

BANCA IFIS

Banca IFIS S.p.A.

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

€300,000,000 1.750 per cent. Notes due 26 May 2020

The issue price of the €300,000,000 1.750 per cent. Notes due 26 May 2020 (the “**Notes**”) of Banca IFIS S.p.A. (the “**Issuer**”, the “**Bank**” or the “**Company**”) is 99.711 per cent. of their principal amount. The Notes will bear interest from and including the Issue Date (as defined below) at the rate of 1.750 per cent. *per annum*, payable in arrear on 26 May in each year, commencing on 26 May 2018, all as more fully described in “*Terms and Conditions of the Notes—Interest*”. Interest payments to certain Noteholders may be subject to Italian substitute tax (*imposta sostitutiva*) as more fully described in “*Terms and Conditions of the Notes—Taxation*” and “*Taxation—Italian Taxation*”.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at 100 per cent. of their principal amount on 26 May 2020 (the “**Maturity Date**”). The Notes may be redeemed, in whole but not in part, at 100 per cent. of their principal amount outstanding plus interest, if any, to the date fixed for redemption at the option of the Issuer in the event of certain changes affecting taxation in the Republic of Italy. See Condition 7 (*Redemption and Purchase*).

This prospectus (the “**Prospectus**”) constitutes a prospectus for the purpose of Directive 2003/71/EC, as amended (including by Directive 2010/73/EU, to the extent that such amendments have been implemented in a relevant member state of the European Economic Area) (the “**Prospectus Directive**”). The Prospectus has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any member state of the European Economic Area. Application has been made to the Irish Stock Exchange plc (the “**Irish Stock Exchange**”) for the Notes to be admitted to its official list (the “**Official List**”) and trading on its regulated market. This Prospectus is available for viewing on the website of the Irish Stock Exchange (www.ise.ie).

Investing in the Notes involves risks. For a discussion of these risks, see “Risk Factors” beginning on page 1.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities laws and are subject to United States tax law requirements. The Notes are being offered only outside the United States by the Lead Manager (as defined herein) in accordance with Regulation S under the Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, “U.S. persons”, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of further restrictions on offers and sales of the Notes, see “*Subscription and Sale*”.

The Notes will be in bearer form and in denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €99,000 and will initially be in the form of a temporary global note (the “**Temporary Global Note**”), without interest coupons, which will be deposited on or around 26 May 2017 (the “**Issue Date**”) with a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**” and, together with Euroclear, the “**Clearing Systems**”). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the “**Permanent Global Note**”), without interest coupons, not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification. The Temporary Global Note and the Permanent Global Note (each a “**Global Note**”) will be issued in new global note (“**NGN**”) form. Ownership of the beneficial interests in the Notes will be shown on, and transfers thereof will be effected through, records maintained in book-entry form by the Clearing Systems and their respective participants. The Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €99,000 with interest coupons attached. See “*Summary of Provisions Relating to the Notes in Global Form*”. Subject to the provisions contained in this Prospectus, the Notes are freely transferable.

Lead Manager

Intermonte

The date of this Prospectus is 22 May 2017

NOTICE TO INVESTORS

The Issuer has confirmed that this Prospectus 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 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 Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this 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. The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this 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 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 Prospectus. Any such representation or information should not be relied upon as having been authorised by the Issuer or Intermonte SIM S.p.A. (the “**Lead Manager**”).

Neither the Issuer nor the Lead Manager have authorised, nor do they authorise, the making of any offer of the Notes through any financial intermediary, other than offers made by the Lead Manager which constitute the final placement of the Notes contemplated in this Prospectus.

This Prospectus has not been submitted to the clearance procedure of CONSOB 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 Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions. This 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 Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that 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 Prospectus.

This Prospectus is to be read and construed in conjunction with all documents which are deemed to be incorporated herein by reference. This Prospectus shall, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Prospectus. See “*Information Incorporated by Reference*”.

The Lead Manager does not make 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 Prospectus. This Prospectus is 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 Lead Manager that any recipient of this Prospectus 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 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.

Prospective investors should understand that they may have to bear the financial risks of their investment for an indefinite period of time.

The information set out in the sections of this Prospectus describing clearing arrangements is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream, Luxembourg, 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 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 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 the Notes, Intermonte SIM S.p.A. (the “Stabilising Manager”) (or any person acting for the Stabilising Manager) may over-allot Notes or effect transactions with a view to support 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 Notes is made and, if begun, may cease at any time, but must end no later than the earlier of 30 after the issue of the Notes or 60 days after the date of allotment of the Notes. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

MARKET SHARE INFORMATION AND STATISTICS

This 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 Prospectus

This Prospectus incorporates by reference the audited consolidated financial statements of the Issuer as of 31 December 2016 and 2015, and for the years then ended, and the unaudited consolidated interim report of the Issuer as of 31 March 2017 and for the three months then ended.

The consolidated financial statements of the Issuer as of and for the years ended 31 December 2015 and 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 Prospectus. See "*Information Incorporated by Reference*".

Comparability of financial information

The comparability of the Group's results of operations and financial condition (i) as of and for the years ended on 31 December 2016 and 2015 and (ii) as of and for the three months ended on 31 March 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: (i) the Group's consolidated statement of financial position as of 31 December 2016 includes the assets and liabilities of the Interbanca Group, (ii) 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, (iii) the Group's consolidated statement of financial position as of 31 March 2017 includes the assets and liabilities of the Interbanca Group, and (iv) the Group's consolidated results of operations for the three months ended 31 March 2017 include the contribution of the Interbanca Group's results of operations from 1 January 2017 to 31 March 2017.

In this Prospectus, certain financial information of the Group as of 31 December 2016 has been presented so as to exclude the effects attributable to the Acquisition. This financial information has not been audited, reviewed or compiled, nor have any procedures been performed by the independent auditors of the Issuer with respect thereto. Unless otherwise specified, the financial information in this Prospectus is presented on a historical basis.

ALTERNATIVE PERFORMANCE MEASURES

In order better to evaluate Banca IFIS's financial management performance (based on the consolidated financial statements of Banca IFIS Group for the years ending 31 December 2016 and 31 December 2015 and the unaudited consolidated interim report for the three month period ending 31 March 2017) 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 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 our 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.

"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.

It should be noted that:

- i. The APMs are based exclusively on Banca IFIS Group historical data and are not indicative of future performance;
- ii. The APMs are not derived from IFRS and, as they are derived from the consolidated financial statements of the Group prepared in conformity with these principles, 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 for the years ending 31 December 2016 and 31 December 2015 and the unaudited consolidated interim report for the three month period ending 31 March 2017;
- v. the APMs and definitions used herein are consistent and standardised for all the period for which financial information in this Prospectus are included.

FORWARD LOOKING STATEMENTS

This 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 Prospectus, and the Issuer does not intend, and does not assume any obligation, to update forward-looking statements set forth in this 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 Prospectus.

The risks described under "*Risk Factors*" in this Prospectus are not exhaustive. Other sections of this 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 “**Lead Manager**” are to Intermonte SIM S.p.A.

References to the “**Fiscal Agent**” are to BNP Paribas Securities Services, Luxembourg Branch, as fiscal agent, and any successor fiscal 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 the Notes. 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 the Notes are also described below.

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

Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including the information incorporated by reference herein) and consider carefully whether an investment in the Notes is suitable for them in light of the information contained in this 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 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 whole of this Prospectus, including the information incorporated by reference.

Factors affecting the Issuer’s ability to fulfil its obligations under the Notes

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.

The Issuer generates 98 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.

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.

If the European Central Bank (the "ECB") continues to implement an expansionary monetary policy, the Issuer's customers may expect the Issuer to reduce its fees in line with market interest rates and the ECB's interventions and, as a result, unless the Issuer is able to reduce its funding costs, it may achieve lower margins.

Even though tensions on the markets have eased, and some weak signs of recovery can be seen, substantial volatility on the markets remains. The 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 2016 amounted to Euro 353 million, representing 4.1 per cent. 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 and additional costs. 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 relating to the 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. As a result of the implementation of these measures, the Issuer has incurred costs of €4.6 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 €6.3 million.

Moreover, the Basel Committee on Banking Supervision has embarked on a very significant risk weighted average (“**RWA**”) variability agenda. This includes a fundamental review of the trading book, revised standardized approaches (credit, market, operational risk) and a consultation paper on a capital floor. The regulator’s primary aim is to eliminate unwarranted levels of RWA variance. The implementation of the new framework is expected for 2019 at the earliest. The new setup will have a revolutionary impact on risk modelling: directly on the exposures assessed via standardized approach, but also indirectly on internal ratings based approach (“**IRB**”), due to the introduction of capital floors that, according to the new framework, will be calculated basing on the revised standardized approach.

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, to prevent any malfunctioning of the banking system and to avoid disruptions in the credit granting process, 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 capital buffer requirement (the “**Combined Capital Buffer Requirement**”). The Combined Capital Buffer Requirement must be met through CET1 capital items.

A failure to satisfy the Combined Capital Buffer Requirement (or the Capital Conservation Buffer) subjects banks to capital conservation measures, such as restrictions on dividend distributions. As at the date of this 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.

As of 31 December 2016, the Core Equity Tier 1 capital ratio and Total Capital ratio of the Group were respectively equal to 14.97 per cent. and 15.31 per cent. 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 and related legislation, the BRRD and the SRM Regulation. These proposals are now being submitted for consideration by the European Parliament and Council. Until such time as the proposals 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 its 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 Issuer may be unable to integrate Interbanca Group's business successfully

The Issuer is exposed to risks relating to the acquisition of the Interbanca Group (the "**Acquisition**") and its integration within the Issuer's Group.

The Acquisition involves the risks which are inherent in any merger of a corporate group, i.e; risks relating to the management and personnel coordination, integration of businesses and services offered, information systems, structures, as well as the possible loss of customers and key personnel by the companies participating in the Acquisition. The Acquisition involves, inter alia, the need for the convergence of information systems

and the operating models into a single model. This process presents risks related to the aggregation of companies.

Whether the Issuer can achieve synergies and growth as a result of the Issuer's acquisition of the Interbanca Group will mainly depend on its capacity to integrate the Interbanca Group successfully within its Group. Difficulties could arise concerning the coordination of two different business models, management and staff as well as the integration of IT systems, structures and existing services. The integration of the Interbanca Group within the Issuer's Group could also lead to higher costs. Furthermore, if the Issuer was unable to fully integrate the management control systems or operating procedures the Issuer could be subject to fines imposed by the competent authorities. Any failure to achieve desired synergies could have an adverse effect in terms of growth opportunities and the development of business volumes. As at the date of this Prospectus the successful completion of the integration cannot be guaranteed, including with reference to centralisation of operational structure of the group companies, information systems, rationalisation of products and services offered by the Group and the harmonisation of resources with the Group's management policy.

Therefore, the Issuer's ability to integrate the Interbanca Group successfully into its business depends on many factors, many of which are outside its control and any setbacks in integrating the Interbanca Group could have an adverse effect on the Issuer's business, results of operations and financial condition.

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. As a result of the Acquisition, the Group's consolidated results of operations and financial condition (i) as of and for the year ended 31 December 2016 include the contribution of Interbanca Group's results of operations from 30 November 2016 to 31 December 2016 and (ii) as of and for the three months ended 31 March 2017 include the contribution of Interbanca Group's results of operations from 1 January 2017 to 31 March 2017.

Therefore the Group's consolidated financial statements as of and for the year ended 31 December 2016 and the unaudited consolidated interim report as of and for the three months ended 31 March 2017 are not comparable with the Group's previous financial statements. In addition, the Group's consolidated financial statements as of and for the year ended 31 December 2016 will not be 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 Issuer may be unable to integrate Interbanca Group's business successfully” and the section “Description of the Issuer – Acquisition of Interbanca” of this 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, 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.

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 invest 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 may seek opportunities to expand its operations in the future by way of strategic acquisitions, including in markets in which it does not currently operate. 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.

Risk Factors Relating to the Notes

The Notes are fixed-rate securities and are vulnerable to fluctuations in market interest rates

The Notes will bear interest at a fixed rate. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital markets (“**Market Interest Rate**”). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the 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.

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 affecting the Issuer's ability to fulfil its obligations under the Notes – Extensive regulation in the banking sector may adversely affect our 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 of senior unsecured creditors of a failing institution (which would be likely to include holders of the Notes), as well as its subordinated creditors, and to convert unsecured debt claims to equity (subject to certain parameters as to which liabilities would be eligible for the bail-in tool).

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, 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 (such as holders of the Notes).

As a result, significant amounts of liabilities that previously would have ranked *pari passu* with the Notes under the national insolvency regime in Italy will now be ranked higher than the Notes in normal insolvency proceedings and, on application of the general bail-in tool, such creditors will now 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 senior debt bail-in, 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. 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.

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.

The Notes are unsecured

The Notes constitute unsecured obligations of the Issuer and, save as provided in Condition 3 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and the Issuer's other Subsidiaries over 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, in respect of such assets, rank in priority over the Notes and the other unsecured indebtedness of the Issuer.

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 ("**Decree No. 239/1996**"). 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.

Decisions at Noteholders' meetings bind all Noteholders

Provisions for calling meetings of Noteholders are contained in the Fiscal Agency Agreement and summarised in Condition 13.1 (*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.

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 Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

Investors must rely on the procedures of the clearing systems

The Notes will be deposited with a common safekeeper for Euroclear and Clearstream (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

The Notes are issued in denominations of €100,000 or higher amounts which are integral multiples of €1,000, up to a maximum of €99,000. Although Notes may not be traded in amounts of less than €100,000, it is possible that they will be traded in amounts that are not integral multiples of €100,000. In such case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than €100,000 may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination. If Definitive Notes are issued, holders should be aware that Definitive Notes which have a denomination that is not an integral multiple of €100,000 may be illiquid and difficult to trade.

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.

There is no active trading market for the Notes and one cannot be assured

Application has been made for the Notes to be listed on the Official List of the Irish Stock Exchange and admitted to trading on its regulated market. However, there can be no assurance that the Notes will be accepted for listing or, if listed, will remain listed. The Notes are new securities for which there is currently

no market. There can be no assurance as to the liquidity of any market that may develop for the Notes, the ability of Noteholders to sell such Notes or the price at which the Notes may be sold. The liquidity of any market for the Notes will depend on the number of holders of the Notes, prevailing interest rates, the market for similar securities and other factors, including general economic conditions, and the Issuer's and the Group's financial condition, performance and prospects. In an illiquid market, the Noteholders might not be able to sell their Notes at any time at fair market prices.

There can be no assurance that an active trading market for the Notes will develop or, if one does develop, that it will be maintained. If an active trading market does not develop or cannot be maintained, this could have a material adverse effect on the liquidity and trading prices for the Notes.

The liquidity and market value of the Notes may also be significantly affected by factors such as variations in the Issuer's and the Group's financial condition and results of operations, news announcements or changes in general market conditions. In addition, broad market fluctuations and general economic and political conditions may adversely affect the market value of the Notes, regardless of the actual performance of the Issuer and the Group.

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*".

The Notes are not rated and credit ratings may not reflect all risks

Neither the Notes nor the long-term debt of the Issuer are rated. To the extent that any credit rating agencies assign credit ratings to the Notes or any other senior unsecured indebtedness of the Issuer at any future date, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating or the absence of a rating is not a recommendation to buy, sell or hold Notes and may be revised or withdrawn by the rating agency at any time.

The Notes may be delisted in the future

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and admitted to trading on its regulated market. The 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 Euro. 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 euro. 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 euro would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes, and (iii) the Investor's Currency-equivalent market value of the Notes.

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.

INFORMATION INCORPORATED BY REFERENCE

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

- i. the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2016 together with the independent auditors' report, which can be found at http://www.bancaifis.it/wp-content/uploads/2017/03/ENGLISH_Bilancio-Consolidato-2016_publicaz.29.03.2017.pdf;
- ii. the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2015 together with the independent auditors' report, which can be found at http://www.bancaifis.it/wp-content/uploads/2016/10/2015_Consolidated_Annual_Report.pdf; and
- iii. the unaudited consolidated interim report of the Issuer as at and for the three months ended 31 March 2017, which can be found at https://www.bancaifis.it/wp-content/uploads/2017/05/ENG_Resoconto-intermedio-di-gestione_31.03.2017.pdf,

in each case prepared in accordance with IFRS and together with the accompanying notes.

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.

Audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December

	<u>2016</u>	<u>2015</u>
Consolidated Statement of Financial Position	p. 91	p. 78
Consolidated Income Statement	p. 92	p. 79
Consolidated Statement of Comprehensive Income	p. 93	p. 80
Statement of Changes in Consolidated Equity	pp. 94 – 95	pp. 81 – 82
Consolidated Cash Flow Statement	p. 96	p. 83
Notes to the financial statements	pp. 97 – 226	pp. 84 – 201
Independent auditors' report	pp. 240 – 242	pp. 213 – 215

Unaudited consolidated interim report of the Issuer as of and for the three months ended 31 March 2017

Consolidated Statement of Financial Position	p. 11
Consolidated Income Statement	p. 12
Consolidated Statement of Comprehensive Income	p. 13
Contribution of business segments to Group results	pp. 14 – 27
Notes to the financial statements	pp. 28 – 29
Group equity and income situation	pp. 30 – 44

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 Prospectus should be read and construed together with the information incorporated by reference herein. Copies of any document incorporated by reference in this 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.

USE OF PROCEEDS

The net proceeds of the proposed issue of the Notes will be applied by the Issuer to fund the Group's general corporate purposes, including the purchase of trade receivables due from public administrations with a total estimated value in line with that of previous years.

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 2016 and 31 December 2015 and as of and for the three months ended 31 March 2017 and 31 March 2016, derived from the Issuer's audited consolidated annual financial statements as of and for the year ended 31 December 2016 and the Issuer's unaudited consolidated interim report as of and for the three months ended 31 March 2017, in each case prepared in accordance with IFRS. 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 2016 and 31 December 2015 and the Issuer's unaudited consolidated interim report as of and for the three months ended 31 March 2017, in each case together with the accompanying notes and the independent auditors' reports (as appropriate), all of which are incorporated by reference in this 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)	2016	2015
Cash and cash equivalents	34	34
Financial assets held for trading	47,393	259
Available for sale financial assets	374,229	3,221,533
Due from banks	1,393,358	95,352
Loans to customers	5,928,212	3,437,136
Property, plant and equipment	110,348	52,163
Intangible assets	14,981	7,170
<i>of which:</i>		
- goodwill	799	820
Tax assets	581,016	61,737
a) current	87,836	22,315
b) deferred	493,180	39,422
<i>of which as per Italian law 214/2011</i>	191,417	-
Other assets	249,574	82,336
Total assets	8,699,145	6,957,720
Liabilities and equity	As of 31 December	
(in thousands of Euro)	2016	2015
Due to banks	503,964	662,985
Due to customers	5,045,136	5,487,476
Debt securities issued	1,488,556	
Financial liabilities held for trading	48,478	21
Tax liabilities	24,925	25,549
a) current	491	4,153
b) deferred	24,434	21,396
Other liabilities	337,325	204,598
Post-employment benefits	7,660	1,453
Provisions for risks and charges	24,318	2,171
b) other reserves	24,318	2,171
Valuation reserves	(5,445)	5,739
Reserves	383,835	298,856
Share premiums	101,776	58,900
Share capital	53,811	53,811
Treasury shares (-)	(3,187)	(5,805)
Non-controlling interests (+ / -)	48	-
Profit (loss) for the period (+/-)	687,945	161,966
Total liabilities and equity	8,699,145	6,957,720

BANCA IFIS S.p.A.

AUDITED CONSOLIDATED ANNUAL INCOME STATEMENTS

(in thousands of Euro)	For the years ended 31 December	
	2016	2015
Interest receivable and similar income	325,438	250,210
Interest due and similar expenses	(57,255)	(41,584)
Net interest income	268,183	208,626
Commission income	59,406	63,174
Commission expense	(18,295)	(4,391)
Net commission income	41,111	58,783
Net result from trading	(702)	(78)
Gain (loss) on sale or buyback of:	50,007	140,627
a) loans and receivables	44,529	14,948
b) available for sale financial assets	5,478	125,679
Net banking income	358,599	407,958
Net impairment losses/reversal on	(59,233)	(34,250)
a) loans and receivables	(54,882)	(25,273)
b) available for sale financial assets	(4,356)	(8,977)
c) other financial transactions	5	-
Net profit (loss) from financial activities	299,366	373,708
Administrative expenses:	(192,154)	(127,170)
a) personnel expenses	(65,878)	(48,342)
b) other administrative expenses	(126,276)	(78,828)
Net allocations to provisions for risks and charges	(1,849)	(229)
Net impairment losses/Reversal on property, plant and equipment	(2,485)	(1,650)
Net impairment losses/Reversal on intangible assets	(3,570)	(2,096)
Other operating income/expenses	621,218	3,026
Operating costs	421,160	(128,119)
Pre-tax profit (loss) for the period from continuing operations	720,526	245,589
Income taxes for the year relating to current operations	(32,541)	(83,623)
Pre-tax profit (loss) from continuing operations	687,985	161,966
Profit (loss) for the period	687,985	161,966
Profit (loss) for the year attributable to non-controlling interests	40	-
Profit (loss) for the year attributable to the Issuer	687,945	161,966

BANCA IFIS S.p.A.

UNAUDITED CONSOLIDATED INTERIM REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	As of	
(in thousands of Euro)	31 March 2017	31 December 2016
Cash and cash equivalents	31	34
Financial assets held for trading	45,234	47,393
Available for sale financial assets	635,507	374,229
Due from banks	1,411,235	1,393,358
Loans to customers	5,837,870	5,928,212
Property, plant and equipment	109,675	110,348
Intangible assets	14,199	14,981
<i>of which:</i>		
- goodwill	826	799
Tax assets	571,935	581,016
a) current	79,388	87,836
b) deferred	492,547	493,180
Other assets	229,695	249,574
Total assets	8,855,381	8,699,145

Liabilities and equity	As of	
(in thousands of Euro)	31 March 2017	31 December 2016
Due to banks	1,028,971	503,964
Due to customers	5,055,558	5,045,136
Outstanding securities	1,122,879	1,488,556
Financial liabilities held for trading	46,396	48,478
Tax liabilities	32,423	24,925
a) current	792	491
b) deferred	31,631	24,434
Other liabilities	285,076	337,325
Post-employment benefits	7,682	7,660
Provisions for risks and charges	22,758	24,318
b) other reserves	22,758	24,318
Valuation reserves	(3,385)	(5,445)
Reserves	1,071,887	383,835
Share premiums	101,776	101,776
Share capital	53,811	53,811
Treasury shares (-)	(3,187)	(3,187)
Non-controlling interests (+ / -)	49	48
Profit for the period	32,687	687,945
Total liabilities and equity	8,855,381	8,699,145

BANCA IFIS S.p.A.

UNAUDITED CONSOLIDATED INTERIM REPORT

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)	For the three months ended 31 March	
	2017	2016
Interest receivable and similar income	122,447	70,735
Interest due and similar expenses	(24,491)	(10,252)
Net interest income	97,956	60,483
Commission income	17,784	14,888
Commission expense	(3,565)	(1,240)
Net commission income	14,219	13,648
Net result from trading	(1,615)	(246)
Gain (loss) on sale or buyback of:	(48)	5,495
a) loans and receivables	-	-
b) available for sale financial assets	(48)	5,495
Net banking income	110,512	79,380
Net impairment losses/reversal on	(8,392)	(11,041)
a) loans and receivables	(9,122)	(8,089)
b) available for sale financial assets	(15)	(2,952)
c) other financial transactions	745	-
Net profit (loss) from financial activities	102,120	68,339
Administrative expenses:	(55,207)	(31,829)
a) personnel expenses	(24,073)	(13,408)
b) other administrative expenses	(31,134)	(18,421)
Net allocations to provisions for risks and charges	(2,342)	(3,790)
Net impairment losses/Reversal on property, plant and equipment	(1,196)	(405)
Net impairment losses/Reversal on intangible assets	(2,263)	(533)
Other operating income/expenses	4,620	748
Operating costs	(56,388)	(35,809)
Profit (Loss) from sales of investments	(1)	-
Pre-tax profit (loss) for the period from continuing operations	45,731	32,530
Income taxes relating to current operations	(13,043)	(10,485)
Profit (Loss) for the period	32,688	22,045
Profit (Loss) for the period attributable to non-controlling interests	1	-
Profit (loss) for the period attributable to the Parent company	32,687	22,045

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 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 1,933,432,643 as of 31 March 2017. The group comprising Banca IFIS and its consolidated subsidiaries (the “**Group**”) operates mainly in Italy, but also in Poland, in various specialty banking sectors ranging across the following business segments: private corporate and public administration receivable factoring (“**Trade Receivables**”), purchase and collection of tax receivables (“**Tax Receivables**”), medium-long term financing and structured finance for companies (“**Corporate Banking**”), operating and financial leases (“**Leasing**”), and non-performing loan (“**NPL**”) management (“**NPL Area**”).

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, which have been grouped under the newly established business segments Corporate Banking and Leasing.

For an overview of the consolidated net banking income and net profit (loss) from financial activities of the Group for the years 2016 and 2015 for the Group’s core business segments, refer to “*Description of the Issuer—Business Segments*”.

The operations of the business segments of the Group are carried out under the following brands:

“*Banca IFIS Impresa*”, which groups the operations of the Trade Receivable (excluding factoring of trade receivables owed by Italy’s National Health Service), Leasing and Corporate Banking business segments, is dedicated to short-term factoring, corporate banking (medium/long-term and structured finance), and leases (both operating and finance) for small, medium and micro enterprises. Banca IFIS Impresa operates both in Italy and abroad, especially in Poland, through the subsidiary IFIS Finance S.r.l., which specialises in factoring services (import/export). Banca IFIS Impresa targets small and medium enterprises (“**SMEs**”) that least benefit from liquidity available on the banking market, including companies that work with the Italian public administration.

Under the “*Banca IFIS Impresa*” brand, the Group provides several services:

- Factoring: through its factoring service, the Group has a direct presence in business-to-business procurement relationships, allowing the Group’s customers to finance their trade receivables and the debtor of such trade receivables to enter into customised payment plans. “*Banca IFIS Impresa*” offers different types of factoring solutions based on the needs of its customers: mainly recourse factoring in the private corporate market (business-to-business) and non-recourse factoring with public administration receivables, export/import factoring, direct/indirect factoring, maturity factoring, outright purchases, advances on future receivables, advances for the acquisition of certified receivables owed from the Italian public administration.
- Leasing: following the acquisition of the Interbanca Group, “*Banca IFIS Impresa*” has entered the operating and finance leases market. Such market is divided into:
 - o equipment leasing, designed to help businesses and resellers invest in equipment for the information technology (“**IT**”), telecoms, office, industrial, and healthcare equipment sectors;
 - o vehicle leasing, supporting independent contractors and firms in financing company cars and commercial vehicles;

- o equipment rental: allowing companies to use equipment for a set period of time against payment of a fee, avoiding obsolescence costs. This service is available for IT, office, industrial and healthcare equipment.
- Corporate Banking: a service designed to support companies in their organic or external growth to reposition or expand their business, establish alliances or pursue integrations, promote restructuring processes, or introduce new investors and partners to the Group's customers. Corporate Banking consists of:
 - o medium/long-term financing: supporting the customer's operating cycle through services ranging from working capital financing to the support for investments;
 - o structured finance: legal and financial structuring and arranging of bilateral or syndicated loans. Controlling market risk through syndicated loans and the placement of units of structured finance arrangements on the market.

"Banca IFIS Pharma" is dedicated to the purchases on a no recourse basis the trade receivables owed by Italy's National Health Service to local health services' suppliers under the Trade Receivables business segment. "Banca IFIS Pharma" also supports pharmacists providing solutions designed to meet short- and medium-term financing needs.

"Banca IFIS NPL Area" and "CrediFamiglia", under whose brands the Group's NPL Area's operations are carried out, operate in the market for distressed retail loans in the consumer retail and micro-corporate sectors. "Banca IFIS NPL Area" acquires, sells and manages portfolios of non-performing loans, while "CrediFamiglia" carries out judicial and non-judicial collection operations through different channels: call centre, in-house network, external network, internal dedicated legal teams.

Under the "Fast Finance" brand, which groups the operations of the Tax Receivable business segment of the Group, the Group focuses on tax receivables. It collects direct and indirect taxes and tax receivables, either performing or arising from insolvency proceedings. Specifically, it assesses and manages:

- VAT receivables for proceedings that are near their end;
- IRES (corporate income tax) receivables from withholding taxes;
- IRES receivables for the failure to deduct IRAP (regional tax on productive activities) pursuant to article 6 of Italian Legislative Decree 185/2008 and article 2 of Italian Legislative Decree 201/2011.

For further information on the Group's operations, please see "*Business Segments*" below.

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 31 March 2017 amounts to Euro 53.811.095,00. Since 31 March 2017 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 market¹ and a leading independent provider of finance to Italian SMEs, with core activities in receivable financing, leasing, corporate lending and non-performing loan investment.

¹ Source: Assifact data at 31 December 2016

With regard to trade receivables financing, the Group finances mainly small or micro companies (in 2016, 78 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 market, and in particular,² 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 3,437.1 million at the end of 2015 to Euro 5,928.2 million at the end of 2016 (Euro 3,638.2 million excluding the contribution from the acquisition of the Interbanca Group). In particular the Trade Receivables business segment reached Euro 3.1 billion of net loans to customers at the end of 2016 (Euro 2.9 billion excluding the contribution from the acquisition of the Interbanca Group) with a CAGR for the 2006-2016 period (excluding the Interbanca Group) of approximately 14.7 per cent. (Euro 783 million in 2006).

Growth in volumes of loans has come hand in hand with marginality and asset quality preservation: net banking income of Trade Receivables business segment increased from Euro 158.7 million in 2015 to Euro 174.4 million in 2016 and net banking income of NPL Area business segment increased from Euro 52.7 million in 2015 to Euro 154.7 million in 2016. While growing, the Group has maintained a stable level of cost of credit quality ratio in the Trade Receivables business segment at 0.8 per cent. at the end of 2016 (0.9 per cent. in 2015).

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 67 per cent. of receivables purchased by the Group in 2016 are factored on a recourse basis).

Customers of the Group's SME clients tend to be large companies with good credit standing. The Issuer believes that the 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 system³. The coverage ratio on gross bad loans was equal, at the end of 2016, to 88.5 per cent. in the Trade Receivable business segment, while in the newly acquired business segments of Corporate Banking and Leasing the Group had a higher coverage ratio (respectively 94.0 per cent. and 92.2 per cent.); for the Trade Receivables, Corporate Banking and Leasing business segments the net bad debt loans on net equity ratio was equal, at the end of 2016, to 2.6 per cent., 2.2 per cent. and 0.5 per cent., respectively.

² Source: Issuer's internal elaborations included in its presentation "Market Watch NPL - The Italian Scenario".

³ Source: Banca d'Italia (Statistics "Banche e moneta: serie nazionali" – 11 aprile 2017).

High profitability

The Group has a low cost base centred on an agent-based structure without a physical branch network. Return on equity was 15.5 per cent. in 2016 excluding the effects of the Acquisition.

The cost income ratio of the Group (excluding the effects of the Acquisition) was approximately 51.9 per cent. for 2016, 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 2016 they were amongst the highest in Italy and Europe: Common Equity Tier 1 capital ratio and Total Own Funds Capital ratio of 15.7 per cent., excluding the effect of the prudential consolidation in the Group of the parent company La Scogliera S.p.A.⁴

As at the date of this Prospectus the Group's capital ratios allow it to comply with the additional requirements imposed by the Bank of Italy (SREP).

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.

Business Strategy

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. The following are the strategic goals and related actions conceived accordingly and that the Group has implemented and will implement for its operations.

Expansion of lending operations

The Group intends to expand its lending operations vis-à-vis small- and medium-sized businesses in Italy. The main drivers underpinning such expansion are (i) the Group's strong capital adequacy ratios and liquidity position, which the Issuer believes to represent a competitive advantage for increasing the volume of credit granted under all of its business segments; and (ii) the acquisition of the Interbanca Group which allows the Group to foster cross-selling initiatives due to the addition of new businesses (leasing and corporate banking operations) and the enlargement of its customer base.

Following the Acquisition, the Group has reorganised its operations under the Trade Receivables, Leasing, Corporate Banking, Tax Receivables and NPL Area business segments and defined a set of strategic actions for the expansion of each business segment. For information on the strategic actions for the NPL Area, refer to "*Consolidation of market position for the NPL Area business segment and expansion into new NPL class assets*" below.

Trade Receivables

In the Trade Receivable business segment the Group plans to fully exploit the synergies deriving from an enlarged array of lending products offered following the Acquisition in order to increase 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 by the Interbanca Group, such as Leasing and Corporate Banking, are conducive to longer and more strategic relationships with corporate customers than its traditional factoring business..

⁴ 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 Common Equity Tier 1 capital ratio and Total Own Funds Capital ratio as of 31 December 2016 are 14.97 per cent. and 15.31 per cent., respectively

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 leverage.

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.

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 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.

Shareholders and Share Capital

Share capital

As at 31 March 2017, the Issuer had share capital of €53,811,095, fully paid up, represented by 53,811,095 shares with a par value of €1.00 each. Since 31 March 2017, 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 50.19 per cent of its share capital, of which 50.11 per cent through La Scogliera S.p.A.⁵

⁵ La Scogliera S.p.A. does not perform any management and coordination activity on the Issuer.

Shareholders

As at 31 March 2017, 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.⁶ of share capital:

Declarant	Direct Shareholder	Percentage of voting rights
Fürstenberg Sebastien Egon	La Scogliera S.p.A. Fürstenberg Sebastien Egon	50.11 0.08
Bossi Giovanni.....		3.44
Norges Bank		3.08
Market.....		42.58

As at 31 March 2017, the Issuer holds treasury shares equal to 0.71 per cent. of its share capital and voting rights.

Group Structure and Subsidiaries

As at the date of this Prospectus, the Group is composed of the parent company, Banca IFIS S.p.A., the wholly-owned subsidiaries IFIS Finance Sp. Z o.o. and IFIS Factoring S.r.l.⁷, and the 99.99 per cent.-owned subsidiary Interbanca S.p.A. (“**Interbanca**”) and its subsidiaries IFIS Leasing S.p.A. and IFIS Rental Services S.r.l., in which Interbanca owns directly all voting rights. The securitisation vehicles IFIS ABCP Programme S.r.l., Indigo Loan S.r.l. and Indigo Lease S.r.l. are also included in the consolidation perimeter of the Issuer.

Name of the company	Registered office	Head office	Type ⁽¹⁾	Investment		Voting rights ⁽²⁾
				Held by	Share	
IFIS Finance Sp. Z o.o.	Warsaw	Warsaw	1	Banca IFIS S.p.A.	100%	100%
Interbanca S.p.A.	Milan	Milan	1	Banca IFIS S.p.A.	99.99%	99.99%
IFIS Leasing S.p.A.	Mondovì - Province of Cuneo	Mondovì - Province of Cuneo	1	Interbanca S.p.A.	100%	100%
IFIS Factoring S.r.l.	Milan	Milan	1	Banca IFIS S.p.A.	100%	100%
IFIS Rental Services S.r.l.	Milan	Milan	1	Interbanca 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%
Indigo Loan S.r.l.	Conegliano - Province of Treviso	Conegliano - Province of Treviso	4	Other	0%	0%

⁽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.

⁶ 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.

⁷ IFIS Factoring S.r.l. at 31 December 2016 was indirectly 100 per cent. owned by the Issuer, through Interbanca S.p.A. that owned directly and indirectly all voting rights of IFIS Factoring S.r.l. The Issuer has purchased from Interbanca S.p.A. the entire capital of IFIS Factoring S.r.l. and the related voting rights on 15 February 2017; as a result, as of the date of this Prospectus IFIS Factoring S.r.l. is directly owned by the Issuer as shown in the above table.

Business Segments

The Group's activities are grouped in the following segments: Trade Receivables, Corporate Banking, Leasing, NPL Area, Tax Receivables, and Governance and Services.

The following table shows the consolidated net banking income and net profit (loss) from financial activities of the Group in 2016 and 2015 by core business segments, which will be analysed in the sections dedicated to the individual sectors as appropriate. 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. As a result of the Acquisition, the Group's consolidated results of operations and financial condition as of and for the year ended 31 December 2016 include the contribution of Interbanca Group's results of operations from 30 November 2016 to 31 December 2016. As such, the Group's consolidated financial statements as of and for the year ended 31 December 2016 are not comparable with the Group's previous financial statements. In addition, the Group's consolidated financial statements as of and for the year ended 31 December 2016 will not be 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.

Income Statement Data <i>(in thousands of Euro, except for percentages)</i>	Trade Receivables	Corporate Banking	Leasing	NPL Area⁽¹⁾	Tax Receivables	Governanc e and Services	Cons. Group Total
Net banking income							
Amounts at 31.12.2016	174,433	2,952	(1,172)	154,740	13,990	(18,972)	358,599
Amounts at 31.12.2015	158,671	n.a.	n.a.	52,687	20,335	172,652	407,958
% Change	9.9%	n.a.	n.a.	193.7%	(31.2)%	(111.0)%	(12.1)%
Net profit (loss) from financial activities							
Amounts at 31.12.2016	154,128	2,889	(2,682)	154,740	13,620	(23,329)	299,366
Amounts at 31.12.2015	137,423	n.a.	n.a.	52,687	19,923	163,675	373,708
% Change	12.2%	n.a.	n.a.	193.7%	(31.6)%	(114.3)%	(19.9)%

⁽¹⁾ Net value adjustments on receivables of the NPL Area, totalling Euro 32.6 million at 31 December 2016 compared to Euro 3.6 million at 31 December 2015, 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.

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 50 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 agents, of whom 120 operate locally (assisted by the Group's 26 local branches), who are responsible for managing relationships with customers. Sales agents 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 80 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) 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 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.

The table below shows the nominal amount of receivables purchased under the Trade Receivables business segment outstanding as of 31 December 2016 and 2015, broken down into receivables with or without recourse and receivables purchased outright.

Total receivables <i>(in thousands of Euro except for percentages)</i>	31.12.2016	31.12.2015	Change	
			Absolute	%
With recourse	2,150,930	2,128,825	22,105	1.0%
<i>of which due from the Public Administration</i>	332,735	361,000	(28,265)	(7.8)%
Without recourse	464,956	277,159	187,797	67.8%
<i>of which due from the Public Administration</i>	8,949	4,468	4,481	100.3%
Outright purchases	1,264,950	1,170,998	93,952	8.0%
<i>of which due from the Public Administration</i>	812,384	888,844	(76,460)	(8.6)%
Total receivables	3,880,836	3,576,982	303,854	8.5%
<i>of which due from the Public Administration</i>	<i>1,154,068</i>	<i>1,254,312</i>	<i>(100,244)</i>	<i>(8.0)%</i>

As shown in the following table, as at 31 December 2016, the net banking income of the Trade Receivables business segment amounted to Euro 174.4 million, up 9.9 per cent. compared to Euro 158.7 million in 2015. As at 31 December 2016 this business segment generated Euro 10.5 billion in turnover (+4.2 per cent. from December 2015), with 5,360 corporate customers (up 19 per cent. compared to the previous year) and Euro 3.1 billion in outstanding loans (+8.6 per cent. against December 2015).

Income Statement Data <i>(in thousands of Euro except for percentages)</i>	31.12.2016	31.12.2015	Change	
			Absolute	%
Net interest income	118,693	98,175	20,518	20.9%
Net commission income	55,740	60,496	(4,756)	(7.9)%
Net banking income	174,433	158,671	15,762	9.9%
Net impairment losses on receivables	(20,305)	(21,248)	943	(4.4)%
Net profit (loss) from financial activities	154,128	137,423	16,705	12.2%

Corporate Banking

This business segment includes the following operations:

- medium/long/term financing, supporting the customer's operating cycle through services ranging from working capital financing to financing for investments;
- 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.

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 sector, which contributed to the 2016 results only for the month of December, totalled Euro 3.0 million. This amount included the Euro 8.5 million positive impact of the breakdown of the difference between fair value as measured in the business combination and the carrying amount of the receivables recognised by subsidiaries over time. Net banking income also included Euro 5.8 million in commission expense for the arrangement of the securitisation in relation to Indigo Loan S.r.l. (in relation to which, refer to the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2016 incorporated by reference herein).

Income Statement Data <i>(in thousands of Euro except for percentages)</i>	31.12.2016	31.12.2015	Change	
			Absolute	%
Net interest income	8,385	n.a.	n.a.	n.a.
Net commission income	(5,260)	n.a.	n.a.	n.a.
Dividends and trading	(173)	n.a.	n.a.	n.a.
Net banking income	2,952	n.a.	n.a.	n.a.
Net impairment losses on receivables and other financial assets	(63)	n.a.	n.a.	n.a.
Net profit (loss) from financial activities	2,889	n.a.	n.a.	n.a.

Leasing

This business segment provides finance and operating leases to small businesses and SMEs.

The following are the main operational processes of the Leasing operations:

Origination and underwriting process: The origination channel consists of a web platform where, through customised access, approved financial partners and/or commercial partners (such as agents, vendors, dealers, credit institutions) can file leasing applications. Where the application concerns an existing lessee, the web platform will also consider existing available data and repayment performance.

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 2016 results for the Leasing segment are as follows:

Income Statement Data <i>(in thousands of Euro except for percentages)</i>	31.12.2016	31.12.2015	Change	
			Absolute	%
Net interest income	4,916	n.a.	n.a.	n.a.
Net commission income	(6,095)	n.a.	n.a.	n.a.
Dividends and trading	7	n.a.	n.a.	n.a.
Net banking income	(1,172)	n.a.	n.a.	n.a.
Net impairment losses on loans and receivables	(1,510)	n.a.	n.a.	n.a.
Net profit (loss) from financial activities	(2,682)	n.a.	n.a.	n.a.

NPL Area

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

The operations of the NPL Area 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.

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 2016, 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.

In 2016 and 2015, the Group purchased NPL portfolios with a nominal amount of approximately €3.1 billion and €4.1 billion, respectively, consisting of 463,566 positions and 538,240 positions, respectively. As a result, at the end of 2016 the portfolio managed by the NPL Area included 1,397,957 positions (1,058,589 at the end of 2015), for a par value of Euro 9.7 billion (Euro 8.2 billion at the end of 2015) and approximately 967 thousand debtors.

The 2016 results for the NPL Area business segment are as follows:

Income Statement Data <i>(in thousands of Euro except for percentages)</i>	31.12.2016	31.12.2015	Change	
			Absolute	%
Interest income from amortised cost	35,959	25,061	10,898	43.5%
Other interest income	115,542	21,056	94,486	448.7%
Funding costs	(6,442)	(3,612)	(2,830)	78.3%
Net interest income	145,059	42,505	102,554	241.3%
Net commission income	(2,220)	(1,153)	(1,067)	92.5%
Gain on sale of receivables	44,529	14,948	29,581	197.9%
Net banking income	187,368	56,300	131,068	232.8%
Net impairment losses/reversals on receivables	(32,628)	(3,613)	(29,015)	803.1%
Net profit (loss) from financial activities	154,740	52,687	102,053	193.7%

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 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 31 December 2016 and 31 December 2015 was equal to Euro 172.1 million (for an amortised cost of Euro 124.7 million) and Euro 190.6 million (for an amortised cost of Euro 130.7 million), respectively.

For the year ended 31 December 2016, the net banking income of the Tax Receivables segment amounted to 14.0 million Euro, down 31.2 per cent. from Euro 20.3 million at 31 December 2015. However, the prior-year figure included the impact of a single transaction that resulted in a Euro 5.2 million gain in the fourth quarter of 2015.

Income Statement Data <i>(in thousands of Euro except for percentages)</i>	31.12.2016	31.12.2015	Change	
			Absolute	%
Net interest income	13,998	20,307	(6,309)	(31.1)%
Net commission income	(8)	28	(36)	(128.6)%
Net banking income	13,990	20,335	(6,345)	(31.2)%
Net impairment losses/reversals on receivables	(371)	(412)	41	(10.0)%
Net profit (loss) from financial activities	13,619	19,923	(6,304)	(31.6)%

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.

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. (currently Interbanca S.p.A.), the parent company of the Interbanca Group, operating in the corporate lending business;
- GE Capital Servizi Finanziari S.p.A. (currently IFIS Leasing S.p.A.) which operates in the financial lease business;
- GE Capital Finance S.r.l. (currently IFIS Factoring S.r.l.) 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. 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, which involves firstly Interbanca and IFIS Factoring (to be completed by the end of 2017) and subsequently the Leasing business, will be carried out through additional extraordinary corporate transactions.

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 is currently in place and will be completed through the merger of Interbanca in Banca IFIS.

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). Such cost is still subject to further adjustments under discussion with GE in respect of the acquisition agreement.

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.

For further information, please refer to “*Documents Incorporated by Reference*” and to the financial statements of the Issuer as of and for the year ended 31 December 2016 and in particular “*Notes to the 2016 Consolidated Financial Statements – Part G - Section 1 - Transactions carried out during the year*” set out therein.

Funding

Total funding, which amounted to Euro 7,037.7 million as at 31 December 2016, up 14.4 per cent. compared to 31 December 2015, is broken down into 71.7 per cent. for Payables due to customers (compared to 89.2 per cent. at 31 December 2015), 7.2 per cent. for Payables due to banks (compared to 10.8 per cent. at 31 December 2015), and 21.1 per cent. for Outstanding securities (zero at 31 December 2015). The normalised balance of funding totalled 4,604.5 million Euro, -25.1 per cent. from 31 December 2015.

Payables due to customers at 31 December 2016 totalled Euro 5,045.1 million (-8.1 per cent. compared to 31 December 2015). The decrease was the result of the settlement of Euro 2,279.0 million worth of repurchase agreements with underlying government bonds and *Cassa di Compensazione e Garanzia* as counterparty outstanding at 31 December 2015, which were followed by Euro 270.3 million worth of purchases. Meanwhile, retail funding rose to Euro 4,519.3 million at 31 December 2016, including 4,447.2 million from “*Rendimax*” (the online savings account for individuals, companies and insolvency proceedings) and Euro 72.1 million from “*Contomax*” (the free on-line retail bank account), compared to Euro 3,113.3 million at 31 December 2015 (+45.2 per cent.). This was the result of, among other things, the newly introduced 3-, 4- and 5-year maturities as well as some promotional campaigns aiming to boost funding levels ahead of the finalisation of the Acquisition.

Payables due to banks, totalling Euro 504.0 million at 31 December 2016 (compared to Euro 663.0 million in December 2015), were down 24.0 per cent. due to the early repayment of the targeted longer-term refinancing operations (TLTRO) loan of the European Central Bank received in December 2014. Since market conditions have changed, the Bank has been able to raise funds on more favourable terms than under the TLTRO. Repurchase agreements with underlying governments bonds outstanding at 31 December 2016 totalled 50.9 million Euro, down from 384.2 million Euro in December 2015.

In addition, term deposits at other banks rose to Euro 453.1 million from Euro 159.0 million at the end of the previous year (+185.0 per cent.).

Outstanding securities amounted to Euro 1,448.6 million at 31 December 2016. They included Euro 83.2 million in notes and Euro 725 thousand in certificates of deposits issued by Interbanca, as well as Euro 1,404.6 million in notes issued by the special purpose vehicles as part of three securitisations launched at the end of 2016. For additional information, please refer to “*Documents Incorporated by Reference*” and to the financial statements of the Issuer as of and for the year ended 31 December 2016 and in particular “*Notes to the 2016 Consolidated Financial Statements – Part E*” set out therein.

The table below shows the types of financing drawn by the Issuer as of 31 December 2016 and 31 December 2015.

Funding (in thousands of Euro)	Amounts at			Normalised change	
	31.12.2016	31.12.2016 normalised	31.12.2015	Absolute	%
Due to customers:	5,045,136	4,095,416	5,487,476	(1,392,060)	(25.4)%
<i>Repurchase agreements</i>	270,314	270,314	2,278,983	(2,008,669)	(88.1)%
<i>Rendimax</i>	4,447,192	3,656,836	3,048,357	608,479	20.0%
<i>Contomax</i>	72,068	69,916	64,912	5,004	7.7%
<i>Other payables</i>	255,562	98,350	95,224	3,126	3.3%
Due to banks	503,964	509,066	662,985	(153,919)	(23.2)%
<i>Eurosystem</i>	-	-	119,792	(119,792)	(100.0)%
<i>Repurchase agreements</i>	50,886	50,886	384,225	(333,339)	(86.8)%
<i>Other payables</i>	453,078	458,180	158,968	299,212	188.2%
Outstanding securities	1,488,556	-	-	-	n.a.
Total funding	7,037,656	4,604,482	6,150,461	(1,545,979)	(25.1)%

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 Area sector 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 Group's performing exposures and impaired assets breakdown by sectors, as of 31 December 2016 and 31 December 2015.

Non Performing Loans <i>(in thousands of Euro except for percentages)</i>	Trade receivables	Corporate banking	Leasing	NPL Area	Tax receivables	Governance and services	Cons. Total
Bad loans							
Amounts at 31.12.2016	31,692	27,260	6,177	320,612	5	-	385,746
Amounts at 31.12.2015	30,950	n.a.	n.a.	159,336	-	-	190,286
% Change	2.4%	n.a.	n.a.	101.2%	n.a.	-	102.7%
Unlikely to pay							
Amounts at 31.12.2016	50,900	142,741	13,622	241,518	194	-	448,975
Amounts at 31.12.2015	39,551	n.a.	n.a.	194,995	-	-	234,546
% Change	28.7%	n.a.	n.a.	23.9%	n.a.	-	91.4%
Past due loans							
Amounts at 31.12.2016	118,420	1,669	17,351	-	-	-	137,440
Amounts at 31.12.2015	58,214	n.a.	n.a.	-	-	-	58,214
% Change	103.4%	n.a.	n.a.	-	-	-	136.1%
Total net non-performing exposures							
Amounts at 31.12.2016	201,012	171,670	37,150	562,130	199	-	972,161
Amounts at 31.12.2015	128,715	n.a.	n.a.	354,331	-	-	483,046
% Change	56.2%	n.a.	n.a.	58.6%	n.a.	-	101.3%
Net performing loans to customers							
Amounts at 31.12.2016	2,891,476	734,012	1,198,488	16	124,498	7,561	4,956,051
Amounts at 31.12.2015	2,719,409	n.a.	n.a.	21	130,663	103,997	2,954,090
% Change	6.3%	n.a.	n.a.	(23.8)%	(4.7)%	(92.7)%	67.8%
Total on-balance-sheet loans to customers							
Amounts at 31.12.2016	3,092,488	905,682	1,235,638	562,146	124,697	7,561	5,928,212
Amounts at 31.12.2015	2,848,124	n.a.	n.a.	354,352	130,663	103,997	3,437,136
% Change	8.6%	n.a.	n.a.	58.6%	(4.6)%	(92.7)%	72.5%

The table below show the coverage ratio breakdown by sectors, as of 31 December 2016 and 31 December 2015.

Coverage ratio on gross bad loans	Trade Receivables	Corporate Banking	Leasing	Npl Area	Tax Receivables	Governance and Services	Cons. Total
Amounts at 31.12.2016	88.5%	94.0%	92.2%	n.a.	n.a.	n.a.	88.5%
Amounts at 31.12.2015	87.9%	n.a.	n.a.	n.a.	n.a.	n.a.	87.9%

The table below show the net bad loans / loans to customers ratio breakdown by sectors, as of 31 December 2016 and 31 December 2015.

Net bad loans / loans to customers ratio	Trade Receivables	Corporate Banking	Leasing	Npl Area	Tax Receivables	Governance and Services
Amounts at 31.12.2016	1.0%	3.0%	0.5%	57.0%	0%	n.a.
Amounts at 31.12.2015	1.1%	n.a.	n.a.	45.0%	0%	n.a.

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 31 December 2016, which exceed the minimum levels prescribed by the Bank of Italy.

	As of 31 December 2016
	<i>(€ thousands, except percentages)</i>
Tier 1 capital.....	1,048,606
Tier 2 capital.....	23,323
Own Funds.....	1,071,929
Risk-weighted assets.....	7,003,305
Tier 1 capital ratio.....	14.97%
Total capital ratio.....	15.31%

Markets ⁸

In 2016, the Group generated 98 per cent. of its operating income in Italy, while the remaining 2 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.

Factoring: Factoring turnover accounts for over 11 per cent. of GDP; in 2016, the product’s growth rate has gradually increased compared to 2015, as volumes continued rising in the fourth quarter of the year, and the trend is expected to continue into 2017.

Leasing: In 2016, 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 2017, as businesses keep on upgrading their equipment; and also because of government-backed incentive schemes for SMEs, which account for 75 per cent. of leasing volumes.

Structured Finance: Activity in the Italian M&A market remained brisk in 2016, with 1,204 deals totalling Euro 80 billion. This trend was especially apparent in the Mid-Size segment, where volumes were up +29.5 per cent. compared to the prior year. The financial sector saw the highest number of deals, followed by construction. As for leveraged finance, in 2016 private equity funds made at least 125 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 7 billion. Most deals referred to SMEs. Approximately thirty of them involved companies with more than Euro 100 million in sales, and just ten concerned firms with more than Euro 500 million in revenues.

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 2.5 billion in outstanding debt, concentrated mainly in Tuscany, Piedmont, Calabria, and Apulia. As

⁸ Figures in this section are based on Issuer’s internal elaborations, as included in audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2016.

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: NPLs referring to non-financial corporations remain steadily above Euro 140 billion, and NPLs to producer households are stable at slightly below Euro 16 billion. 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 the first nine months of 2016, 10 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 3.8 per cent. compared to the first nine months of 2014. Non-bankruptcy workouts continued falling: they numbered 1.3 thousand between January and September 2016, down 32 per cent. year-over-year.

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 2016 and 31 December 2015.

Employees	31.12.2016	31.12.2015
Employees:	1,023.5	671.0
(a) senior managers	43.5	24.0
(b) middle managers	275.0	51.5
(c) remaining personnel	705.0	595.5
Other personnel	-	-

At 31 December 2016, the Group had 1,323 employees, of which 479 from the Interbanca Group.

Legal Proceedings

Please see “*Documents Incorporated by Reference*” above and refer to the audited consolidated annual financial statements of the Issuer as of and for the year ended 31 December 2016 which are incorporated by reference herein, and in particular “*Notes to the 2016 Consolidated Financial Statements – Part B - Section 12 – Provision for risks and charges - Item 120*”.

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 Interbanca S.p.A. and Chairman of La Scogliera S.p.A.
Giovanni Bossi	Chief Executive Officer	Chief Executive Officer of Interbanca S.p.A.
Alessandro Csillaghy De Pacser	Deputy Chairman	Chief Executive Officer of La Scogliera S.p.A. and Director of IFIS Finance Sp. z o.o.
Giuseppe Benini	Director	Director of Interbanca S.p.A.
Francesca Maderna	Director	Accountant
Antonella Malinconico	Director	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.

Name	Position	Principal Activities Outside the Issuer
Daniele Santosuosso	Director	Director of Lottomatica 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 Interbanca S.p.A., President of the Board of Statutory Auditors of IFIS Leasing S.p.A., President of the Board of Statutory Auditors of IFIS Factoring s.r.l. and President of the Board of Statutory Auditors of IFIS Rental Services s.r.l.
Giovanna Ciriotto	Statutory Auditor	Statutory Auditor of Interbanca S.p.A., Statutory Auditor of IFIS Leasing S.p.A., Statutory Auditor of IFIS Factoring s.r.l., Statutory Auditor of IFIS Rental Services s.r.l.
Massimo Miani	Statutory Auditor	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 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

The board of directors of the Issuer approved the Strategic Plan on 16 March 2017.

On 11 May 2017, the board of directors of the Issuer approved the unaudited consolidated interim report of the Issuer as of and for the three months ended 31 March 2017.

At 31 March 2017, the Group profit for the period totalled Euro 32.7 million, up 48.3 per cent. from Euro 22.0 million at 31 March 2016, 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.⁹), both amounted to 15.4 per cent. at the end of 31 March 2017, compared to 15.7 per cent. at the end of 2016.

The unaudited consolidated interim report of the Issuer as of and for the three months ended 31 March 2017 is incorporated in, and form part of, this Prospectus. For further details, please refer to "*Information Incorporated by Reference*".

⁹ The reported total own funds refers only to the scope of the Group, thus excluding the effects of the prudential consolidation in the parent La Scogliera S.p.A. Consolidated own funds, risk-weighted assets and solvency ratios at 31 March 2017 were determined based on the regulatory principles set out in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) dated 26 June 2013, which were transposed in the Bank of Italy's Circulars no. 285 and 286 of 17 December 2013. Article 19 of the CRR requires inclusion of the unconsolidated holding of the banking Group in prudential consolidation. The CET1 at 31 March 2017 including La Scogliera S.p.A. amounted to 14.0 per cent., compared to 14.7 per cent. at 31 December 2016, while the Total Own Funds Ratio totalled 14.9 per cent., compared to 15.3 per cent. at 31 December 2016.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes, which will be endorsed on each Note in definitive form. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to Notes in definitive form to the extent described in the section of this Prospectus entitled “Summary of Provisions relating to the Notes in Global Form”.

The €300,000,000 1.750 per cent. Notes due 26 May 2020 (the “**Notes**”, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Notes) of Banca IFIS S.p.A. (the “**Issuer**”) are issued subject to and with the benefit of a fiscal agency agreement dated 26 May 2017 (such agreement as amended and/or supplemented and/or restated from time to time, the “**Fiscal Agency Agreement**”) made between the Issuer and BNP Paribas Securities Services, Luxembourg Branch as fiscal agent (the “**Fiscal Agent**” which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and as paying agent (in such capacity, the “**Paying Agent**” and, together with the Fiscal Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

Certain provisions of these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Fiscal Agency Agreement. The holders of the Notes (the “**Noteholders**”) and the holders of the related interest coupons (the “**Coupons**”) appertaining to the Notes in definitive form (whether or not attached to the relevant Notes) (the “**Couponholders**”) are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them. Copies of the Fiscal Agency Agreement are available for inspection during normal business hours by the Noteholders and Couponholders at the Specified Offices (as defined in the Fiscal Agency Agreement) of each of the Paying Agents.

1. FORM, DENOMINATION AND TITLE

1.1 Form and denomination

The Notes are in bearer form, serially numbered and in the denominations of €100,000 and integral multiples of €1,000 in excess thereof up to and including €99,000, with Coupons attached on issue.

1.2 Title

Title to the Notes and the Coupons passes by delivery. The holder of any Note or Coupon will (except as 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 interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2. STATUS

The Notes and the Coupons constitute direct, unconditional, unsubordinated and (subject to Condition 3 (*Negative Pledge*)) 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 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 and subject to Condition 3 (*Negative Pledge*), at all times rank at least equally with its other present and future unsecured and unsubordinated obligations.

3. NEGATIVE PLEDGE

So long as any Note or Coupon remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer shall not, and shall procure that none of its Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure (i) any Relevant Indebtedness or (ii) any guarantee of and/or indemnity in respect of any Relevant Indebtedness,

without (a) at the same time or prior thereto securing the Notes and the Coupons equally and rateably therewith or (b) providing such other Security Interest, guarantee, indemnity or other arrangement in respect of the Notes and the Coupons as may be approved by an Extraordinary Resolution of Noteholders.

4. DEFINITIONS

For the purposes of these Conditions:

“Business Day” means:

- (i) in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place; or
- (ii) in the case of payment by credit or transfer to a Euro account, a TARGET Settlement Day.

“Calculation Amount” means €1,000.

“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.

“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 11 (*Events of Default*).

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

“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.

“Interest Payment Date” means 26 May in each year.

“**Interest Period**” means each period from (and including) the Issue 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.

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

“**Maturity Date**” means 26 May 2020.

“**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.

“**Permitted Security Interest**” means:

- (i) any Security Interest arising by operation of law in the ordinary course of business of the Issuer or a Subsidiary which does not (either alone or together with any one or more other such Security Interests) materially impair the business, assets or operations of the Issuer or such Subsidiary business and which is not (and does not become capable of being) enforced; or
- (ii) any Security Interest created by a Person which becomes a Subsidiary after the Issue Date, where such Security Interest already exists at the time that Person becomes a Subsidiary provided that (A) such Security Interest was not created in connection with or in contemplation of that Person becoming a Subsidiary, (B) the aggregate principal amount of Indebtedness secured by such Security Interest is not increased and no additional assets become subject to such Security Interest, in both cases either in connection with or in contemplation of that Person becoming a Subsidiary or at any time thereafter; or
- (iii) any Security Interest which is created in connection with, or pursuant to, a securitisation, asset-backed financing or like arrangement whereby (i) the payment obligations in respect of the instruments representing the Indebtedness secured by the relevant Security Interest are to

be discharged solely from the revenues generated by the assets over which such Security Interest is created (including, without limitation, receivables) and (ii) the holders of such instruments have no recourse in relation to such Indebtedness against any assets of any member of the Group; or

- (vi) any Security Interest created by the Issuer or a Subsidiary for the purposes of an issue by the Issuer or such Subsidiary of covered bonds (*obbligazioni bancarie garantite*) in accordance with Italian Law No. 130 of 30 April 1999, as amended and implemented from time to time.

“**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.

“**Relevant Date**” means whichever is the later of (A) the date on which a payment first becomes due and (B) if the full amount payable has not been received in by the Fiscal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders and Couponholders in accordance with Condition 12 (*Notices*).

“**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.

“**Reserved Matter**” has the meaning given to it in the Fiscal 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.

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

“**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.

“**Subsidiary**” means, in respect of the Issuer at any particular time, any *società controllata*, as defined in Article 2359 of the Italian Civil Code.

“**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.

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. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their principal amount outstanding from and including the Issue Date at the rate of 1.750 per cent. per annum, payable annually in arrear on each Interest Payment Date, subject as provided in Condition 6 (*Payments*). The first payment (representing a full year's interest) shall be made on 26 May 2018.

Interest in respect of any Note shall be calculated per Calculation Amount. The amount of interest payable per Calculation Amount for any Interest Period shall be equal to the product of 1.750 per cent. and the Calculation Amount.

5.2 Interest Accrual

Each Note will cease to bear interest from its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such events, it shall continue to bear interest at the rate specified in Condition 5.1 (both before and after judgment) until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note are received by or on behalf of the relevant Noteholder; and
- (ii) the day falling seven calendar days after the Fiscal Agent has notified the Noteholders of receipt of all sums due in respect 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 12 (*Notices*).

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period which is equal to or shorter than an Interest Period, the day-count fraction used will be the actual number of days in the relevant period from and including the date from which interest begins to accrue to but excluding the date on which it falls due divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

6. PAYMENTS

6.1 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 by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with a bank in a city in which banks have access to the TARGET System. 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.

6.2 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 8 (*Taxation*)) any law implementing an intergovernmental approach thereto,

but, in each case, without prejudice to the provisions of Condition 8 (*Taxation*).

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

6.3 Surrender of unmatured Coupons

Each Note should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender (or, in the case of part payment only, endorsement) of the relevant missing Coupon at any time before the expiry of ten years after the Relevant Date in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

6.4 Payments on a Business Day

A Note or Coupon may only be presented for payment on a day which is a Business Day in the place of presentation (and, in the case of transfer to a Euro account, in a city in which banks have access to the TARGET System). If the due date for payment in respect of any Note or Coupon is not a Business Day, the holder will not be entitled to payment of the amount due until the next succeeding 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 6 falling after the due date.

6.5 Paying Agents

The initial Paying Agents and their initial Specified Offices are listed below. 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 fiscal agent, provided it will at all times maintain:

- (i) a Fiscal Agent; and
- (ii) 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 Fiscal 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 12 (*Notices*).

6.6 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.

7. REDEMPTION AND PURCHASE

7.1 Final Redemption

Unless previously redeemed, or purchased and cancelled as provided below, the Notes will be redeemed by the Issuer at their principal amount on the Maturity Date, subject as provided in Condition 6 (*Payments*).

7.2 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 22 May 2017, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*); and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount outstanding together with interest accrued to but excluding the relevant date of redemption, provided that no such notice of redemption shall be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due 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 7.2, the Issuer shall deliver to the Fiscal 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 7.2, the Issuer shall be bound to redeem the Notes in accordance with the terms of this Condition 7.2.

7.3 No other redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 7.1 and 7.2 above.

7.4 Purchases

The Issuer or any of its Subsidiaries may at any time purchase Notes in any manner and at any price, *provided that* all unmatured Coupons appertaining to the Notes are purchased with such Notes).

7.5 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.

8. TAXATION

8.1 Payment without Withholding

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied 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 equal the respective amounts of principal and interest 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.

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.

8.2 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 8.

9. PRESCRIPTION

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 6 (*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 6 (*Payments*).

10. REPLACEMENT OF NOTES AND COUPONS

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Fiscal Agent, 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.

11. EVENTS OF DEFAULT

If any of the following events occurs:

- (i) *Non-payment*: if the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven days of the due date for payment thereof; or
- (ii) *Breach of other obligations*: if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 calendar days following the service by any Noteholder, either to the Issuer or to the Specified Office of the Fiscal Agent, of written notice addressed to the Issuer requiring the same to be remedied; or
- (iii) *Cross-default*: if (a) any Indebtedness of the Issuer or any of its Subsidiaries is declared (or is capable of being declared) to be due and repayable prior to its stated maturity by reason of any actual or potential event of default (however described); or (b) the Issuer or any of its Subsidiaries fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any originally applicable grace period; (c) any security given by the Issuer or any of its Subsidiaries for any Indebtedness is (or becomes capable of being) enforced; or (d) default is made by the Issuer or any of its Subsidiaries in making any payment when due or (as the case may be) within any originally applicable grace period under any guarantee and/or indemnity given by it in relation to any Indebtedness, provided that the aggregate amount of the Indebtedness, guarantees and/or indemnities in respect of which one or more of the events mentioned in this paragraph (iii) have occurred individually or in the aggregate equals or exceeds Euro 30,000,000 (or its equivalent in any other currency); or
- (iv) *Winding up, etc.*: if an order is made by any competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries save for the purposes of (a) a solvent reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by an Extraordinary Resolution of the Noteholders, or (b) pursuant to a Permitted Reorganisation; or
- (v) *Cessation of business*: if the Issuer or any of its Material Subsidiaries ceases, threatens to cease or announces that it shall cease to carry on the whole or substantially the whole of its business or operations, save for the purposes of (a) solvent reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by an Extraordinary Resolution of the Noteholders, or (b) a Permitted Reorganisation. For the avoidance of doubt,

the transfer of receivables and securities by the Issuer or any of its Material Subsidiaries in the ordinary course of business will not constitute a cessation of business; or

- (vi) *Insolvency/Composition*: if the Issuer or any of its Material Subsidiaries:
- (i) is (or is, or could be, deemed by law or a court to be) insolvent or unable to pay its debts as they fall due; or
 - (ii) stops or suspends (or threatens to stop or suspend) payment of all or a part of, or admits in writing its inability to, its debts; or
 - (iii) becomes subject to any liquidation, insolvency, composition, reorganisation or other similar proceedings or application is made for the appointment of an administrative or other receiver, administrator, liquidator or other similar official or an administrative or other receiver, administrator, liquidator or other similar official is appointed in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them; or
 - (iv) proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or of a particular type of) its debts (or of any part which it will or it might otherwise be unable to pay when due); or
 - (v) proposes or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors in respect of any of all of (or of a particular type of) its debts (or of any part which it will or it might otherwise be unable to pay when due, or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of such debts of the Issuer or any of its Material Subsidiaries; or
- (vii) *Enforcement proceedings*: if a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a substantial part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged or stayed within 30 calendar days; or
- (viii) *Security enforced*: if any Security Interest created or assumed by the Issuer in respect of all or a substantial part of the undertaking, property, assets or revenues of the Issuer or any of its Material Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and such enforcement or any step taken to enforce it are not discharged or stayed within 30 calendar days; or
- (ix) *Unsatisfied judgment*: if one or more judgment(s) or order(s) for the payment of any amount in excess of Euro 30,000,000 (or its equivalent in other currencies), whether individually or in aggregate, is rendered against the Issuer or any of its Subsidiaries, becomes enforceable in a jurisdiction where the Issuer or any of its Subsidiaries are incorporated and continue(s) unsatisfied and unstayed for a period of 30 calendar days after the date(s) thereof or, if later, the date therein specified for payment; or
- (x) *Analogous event*: if any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 11(iv), 11(v), 11(vi), 11(vii), 11(viii) or 11(ix); or
- (xi) *Failure to take action*: any action, condition or thing (including, without limitation, the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing,

licence or order) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, perform and comply with its obligations under and in respect of the Notes and the Fiscal Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes and the Coupons admissible in evidence in the courts of the Republic of Italy is not taken, fulfilled or done; or

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

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

In these Conditions:

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

- (i) on terms approved by an Extraordinary Resolution of the Noteholders; or
- (ii) in the case of a Subsidiary, whereby the assets and undertaking of such Subsidiary are transferred, sold, contributed, assigned or otherwise vested in the Issuer and/or another Subsidiary;
- (iii) with respect to Condition 11(v) only, whereby the Issuer or a Subsidiary sells, transfers, leases, exchanges or otherwise disposes of its business (or a substantial part thereof) (whether in the form of property or assets, including any receivables, shares, interest or other equivalents or corporate stock or other indicia of ownership) that is made on arm’s length terms for a consideration that represents or is equivalent to the fair market value of the relevant business (or part thereof), as confirmed by the Issuer’s Board of Directors; or
- (iv) in the case of the Issuer, whereby the assets and undertaking of the Issuer, including equity interests in Subsidiaries, or (in the case of a demerger) all or substantially all of such assets and undertaking, are vested in a body corporate in good standing (the **“Substitute”**) and:
- (a) the Substitute is a bank duly incorporated and licensed to operate in Italy or in another Member State of the European Union;
- (b) the Substitute assumes the obligations of principal debtor under the Notes by operation of Italian law under the doctrine of universal succession, failing which on or prior to completion of the transaction it executes and delivers a deed of substitution, a supplemental fiscal agency agreement and such other documents (if any), together with (where applicable) the other parties to the Fiscal Agency Agreement, as may be necessary to give full effect to the substitution of such body corporate for the Issuer (such documents together, the **“Substitution Documents”**);
- (c) a certificate of the Substitute, signed by two directors or by a director and the chief financial officer of the Substitute and addressed to the Fiscal Agent has been made available to the Noteholders at the Specified Offices of the Fiscal Agent, confirming the Substitute’s belief that neither (1) the ability to perform the payment obligations of the principal debtor under the Notes nor (2) the rights and interests of Noteholders will be impaired as a result of the transaction;

- (d) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Notes and/or the Substitution Documents (as applicable) represent valid, legally binding and enforceable obligations of the Substitute have been taken, fulfilled and done and are in full force and effect;
- (e) the Substitute has obtained opinions from lawyers of recognised standing as to matters of Italian law and (if different) of the jurisdiction of the place of incorporation of the Substitute, confirming as follows:
 - (1) fulfilment of the condition in paragraph (d) above (subject to all applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles);
 - (2) that the Substitute is validly incorporated under the laws of its jurisdiction with power and capacity to assume and perform the obligations under the Notes and/or the Substitution Documents (as applicable); and
 - (3) that the Substitute has obtained all necessary approvals and consents (including governmental and regulatory consents) for the assumption and performance of its obligations, and from lawyers of recognised standing as to matters of English law confirming the matters set out in (1) above, all such opinions to be made available to Noteholders at the Specified Offices of the Fiscal Agent, together with the Substitution Documents; and
- (f) not later than 15 calendar days after the execution of any Substitution Documents, the Substitute shall give notice thereof to the Noteholders in accordance with Condition 12 (*Notices*),

and, following any such transaction, any reference in these Conditions to the “**Issuer**” shall be a reference to the Substitute and references to obligations under the Notes in Conditions 11(ii), 11(xi) and 11(xii) shall be deemed to include obligations under the Substitution Documents.

12. NOTICES

Notices to Noteholders will be valid if published in a reputable leading English language daily newspaper published in London with an international circulation (which is expected to be the Financial Times) and (so long as the Notes are listed on a securities market of the Irish Stock Exchange and it is a requirement of applicable laws and regulations or the rules of the Irish Stock Exchange) a leading newspaper having general circulation in the Republic of Ireland or on the website of the Irish Stock Exchange (www.ise.ie) or, if such publication shall not be practicable, in an leading English language daily newspaper of general circulation in Europe (which is expected to be the Financial Times). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 12.

13. MEETING OF NOTEHOLDERS, NOTEHOLDERS' REPRESENTATIVE; MODIFICATION

13.1 Meetings of Noteholders

The Fiscal 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.

13.2 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 Fiscal 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. In addition, the parties to the Fiscal Agency Agreement may agree, without the consent of the Noteholders, to modify any provision thereof in order to comply with mandatory laws, legislation, rules and regulations of the Republic of Italy applicable to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution.

14. ROUNDING

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions), all figures resulting from such calculations will be rounded, if necessary, to the nearest euro cent (with half a euro cent being rounded upwards).

15. 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.

16. 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 Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

17. 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.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing Law

The Fiscal Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Fiscal Agency Agreement, the Deed of Covenant, the Notes and the Coupons are governed by, and construed in accordance with, English law.

18.2 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 18.2 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).

18.3 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 12 (*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.

There will appear at the foot of the Conditions endorsed on each Note in definitive form the names and Specified Offices of the Paying Agents as set out at the end of this Prospectus

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Temporary Global Note and the Permanent Global Note (each, a “**Global Note**”) contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the Conditions of the Notes set out in this Prospectus. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg. The Global Notes will be issued in NGN form. 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 that 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 following is a summary of certain of those provisions:

Exchange for Permanent Global Note and definitive Notes

- (i) The Temporary Global Note will be exchangeable, in whole or in part, for the Permanent Global Note not earlier than 40 days after the Issue Date (the “**Exchange Date**”) upon certification as to non-U.S. beneficial ownership.
- (ii) The Permanent Global Note is exchangeable in whole, but not in part, for definitive bearer Notes in the denomination of €100,000 each and integral multiples of €1,000 in excess thereof, up to and including €199,000 each, only if (a) it is held on behalf of Euroclear or Clearstream, Luxembourg, and any such Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so; or (b) an Event of Default (as defined in Condition 11 (*Events of Default*)) occurs.

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

If:

- (a) definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of a Permanent Global Note for definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the relevant terms and conditions or the date for final redemption of the relevant 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 in accordance with the terms of the relevant Permanent Global Note on the due date for payment,

then such Permanent Global Note (including the obligation to deliver definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of such Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of such Permanent Global Note or others may have under a deed of covenant relating to the relevant Notes dated 26 May 2017 (the “**Deed of Covenant**”) executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in such Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before such 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 (as the case may be) Clearstream, Luxembourg.

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

Payments

No payment will be made on the Temporary Global Note on or after the Exchange Date unless exchange for an interest 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.

Payments of principal and interest in respect of Notes represented by the Permanent Global Note will be made against presentation for endorsement and, if no further payment fails to be made in respect of the Notes, surrender of the Permanent Global Note to or to the order of any Paying Agent as shall have been notified to the Noteholders for such purpose, and may be made, at the direction of the holder of the Permanent Global Note, to the relevant Clearing Systems for credit to the account or accounts of the accountholder or accountholders appearing in the records of the relevant Clearing System as having Notes credited to them. The Issuer shall procure that a record of each payment made in respect of the Permanent Global Note shall be made by the relevant Clearing Systems.

Payments on Business Days

In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note, “business day” means any day on which the TARGET System is open.

Notices

Notices shall be given as provided in Condition 12 (*Notices*), save that so long as the Notes are represented by the Temporary Global Note or Permanent Global Note and the Temporary Global Note or Permanent Global Note is held on behalf of a Clearing System, notices to Noteholders may be given by delivery of the relevant notice to the relevant Clearing System for communication to the relevant Accountholders (as defined below) rather than by publication as required by Condition 12 (*Notices*), provided, however, that so long as the Notes are admitted to trading on the Irish Stock Exchange and the rules of the Irish Stock Exchange 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 the Irish Stock Exchange (www.ise.ie). Any notice delivered to Euroclear and/or Clearstream, Luxembourg shall be deemed to have been given to Noteholders on the date on which such notice is delivered to the relevant Clearing System.

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*)).

Redemption for Taxation Reasons

The option of the Issuer provided for in Condition 7.2 (*Redemption for Taxation Reasons*) shall be exercised by the Issuer giving notice to the Noteholders and the relevant central securities depositories (“**ICSDs**”) within the time limits set out in, and containing the information required by, Condition 7.2 (*Redemption for Taxation Reasons*).

Authentication and Effectuation

Neither the Temporary Global Note nor the Permanent Global Note shall become valid or enforceable for any purpose unless and until it has been authenticated by or on behalf of the Fiscal Agent and effectuated by the entity appointed as Common Safekeeper by Euroclear and/or Clearstream, Luxembourg.

Accountholders

For so long as any of the Notes is represented by the Permanent Global Note or by the Permanent Global Note and the Temporary Global Note and such Global Note(s) is/are held on behalf of the relevant Clearing Systems, each person (other than a relevant Clearing System) who is, for the time, being shown in the records of a 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) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 11 (*Events of Default*)) other than with respect to the payment of principal and interest on the Notes, the right to which shall be vested, as against the Issuer, solely in the bearer of the Permanent Global Note in accordance with and subject to its terms. Each Accountholder must look solely to the relevant Clearing Systems for its share of each payment made to the bearer of the Permanent Global Note.

Eligibility of the Notes for Eurosystem Monetary Policy

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are upon issue 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 (Eurosystem Eligible Collateral) either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations (including the provision of further information) as specified by the ECB from time to time. As at the date of this Prospectus, one of the Eurosystem eligibility criteria for debt securities is an investment grade rating and, accordingly, as the Notes are unrated, they are not currently expected to satisfy the requirements for Eurosystem eligibility.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes. This summary is based upon the laws and/or practice in force as at the date of this 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 1st April, 1996 (“**Decree 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 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 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 (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so called “*regime del risparmio gestito*” (the “**Asset Management Regime**”) according to Article 7 of Italian Legislative Decree No. 461 of 21st November, 1997, as amended (“**Decree No. 461**”)); or
- (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership), or a de facto partnership not carrying out commercial activities or professional association; or
- (c) private or public institutions (other than companies), trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
- (d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes). All the above categories are qualified as “net recipients”.

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), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation,

including the *imposta sostitutiva*, on Interest if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232 of 11 December 2016 (“**Law No. 232**”).

Pursuant to Decree 239, the 26 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so called “**SIMs**”), fiduciary companies, *società di gestione del risparmio* (“**SGRs**”), stock brokers and other qualified entities identified by a decree of the Ministry of Finance (“**Intermediaries**” and each an “**Intermediary**”). An Intermediary must (a) be resident in Italy or be a permanent establishments in Italy of a non Italian resident Intermediary, and (b) intervene, in any way, in the collection of Interest or, also as transferees, in transfers or disposals of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant notes or in a change of the Intermediary with which the notes are deposited.

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

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

- (a) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;
- (b) Italian resident partnerships carrying out commercial activities (*‘società in nome collettivo’* or *‘società in accomandita semplice’*);
- (c) 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
- (d) Italian resident individuals holding Notes not in connection with entrepreneurial activity 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 permanent establishments in Italy of foreign corporations 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 individuals holding Notes not in connection with entrepreneurial activity 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, to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, or a SICAF, Interest accrued on the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or SICAF. The income of the real estate fund or of the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Where a Noteholder is an Italian resident pension funds subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005 are subject, 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).

Non-Italian resident Noteholders

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

- (a) such beneficial owners are resident for tax purposes in a state or territory which allows an adequate exchange of information with the Italian tax authorities and listed in the Ministerial Decree dated 4 September 1996 as amended from time to time (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. In absence of the issuance of the new White List, reference has to be made to the Italian Ministerial Decree dated 4 September 1996 as amended from time to time; and
- (b) all the requirements and procedures set forth in Decree 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 239 also provides for additional exemptions from the *imposta sostitutiva* for payments of Interest in respect of the Notes made to (i) international entities and organisations established in accordance with international agreements ratified in Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; and (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State.

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

- (a) be the beneficial owners of payments of Interest on the Notes;
- (b) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with a resident bank or SIM, or a permanent establishment in Italy of a non-Italian resident bank or SIM, or with a non-Italian resident 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 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interests 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.

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 30th June 2014 may be offset against capital gains of the same nature realized after 30th June 2014 for an overall amount of 76.92 per cent. of the same capital losses.

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

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

may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes under the so called “*regime del risparmio amministrato*” (the “**Administrative Savings Regime**”). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with banks, SIMs and any other Italian qualified intermediary (or permanent establishment in Italy of foreign intermediary) and (ii) an express election for the Administrative Savings Regime being made in writing in due time by the relevant holder of the Notes. The intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Notes, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian tax authorities on behalf of the holder of the Notes, deducting a corresponding amount from proceeds to be credited to the holder of the Notes. Where a sale or transfer or

redemption of the Notes results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Notes within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Pursuant to Decree No. 66, capital losses realised from 1 January 2012 to 30 June 2014 may be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the same capital losses. Under the Administrative Savings Regime, the realised capital gain is not required to be included in the annual income tax return of the Noteholder.

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

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

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

Where a Noteholder is an Italian resident real estate investment fund, to which the provisions of Law Decree No. 351 of 25 September, 2001, as subsequently amended, apply, or a SICAF, capital gains realised will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or SICAF. The income of the real estate fund or of the SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5th December, 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax.

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

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

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

- (a) pursuant to the provisions of Decree No. 461 non Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from the

imposta sostitutiva in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes: (a) in a state or territory listed in the White List as defined above, and (b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Regime or are subject to the Administrative Savings Regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies where the beneficial owners of the Notes are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, inter alia, the official reserves of a foreign State; and

- (b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

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

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

Inheritance and gift tax

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

- (a) 4 per cent. if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);
- (b) 6 per cent. if the transfer 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 €4,000 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.

SUBSCRIPTION AND SALE

The Lead Manager has, in a subscription agreement dated 22 May 2017 (the “**Subscription Agreement**”) and made between the Issuer and the Lead Manager, upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Notes at their issue price of 99.711 per cent. of their principal amount, less a commission. The Issuer has also agreed to reimburse the Lead Manager for certain of its expenses incurred in connection with the management of the issue of the Notes. The Lead Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

General

No action has been or will be taken in any jurisdiction by the Issuer or the Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Lead Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

The Lead Manager has represented, warranted and agreed that it will, to the best of its knowledge and belief, comply with all the relevant laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus or any other offering material.

United States of America

The Notes have not been and will not be registered under the Securities Act or any U.S. State securities laws in the United States. The Notes are being offered only outside the United States by the Lead Manager to persons who are not “U.S. persons” in offshore transactions in reliance on Regulation S, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, “U.S. persons”, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

The Lead Manager has represented and warranted that it has not offered and sold the Notes, and that it will not offer and sell the Notes, (a) as part of its own distribution at any time, or (b) otherwise until forty (40) days after the later of the commencement of the offering and the Issue Date, except in accordance with Rule 903 of Regulation S. Accordingly, neither the Lead Manager, any of its Affiliates (as defined in Rule 405 of the Securities Act) nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes, and the Lead Manager has represented and agreed that they have complied and will comply with the offering restrictions requirement of Regulation S. The Lead Manager has agreed that, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (i) as part of their distribution at any time or, otherwise, (ii) until forty (40) days after the later of the commencement of the offering and the Issue Date, except pursuant to an exemption from, or in a transaction not subject to, the regulation requirements of the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Terms used in the above paragraph have the meanings given to them by Regulation S.

The Lead Manager has represented, warranted and agreed with the Issuer that:

- (i) except to the extent permitted under U.S. Treasury Regulation §1.163 5(c)(2)(i)(D) (or substantially identical successor regulation) (the “**D Rules**”):

- (a) it has not offered or sold, and during the forty (40) day restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person;
- (b) it has not delivered and will not deliver in definitive form within the United States or its possessions any definitive Notes in bearer form that are sold during the restricted period;
- (ii) it has, and throughout the restricted period will have, in effect, procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (iii) if it is a United States person, (i) it is acquiring the Notes in bearer form for the purposes of resale in connection with their original issue and (ii) if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation §1.163 5(c)(2)(i)(D)(6) (or substantially identical successor regulation); and
- (iv) with respect to each Affiliate (as defined in Rule 405 of the Securities Act) of the Lead Manager that acquires Notes in bearer form from the Lead Manager for the purpose of offering or selling such Notes during the restricted period, the Lead Manager undertakes to the Issuer that it will either (i) repeat and confirm the representations and agreements contained in sub-paragraphs (a), (b) and (c) above on its behalf, or (ii) obtain from such affiliate for the benefit of the Issuer the representations and undertakings contained in sub-paragraphs (a), (b) and (c) above.

Terms used in the above paragraph have the meaning given to them by the Code and regulations thereunder, including the D Rules.

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

Republic of Italy

The offering of the Notes has not been cleared by CONSOB pursuant to Italian securities legislation. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of the 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 26, paragraph 1(d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended (“**CONSOB Regulation No. 16190**”), 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.

Any such offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy 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. 16190, 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

The Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the “**FSMA**”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA 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.

GENERAL INFORMATION

1. Listing and Admission to Trading

Application has been made for the Notes to be listed on the Official List of the Irish Stock Exchange and admitted to trading on its regulated market. Admission is expected to take effect on or about the Issue Date.

2. Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Notes. The creation and issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 11 May 2017.

3. Expenses Related to Admission to Trading

The total expenses related to admission to trading are estimated at €6,641.2 including all fees payable to maturity.

4. Legal and Arbitration Proceedings

Save as set out at “*Description of the Issuer–Legal Proceedings*” on page 42, 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 2016 and 31 December 2015 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 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 2016 there has been no material adverse change in the prospects of the Issuer and since 31 March 2017 there has been no significant change in the financial or trading position of the Issuer.

7. Documents on Display

For so long as 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 Fiscal Agency Agreement;
- (c) the Deed of Covenant;
- (d) the audited consolidated annual financial statements of the Issuer as of and for the years ended 31 December 2016 and 2015;
- (e) the unaudited consolidated interim report of the Issuer as of and for the three months ended 31 March 2017; and

- (f) the most recently published audited or unaudited consolidated (if available) financial statements of the Issuer.

A copy of this Prospectus will also be electronically available for viewing on the website of the Irish Stock Exchange (www.ise.ie). A copy of the documents incorporated by reference in this Prospectus will be electronically available for viewing on the Issuer's website (www.bancaifis.it).

8. Legend for any U.S. Person

The Notes and any Coupons 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".

9. ISIN and Common Code

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The International Securities Identification Number for the Notes is XS1617701161 and the Common Code is 161770116. 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.

10. Yield

Based on the issue price of 99.711 per cent. of the principal amount of the Notes, the yield on the Notes is 1.850 per cent. on an annual basis. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

11. Potential Conflicts of Interest

In the ordinary course of business, the Lead Manager has engaged, and may in the future engage, in investment banking transactions with, and may perform services for, the Issuer and its affiliates and with companies involved directly or indirectly in the sectors in which the Issuer and its affiliates operate and/or competitors of the Issuer interested in carrying out transactions of a similar nature. In addition, in the ordinary course of their business activities, the Lead Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates or any entity related to the Notes. The Lead Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph, the word "affiliates" also includes parent companies.

12. Post-Issuance Information

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

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