disqualification Event; (b) the exclusion of all or some of a Series of Senior Notes from the MREL Requirements due to there being insufficient headroom for such Senior Notes within a prescribed exception to the otherwise applicable general requirements for eligible liabilities does not constitute an MREL Disqualification Event; and (c) 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 Notes or 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 or a Relevant Resolution 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 Issuer 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 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

Subject to Condition 7.10 (*Benchmark Replacement*), if the Reset Rate Screen Page is not available, the Issuer 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, subject to Condition 7.10 (*Benchmark Replacement*):

- (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:
 - (a) the Issuer will request the principal Relevant Financial Centre office of each of the Reference Banks to provide the Calculation Agent with 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) the Calculation Agent will 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 Issuer, 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, subject to Condition 7.10 (*Benchmark Replacement*):

CMS Rate plus Margin

If the Relevant Screen Page is not available, the Issuer 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.

7.10 Benchmark Replacement

Notwithstanding the provisions in Conditions 6 (*Reset Rate Note Provisions*) and 7 (*Floating Rate Notes and CMS Linked Interest Note Provisions*), if the Issuer (in consultation with the Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and the Interest Amount(s)) determines that the relevant Mid Swap Benchmark Rate or Reference Rate (as applicable) specified in the applicable Final Terms has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate or Mid Swap Benchmark Rate, then the following provisions shall apply:

- (1) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in good faith and in a commercially reasonable manner) a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Benchmark Rate no later than 3 Business Days prior to the Reset Determination Date or Interest Determination Date (as applicable) relating to the next succeeding Reset Period or Interest Period (as applicable) (the “**IA Determination Cut-off Date**”) for purposes of determining the Rate of Interest applicable to the Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 7.10);

- (2) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Benchmark Rate prior to the IA Determination Cut-off Date, then the Issuer (acting in good faith and a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Benchmark Rate;
- (3) if a Successor Rate or, failing which, an Alternative Benchmark Rate is determined in accordance with the preceding provisions, such Successor Rate or, failing which, Alternative Benchmark Rate shall be the Reference Rate or Mid-Swap Benchmark Rate (as applicable) in relation to the Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 7.10); *provided, however, that* if sub-paragraph (2) applies and the Issuer is unable or unwilling to determine a Successor Rate or an Alternative Benchmark Rate prior to the Reset Determination Date or Interest Determination Date (as applicable) relating to the next succeeding Reset Period or Interest Period (as applicable), the Rate of Interest applicable to such next succeeding Reset Period or Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of a preceding Reset Period or Interest Period as applicable (which may be the Initial Rate of Interest) (though substituting, where a different Margin is to be applied to the relevant Reset Period or Interest Period from that which applied to the last preceding Reset Period or Interest Period, the Margin relating to the relevant Reset Period or Interest Period, in place of the Margin relating to that last preceding Reset Period or Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (3) shall apply to the relevant Interest Period or Reset Period (as applicable) only and any subsequent Interest Periods or Reset Periods (as applicable) are subject to the subsequent operation of, and to adjustment as provided in, this Condition 7.10;
- (4) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Benchmark Rate in accordance with the above provisions, the Independent Adviser or the Issuer (as the case may be) may also, following consultation with the Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), specify changes to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Reset Determination Date, Interest Determination Date and/or the definition of Mid Swap Benchmark Rate or Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or the Alternative Benchmark Rate, which changes shall apply to the Notes for all future Reset Periods or Interest Periods (as applicable) (subject to the subsequent operation of this Condition 7.10). If the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Benchmark Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Benchmark Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Benchmark Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 7.10. No Noteholder consent shall be required in connection with effecting the Successor Rate or Alternative Benchmark Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Agent (if required)); and
- (5) the Issuer shall promptly following the determination of any Successor Rate or Alternative Benchmark Rate give notice thereof and of any changes pursuant to subparagraph (4) above to the Agent and the Noteholders.

For the purposes of this Condition 7.10:

“Adjustment Spread” means a spread (which may be positive or negative) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Benchmark Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders and Couponholders as a result of the replacement of the Reference Rate or Mid-Swap Benchmark Rate (as applicable) with the Successor Rate or the Alternative Benchmark Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate or Mid-Swap Benchmark Rate (as applicable) with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Benchmark Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate or Mid-Swap Floating Rate (as applicable), where such rate has been replaced by the Successor Rate or the Alternative Benchmark Rate (as applicable); or
- (iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in good faith and in a commercially reasonable manner) to be appropriate.

“Alternative Benchmark Rate” means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate or Mid-Swap Benchmark Rate (as applicable) in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of eurobonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period or Reset Period (as applicable), or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the relevant Reference Rate or Mid-Swap Benchmark Rate (as applicable).

“Independent Adviser” means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense.

“Relevant Nominating Body” means, in respect of a reference rate or mid-swap floating leg benchmark rate:

- (i) the central bank for the currency to which the reference rate or mid swap floating leg benchmark rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate or mid swap floating leg benchmark rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate or mid swap floating leg benchmark rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate or mid-swap floating leg benchmark rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof; and

“Successor Rate” means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate or Mid-Swap Benchmark Rate (as applicable) which is formally recommended by any Relevant Nominating Body.

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*) 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 Notes and 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 Notes and 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 Notes and 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 Notes and 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 Notes and Senior Non-Preferred Notes

Any redemption of the Senior Notes and Senior Non-Preferred Notes in accordance with 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 Notes or Senior Non-Preferred Notes at such time as eligible liabilities available to meet the MREL Requirements); and (ii) in case of Senior Non-Preferred Notes only, 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 Notes or 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 Notes and 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 Notes and 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 Notes and 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 Notes and 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

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 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 Euronext Dublin and it is a requirement of applicable laws and regulations or the rules of Euronext Dublin) a leading newspaper having general circulation in the Republic of Ireland or on Euronext Dublin's website (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

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.

18. MODIFICATION OR SUBSTITUTION

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

This Condition 18.1 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 24 (*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 and/or as appropriate the Relevant Resolution Authority: (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 and/or as appropriate the Relevant Resolution 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 18.1, “**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 24 (*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.

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

This Condition 18.2 applies to Senior Notes or Senior Non-Preferred Notes if Modification or Substitution of 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 24 (*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 and/or as appropriate the Relevant Resolution Authority: (a) substitute new notes for the Senior Notes or Senior Non-Preferred Notes whereby such new notes shall replace the Senior Notes or Senior Non-Preferred Notes, or (b) vary the terms of such Senior Notes or Senior Non-Preferred Notes, at any time without any requirement for consent of the holders of Senior Notes or Senior Non-Preferred Notes, so that the Senior Notes or Senior Non-Preferred Notes are substituted for, or as applicable, varied to, become or remain, Qualifying Senior Notes or 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 Notes or Senior Non-Preferred Notes and subject to receiving the prior consent from the Relevant Authority and/or as appropriate the Relevant Resolution Authority if and as required therefor under the MREL Requirements in force at the relevant time.

The holders of Senior Notes and Senior Non-Preferred Notes shall, by virtue of subscribing and/or purchasing and holding any Senior Notes or Senior Non-Preferred Notes, be deemed to have accepted the substitution and modification of the terms of Senior Notes or 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 Notes or Senior Non-Preferred Notes which is necessary or convenient to implement the substitution or modification of the terms of Senior Notes or Senior Non-Preferred Notes.

For the purposes of this Condition 18.2:

“Qualifying Senior Notes” means securities issued directly or indirectly by the Issuer that:

- (i) other than in respect of the effectiveness and enforceability of Condition 24 (*Contractual Recognition of Bail-in Powers*), have terms not materially less favourable to a holder of the Senior 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 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 Notes; (c) have the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Notes; (d) have the same redemption rights as the Senior Notes; (e) preserve any existing rights under the Senior 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 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 Notes were listed or admitted to trading immediately prior to such modification or substitution.

“**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 24 (*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.

19. **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.

20. **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.

21. **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.

22. 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.

23. GOVERNING LAW AND SUBMISSION TO JURISDICTION

23.1 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*) and 11.7 (*Redemption of Senior Notes and Senior Non-Preferred Notes*) which are governed by and shall be construed in accordance with Italian law.

23.2 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 23.2 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).

23.3 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.

24. 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.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

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

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as the holder of a particular principal amount of Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by a relevant Clearing System as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

Exchange of Temporary Global Notes

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

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

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

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

If:

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

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (Luxembourg time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 26 September 2018 (the “**Deed of Covenant**”) executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Definitive Notes will not be printed in respect of an amount of Notes which are less than the Minimum Denomination.

Exchange of Permanent Global Notes

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

If:

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

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

Definitive Notes will not be printed in respect of an amount of Notes which are less than the Minimum Denomination.

Conditions applicable to Global Notes

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

Payments

All payments in respect of the Global Note will be made through Euroclear and Clearstream, Luxembourg against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that, in respect of a CGN, the payment is noted on a schedule thereto and, in respect of an NGN, the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

Payments on Business Days

Notwithstanding the definition of “Payment Business Day” in Condition 4 (*Definitions*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, “Payment Business Day” means:

- (a) if the currency of payment is Euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not Euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Notices

Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system for communication to the relevant Accountholders (as defined below) rather than by publication as required by Condition 16 (*Notices*), *provided, however, that* so long as the Notes are admitted to trading on Euronext Dublin and the rules of Euronext Dublin so require, such notices will also be published in a leading newspaper having general circulation in the Republic of Ireland or be published on the website of Euronext Dublin (www.ise.ie). Any notice delivered to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system shall be deemed to have been given to Noteholders on the date on which such notice is delivered to the relevant Clearing System.

Exercise of Put Option

In order to exercise the option contained in Condition 11.9 (*Redemption at the Option of Noteholders*), the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and Put Option Notice, give written notice (which, for the avoidance of doubt, may be sent in electronic form) of such exercise to the Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn. The exercise of the put option shall be effected via Euroclear and Clearstream, Luxembourg.

Partial exercise of Call Option

In connection with an exercise of the option contained in Condition 11.4 (*Redemption at the Option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and

Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg, at their discretion, as either a pool factor or a reduction in principal amount).

Purchase and Cancellation

Cancellation of any Note to be cancelled following its purchase by the Issuer will be effected by a reduction in the principal amount of the relevant Global Note.

Prescription

Claims against the Issuer in respect of principal, premium and interest on the Notes while the Notes are represented by the Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 4 (*Definitions*)).

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Notes will be used for the general corporate purposes of the Group. If, in respect of any particular issue, a particular use of proceeds is identified, this will be specified in the applicable Final Terms.

SELECTED FINANCIAL INFORMATION

The following tables contain consolidated statement of financial position and income statement information of the Issuer as of and for the years ended 31 December 2017 and 31 December 2016 and as of and for the six months ended 30 June 2018 and 30 June 2017, derived from the Issuer's audited consolidated annual financial statements as of and for the year ended 31 December 2017 and the Issuer's unaudited consolidated interim financial statements as of and for the six months ended 30 June 2018, in each case prepared in accordance with IFRS. As a result, the audited consolidated annual financial statements have been prepared applying IAS 39, while the Issuer's unaudited consolidated interim financial statements as of and for the six months ended 30 June 2018 applying IFRS 9, effective from 1 January 2018. In this report the comparative information as at 31 December 2017 have been calculated reconciling to the line items introduced by the 5th update to Circular 262: "*Banks financial statements: layouts and preparation*" of the Bank of Italy. For more details on the reconciliation refer to the section "*Accounting Policies - Impact of the first-time adoption of the IFRS 9*" (pp. 61-68) of the Consolidated Half Year Report at 30 June 2018, which is incorporated by reference in this Base Prospectus. See "*Information Incorporated by Reference*".

This information should be read in conjunction with, and is qualified in its entirety by, reference to the Issuer's audited consolidated annual financial statements as of and for the years ended 31 December 2017 and 31 December 2016 and the Issuer's unaudited consolidated interim financial statements as of and for the six months ended 30 June 2018, in each case together with the accompanying notes and the independent auditors' reports (as appropriate), all of which are incorporated by reference in this Base Prospectus, as well as the information included in "*Presentation of Financial Information*". See "*Information Incorporated by Reference*".

Copies of the above-mentioned consolidated financial statements of the Issuer are available as described in "*Information Incorporated by Reference*".

BANCA IFIS S.p.A.

AUDITED CONSOLIDATED ANNUAL BALANCE SHEETS

Assets	As of 31 December		
(in thousands of Euro)	2017	2016 Restated⁽¹⁾	2016
Cash and cash equivalents	50	34	34
Financial assets held for trading	35,614	47,393	47,393
Available for sale financial assets	456,549	374,229	374,229
Due from banks	1,777,876	1,393,358	1,393,358
Loans to customers	6,435,806	5,928,212	5,928,212
Property, plant and equipment	127,881	110,348	110,348
Intangible assets	24,483	14,981	14,981
<i>of which:</i>			
- Goodwill	834	799	799
Tax assets	438,623	581,016	581,016
a) Current	71,309	87,836	87,836
b) Deferred	367,314	493,180	493,180
<i>of which as per Italian law 214/2011</i>	214,656	191,417	191,417
Other assets	272,977	259,343	249,574
Total assets	9,569,859	8,708,914	8,699,145
Liabilities and equity	As of 31 December		
(in thousands of Euro)	2017	2016 Restated⁽¹⁾	2016
Due to banks	791,977	503,964	503,964
Due to customers	5,293,188	5,045,136	5,045,136
Debt securities issued	1,639,994	1,488,556	1,488,556
Financial liabilities held for trading	38,171	48,478	48,478
Tax liabilities	40,076	24,925	24,925
a) current	1,477	491	491
b) deferred	38,599	24,434	24,434
Other liabilities	368,543	337,325	337,325
Post-employment benefits	7,550	7,660	7,660
Provisions for risks and charges	21,641	24,318	24,318
b) other reserves	21,641	24,318	24,318
Valuation reserves	(2,710)	(5,445)	(5,445)
Reserves	1,038,155	383,835	383,835
Share premiums	101,864	101,776	101,776
Share capital	53,811	53,811	53,811
Treasury shares (-)	(3,168)	(3,187)	(3,187)
Non-controlling interests (+ / -)	-	48	48
Profit (loss) for the period (+/-)	180,767	697,714	687,945
Total liabilities and equity	9,569,859	8,708,914	8,699,145

⁽¹⁾ Concerning the cost for the acquisition of the former GE Capital Interbanca Group, provisionally estimated at Euro 119.2 million, in July 2017 the Group and the seller agreed to additional adjustments, bringing the final acquisition cost to Euro 109.4 million. The impact of this price adjustment was applied retrospectively to the reporting period ended 31 December 2016. Therefore, at 1 January 2017 the statement of financial position and equity were restated (column "31 December 2016 Restated"), adding Euro 9.8 million to item 160 "Other assets" as well as Equity because of the increase in the profit for the year. This restatement had a corresponding effect on profit or loss at 31 December 2016, causing an equal increase in line item 220 Other operating income/expenses and, therefore, the profit for the year. The line item Other assets, which consisted of the receivable due from the seller for the excess consideration paid up front at the transaction date, was settled on 31 July 2017 with the receipt of the relevant exposure. This restatement was also reflected in the Consolidated Financial Statements, which present both the amounts of the consolidated financial statements for the year ended 31 December 2016 and the corresponding restated amounts at 1 January 2017 (column "31 December 2016 Restated") as comparative data.

BANCA IFIS S.p.A.

AUDITED CONSOLIDATED ANNUAL INCOME STATEMENTS

(in thousands of Euro)	For the years ended 31 December		
	2017	2016 Restated⁽¹⁾	2016
Interest receivable and similar income	549,499	325,438	325,438
Interest due and similar expenses	(107,048)	(57,255)	(57,255)
Net interest income	442,451	268,183	268,183
Commission income	86,897	59,406	59,406
Commission expense	(13,132)	(18,295)	(18,295)
Net commission income	73,765	41,111	41,111
Dividends and similar income	48	-	
Net result from trading	11,249	(702)	(702)
Gain (loss) on sale or buyback of:	25,595	50,007	50,007
a) loans and receivables	19,016	44,529	44,529
b) available for sale financial assets	6,579	5,478	5,478
Net banking income	553,108	358,599	358,599
Net impairment losses/reversal on	(48,281)	(59,233)	(59,233)
a) loans and receivables	(51,845)	(54,882)	(54,882)
b) available for sale financial assets	(2,041)	(4,356)	(4,356)
c) other financial transactions	5,605	5	5
Net profit (loss) from financial activities	504,827	299,366	299,366
Administrative expenses:	(250,871)	(192,154)	(192,154)
a) personnel expenses	(98,251)	(65,878)	(65,878)
b) other administrative expenses	(152,620)	(126,276)	(126,276)
Net allocations to provisions for risks and charges	(5,532)	(1,849)	(1,849)
Net impairment losses/Reversal on property, plant and equipment	(4,563)	(2,485)	(2,485)
Net impairment losses/Reversal on intangible assets	(6,889)	(3,570)	(3,570)
Other operating income/expenses	11,571	630,987	621,218
Operating costs	(256,284)	430,929	421,160
Profit (loss) from sales of investments	32		
Pre-tax profit (loss) for the period from continuing operations	248,575	730,295	720,526
Income taxes for the year relating to current operations	(67,808)	(32,541)	(32,541)
Profit (loss) for the period	180,767	697,754	687,985
Profit (loss) for the year attributable to non-controlling interests		40	40
Profit (loss) for the year attributable to the Issuer	180,767	697,714	687,945

⁽¹⁾ Concerning the cost for the acquisition of the former GE Capital Interbanca Group, provisionally estimated at Euro 119.2 million, in July 2017 the Group and the seller agreed to additional adjustments, bringing the final acquisition cost to Euro 109.4 million. The impact of this price adjustment was applied retrospectively to the reporting period ended 31 December 2016. Therefore, at 1 January 2017 the statement of financial position and equity were restated (column “31 December 2016 Restated”), adding Euro 9.8 million to item 160 “Other assets” as well as Equity because of the increase in the profit for the year. This restatement had a corresponding effect on profit or loss at 31 December 2016, causing an equal increase in line item 220 Other operating income/expenses and, therefore, the profit for the year. The line item Other assets, which consisted of the receivable due from the seller for the excess consideration paid up front at the transaction date, was settled on 31 July 2017 with the receipt of the relevant exposure. This restatement was also reflected in the Consolidated Financial Statements, which present both the amounts of the consolidated financial statements for the year ended 31 December 2016 and the corresponding restated amounts at 1 January 2017 (column “31 December 2016 Restated”) as comparative data.

BANCA IFIS S.p.A.

CONSOLIDATED INTERIM BALANCE SHEETS

Assets (in thousands of Euro)	30 June 2018	As of 31 December 2017 ⁽¹⁾
Cash and cash equivalents	47	50
Financial assets at fair value through profit or loss	161,145	94,421
a) financial assets held for trading	30,625	35,614
c) other financial assets mandatorily measured at fair value	130,520	58,807
Financial assets at fair value through other comprehensive income	433,827	442,576
Financial assets measured at amortised cost	8,278,499	8,153,319
a) due from banks	1,568,042	1,760,752
b) loans to customers	6,710,457	6,392,567
Property, plant and equipment	130,399	127,881
Intangible assets	24,815	24,483
of which:		
- goodwill	1,504	834
Tax assets:	400,773	438,623
a) current	46,433	71,309
b) deferred	354,340	367,314
Other assets	303,238	272,977
Total assets	9,732,743	9,554,330

Liabilities and equity (in thousands of Euro)	30 June 2018	As of 31 December 2017 ⁽¹⁾
Financial liabilities measured at amortised cost	7,819,032	7,725,159
a) due to banks	882,324	791,977
b) due to customers	4,840,864	5,293,188
c) debt securities issued	2,095,844	1,639,994
Financial liabilities held for trading	38,627	38,171
Tax liabilities:	50,519	40,076
a) current	8,734	1,477
b) deferred	41,785	38,599
Other liabilities	421,087	352,999
Post-employment benefits	7,792	7,550
Provisions for risks and charges	22,603	21,656
a) commitments and guarantees granted	2,524	590
c) other provisions for risks and charges	20,079	21,066
Valuation reserves	(14,478)	(2,710)
Reserves	1,168,592	1,038,155
Share premiums	102,052	101,864
Share capital	53,811	53,811
Treasury shares (-)	(3,103)	(3,168)
Profit (loss) for the period (+/-)	66,209	180,767
Total liabilities and equity	9,732,743	9,554,330

⁽¹⁾ In the Issuer's unaudited consolidated interim financial statements as of and for the six months ended 30 June 2018, the values as at 31 December 2017 have been calculated reconciling to the line items introduced by the 5th update to Circular 262: "Banks' financial statements: layouts and preparation" of the Bank of Italy. For more details on the reconciliation refer to the section *Accounting Policies - Impact of the first-time adoption of the IFRS 9* (pp. 61-68) of the "Consolidated Half Year Report at 30 June 2018".

BANCA IFIS S.p.A.

CONSOLIDATED INTERIM INCOME STATEMENTS:

(in thousands of Euro)	For the six months ended 30 June	
	2018	2017⁽¹⁾
Interest receivable and similar income	204,198	206,863
<i>of which: interest income calculated using the effective interest method</i>	<i>201,242</i>	<i>-</i>
Interest due and similar expense	(51,442)	(49,495)
Net interest income	152,756	157,368
Commission income	46,885	41,241
Commission expense	(7,111)	(6,877)
Net commission income	39,774	34,364
Dividends and similar income	301	40
Net profit (loss) from trading	(352)	(309)
Gain (loss) on sale or buyback of:	1,997	17,577
a) financial assets measured at amortised cost	1,999	17,625
b) financial assets at fair value through other comprehensive income	-	(48)
c) financial liabilities	(2)	-
Net result of other financial assets and liabilities at fair value through profit or loss	6,820	-
b) other financial assets mandatorily measured at fair value	6,820	-
Net banking income	201,296	209,040
Net credit risk losses/reversals:	36,785	56,288
a) financial assets measured at amortised cost	37,069	56,963
b) financial assets at fair value through other comprehensive income	(284)	(675)
Net profit (loss) from financial activities	238,081	265,328
Administrative expenses:	(150,536)	(119,336)
a) personnel expenses	(55,451)	(49,484)
b) other administrative expenses	(95,085)	(69,852)
Net allocations to provisions for risks and charges	948	1,276
a) commitments and guarantees granted	1,140	3,173
b) other net provisions	(192)	(1,897)
Net impairment losses/reversals on property, plant and equipment	(2,846)	(2,048)
Net impairment losses/reversals on intangible assets	(3,079)	(3,894)
Other operating income/expenses	11,337	4,547
Operating costs	(144,176)	(119,455)
Pre-tax profit (loss) for the period from continuing operations	93,905	145,873
Income taxes for the year relating to current operations	(27,696)	(42,211)
Profit (Loss) for the period	66,209	103,662
Profit (Loss) for the period attributable to non-controlling interests	-	5
Profit (loss) for the period attributable to the Parent company	66,209	103,657

⁽¹⁾ In the Issuer's unaudited consolidated interim financial statements as of and for the six months ended 30 June 2018, the values as at 30 June 2017 have been calculated reconciling to the line items introduced by the 5th update to Circular 262: "Banks' financial statements: layouts and preparation" of the Bank of Italy. For more details on the reconciliation refer to the section *Accounting Policies - Impact of the first-time adoption of the IFRS 9*" (pp. 61-68) of the "Consolidated Half Year Report at 30 June 2018".

DESCRIPTION OF THE ISSUER

Overview

Banca IFIS S.p.A. (“**Banca IFIS**”, the “**Issuer**”, the “**Company**” or the “**Bank**”) is an independent bank incorporated in 1983 as a company limited by shares (*società per azioni*) in Italy in accordance with the provisions of the Italian Civil Code, with a duration until 31 December 2050 and is listed on the STAR segment of the *Mercato Telematico Azionario* organised and managed by Borsa Italiana S.p.A. (ticker symbol IF:IM), with a market capitalisation of approximately Euro 1,387,250,029 as of 30 June 2018. The group comprising Banca IFIS and its consolidated subsidiaries (the “**Group**”) operates mainly in Italy, but also in Poland and Romania, in various specialty banking sectors: private corporate and public administration receivable factoring, purchase and collection of tax receivables, medium-long term financing and structured finance for companies, operating and financial leases, salary- and pension-backed loans and non-performing loan (“NPL”) management.

In the first quarter of 2018 Banca IFIS redefined its operating segments, in accordance with the new structure used by the Head Office to analyse the Group’s results as follows:

- Enterprises Segment: it essentially corresponds to the former Trade Receivables, Corporate Banking, Leasing (excluding the operations included in the Governance & Services segment), and Tax Receivables segments, which were brought together to represent the Group’s commercial offering for businesses in a consistent manner;
- NPL Segment, dedicated to non-recourse factoring and managing mostly unsecured distressed retail loans; it corresponds to the former NPL Area segment;
- Governance & Services Segment, which provides the segments operating in the Group’s core businesses with the financial resources and services necessary to perform their respective activities. It includes also the Bank’s growing business with individuals and specifically the operations of the subsidiary Cap.Ital.Fin., which recently joined the Group and extends salary- or pension-backed loans, as well as portfolios of personal loans previously allocated to the Leasing segment.

The Group has adopted simple and highly-centralised organisational models, allowing it to run individual businesses through local networks and channels (e.g. agents, call centres and external collection servicers), rather than conventional branches. The Group bases its strategy and related implementing actions on three main pillars which have historically driven its activity: risk-adjusted profitability, liquidity management and capital preservation.

On 30 November 2016, Banca IFIS acquired (the “**Acquisition**”) the control of Interbanca S.p.A. and its subsidiaries (together, the “**Interbanca Group**”), allowing the Group to expand into certain segments of lending, specialty finance and leasing.

After the successful integration of the Interbanca Group, which was made again profitable six months after the acquisition, completed with the merger by incorporation of **Interbanca S.p.A.** (October 2017) and of **IFIS Leasing S.p.A.** (May 2018), in 2018 the Banca IFIS Group finalised both the acquisition on 2 February 2018 of **Cap.Ital.Fin. S.p.A.**, specialised company in salary- or pension-backed loans, and on 2 July 2018 of the 70% of **Credifarma S.p.A.**, a company specialised in finance to Italian pharmacies.

In addition, in July 2018, Banca IFIS completed the spin-off of its NPL Area into **IFIS NPL S.p.A.**, a company 100%-owned by Banca IFIS and therefore included in the Group’s scope that gathers all activities regarding the purchase, the management and the disposal of positions, within the limits of Banca IFIS’s business model, of non-performing loans.

For an overview of the Group’s consolidated net banking income and net profit (loss) from financial activities for the Group’s core business segments, refer to “*Description of the Issuer—Business Segments*”.

The Bank has its registered office at Via Terraglio, 63, Mestre – Venice, Italy (telephone number +39 041 5027511) and is registered with the Companies’ Register of Venice under registration number and fiscal code 02505630109. The Issuer is registered with the National Register of Banks under registration number 5508 and is the parent company of the Group. The Group is registered with the Register of Banking Groups held by the

Bank of Italy pursuant to Article 64 of the Legislative Decree No. 385 of 1 September 1993 as amended (the “**Italian Banking Act**”) under number 5508.

The fully subscribed and paid up capital of the Issuer as of 30 June 2018 amounts to Euro 53,811,095. Since 30 June 2018 there has been no change to the Issuer’s share capital.

Key Competitive Strengths

The Issuer believes that its competitive strengths lie in the following key factors:

Independent leader in the Italian market for trade receivables

The Group is the leading independent player in the Italian trade receivables market³ and a leading independent provider of finance to Italian SMEs, with core activities in receivable financing, leasing, corporate lending and non-performing loan investment.

With regard to trade receivables financing, the Group finances mainly small or micro companies (in 2017, 85 per cent. of the Group’s customers have a turnover of below Euro 10 million per year) encountering difficulties in obtaining finance from the traditional banking system. In Italy, large banking groups usually offer factoring services to their large customers to help them manage their smaller customers. This translates into a much more concentrated number of counterparties for the factoring units of such banking groups, whereas credit management service is very important vis-à-vis the credit and financial component. Consequently, the Issuer believes that the marginality of large banking groups in the trade receivable factoring business tends to be lower than Banca IFIS’s marginality, which is accustomed to dealing with a much higher number of corporate clients, providing them with liquidity and offering them services with a higher credit/financial component.

The Group is also among the main players in financing receivables due from public administration entities (especially in the pharma business) and tax receivables (arising mainly from insolvency proceedings).

The Group is one of the leaders in the NPL market

The Issuer believes that the Group is one of the leaders in the Italian non-performing loan market⁴, and in particular in the unsecured distressed retail loans market segment (i.e. consumer credit), one of the more active parts of the non-performing loan market in the countries in which the Group operates. Leveraging on its integrated collection platform (call centres, over 100 exclusive agents, external collection servicers, a legal centre), the Group is able to assess and determine the collection times of purchased receivables, be a competitive bidder and, as a result, achieve significant collection rates.

Consistent and solid growth

The Group’s activity has grown consistently over recent years: net loans to customers have grown from Euro 5,928.2 million at the end of 2016 to Euro 6,392.6 million at the end of 2017⁵. In particular the Trade Receivables business segment reached Euro 3.0 billion of net loans to customers at the end of 2017 with a CAGR for the 2007-2017 period of approximately 12.7 per cent. (Euro 923 million in 2007). As at 30 June 2018, net loans to customers was equal to Euro 6,710.5 million

Growth in volumes of loans has come hand in hand with marginality: net banking income increased from Euro 358.6 million to Euro 553.1 million in 2017. For the six months ended 30 June 2018, the net banking income was equal to Euro 278.1 million compared to Euro 253.2 million as of 30 June 2017⁶.

³ Source: Assifact data at 31 December 2017

⁴ Source: Issuer’s internal elaborations included in its presentation “Market Watch NPL - The Italian Scenario”, January 2018

⁵ The value is calculated reconciling to the line items introduced by the 5th update to Circular 262: “Banks’ financial statements: layouts and preparation” of the Bank of Italy. Net loans to customers at 31 December 2017 under IAS 39 amounted to Euro 6,435.8 million.

⁶ Net value adjustments on receivables of the NPL segment were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

Excellent asset quality underpinned by conservative provisioning

In the private corporate business (business-to-business) the Group is typically involved in acquiring receivables with recourse to the assignor (approximately 65% per cent. for the year ended 31 December 2017).

Customers of the Group's SME clients tend to be large companies with good credit standing. The Issuer believes that the low levels of delinquencies experienced by the Group are connected mainly to the quality of lessees, but also to the thorough credit process requiring analyses of the credit of the assignor (the Banca IFIS customer) and of the legal nature and terms and conditions of the receivables.

The Group has a higher bad loans coverage than the overall banking system⁷. The coverage ratio on gross bad loans was equal to 71.0 per cent. (as of 1 January 2018) and 70.1 per cent. (as of 30 June 2018) in the Enterprises business segment and in particular 80.6 per cent., 0.0 per cent. and 82.6 per cent., respectively, for the business segments of Trade Receivables, Corporate Banking and Leasing as of 30 June 2018 (respectively 81.1 per cent., 0.0 per cent. and 88.2 per cent. as of 1 January 2018).⁸

High profitability

The Group has a low cost base centred on an agent-based structure without a physical branch network. Return on equity was 13.9 per cent. in 2017.

The Cost/Income ratio of the Group was approximately 49.3 per cent. as of 31 December 2017 (51.8 per cent. as of 30 June 2018), which the Issuer believes positions it as an efficient player. The contribution from NPL Area activities has substantially increased over the last few years and is an engine for sustained profitability going forward, alongside the core receivables business.

Strong capital position

The Group's capital ratios are significantly higher than the minimum levels required under European Union and Italian laws and regulations, and at end of 2017 they were amongst the highest in Italy and Europe: Tier 1 capital ratio and Total Own Funds Capital ratio respectively of 15.6 per cent. and 21.1 per cent. (15.1 per cent. and 20.3 per cent. as of 30 June 2018), excluding the effect of the prudential consolidation in the Group of the parent company La Scogliera S.p.A.⁹

As at the date of this Base Prospectus the Group's capital ratios allow it to comply with the additional requirements imposed by the Bank of Italy (SREP) for 2018 (based on 2017 assessment), including a 1.875 per cent. capital conservation buffer, which are as follows:

- Common Equity Tier 1 ratio of 7.2 per cent., with a required minimum of 5.3 per cent.;
- Tier 1 capital ratio of 9.0 per cent., with a required minimum of 7.1 per cent.; and
- Total Capital ratio of 11.4 per cent., with a required minimum of 9.5 per cent.

A stable, senior management team with a track record of successful acquisitions

The Group is led by a dynamic team, which was developed by top management since the 1990s and complemented with new strategic hires in recent years. The management team is responsible for the transformational growth of the Group over the past few years, including through acquisitions.

⁷ Source: Banca d'Italia (Statistics "Banche e moneta: serie nazionali" – 10 luglio 2018).

⁸ Please note that following the introduction of the category of the so-called POCI – "purchased or originated credit-impaired" financial assets under the new standard IFRS 9, the new write-off policies adopted by the Group, and in accordance with the 5th update to Circular 262 of the Bank of Italy, the presentation of gross non performing exposures and the relevant impairment losses has changed significantly starting from 1 January 2018. Gross non-performing exposures accounted for 10,5% of total exposures at 30 June 2018, compared to 20,1% at 31 December 2017.

⁹ Including La Scogliera S.p.A. in the prudential consolidation scope as required pursuant to article 19 of the Capital Requirements Regulation, the Group's Tier 1 capital ratio and Total Own Funds Capital ratio as of 31 December 2017 are 12.2per cent. and 16.1 per cent., respectively (as of 30 June 2018, 11.8 per cent. and 15.4 per cent., respectively).

Business Strategy

Banca IFIS group bases its strategy and related implementing actions on three main pillars which have historically already driven its activity: risk-adjusted profitability, liquidity management and capital preservation. The following are the strategic goals and related business actions conceived accordingly, that the Bank has implemented or it will implement for executing its strategy.

Banca IFIS pursues the objective of strengthening its competitive position in the credit market offered to the small and medium-sized enterprises. In this context, the Bank intends to expand its market share in the segments of commercial credit, leasing, tax credit and Non-Performing Loans segment.

From the organizational point of view, the Bank intends to proceed in the plan of progressive efficiency and corporate simplification, already partially implemented with the merger of IFIS Factoring, Interbanca and IFIS Leasing. In relation to the acquisition activity and management of Non-Performing Loans business, the IFIS NPL spin off meets the need to transfer the entire activity of the current NPL area of Banca IFIS to the newly established institution, for which the registration in the list of non-bank financial intermediaries pursuant to art. 106 TUB. The objective of IFIS NPL will be to continue the growth of the Banking Group in the acquisition and management of impaired loans, also expanding its presence to sectors and methods that today are poorly or not at all managed, generating value through better management of impaired portfolios, open to cooperation and integration.

The Group's goal for the next years is to maintain high profitability and liquidity, with control of risk-adjusted profitability and capital absorption. The digital transformation will be implemented throughout the Bank, starting from the internal systems up to the platforms for dialoguing with the customers, thus offering a better experience and services more in line with the customers' needs.

Expansion of lending operations

The Group intends to continue in the same strategy guidelines as already experienced in 2017 and first half 2018, expanding its lending operations vis-à-vis small- and medium-sized businesses in Italy. Through (i) the Group's strong capital adequacy ratios and high liquidity position, which the Bank believes to represent a competitive advantage for increasing the volume of credit granted under all of its business segments, and (ii) the strong lending experience acquired through the fully implementation of former GE Capital Interbanca, the Bank is able to increase the lending activity to the Corporate customers including Structured Finance transactions.

Trade Receivables

In the Trade Receivable business, the Group plans to fully exploit the synergies deriving from an enlarged array of lending products offered following the GE Capital Interbanca acquisition. This happens also through the increase of the retention rate of its customer base. To achieve this, the Group is expanding and upgrading its distribution network to effectively manage and offer its portfolio of products with the aim of increasing the loan volume and number of customers of the Trade Receivables business segment. In this respect, the Issuer believes that certain operations carried out in corporate lending activity are conducive to longer and more strategic relationships with corporate customers than its traditional factoring business.

Leasing

The Group aims to develop its Leasing business segment by expanding its customer base, increasing the retention rate of existing clients, and enhancing its presence in key segments such as automotive and industrial equipment leasing by relying on the depth of its existing trade receivable business in Italy.

In this context, the Issuer expects that the cross-selling of leasing and factoring products through the Group's distribution networks would be one of the drivers in the development of the Leasing business segment, allowing the Group at the same time to further expand its Trade Receivable client base through the offer of the Group's leasing products.

Corporate Banking

The operations of the Corporate Banking business segment are focused on increasing the volume of its medium-long term lending, in particular through offering structure finance solutions to corporates exiting from a restructuring process, with the aim of expanding its customer base.

The Group's expansion in Corporate Banking can in particular leverage upon its already available distribution network and traditional customer base, which is in certain areas mainly represented by mid-sized corporate entities.

Tax Receivables

In the Tax Receivables business segment, the Bank aims to consolidate its market position thanks to a continuous enhancement of its operational structure and team quality. The Group will exploit new business opportunities in the segment in which strong competence and knowhow will be leveraged.

2018' Company Acquisition

Following the acquisition of Credifarma S.p.A. the Bank has entered into a multi-year strategic partnership in order to promote the role of the company, supporting the members of pharmacists' association "Federfarma" in developing their business activity also through offering a new range of financial products.

In order to integrate the Group's offer, the Bank has acquired the company Cap.Ital.Fin S.p.A., which is specialized in retail financing market through the following products:

- (i) Salary-backed loan for public and private workers,
- (ii) Pension-backed loan,
- (iii) Payment delegation.

Consolidation of market position for the NPL Area business segment and expansion into new NPL class assets

The Issuer intends to maintain an important role in the non-performing loan market in Italy through acquisitions of NPL portfolios, also due to the mounting regulatory pressure on Italian financial institutions with higher levels of NPL to reduce their level from their financial statements. This should create new opportunities for the Group to increase its NPL assets, which in turn the Issuer believes that it could generate economies of scale in acquiring and managing large NPL portfolios.

In addition, the Issuer aims to increase the recovery rate thanks to the implementation of its debt management and collection integrated platform.

Furthermore, the Issuer will continue to assess disposals of its long tail consumer portfolio, for which the Issuer believes that it has extracted enough value as compared to its expectations, in light of market opportunities.

In light of the above, the Group will continue monitoring and bidding for the acquisition of portfolios of NPLs with new focus on corporate and secured market, such as those of the micro real estate asset class, which shares some similarities with the Group's current NPL operations.

The recent IFIS NPL spin off aims to ensure more visibility to Banca IFIS NPL business and more company flexibility in order to take advantage for any market opportunity which could take more Group value. The announcement of the acquisition of FBS S.p.A., transaction subject to the authorization from the Bank of Italy, can be considered in line with this strategy, allowing the company to enter in the servicing market and to act as a global and diversified player in the non-performing loans market.

Maintenance of a high asset quality and strong capital position

The Group intends to maintain high capital ratios which underpin its growth strategy, which in turn allows the Group to preserve its market position. The Group aims to maintain the level of its capital ratios and will continue to undertake a conservative risk management approach in the evaluation of new lending opportunities and in the continuing assessment of its credit exposures.

Optimise the Group's cost of funding and diversify funding channels

The Group plans to continue improving its funding structure, with a view to reflecting the enlarged perimeter of activities following the Acquisition. It will pursue a diversification of its funding sources with the aim of both optimizing its overall cost of funding and increasing the stability of its access to liquidity.

In particular, the Issuer intends to consolidate its access to retail online savings, through the implementation of significant IT investments intended to enhance, amongst other things, customer perception of the quality of the Group's offering, thereby further promoting customer retention rates.

Furthermore, in order to diversify its funding channels, the Group intends to raise funds in the debt capital markets, through ECB funding and other centralised (i.e. ABACO) or interbank channels, and also through securitisation of eligible assets or the issuance of other debt instruments.

History and Development

Banca IFIS was founded in Genoa in 1983 by Sebastien Egon Fürstenberg, the current Chairman of the Bank's Board of Directors. Since 1999 it has grown in Italy and in 2006 it entered the Polish market, opening several new branches. In 2002, the Issuer was transformed into a bank after obtaining from the Bank of Italy a licence to carry on banking activities and it became a member of Factors Chain International, a global organisation of independent factoring companies.

In 2004, Banca IFIS was admitted to the STAR segment of the *Mercato Telematico Azionario* organised and managed by Borsa Italiana S.p.A. (the Italian Stock Exchange). In July 2006 the Group entered into the Polish market through the acquisition of Fidis Faktoring Polka, a Polish operator providing factoring services to Fiat Group's production factories in Poland.

In 2008, Banca IFIS started its drive to diversify its funding sources, including through "*Rendimax*", its online deposit account, which was followed in 2013 by the introduction of the free on-line retail bank account "*Contomax*". Since 2009, Banca IFIS has been evolving from being a bank specialised in factoring to being a relationship-based bank, focusing on offering financial support and responding to the service needs of SMEs through direct relationships and turnkey offerings to entrepreneurs.

In July 2010, a fully subscribed capital increase of Euro 50 million was carried out in order to support the Group's increased lending volumes and the development of its activities as well as to strengthen its Core Tier 1 ratio in response to stricter capital adequacy rules established by the Bank of Italy, as supervising authority.

With the aim of implementing its strategy to expand the breadth of its product offerings, in May 2011, Banca IFIS acquired control of Toscana Finanza, a company operating in the acquisition and management of non-performing loans and trade and tax receivables, through a voluntary tender offer and at the end of 2011 Toscana Finanza was merged into the Bank. As a result of the acquisition of Toscana Finanza, the Group entered the management and collection of non-performing loans, a business sector considered particularly important given both the significant amount of trade receivables potentially purchasable and current economic trends.

In 2015 the Group's NPL Area purchased several NPL portfolios; in November Banca IFIS purchased its biggest portfolio as of the date of this Base Prospectus, with a nominal value of Euro 1.4 billion.

In July 2016 Banca IFIS Impresa, a new division completely dedicated to the world of business, was established to encompass the Group's factoring services offered to Italian and international companies.

In July 2016 Banca IFIS entered into an agreement with GE Capital for the acquisition of the Interbanca Group. The closing of the transaction was completed on 30 November 2016. See also "*-Acquisition of Interbanca*" below.

In February 2018 Banca IFIS acquired Cap.Ital.Fin.

In July 2018 Banca IFIS acquired Credifarma S.p.A. and conclude the spin-off of NPL business segment into IFIS NPL S.p.A.

Shareholders and Share Capital

Share capital

As at 30 June 2018, the Issuer had share capital of Euro 53,811,095, fully paid up, represented by 53,811,095 shares with a par value of €1.00 each. Since 30 June 2018, there has been no change to the Issuer's share capital. Sebastian Egon Fürstenberg holds directly and indirectly a majority shareholding in the Issuer, representing 50.22 per cent. of its share capital, of which 50.21 per cent. through La Scogliera S.p.A.

Shareholders

As at 30 June 2018, based on communications pursuant to Article 120 of Legislative Decree No. 58 of 24 February 1998, as amended, persons shown in the table below possess, directly or indirectly, shares with voting rights representing more than 3 per cent.¹⁰ of share capital:

Declarant	Direct Shareholder	Percentage of voting rights
Fürstenberg Sebastien Egon	La Scogliera S.p.A. Fürstenberg Sebastien Egon	50.21 0.01
Bossi Giovanni.....		3.44
Market.....		45.65

As at 30 June 2018, the Issuer holds treasury shares equal to 0.69 per cent. of its share capital and voting rights.

La Scogliera S.p.A., which directly controls the Issuer, does not perform any management and coordination activity on the Issuer. Italian corporate governance rules are designed to prevent the risk of abusive exercise of control of controlling shareholders.

Group Structure and Subsidiaries

As at the date of this Base Prospectus, the Group is composed of the parent company, Banca IFIS S.p.A. and the subsidiaries IFIS Finance Sp. Z o.o., IFIS Rental Services S.r.l., Cap.Ital.Fin, IFIS NPL S.p.A., Credifarma S.p.A and Two Solar Park 2008 S.r.l.. The securitisation vehicles IFIS ABCP Programme S.r.l., and Indigo Lease S.r.l. are also included in the consolidation perimeter of the Issuer.

In July 2018, the Group finalised the acquisition of a controlling interest (70 per cent.) in Credifarma S.p.A., a company specialising in pharmacy lending and conclude the spin-off of IFIS NPL S.p.A.

Name of the company	Registered office	Head office	Type ⁽¹⁾	Investment		
				Held by	Share	Voting rights ⁽²⁾
IFIS Finance Sp. Z o.o.	Warsaw	Warsaw	1	Banca IFIS S.p.A.	100%	100%
IFIS Rental Services S.r.l.	Milan	Milan	1	Banca IFIS S.p.A.	100%	100%
Cap.Ital.Fin. S.p.A.	Naples	Naples	1	Banca IFIS S.p.A.	100%	100%
Credifarma S.p.A.	Rome	Rome	1	Banca IFIS S.p.A.	70%	70%
IFIS NPL S.p.A.	Mestre	Florence, Milan and Mestre	1	Banca IFIS S.p.A.	100%	100%
Two Solar Park 2008 S.r.l.	Milan	Milan	1	Banca IFIS S.p.A.	100%	100%
IFIS ABCP Programme S.r.l.	Conegliano - Province of Treviso	Conegliano - Province of Treviso	4	Other	0%	0%
Indigo Lease S.r.l.	Conegliano - Province of Treviso	Conegliano - Province of Treviso	4	Other	0%	0%

¹⁰ Following the enactment of Legislative Decree no. 25/2016 of 15 February 2016, the threshold at which it is required to report to the market all significant equity interests held in companies with listed shares has been raised from 2 per cent. to 3 per cent.

- (1) Type of relationship:
 1 = majority of voting rights in the Annual Shareholders' Meeting
 2 = dominant influence in the Annual Shareholders' Meeting
 3 = agreements with other shareholders
 4 = other forms of control
 5 = exclusive control as per article 26, paragraph 1, of Legislative Decree no. 87/92
 6 = exclusive control as per article 26, paragraph 2, of Legislative Decree no. 87/92
- (2) Voting rights in the Annual Shareholders' Meeting, distinguishing between effective and potential voting rights.

Business Segments

Following the strategic and organisational changes that concerned the Group starting from the second half of 2017, in 2018 Banca IFIS S.p.A. redefined its operating segments and with the purpose of making segment reporting consistent with the structure used by the Head Office to analyse the Group's results, the previous model was streamlined by aggregating some segments with similar economic characteristics—especially as far as the following aspects are concerned:

- nature of the products and services;
- type or class of customers.

The new segment reporting consists in:

- Enterprises Segment: it essentially corresponds to the former Trade Receivables, Corporate Banking, Leasing (excluding the operations included in the Governance & Services segment), and Tax Receivables segments, which were brought together to represent the Group's commercial offering for businesses in a consistent manner;
- NPL Segment, dedicated to non-recourse factoring and managing mostly unsecured distressed retail loans; it corresponds to the former NPL Area segment;
- Governance & Services Segment, which provides the segments operating in the Group's core businesses with the financial resources and services necessary to perform their respective activities. It includes also the Bank's growing business with individuals—and specifically the operations of the subsidiary Cap.Ital.Fin., which recently joined the Group and extends salary or pension-backed loans, as well as portfolios of personal loans previously allocated to the Leasing segment.

For the sake of consistency comparative information of business segments for 2017 in this document have been restated in line with the new segment reporting and, following the application of new accounting standard "IFRS 9 Financial Instruments" (IFRS 9), the line items of the statement of financial position presented in this Report are compared with those at 1 January 2018, whereas in the case of the income statement, the comparative information has been re-aggregated to ensure accounting consistency with the corresponding amounts at 30 June 2018. In addition, following the introduction of the category of the so-called POCI – "purchased or originated credit-impaired" financial assets under the new standard IFRS 9, the new write-off policies adopted by the Group, and in accordance with the 5th update to Circular 262 of the Bank of Italy, the presentation of gross non-performing exposures and the relevant impairment losses has changed significantly starting from 1 January 2018.

The following table shows the consolidated net banking income and net profit (loss) from financial activities of the Group by core business segments for the six months ended 30 June 2018 and 2017, which will be analysed in the sections dedicated to the individual segments as appropriate.

Income Statement Data <i>(in thousands of Euro, except for percentages)</i>	Enterprises	NPL⁽¹⁾	Governance and Services	Cons. Group Total
Net banking income				
Amounts at 30.06.2018 <i>(unaudited)</i>	165,072	119,290	(6,245)	278,117
Amounts at 30.06.2017 <i>(unaudited)</i>	171,723	78,957	2,539	253,219
<i>% Change</i>	(3.9)%	51.1%	n.s.	9.8%

Net profit (loss) from financial activities				
Amounts at 30.06.2018 (unaudited)	126,106	119,290	(7,315)	238,081
Amounts at 30.06.2017 (unaudited)	183,233	78,957	3,138	265,328
% Change	(31.2)%	51.1%	n.s.	(10.3)%

- (1) Net impairment losses on NPL receivables were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net impairment losses represent an integral part of the return on the investment.

Enterprises

The Enterprises Segment includes the following business areas:

- **Trade Receivables:** this area is dedicated to supporting the trade receivables of SMEs operating in the domestic market as well as companies growing abroad or based abroad and working with Italian customers; this area also includes medium/long-term financing, dedicated to supporting the company's operating cycle through services ranging from funding optimisation to working capital financing and the support for productive investments; moreover, it includes Banca IFIS Pharma, which supports the trade receivables of local health services' suppliers and pharmacists.
- **Leasing:** this area provides finance and operating leases—but not real estate leases, as the Group does not offer them—to small economic operators and SMEs.
- **Corporate Banking:** this unit is comprised of multiple areas: the Structured Finance area, which supports companies and private equity funds in arranging bilateral or syndicated loans; the Special Situation area, which supports the financial recovery of businesses that managed to overcome financial distress; and the Equity Investment area, dedicated to investing in non-financial companies and intermediaries.
- **Tax Receivables:** it is the area specialised in purchasing tax receivables from insolvency proceedings; it operates under the Fast Finance brand and offers to buy both accrued and accruing tax receivables on which repayment has already been requested or which shall be requested in the future, and that arose during insolvency proceedings or in prior years. As a complement to its core business, this segment seldom acquires also trade receivables from insolvency proceedings.

As shown in the following table, as at 30 June 2018, the net banking income of the Enterprises business segment amounted to Euro 165.1 million, compared to Euro 171.7 million as at 30 June 2017.

Income Statement Data (in thousands of Euro except for percentages)	30.06.2018	30.06.2017	Change	
			Absolute	%
Net interest income	115,675	132,505	(16,830)	(12.7)%
Net commission income	40,789	36,979	3,810	10.3%
Other components of net banking income	8,608	2,239	6,369	284.5%
Net banking income	165,072	171,723	(6,651)	(3.9)%
Net credit risk losses/reversals	(38,966)	11,510	(50,476)	(438.5)%
Net profit (loss) from financial activities	126,106	183,233	(57,127)	(31.2)%

- **Trade Receivables**

Within the Trade Receivables business segment, Banca IFIS finances mainly small or micro companies in Italy that frequently have no credit standing and consequently encounter difficulties in obtaining finance from the traditional banking system. Around 70 per cent. of Banca IFIS's customers have a turnover below Euro five million per year, and do not represent an attractive segment for traditional banks; by contrast, the customers of these SME's are high quality companies whose trade receivables benefit from good credit ratings. By switching its risk exposure from the relevant lender (SME) to the relevant debtor (the SME's clients) through recourse factoring operations, Banca IFIS is able to finance a part of the market that traditional banks tend to overlook while, at the same time, preserving the credit quality of its portfolio.

The origination process is based on a distribution network of sales managers, of whom 110 operate locally (assisted by the Group's 27 local branches), who are responsible for managing relationships with customers. Sales managers visit potential customers in their premises, creating a direct relationship which the Issuer expects will foster the on-going business intake of the Group. More than 150 employees are dedicated to analytical and back office activities. Such activities include the assessment of the quality of the debtor (being the most important item in the credit evaluations of the Group) and, also, the legal nature and terms and conditions of the receivables. In addition, the Group's assessment criteria require that the Group's customers have a sufficient level of creditworthiness to mitigate risks of clawback actions if the relevant customer is subject to insolvency proceedings. Usually, the terms of engagement of Banca IFIS in the Trade Receivables business segment (excluding the factoring of pharmaceutical receivables) usually provides for the exclusive transfer from the relevant customer of all trade receivables due from specified clients during a 24 months period. The Issuer believes that this fosters the Group's customer base retention rate even if the factoring business is normally short term.

The customer base in the pharmaceutical factoring business (which represents a substantial part of the factoring operations on receivables due from the public administration) is extremely concentrated, as customers are represented by large pharmaceutical companies aiming to factor trade receivables owed by the Italian National Health Service. In this sector, the Issuer purchases trade receivables from its customers at par or at a small discount and then collects payments under such receivables (including the applicable delayed interest payment due by the relevant debtor). The Trade Receivable, as of 31 December 2017, business segment includes the following operations:

- *Crediti Commerciali Italia* and *Crediti Commerciali International*, dedicated to supporting the trade receivables of SMEs operating in the domestic market as well as companies growing abroad or based abroad and working with Italian customers; this area includes the operations carried out in Poland by IFIS Finance Sp. Zo.o.; these business areas operate under the Banca IFIS Impresa brand; and
- *Banca IFIS Pharma* and *Pharmacies*, operating under the brand of the same name, supporting the trade receivables of local health services' suppliers and pharmacists.

Starting from 2018, as a consequence of the re-organization of the structure, Trade Receivables include also medium/long-term financing, supporting the customer's operating cycle through services ranging from working capital financing to financing for investments. Therefore, the results for the first half of 2018—as well as, for the sake of consistency, the first half of 2017—include the operating and financial performance of the commercial lending business unit, which specialises in medium-term financing and was previously classified within the Corporate Banking segment.

As shown in the following table, as at 30 June 2018, the net banking income of the Trade Receivables business segment amounted to Euro 80.3 million, compared to Euro 78.8 million as at 30 June 2017. Regarding the factoring business, as at 30 June 2018, the segment generated Euro 6.1 billion in turnover (+8.8 per cent. from 30 June 2017), and Euro 3.8 billion in outstanding loans (+1.2 per cent. from 30 June 2017).

Income Statement Data <i>(in thousands of Euro except for percentages)</i>	30.06.2018	30.06.2017	Change	
			Absolute	%
Net interest income	50,785	51,667	(882)	(1.7)%
Net commission income	29,522	27,136	2,386	8.8%
Net banking income	80,307	78,803	1,504	1.9%
Net credit risk losses/reversals	(28,615)	(13,019)	(15,596)	119.8%
Net profit (loss) from financial activities	51,692	65,784	(14,092)	(21.4)%

- ***Corporate Banking***

This business segment includes the following operations:

- structured finance, supporting companies in the legal, organisational and financial arrangement of bilateral or syndicated loans;

- workout & recovery, managing unlikely to pay (UTPs) and bad loans of all the portfolios of the Corporate Banking business segment, as well as the runoff of project finance, shipping and real estate portfolios.
- special situation, which provides new medium- and long-term financing to support the financial recovery of businesses that managed to overcome financial distress;
- equity investments, which is dedicated to investments in non-financial companies and intermediaries.

The following are the main operational processes of the Corporate Banking operations.

Origination & Underwriting process, which consists of a deal's origination and evaluation of a client's creditworthiness and profitability through a financial analysis focused mainly on the client's financials.

The output of the process consists of detailed documentation to be submitted for the approval of the deal by the relevant internal committees of the Issuer.

Lending authority has been delegated by the Issuer's Board of Directors to the investment committee within specific limits based on a combination of client category, deal amount, customer exposure and customer credit rating.

Monitoring and Collection: All the credit exposures of the Corporate Banking business segment are managed through the continuous monitoring of *in bonis* customers and the preservation of the going concern for non-performing credit exposures, including dealing with clients who have entered into bankruptcy or liquidation.

In bonis customers are periodically reviewed through:

- customer financial reporting monitoring;
- customer performance as compared to the relevant business plan evaluation;
- prompt identification of borrowers at risk of falling into arrears or default, triggering risk-mitigating actions to prevent it; and
- monitoring adequacy of fair value of assets provided as collateral, assigned ratings, risk classifications and breaches of covenants.

Non-performing credit exposures are monitored through:

- ongoing monitoring of financial performance of clients;
- negotiations with clients and their advisors to agree debt restructuring actions;
- post-restructuring, monitoring clients' compliance with restructuring plans and loan covenants, in order to achieve a correct risk classification;
- liaising with courts and appointed officers in bankruptcy procedures.

Frequency of monitoring depends on account classification and type of deal. An *ad hoc* analysis is performed every time a waiver/amendment request is received from the customer.

The net banking income of the Corporate Banking segment totalled Euro 52.5 million as at 30 June 2018, compared to Euro 59.7 million as at 30 June 2017, excluding commercial lending business unit, which has been reclassified in Trade Receivable business segment starting from 2018.

Income Statement Data <i>(in thousands of Euro except for percentages)</i>	30.06.2018	30.06.2017	Change	
			Absolute	%
Net interest income	39,593	53,723	(14,130)	(26.3)%
Net commission income	4,260	3,703	557	15.0%
Other components of net banking income	8,608	2,245	6,363	283.4%
Net banking income	52,461	59,671	(7,210)	(12.1)%
Net credit risk losses/reversals	(5,278)	26,777	(32,055)	(119.7)%

Net profit (loss) from financial activities	47,183	86,448	(39,265)	(45.4)%
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Please note that in 2018 this segment doesn't include medium/long-term financing, as well as, for the sake of consistency, the results for the first half of 2017, as explained below in "Trade Receivable" section.

- **Leasing**

This Business Unit offers a range of leasing and rental solutions to small businesses and SMEs.

The following are its main operational processes:

Origination and underwriting process: The origination channel is based on a web platform, through which agents, vendors, dealers, credit institutions can upload applications and receive approvals on line. The access to the tool is regulated by an agreement between our company and the counterpart.

All applications are delivered to the automated scoring and decision system that, on the basis of the information retrieved from external databases, checks customer exposure and payment behaviour, performs anti-money laundering and know-your-customer screenings and assigns a credit score. At the end of this process the automated decision system recommends the approval or rejection of the relevant application or, where necessary, assigns it for further processing and underwriting through non-automated decision systems.

Lending authority has been delegated by the Issuer's Board of Directors to the Investment Committee or other internal departments, in each case within specific limits based on a grid with a combination of client category, deal amount, customer exposure, and customer credit rating.

Monitoring and collection process: Credit exposures are monitored by identifying missing payments. Depending on the number of missed payments, the Group may opt for any of the following procedures:

- phone reminders;
- door to door reminders;
- appointment of external collection agencies;
- appointment of external law firms

In the event of at least 5 missed payments, under the general terms and conditions of the Group's lease contracts, leasing transactions may be terminated and the asset repossession and remarketing process is started.

The results as at 30 June 2018 and as at 30 June 2017 for the Leasing segment are as follows:

Income Statement Data <i>(in thousands of Euro except for percentages)</i>	30.06.2018	30.06.2017	Change	
			Absolute	%
Net interest income	19,159	18,313	846	4.6%
Net commission income	7,009	6,147	862	14.0%
Other components of net banking income	-	(5)	5	(100.0)%
Net banking income	26,168	24,455	1,713	7.0%
Net credit risk losses/reversals	(4,952)	(2,102)	(2,850)	135.6%
Net profit (loss) from financial activities	21,216	22,353	(1,137)	(5.1)%

Please note that the 2017 results for this segment have been reclassified excluding the mortgage portfolio transferred to the Governance and Services segment starting from 2018.

- **Tax Receivables**

Tax Receivables is the business segment specialised in purchasing tax receivables arising from insolvency proceedings; in the case of insolvency proceedings, the insolvent debtor may have tax credits that can be cashed in over a long-term horizon. In these cases the official receiver may decide to speed up the process by selling the tax receivables. Under the Tax Receivables business segment, the Group offers to buy both accrued and accruing tax receivables on which repayment has already been requested or which will be requested in the future, and that have arisen during insolvency proceedings or in prior years. As a complement to its core business, this segment seldom also acquires trade receivables from insolvency proceedings.

The Group purchases tax receivables without recourse usually at a discount to nominal value, to take into account the length of the collection process. The focus of Banca IFIS's employees in the segment is to be in touch with the bankruptcy courts in order to identify possible sources of new products and assist the parties involved in proceedings with operational aspects and preparing documentation.

Net banking income is generated by the interest accrued according to the amortised cost method and funding costs allocated to the business segment.

The nominal amount of receivables purchased under the Tax Receivables business segment outstanding as of 30 June 2018 was equal to Euro 36 million (Euro 41 million in the first six months of 2017) and the net loans amounted to Euro 137.7 million (up 5.5 per cent compared to 1 January 2018).

The results for the six months ended 30 June 2018 and 30 June 2017 for the Tax Receivables business segment are as follows:

Income Statement Data <i>(in thousands of Euro except for percentages)</i>	30.06.2018	30.06.2017	Change	
			Absolute	%
Net interest income	6,138	8,802	(2,664)	(30.3)%
Net commission income	(2)	(8)	6	(75.0)%
Net banking income	6,136	8,794	(2,658)	(30.2)%
Net credit risk losses/reversals	(121)	(146)	25	(17.1)%
Net profit (loss) from financial activities	6,015	8,648	(2,633)	(30.4)%

The Governance and Services segment manages the Group's financial resources and allocates funding costs to operating segments through the Group's internal transfer rate system. Its costs include overhead and other items which are not specifically assigned to the other business segments.

NPL

NPL segment is the Group's business segment dedicated to managing mainly unsecured distressed retail loans

The operations of the NPL segment are focused on the recovery and collection of non-performing credit exposures.

The Bank manages its portfolio of acquired NPLs through non-judicial and judicial procedures.

As for the NPL portfolio managed through non-judicial procedures, the Group assesses its credit exposure using a model based on a simulation of cash flows that projects the "breakdown" of the nominal amount of the receivable "over time" based on the historical recovery profile for similar clusters of NPLs. As for the credit exposures with bills of exchange or settlement plans agreed with the debtor, the Bank uses a "deterministic" model based on the measurement of the future instalments of the settlement plan, net of the historical default rate.

The model is regularly subjected to update and, as part of the most recent review, the Group fine-tuned the historical collection statistics as well as a number of clusters. At 31 March 2018 the update resulted in a positive impact of Euro 1.7 million and Euro 1.5 million for the two non-judicial categories, respectively

Judicial procedures consist in collecting debts through enforcement actions aimed at securing a court order for the garnishment of one fifth of pension benefits or wages. The cash flows from judicial procedures are not simulated using the model applied to non-judicial procedures, as these are assessed individually.

During 2017, borrowers settled their debt using mainly the following methods:

- in cash (postal orders, bank transfers, etc.);
- by signing bills of exchange;
- settlement plans agreed with the debtors.

The Bank purchased Euro 10.5 million in receivables during the first six months of 2018, down from the prior-year period 2017 but this was in line with the decline in the number of transactions on the market. The Italian market is increasingly dominated by the so-called jumbo deals as well as the preparations by banks for "GACS-

compliant” (GACS is a state-guarantee scheme for NPL-backed securities) transactions for certain asset classes, which would allow to dispose of greater amounts of non-performing exposures, before the scheme expires in September 2018. In July 2018, the Group bought portfolios of non-performing loans with a par value of approximately Euro 600 million. These were purchased mainly on the primary market and are largely unsecured.

As at 30 June 2018 the portfolio managed by the NPL segment included 1.49 million positions (1.51 at the end of 2017) for a par value of Euro 12.9 billion (Euro 13.1 billion at the end of 2017).

The 2017 and 2018 results for the NPL business segment are as follows:

Income Statement Data <i>(in thousands of Euro except for percentages)</i>	30.06.2018	30.06.2017	Change	
			Absolute	%
Interest income from amortised cost	45,785	27,096	18,689	69.0%
Other interest income	76,821	44,179	32,642	73.9%
Funding costs	(4,998)	(8,642)	3,643	(42.2)%
Net interest income	117,608	62,633	54,975	87.8%
Net commission income	(276)	(1,301)	1,025	(78.8)%
Gain on sale of receivables	1,958	17,625	(15,667)	(88.9)%
Net banking income	119,290	78,957	40,333	51.1%
Net profit (loss) from financial activities	119,290	78,957	40,333	51.1%

Net impairment losses on receivables of the NPL segment were reclassified to interest receivable and similar income to present more fairly this particular business and because they represent an integral part of the return on the investment.

Governance & Services

The segment comprises, among other things, the resources required for the performance of the services of the Audit, Administration-Accounting, Planning, Organisation, ICT, Marketing and Communication, and HR functions, as well as the structures responsible for raising, managing and allocating financial resources to the operating segments. It includes also the Bank’s growing business with individuals—and specifically the operations of the subsidiary Cap.Ital.Fin., which recently joined the Group and extends salary- or pension-backed loans, as well as portfolios of personal loans previously allocated to the Leasing segment.

As at 30 June 2018, total net loans in the sector amounted to Euro 259.3 million (+ 85.2 per cent. compared to 1 January 2018).

Income Statement Data <i>(in thousands of Euro except for percentages)</i>	30.06.2018	30.06.2017	Change	
			Absolute	%
Net interest income	(3,705)	6,410	(10,114)	(157.8)%
Net commission income	(738)	(1,314)	576	(43.8)%
Other components of net banking income	(1,802)	(2,557)	755	(29.5)%
Net banking income	(6,245)	2,539	(8,784)	(346.0)%
Net impairment losses/reversals	(1,070)	599	(1,668)	(278.6)%
Net profit (loss) from financial activities	(7,315)	3,138	(10,452)	(333.1)%

Acquisition of Interbanca

On 30 November 2016 the Issuer acquired the control of the Interbanca Group, previously owned by GE Capital International Holdings Limited (“GE”). The transaction was structured as the acquisition of the controlling share and involved the following legal entities:

- GE Capital Interbanca S.p.A. (which, as of the date of this Base Prospectus, has been merged into the Issuer), the parent company of the Interbanca Group, operating in the corporate lending business;
- GE Capital Servizi Finanziari S.p.A. (which, as of the date of this Base Prospectus, has been merged into the Issuer) which operates in the financial lease business;

- GE Capital Finance S.r.l. (which, as of the date of this Base Prospectus, has been merged into the Issuer) which operates in the factoring business;
- GE Capital Services S.r.l. (currently IFIS Rental Services S.r.l.) which is active in the operating lease business.

Through the acquisition of the Interbanca Group, Banca IFIS is continuing along the path of overall growth for each of Banca IFIS core businesses, combining an increased focus on the foundations of its consolidated development in the SME segment with a selected and a planned extension of market positioning to be achieved by refocusing some business units of the Interbanca Group (namely lending). The main drivers of the Acquisition were as follows:

- stabilisation of Banca IFIS's presence in its reference market, with the goal of achieving a key role in financing Italian SMEs' working capital and expanding its activities in sectors that are close to those that have been its historical focus (i.e. factoring) by providing medium to long-term financing;
- expansion of the product range offered to customers, with the joint objectives of developing new products and retaining the existing customer base;
- cross-selling opportunities between the different customer bases, leveraging the complementary level of services provided;
- selective commercial re-launch of the Interbanca Group activities (with specific reference to lending), focusing its efforts towards smaller counterparties (so as to optimise the risk / return ratio) and in niche market sectors, such as businesses exiting from restructuring phases;
- streamlining and increasing efficiency of the Interbanca Group operating model; and
- optimisation of non-performing portfolio management activities in the lending segment, characterised by corporate NPL positions, in order to create the prerequisite operating conditions for defining industrialised recovery processes, leveraging on the expertise gained in the DRL business.

The above strategic guidelines have been deployed starting from the end of 2016 allowing for effective coordination and organisation of activities across the Group. An articulated framework of policies and monitoring tools has been introduced among the Issuer's functions and bodies and the companies of the Group implementing appropriate management and coordination arrangements between the Issuer and the corresponding active organisational units of its subsidiaries. Information and reporting workflows have been also defined enabling the organisational units of the Issuer to maintain a strong monitoring of the operations of Group companies, both in terms of supervising the correct application of Group policies and guidelines, as well as of operational risks.

In this context, Banca IFIS is pursuing a path of progressive corporate streamlining which the Issuer expects will result in strengthening of the Issuer's capital, costs savings, increased operational efficiency and simplification of the Group's internal audit and control system. This process is expected to be completed by no later than 2018, without prejudice to the necessary authorisations and the statutory timelines applicable to mergers provided for under Italian laws and regulations. This Group structure simplification, to be carried out through extraordinary corporate transactions such as mergers into the Issuer, has involved firstly IFIS Factoring (which has been merged in the Issuer as of 1 August 2017), secondly Interbanca (which has been merged in the Issuer as of 23 October 2017) and at the later stage the Leasing business (which has been merged in the Issuer as of 28 May 2018). These steps are part of a wider strategic plan to reorganise the overall Group corporate structure and the individual organisational units within the Group.

The integration process between Banca IFIS and Interbanca Group has started since the Acquisition closing date, a dedicated "Integration Plan" has been prepared and implemented. It identifies responsibilities and activities assigned to specific individuals, a governance structure, and a detailed timeline scenario. A significant part of the integration process is related to the IT systems & processes decommissioning from GE to Banca IFIS's target IT architecture; this program has been completed through the merger of Interbanca in Banca IFIS (which has been merged in the Issuer as of 23 October 2017).

The cost of the acquisition of the Interbanca Group was provisionally estimated at Euro 119.2 million (net of additional adjustments to the price initially paid of Euro 160 million).

Following the acquisition, in accordance with IAS/IFRS, Banca IFIS conducted a Purchase Price Allocation (PPA), which consists of allocating the cost of the business combination, recognising the assets acquired, liabilities assumed, and contingent liabilities at their fair values at the Acquisition date.

The purchase price allocation process revealed a negative difference between the purchase price and the fair value of the identifiable assets acquired, liabilities assumed and contingent liabilities net of taxes. This difference represents a gain on bargain purchase. The gain on bargain purchase identified as part of the above allocation process amounted to Euro 623.6 million and was recognised in profit or loss under “other operating income” in the Group’s financial statements as of and for the year ended 31 December 2016.

In July 2017, the Group and GE reached an agreement on the final price adjustment, bringing the acquisition cost to Euro 109.4 million.

The impact of this price adjustment was applied retrospectively to the reporting period ended 31 December 2016. Therefore, at 1 January 2017 the statement of financial position and equity were restated, adding 9.8 million Euro to item 160 “Other assets” as well as Equity because of the increase in the profit for the year. This restatement had a corresponding effect on profit or loss at 31 December 2017, causing an equal increase in line item 220 Other operating income/expenses and, therefore, the profit for the year.

Funding

Total funding, which amounted to Euro 7,819.0 million as at 30 June 2018, up 1.2 per cent. compared to 1 January 2018, is broken down into 61.9 per cent. for payables due to customers (compared to 68.5 per cent. 1 January 2018), 11.3 per cent. for payables due to banks (compared to 10.3 per cent. at 1 January 2018), and 26.8 per cent. for outstanding securities (compared to 21.2 per cent at 1 January 2018).

Payables due to customers at 30 June 2018 totalled Euro 4,840.9 million (-8.5 per cent. compared t1 January 2018). This was essentially because retail funding declined by 9.6 per cent. from 1 January 2018 to 4,475.7 million Euro. Payables due to banks, totalling Euro 882.3 million (compared to Euro 792.0 million 1 January 2018), up 11.4% essentially because of the increase in term deposits at other banks: these amounted to Euro 185.5 million, compared to Euro 92.4 million at 1 January 2018 (+100.7%). Debt securities issued amounted to Euro 2,095.8 million. The item included Euro 1,000 million (Euro 850 million at 1 January 2018) in notes issued by the special purpose vehicles as part of the securitisations launched at the end of 2016. The item also included the two senior bonds, each one for a nominal amount of Euro 300 million, issued by Banca IFIS in 2017 and in the first half of 2018, as well as the Tier 2 bond for a nominal amount of Euro 400 million, issued in the second half of 2017. The rest of debt securities issued at 30 June 2018 included Euro 87.9 million in bond loans and Euro 0.5 million in certificates of deposits issued by the merged entity Interbanca S.p.A.

The table below shows the types of financing drawn by the Issuer as of 30 June 2018 and 1 January 2018.

Funding <i>(in thousands of Euro except for percentages)</i>	30.06.2018	1.01.2018	Change	
			Absolute	%
Due to customers:	4,840,864	5,293,188	(452,324)	(8.5)%
<i>Rendimax and Contomax</i>	4,475,744	4,948,386	(472,642)	(9.6)%
<i>Other term deposits</i>	170,519	104,675	65,844	62.9%
<i>Other payables</i>	194,601	240,127	(45,526)	(19.0)%
Due to banks:	882,324	791,977	90,347	11.4%
<i>Eurosystem</i>	696,869	699,585	(2,716)	(0.4)%
<i>Other payables</i>	185,455	92,392	93,063	100.7%
Debt securities issued	2,095,844	1,639,994	455,850	27.8%
Total Funding	7,819,032	7,725,159	93,873	1.2%

Asset Quality

In accordance with Bank of Italy requirements, the Group performs impairment testing on its receivables portfolio and classify receivables as either “performing” or “impaired”. Receivables with a risk of loss are

classified as impaired, while all other receivables are classified as performing (including receivables that, although past due, show no objective indication of impairment based on internal, historical or statistical information).

Impaired assets are divided into the following categories: (i) past due exposures; (ii) unlikely to pay; and (iii) non-performing exposures. The definitions of these categories are provided by the Bank of Italy and are as follows:

- (i) *Past due exposures.* Receivables are defined as “past due” when they have not been paid for more than 90 days and the payor shows some objective indication of impairment (either individually or collectively). All receivables with central administrations and central banks, public sector entities and territorial entities will be considered past due when the payor has not made any payments for any receivables owed to the Group for more than 90 days.
- (ii) *Unlikely to pay.* Receivables are defined as “unlikely to pay” when the payor is assessed as unlikely to repay his credit obligation in full. The classification within the “unlikely to pay” category is not necessarily related to the explicit presence of anomalies, but rather it is linked to the presence of evidence of a debtor’s risk of default. The “unlikely to pay” category combines two categories previously provided for by the Bank of Italy, namely watchlist loans and restructured loans.
- (iii) *Non-performing exposures (or Bad Loans).* Receivables are defined as “non-performing” when the payor is effectively insolvent (although not yet legally insolvent) or in a similarly distressed situation, regardless of any provisions for loss set aside by the Issuer.

Distressed retail loans, due to their nature, are classified as either unlikely to pay or bad loans according to the criteria established in Circular 272/2008, which sets out the rules for reporting on supervisory, statistical, and financial matters as well as prudential capital ratios, and Circular 139/1991, relating to the Central Credit Register. In particular, those loans maintain the same classification as that assigned by the invoice seller, provided the latter is subject to the same law as Banca IFIS: otherwise, if the Bank has not ascertained the debtor’s state of insolvency, those loans are classified as unlikely to pay.

Non-performing exposures included in the trade receivables sector are measured in accordance with the following criteria:

Bad loans are evaluated individually, and the total amount of the impairment loss on each loan is equal to the difference between the carrying amount at measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the effective interest method at the moment in which the loan went bad. Expected cash flows are calculated taking into account expected recovery times based on historical elements and other significant characteristics, as well as the estimated realisable value of guarantees, if any.

Each subsequent change in the amount or maturities of expected cash flows causing a negative change from the initial estimates results in the recognition of an impairment loss in the income statement.

If the quality of a non-performing exposure improves and there is reasonable certainty of a timely recovery of both principal and interest, in keeping with the relevant initial terms and conditions, the impairment loss is reversed through the income statement to a value not higher than the amortised cost that would have been incurred if no impairment loss had been recognised.

Outstanding gross loans below Euro 100,000 as well as those above Euro 100,000 which became bad loans in the 10 year period prior to the reporting date are written down to zero.

Unlikely to pay loans amounting to more than Euro 100,000 are evaluated individually; the write-down to each loan is equal to the difference between the amount recognised in the balance sheet at the time of recognition (amortised cost) and the current value of expected future cash flows, calculated using the original effective interest rate or, in case of indexed rates, the last contractually applied rate. If the individual evaluation does not indicate any impairment, they are collectively tested for impairment.

Unlikely to pay loans amounting to less than Euro 100,000 are collectively tested for impairment.

Non-performing past due exposures, as defined by the Bank of Italy, are collectively tested for impairment. Such measurement applies to categories of loans with a homogeneous credit risk. The relevant losses are

estimated as a percentage of the original loan amount by taking into account historical time series based on observable market data existing at the time of measurement and allowing to calculate the latent losses for each category.

Performing loans are collectively tested for impairment. Such measurement applies to categories of loans with a homogeneous credit risk. The relevant losses are estimated as a percentage of the original loan amount by taking into account historical time series based on observable market data existing at the time of measurement and allowing to calculate the latent losses for each category.

Non-performing exposures included in the NPL segment are recognised and assessed through the following steps:

1. at the time of purchase, receivables are recognised by allocating the portfolio's purchase price among the individual receivables it consists of through the following steps:
 - recognition of the individual receivables at a value equal to the contract price, which is used for the purposes of reporting to the Central Credit Register;
 - after verifying the documentation, if provided in the contract, the Bank returns the loans lacking documentation or beyond the statute of limitations to the seller, and measures the fair value of receivables which actually exist and can be collected; finally, after sending a notice of assignment to the debtor, the Bank can start collection actions on the receivable;
2. once the collection process begins, receivables are measured at amortised cost using the effective interest rate method;
3. the effective interest rate is calculated on the basis of the price paid, the transaction costs, if any, and the estimated cash flows and collection time calculated using either a proprietary model (see item 5 below), or analytical estimates made by managers;
4. the effective interest rate as set out in the previous point is unchanged over time;
5. the proprietary model estimates cash flows by projecting the "breakdown" of the nominal amount of the receivable "over time" based on the historical recovery profile for similar clusters. In addition, for the positions with funding characteristics, the Bank uses a "deterministic" model based on the measurement of the future instalments of the settlement plan, net of the historical default rate;
6. at the end of each reporting period, interest income accrued on the basis of the original effective interest rate is recognised under Interest Income. The interest is calculated as follows: Amortised Cost at the beginning of the period x IRR/365 x days in the period;
7. in addition, at the end of each reporting period, the expected cash flows for each position are re-estimated;
8. should events occur (higher or lower revenues realised or expected compared to forecasts and/or a change in collection times) which cause a change in the amortised cost (calculated by discounting the new cash flows at the original effective rate compared to the amortised cost in the period), this change is also recognised under Interest Income;
9. in case of impairment events, the changes in the amortised cost (calculated by discounting the new cash flows at the original effective interest rate compared to the period's amortised cost) are recognised under item 130 Net impairment losses/reversals on receivables; if an impairment loss had already been recognised, reversals can be recognised up to the amount of said impairment loss, recognising the surplus under Interest Income.

Tax Receivables are classified under performing loans, since they are due from the Public Administration.

Non-performing exposures included in the Corporate Banking and Leasing sectors are measured according to the following criteria:

Non-performing loans are individually evaluated, and the total amount of the impairment loss on each loan is equal to the difference between the carrying amount at measurement (amortised cost) and the present value of expected future cash flows, calculated by applying the original effective interest rate. Expected cash flows are calculated taking into account the expected recovery times, the estimated realisable value of guarantees, if any, and the costs expected to be incurred to recover the exposure.

The original effective interest rate of each loan does not change over time even if a restructuring involved changing the contractual rate or the loan no longer bears contractual interest in practice. Any impairment loss is recognised in profit or loss. The impairment loss is reversed in the following years to the extent that the reason for the impairment no longer exists, provided this assessment can be related objectively to an event occurring after the impairment was recognised. The reversal is recognised in profit or loss and shall not exceed the amortised cost that the loan would have had if the impairment had not been recognised.

The restructuring of non-performing exposures by converting them in full or in part into shares in the borrowing firms is measured based on the fair value of the shares received in exchange for the receivable, in accordance with IFRIC 19; such shares are measured at fair value using the methods for equity investments based on their classification for accounting purposes.

For other renegotiations, the Bank derecognises the receivable and recognises a new financial asset if the changes in contractual terms are material.

Restructuring procedures concern loans to customers in financial distress for which the renegotiation resulted in a financial loss for the Bank; in this case, the specific write-down is calculated based on the original interest rate.

The loans for which there is no individual objective evidence that an impairment loss has been incurred, i.e. performing loans, including those to counterparties in high-risk countries, are collectively tested for impairment. Such measurement applies to categories of loans with a homogeneous credit risk. The relevant losses are estimated as a percentage of the original loan amount by taking into account historical time series based on observable market data existing at the time of measurement and allowing to calculate the latent losses for each category. Collective impairment losses are recognised in profit or loss.

At each reporting date, any additional impairment losses or reversals are calculated on a differential basis relative to the entire portfolio of performing receivables at the same date.

The table below shows the Enterprises' performing exposures and impaired assets breakdown, as of 30 June 2018 and 1 January 2018.

Non Performing Loans (in thousands of Euro except for percentages)	Enterprises				Enterprise Total
	Trade receivables	Corporate banking	Leasing	Tax receivables	
Bad loans					
Amounts at 30.06.2018	34,540	30,209	3,259	0	68,008
Amounts at 01.01.2018	31,368	28,913	2,592	0	62,873
% Change	10.1%	4.5%	25.7%	n.a.	8.2%
Unlikely to pay					
Amounts at 30.06.2018	73,600	66,320	2,788	955	143,663
Amounts at 01.01.2018	82,037	79,255	1,776	0	163,068
% Change	(10.3)%	(16.3)%	57.0%	n.a.	(11.9)%
Past due loans					
Amounts at 30.06.2018	147,417	439	8,600	15	156,471
Amounts at 01.01.2018	103,865	909	7,212	0	111,986
% Change	41.9%	(51.7)%	19.2%	n.a.	39.7%
Total net non-performing exposures					
Amounts at 30.06.2018	255,557	96,968	14,647	970	368,142
Amounts at 01.01.2018	217,270	109,077	11,580	0	337,927

Non Performing Loans (in thousands of Euro except for percentages)	Enterprises				Enterprise Total
	Trade receivables	Corporate banking	Leasing	Tax receivables	
% Change	17.6%	(11.1)%	26.5%	n.a.	8.9%
Net performing loans to customers					
Amounts at 30.06.2018	3,126,773	654,574	1,313,484	136,730	5,231,561
Amounts at 01.01.2018	3,165,120	569,458	1,259,163	130,571	5,124,312
% Change	(1.2)%	14.9%	4.3%	4.7%	2.1%
Total on-balance-sheet loans to customers					
Amounts at 30.06.2018	3,382,330	751,542	1,328,131	137,700	5,599,703
Amounts at 01.01.2018	3,382,390	678,535	1,270,743	130,571	5,462,239
% Change	0.0%	10.8%	4.5%	5.5%	2.5%

Please note that following the introduction of the category of the so-called POCI – “purchased or originated credit-impaired” financial assets under the new standard IFRS 9, the new write-off policies adopted by the Group, and in accordance with the 5th update to Circular 262 of the Bank of Italy, the presentation of gross non performing exposures and the relevant impairment losses has changed significantly starting from 1 January 2018. In particular, the Enterprises segment comprises receivables that qualify as POCI – Purchased or originated credit-impaired, referring to the non-performing assets that arose mainly from the business combination with the former GE Capital Interbanca Group at the acquisition date, including Euro 93.4 million in gross non-performing exposures and Euro 25.8 million in gross performing exposures (stage 2) at 30 June 2018; these amounts already incorporate the impact of lifetime ECLs, in accordance with the new accounting standard IFRS 9.

The table below show the coverage ratio breakdown, as of 30 June 2018 and 1 January 2018.

Coverage ratio on gross bad loans	Trade receivables	Corporate banking	Leasing	Tax receivables	Enterprises Total
Amounts at 30.06.2018	80.6%	0.0%	82.6%	n.a.	70.1%
Amounts at 01.01.2018	81.1%	0.0%	88.2%	n.a.	71.0%

The table below show the net bad loans / loans to customers ratio breakdown, as of 30 June 2018 and 1 January 2018.

Net bad loans / loans to customers ratio	Trade receivables	Corporate banking	Leasing	Tax receivables	Enterprises Total
Amounts at 30.06.2018	1.0%	4.0%	0.2%	0.0%	1.2%
Amounts at 01.01.2018	0.9%	4.3%	0.2%	0.0%	1.2%

Please note that for the sake of consistency, data regarding 2017 in this “Asset Quality” section have been restated in line with the new segment reporting.

Capital Ratios

The Bank of Italy has adopted risk based capital ratios (“**Capital Ratios**”) pursuant to European Union capital adequacy and solvency regulations and directives. Italy’s current requirements are similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Regulations and Supervisory Practices. The Capital Ratios consist of core (Tier I) and supplemental (Tier II) capital requirements relating to the Issuer’s assets and certain off balance sheet items weighted according to risks (“**Risk Weighted Assets**”).

The table below shows the Group’s Capital Ratios as of 30 June 2018 and 31 December 2017, which exceed the minimum levels prescribed by the Bank of Italy.

As of

	30 June 2018	31 December 2017
	<i>(€ thousands, except percentages)</i>	
Common Equity Tier 1 capital	864,063	859,944
Tier 1 capital	921,471	898,356
Tier 2 capital	278,761	292,741
Own Funds	1,200,232	1,191,097
Risk-weighted assets	7,777,732	7,376,306
Common Equity Tier 1 ratio	11.11%	11.66%
Tier 1 capital ratio	11.85%	12.18%
Total capital ratio	15.43%	16.15%

In addition, in order to, *inter alia*, streamline the Bank's ownership structure and improve its regulatory ratios, 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. The CET1 and Tier1 Capital ratios of the Group excluding La Scogliera S.p.A, as of 31 December 2017 and 30 June 2018, were equal to 15.64% per cent. and 15.13% per cent., respectively; the Total Capital ratio was equal to 21.07% per cent. and 20.28% per cent., respectively.

Impact of first-time adoption of IFRS 9

Below is the impact of the first-time adoption of IFRS 9, distinguishing between the impact of the new impairment requirements and that of the measurement of financial assets following the SPPI test as well as the identification of the business model. These impacts, which concern both the amount and composition of equity, mainly derive from the following:

- the requirement to restate impairment losses on financial assets (both performing and nonperforming) using the “expected credit loss” model instead of the existing “incurred credit loss” model. Specifically, as far as performing exposures are concerned, the increase/decrease in impairment losses is attributable to:
 - the classification of part of the portfolio within Stage 2, requiring a “lifetime” credit loss;
 - the recognition of impairment losses also on portfolios previously not subject to impairment (receivables due from banks, government bonds, guarantees received);
 - - the alignment of calculation methods at the Group level;
- the need to reclassify some financial assets based on the combined result of the two classification drivers laid down in the standard: the business model for managing these instruments, and the relevant contractual cash flow characteristics (SPPI test).

The above resulted in a positive impact totalling approximately Euro 2.9 million Euro before taxes on the Banca IFIS Group's consolidated equity.

Below is the impact of the transition to IFRS 9 based on the consolidated statement of financial position at 31 December 2017, restating it in accordance to the 5th update to Circular 262: “Banks' financial statements: layouts and preparation” of the Bank of Italy.¹¹

	Assets (in thousands of Euro) Circular 262/2005 5th Update	31.12.2017 Restated	Impact of IFRS9		01.01.2018
			Measurement	Impairment	
10	Cash and cash equivalents	50	-	-	50
20	Financial assets at fair value through profit or loss	94,421	-	-	94,421
a)	Financial assets held for trading	35,614	-	-	35,614
b)	Financial assets designated as at fair value	-	-	-	-

¹¹ For details about the reconciliation of assets and liabilities in the Consolidated Financial Statements at 31 December 2017 to the line items introduced by the 5th update to Circular 262: “Banks' financial statements: layouts and preparation” of the Bank of Italy please refer to the section *Accounting Policies - Impact of the first-time adoption of the IFRS 9*” (pp. 61-68) of the “Consolidated Half Year Report at 30 June 2018”

c) Other financial assets mandatorily measured at fair value	58,807	(49)	-	58,758
30 Financial assets at fair value through other comprehensive income	442,576	-	(503)	442,073
40 Financial assets measured at amortised cost	8,153,319	-	8,147	8,161,417
a) Due from banks	1,760,752	-	(972)	1,759,780
b) Loans to customers	6,392,567	-	9,119	6,401,686
90 Property, plant and equipment	127,881	-	-	127,881
100 Intangible assets	24,483	-	-	24,483
110 Tax assets:	438,623	16	1,333	439,972
130 Other assets	272,977	-	-	272,977
Total assets	9,554,330	(33)	8,977	9,563,274

	31.12.2017 Restated	Impact of IFRS9		01.01.2018
		Measurement	Impairment	
Liabilities (in thousands of Euro) Circular 262/2005 5th Update				
10 Financial liabilities measured at amortised cost.	7,725,159	-	-	7,725,159
a) Due to banks	791,977	-	-	791,977
b) Due to customers	5,293,188	-	-	5,293,188
c) Debt securities issued	1,639,994	-	-	1,639,994
20 Financial liabilities held for trading	38,171	-	-	38,171
60 Tax liabilities:	40,076	-	3,049	43,125
80 Other liabilities	352,999	-	-	352,999
90 Post-employment benefits	7,550	-	-	7,550
100 Provisions for risks and charges	21,656	-	2,954	24,610
a) commitments and guarantees granted	590	-	2,954	3,544
b) pensions and similar obligations	-	-	-	-
c) other provisions for risks and charges	21,066	-	-	21,066
120 Valuation reserves	(2,710)	(7)	-	(2,717)
150 Reserves	1,038,155	(26)	2,974	1,041,103
160 Share premiums	101,864	-	-	101,864
170 Share capital	53,811	-	-	53,811
180 Treasury shares (-)	(3,168)	-	-	(3,168)
200 Profit (loss) for the period (+/-)	180,767	-	-	180,767
Total liabilities and equity	9,554,330	(33)	8,977	9,563,274

Markets ¹²

In 2017, the Group generated 99.52 per cent. of its operating income in Italy, while the remaining 0.48 per cent. has been generated by its operations abroad, mainly in Poland. The following is a brief description of the markets in which the Group operates in Italy:

Small and Medium Enterprises: SMEs are typically adequately diversified by size and geography. The creditworthiness of this type of businesses is related to their revenues and despite the modest economic recovery, over 50 per cent. of SMEs are considered creditworthy, showing also shorter payment times.

¹² Figures in this section are based on Issuer's internal elaborations, as included in the Directors' Report accompanying the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2017.

Factoring: Factoring turnover accounts for over 13.88 per cent. of GDP; in 2017, the product’s growth rate has gradually increased compared to 2016, as volumes continued rising in the fourth quarter of the year, and the trend is expected to continue into 2018.

Leasing: In 2017, there was an acceleration in growth trends that began in 2014, especially concerning light commercial and industrial vehicles. Leasing is forecast to continue growing in 2018, as businesses keep on upgrading their equipment; and also because of government-backed incentive schemes for SMEs, which account for 15.3 per cent. of leasing volumes ((Nuova Sabatini and Tecno Sabatini).

Structured Finance: Activity in the Italian M&A market remained brisk in 2017, with 733 deals totalling Euro 41 billion. The financial sector over performed with 70 deals and Euro 14.6 billion, followed by Support Services & Infrastructures (SS&I) with 100 deals and Euro 7.5 billion. As for leveraged finance, in 2017 private equity funds made at least 87 investments in either Italian companies, directly or through firms in their portfolio, or businesses based abroad through Italian firms. All this resulted in an aggregate consideration of more than Euro 2.8 billion. Most deals referred to SMEs.

Short-term financing: short-term lending to businesses and professionals has declined and was concentrated in current account overdraft facilities.

Pharma and Pharmacies: In the pharmaceutical industry, the payment of arrears owed by the Italian National Health Service to its suppliers is a critical issue for Italy’s public finances. At December 2016, there was more than Euro 20.6 billion in outstanding debt, concentrated mainly in Lazio, Campania and Lombardy. As for pharmacies, their number is expected to rise as a result of the “Grow Italy” decree. Prescription drugs account for 60 per cent. of pharmacies’ turnover, while the remaining 40 per cent. is represented by over-the-counter products; parapharmaceuticals; cosmetics and personal care products; and dietary supplements.

Non-Performing Loans: at the end of 2017 NPLs referring to non-financial corporations Euro 117 billion but were down -18 per cent vs 2016 and NPLs to producer households are slightly below Euro 14 billion (-14 per cent vs 2016). NPLs have been rising as a proportion of loans, and are especially prevalent in the retail segment. As for the legal framework, the Italian government introduced a guarantee scheme for bad loan securitisations and reformed the NPL resolution process.

Tax Receivables: In 2017, 12 thousand companies filed for bankruptcy. Insolvency proceedings are still at historically high levels, but were down 6 per cent. from the prior-year period—when they had declined 23 per cent. compared to the first nine months of 2014.

Funding: the trend in household and corporate deposits remains positive. Households are especially interested in time deposits, while businesses are increasingly setting aside funds for investments.

Employees

The table below sets forth the average number of employees of the Issuer for the years ended 31 December 2017 and 31 December 2016.

Employees	31.12.2017	31.12.2016
Employees:	1,396.50	1,023.50
(a) senior managers	59	43.5
(b) middle managers	421.5	275
(c) remaining personnel	916	705
Other personnel	-	-

At 31 December 2017, the Group had 1,470 employees (1,577 at 30 June 2018).

Legal Proceedings

Please see “*Documents Incorporated by Reference*” above and refer to the unaudited consolidated interim financial statements of the Issuer as of and for the six months ended 30 June 2018 which is incorporated by reference herein, and in particular “*Notes to the Consolidated Half Yearly Report at 30 June 2018 – Group equity and income situation - Provisions for risks and charges*”.

Corporate Governance

The organisational documents of the Issuer conform to the provisions contained in the Italian Civil Code and other special regulations regarding banking entities.

The Issuer applies the traditional model of administration and control, believing it to be the most suitable way to ensure efficient management and effective controls.

For Banca IFIS, the traditional model of administration and control has allowed it to achieve value creation for shareholders, the strengthening of capital and financial balance. The Issuer believes that the presence of minority shareholders within the corporate boards, thanks to the slate vote mechanism included in the Articles of Association, the growing capacity to provide financial support for SMEs and to bring insolvent individuals back into the fold of solvent debtors and potential borrowers of new credit, as well as the steady growth in the number of employees complement the Group's ability to meet the expectations of its stakeholders.

Ultimately, the Issuer believes that the traditional model appears to be the most suitable to promote the development of the Group, as it places the skills relating to strategic supervision, management and control within a structure that has so far proved effective and efficient, facilitating clear definition of responsibilities, a streamlined decision-making process and an effective dialogue between the bodies themselves.

In the model applied by Banca IFIS:

- strategic supervision is performed by the Board of Directors;
- the management function has been assigned to the chief executive officer. The General Manager also performs management functions;
- internal control is performed by the Board of Statutory Auditors.

Pursuant to Legislative Decree No. 231 of 8 June 2001, as amended ("**Decree 231**", which provides for the direct liability of legal entities, companies and associations for certain crimes committed by their representatives and encourages companies to adopt corporate governance structures and risk prevention systems to stop managers, executives, employees and external collaborators from committing crimes), the Board of Directors appoints an independent supervisory board ("**Organismo di Vigilanza**") charged with the task of (i) monitoring compliance with Decree 231 and (ii) proposing necessary updates to the organisational model of the Issuer. In order to supervise the actions of top management adequately, the *Organismo di Vigilanza* must remain fully autonomous.

The following Committees existed within the Board of Directors:

- the Risk Management and Internal Control Committee, consisting of four Non-Executive and independent Directors;
- the Appointments Committee, consisting of three Non-Executive Directors, two of whom are independent, with an independent President;
- the Remuneration Committee, consisting of three Non-Executive Directors, two of which are independent, with an independent President.

Board of Directors

As per the Company's statutes (the "**Articles of Association**"), the Board of Directors is composed of a minimum of five up to a maximum of fifteen members, elected by the Shareholders' Meeting. They remain in office for a maximum of three years, established at the moment of election and expiring on the date of the Shareholders' Meeting called to approve the annual financial statements for their last year of office.

Pursuant to the Consolidated Banking Law, the members of the Board of Directors are required to abide by specific professional, ethical and independency requirements.

The following table sets forth the names, positions and principal activities of the current members of the Board of Directors.

The current Board of Directors was elected at the shareholders' meeting of 22 March 2016 for the years 2016, 2017 and 2018 and will expire on the date in which the shareholders' meeting called to approve the Annual financial statements for the year 2018 takes place.

Name	Position	Principal Activities Outside the Issuer
Sebastien Egon Fürstenberg	Chairman	Chairman of La Scogliera S.p.A.
Giovanni Bossi	Chief Executive Officer	Chief Executive Officer of IFIS NPL S.p.A., Director of Cap.Itali.Fin S.p.A.
Alessandro Csillaghy De Pacser	Deputy Chairman	Chairman of IFIS Finance Sp. z o.o.
Giuseppe Benini	Director	Director of IFIS NPL S.p.A and Credifarma S.p.A., Certified Public Accountant
Francesca Maderna	Director	Certified Public Accountant
Antonella Malinconico	Director	Director of IFIS NPL S.p.A., Professor of Banking and Finance at the University of Sannio
Riccardo Preve	Director	Entrepreneur
Marina Salamon	Director	Deputy Chairman of Illy Caffè S.p.A. and Director of Morellato S.p.A.
Daniele Santosuosso	Director	Director of Lottomatica S.p.A. and Sintesi S.p.A., Professor of Commercial Law at the University La Sapienza, in Rome and Funder and Director of "Rivista di Diritto Societario"

The business address of each of the members of the Board of Directors is Via Terraglio 63, Mestre, 30174 Venice, Italy.

Board of Statutory Auditors

Each member of the Board of Statutory Auditors is appointed by the shareholders and the board is composed of three regular auditors, one of whom is appointed as chairman, and two alternate auditors. Members of the Board of Statutory Auditors are elected by the shareholders for a term of three years until the date of the shareholders' meeting called for the approval of the financial statements relating to the third year of such appointment.

The Board of Statutory Auditors is part of the internal control system and its activities are carried out in compliance with the relevant regulatory requirements, including those set out by the Bank of Italy.

The Board of Statutory Auditors supervises:

- compliance with the law and the Articles of Association;
- observance of the principles of proper administration;
- the appropriateness of the organisational, administrative and accounting structure adopted by the Company and its concrete functioning;
- adequacy and functionality of the Issuer's internal audit system;
- exercise of management and coordination by the Bank;
- other records and actions specified by the law.

The Board of Statutory Auditors ascertains, in particular, the adequate coordination of all the functions and structures involved in the Internal Audit System, including the Independent Auditors in charge of the audit, promoting, if necessary, the appropriate corrective measures.

The Board of Statutory Auditors informs the Board of Directors of any failings and irregularities it has found, asks for the adoption of appropriate corrective measures and verifies their effectiveness over time.

The following table sets forth the names, positions and principal activities of the current members of the Board of Statutory Auditors, all of whose appointments expire at the annual shareholders' meeting which is called for the approval of the Issuer's annual financial statements as of and for the year ending 31 December 2018:

Name	Position	Principal Activities Outside the Issuer
Giacomo Bugna	Chairman	President of the Board of Statutory Auditors of IFIS Rental Services s.r.l., IFIS NPL S.p.A. and Cap.Ital.Fin. S.p.A.
Giovanna Ciriotto	Statutory Auditor	Statutory Auditor of IFIS Rental Services s.r.l. and IFIS NPL S.p.A.
Massimo Miani	Statutory Auditor	Statutory Auditor of IFIS NPL S.p.A. and President of the National Council of Certified Public Accountants
Guido Gasparini Berlingieri	Alternate Auditor	-
Valentina Martina	Alternate Auditor	-

In accordance with Italian law, members of the Board of Statutory Auditors are registered members of the registry of certified public accountants (*Revisori Legali*) held by the Italian Ministry of Economy and Finance.

The business address of the members of the Board of Statutory Auditors is Via Terraglio 63, Mestre, 30174 Venice, Italy.

Conflicts of Interest

As of the date of this Base Prospectus, there is no actual or potential conflict of interest between the duties of any of the members of the Board of Directors or Board of Statutory Auditors of the Issuer and their respective private interests or other duties.

Independent Auditors

On 17 April 2014, the Shareholders' Meeting of the Issuer appointed EY S.p.A. as independent auditors of the Issuer for the nine-year period 2014-2022 (the "**Independent Auditors**").

EY S.p.A. is a member of ASSIREVI, the Italian association of auditing firms.

EY S.p.A. is authorised and regulated by the Italian ministry of Economy and Finance ("**MEF**") and registered on the special register of auditing firms held by the MEF.

The registered office of EY S.p.A. is at Via Po 32, Rome, 00198, Italy.

Recent Developments

On 3 August 2018, the Board of Directors of the Issuer approved the unaudited consolidated half yearly report of the Issuer as of and for the six months ended 30 June 2018.

At 30 June 2018, the Group Net banking income¹³ for the period totalled Euro 278.1 million, up 9.8 per cent. from Euro 253.2 million at 30 June 2017 with a consolidated CET1 and Total Own Funds Ratios of the Group alone (excluding the effect of the consolidation of the parent company La Scogliera S.p.A.¹⁴) amounted respectively to 15.13 per cent. and 20.28 per cent. as at 30 June 2018, compared to 15.64 per cent. and 21.07 per cent. at the end of 2017. At 30 June 2018, the Group net profit for the period totalled Euro 66.2 million (Euro 103.7 million at 30 June 2017).

The significant subsequent events after end of the six months ended 30 June 2018 are:

- On 2 July 2018, the Group finalised the acquisition of a controlling interest in Credifarma S.p.A., a company specialising in pharmacy lending. The deal was finalised through Banca IFIS's acquisition of the combined 32,5% stake of UniCredit and BNL – BNP Paribas Group as well as the acquisition of part of Federfarma's current interest in the company, amounting to 21,5%. Finally, the lender finalised a capital increase reserved for Banca IFIS to provide Credifarma with a robust financial position for regulatory purposes as well as to pursue future growth plans. The deal requires an overall investment—including the capital increase—of approximately 8,8 million Euro.

¹³ Net value adjustments on receivables of the NPL Area were reclassified to Interest receivable and similar income to present more fairly this particular business, for which net value adjustments represent an integral part of the return on the investment.

¹⁴ Including La Scogliera S.p.A. in the prudential consolidation scope as required pursuant to article 19 of the Capital Requirements Regulation, the Group's CET1 capital ratio and Total Own Funds Capital ratio as of 30 June 2018 are 11.11 per cent. and 15.43 per cent., respectively (as of 31 December 2017, 11.66 per cent. and 16.15 per cent., respectively).

- IFIS NPL S.p.A., the joint-stock company into which Banca IFIS spun off its NPL segment, became fully operational on 1 July 2018. The transaction, announced in December 2017, now becomes effective as Banca IFIS's Board of Directors has approved the transfer of the business unit. IFIS NPL has obtained the authorisation to extend financing and was entered into the register of financial intermediaries pursuant to Article 106 of the Italian Consolidated Law on Banking effective 1 July 2018.

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) a private or public entity (other than companies), a trust 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 21 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 limitations and requirements (including a minimum holding period), 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, paragraphs 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 establishment 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 real estate SICAF. The income of the real estate fund or of the real estate 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 limitations and requirements (including a minimum holding period), 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, paragraphs 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 for 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, not subject to tax, 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 Decree No. 512, 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, paragraphs 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, paragraphs 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 real estate SICAF. The income of the real estate fund or of the real estate 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 Decree No. 252) 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 limitations and requirements (including a minimum holding period), 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, paragraphs 100 – 114, of Law No. 232.

Non-Italian resident Noteholders

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* 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, not subject to tax, 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 resident Noteholders 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 is 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.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of the Dealers. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a dealer agreement dated on or about the date hereof (the “**Dealer Agreement**”) and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by a Dealer and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of the existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall as a result of any change(s), or any change(s) in official interpretation, after the date hereof of applicable laws and regulations no longer be applicable, but without prejudice to the obligations of the Dealers described in the preceding paragraph headed “General” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the applicable Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

United States of America

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

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

Each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the “*Prohibition of Sales to EEA Retail Investors*” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”), and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Final Terms in respect of any Notes specifies “*Prohibition of Sales to EEA Retail Investors*” as “Not Applicable”, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

Republic of Italy

The offering of the Notes has not been cleared by or registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined under Article 100 of the Legislative Decree No. 58 of 24 February 1998, as amended (the “**Italian Financial Act**”), as implemented by Article 35, paragraph 1(d) of CONSOB Regulation No. 20307 of 15 February 2018, as amended (“**CONSOB Regulation No. 20307**”), pursuant to Article 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of 14 May 1999, as amended (“**CONSOB Regulation No. 11971**”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and its implementing of CONSOB Regulations including CONSOB Regulation No. 11971.

Each Dealer has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy will be made in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Each of the Dealers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy, except in any circumstances where an express exemption from compliance with the offer restrictions applies, as provided under the Italian Financial Act or CONSOB Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restriction under (i) and (ii) above and:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, CONSOB Regulation No. 20307, Legislative Decree No. 385 of 1 September 1993, as amended (the “Banking Act”) and any other applicable laws or regulation;
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, with regard, *inter alia*, to the reporting obligations required; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority.

United Kingdom

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

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”) by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA and the regulations adopted thereunder with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, any

Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France this Base Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the “**FIEA**”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

GENERAL INFORMATION

1. Listing and Admission to Trading

The Base Prospectus has been approved by the Central Bank, as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to trading on Euronext Dublin's regulated market and to be listed on the Official List. Euronext Dublin's regulated market is a regulated market for the purposes of MiFID II.

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

2. Authorisation

The update of the Programme was authorised by the Board of Directors of the Issuer on 19 July 2018. The Issuer will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

4. Legal and Arbitration Proceedings

Save as set out at "*Description of the Issuer—Legal Proceedings*" on page 118 of this Base Prospectus, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

5. Auditors

The consolidated annual financial statements of the Issuer as of and for the years ended 31 December 2017 and 31 December 2016 have been prepared by the Issuer's management in accordance with IFRS and have been audited without qualification by EY S.p.A. as stated in the English translations of their audit reports incorporated by reference in this Base Prospectus. The unaudited consolidated interim financial statements of the Issuer as of 30 June 2018 and for the six months then ended has been prepared by the Issuer's management in accordance with IAS 34 and has been reviewed by EY S.p.A. as stated in the English translation of its unmodified review report incorporated by reference in this Base Prospectus.

EY S.p.A., with registered office at Via Po 32, 00196 Rome, Italy, is registered under No. 70945 in the Single Register of Legal Auditors at the Ministry of the Economy and Finance (*Registro Unico dei Revisori Legali presso il Ministero dell'Economia e delle Finanze*). EY S.p.A. is also a member of ASSIREVI, the Italian association of auditing firms.

6. Significant Material Change

Since 31 December 2017 there has been no material adverse change in the prospects of the Issuer and since 30 June 2018 there has been no significant change in the financial or trading position of the Issuer.

7. Documents on Display

For so long as the Programme remains in effect or any of the Notes are outstanding, copies of the following documents may be inspected in electronic format during normal business hours at the specified office of each Paying Agent:

- (a) the by-laws of the Issuer;
- (b) the Agency Agreement;
- (c) the Deed of Covenant;

- (d) the Programme Manual (being a manual containing suggested operating procedures for the Programme);
- (e) any Final Terms relating to Notes which are listed on any stock exchange (save that Final Terms relating to Notes which are neither admitted to trading on a Regulated Market in the European Economic Area or offered in the European Economic Area in circumstances where a base prospectus is required to be published under the Prospectus Directive will only be available for inspection by the relevant Noteholders and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity);
- (f) this Base Prospectus and any supplement to this Base Prospectus and any other document incorporated by reference herein or therein;
- (g) the audited consolidated annual financial statements of the Issuer as of and for the years ended 31 December 2017 and 2016 and the unaudited consolidated interim financial statements of the Issuer as of and for the six months ended 30 June 2018;
- (h) the most recently published audited or unaudited consolidated (if available) financial statements of the Issuer; and
- (i) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).

A copy of this Base Prospectus will also be electronically available for viewing on Euronext Dublin's website (www.ise.ie). A copy of the documents incorporated by reference in this Base Prospectus will be electronically available for viewing on the Issuer's website (www.bancafis.it).

9. Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the applicable Final Terms. The applicable Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is 1 Boulevard du Roi Albert II, B 1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L 1855 Luxembourg, Grand Duchy of Luxembourg.

11. Conditions for determining price

The issue price and the amount of the relevant Notes will be determined at the time of the offering of each Tranche based on then prevailing market conditions.

12. Potential Conflicts of Interest

Certain of the Dealers and their affiliates (including parent companies) have engaged, and may in the future engage, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates (including parent companies) may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates (including parent companies) that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates (including parent companies) would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates (including

parent companies) may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The applicable Final Terms will specify any other interests of natural and legal persons involved in each issue/offer of Notes under the Programme.

13. Post-Issuance Information

The Issuer will not provide any post-issuance information, unless required to do so by any applicable laws and regulations.

14. Copies of ISDA Definitions

Investors should consult the Issuer should they require copies of the ISDA Definitions.

REGISTERED OFFICE OF THE ISSUER

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ARRANGER

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United Kingdom

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Grand Duchy of Luxembourg

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To the Dealers as to Italian and English law:

Simmons & Simmons

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