

PROSPECTUS



CREDITO VALTELLINESE S.p.A.

(incorporated with limited liability under the laws of the Republic of Italy)

€5,000,000,000

Euro Medium Term Note Programme

This Prospectus comprises a base prospectus for the purposes of Article 5(4) of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and the *loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005 which implements the Prospectus Directive in Luxembourg (the "**Luxembourg Prospectus Law**").

Under the €5,000,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this Prospectus, Credito Valtellinese S.p.A. ("**Credito Valtellinese**" or the "**Issuer**") may from time to time issue certain non-equity securities ("**Notes**") in bearer form denominated in any currency, as described in further detail herein.

This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority in Luxembourg as a base prospectus issued in compliance with the Prospectus Directive and the Luxembourg Prospectus Law. Application has been made for Notes issued under the Programme during the period of 12 months from the date of this Prospectus to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. The Programme also allows for Notes to be unlisted or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. As provided under Article 7(7) of the Luxembourg Prospectus Law, the CSSF assumes no responsibility with regard to the economic and financial soundness of any transaction under this Programme or the quality and solvency of the Issuer.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, see "Risk Factors" on page 1.

Arranger
UniCredit Bank

Dealers

Banca Akros S.p.A. Gruppo Banco BPM
Barclays
Crédit Agricole CIB
Deutsche Bank
HSBC
Mediobanca – Banca di Credito Finanziario
S.p.A.
NatWest Markets

Banca IMI
BNP PARIBAS
Credito Valtellinese
Goldman Sachs International
J.P. Morgan
Natixis
UBS Investment Bank

UniCredit Bank

Dated 20 July 2017

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IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this document and the Final Terms for each Tranche of Notes issued under the Programme and, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus should be read and construed together with any supplements hereto and with any other information incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Final Terms (as defined herein).

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

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

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

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

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

Neither this Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

IMPORTANT – EEA RETAIL INVESTORS

If the Final Terms in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €5,000,000,000 and, for this purpose, any Notes denominated in another currency shall be converted into euro at the date of the agreement to issue such Notes, calculated in accordance with the provisions of the Dealer Agreement (as defined under "*Subscription and Sale*"). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will be specified in the Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The Final Terms will disclose whether or not each credit rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**"). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency

established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. The European Securities and Markets Authority is obliged to maintain on its website a list of credit rating agencies registered and certified in accordance with the CRA Regulation, which may be found on the following page: <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>.

For the avoidance of doubt, the content of the website(s) referred to in this Prospectus does not form part of the Prospectus.

In this Prospectus, unless otherwise specified or where the context requires otherwise, references to a "**Member State**" are references to a Member State of the European Economic Area and references to "€", "EUR" or "euro" are to the single currency introduced at the start of the third stage of European economic and monetary union and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended; references to "£" and "Sterling" are to the lawful currency for the time being of the United Kingdom; and references to "**billions**" are to thousands of millions.

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.

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

RISK FACTORS

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. 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 or the Group.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in "Forms of the Notes" and "Terms and Conditions of the Notes" or elsewhere in this Prospectus have the same meaning in this section. Prospective investors should read the entire Prospectus.

Factors that may affect the Issuer's ability to fulfil its obligations under the Notes

Risks related to economic and financial conditions

The earning capacity and stability of the Issuer are affected by the general state of the economy, the dynamics of financial markets and, in particular, the strength and growth prospects of the economy in Italy (and the creditworthiness of its sovereign debt), as well as that of the Eurozone as a whole. In this regard, trends in the following factors are of particular significance to the Issuer: expectations and investor confidence; the level and volatility of interest rates in the short and long term; exchange rates; the liquidity of financial markets; the availability and cost of capital; the sustainability of sovereign debt; household incomes and consumer spending; and levels of unemployment, inflation and housing prices. Negative trends related to any of these factors, particularly in times of economic and financial crisis, may cause the Issuer to suffer losses, increases in funding costs and a diminution in the value of its assets, with a potential adverse effect on its liquidity, financial position and results of operations.

Risks relating to the geographic coverage of the Issuer's business

The Group operates solely on Italian territory, with particularly strong concentration in the regions of Lombardy, Lazio and Sicily. The Group's business is, therefore, closely linked to variations in the Italian macroeconomic environment, in relation to which current forecasts show considerable uncertainty as to future economic growth. Economic stagnation and/or the reduction in Italy's gross domestic product, an increase in unemployment and the adverse performance of the financial markets have all resulted in doubts about the financial system and a consequent fall in investments, together with a rise in bad debts, leading to a general reduction in demand for the Group's services. In

light of the above, if adverse economic conditions persist in Italy and if a situation of protracted political and economic uncertainty arises and/or if the economic recovery turns out to be slower than forecast, this could have a material adverse effect on the financial condition and results of operations of the Issuer and the Group.

Risks concerning liquidity

The Group's businesses are subject to risks concerning liquidity which are inherent in its banking operations, and could affect the Group's ability to meet its financial obligations as they fall due or to fulfil its commitments to lend. In order to ensure that the Group continues to meet its funding obligations and to maintain or grow its business generally, it relies on customer savings and transmission balances, as well as ongoing access to the wholesale lending markets. The ability of the Group to access wholesale and retail funding sources on favourable economic terms depends on a variety of factors, some of which are outside 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 further reductions in both inter-bank lending and the level of confidence from banks' customers. Should the Group be unable to continue to maintain a sustainable funding profile which can withstand sudden shocks, its ability to fund its financial obligations at a competitive cost, or at all, could be adversely affected with a consequent material adverse effect on the financial condition and results of operations of the Issuer and the Group.

Risks related to the global financial crisis and economic recession

Although the global economy has experienced a recovery in recent years, various concerns remain over the ability of certain countries to service their sovereign debt obligations. The significant economic stagnation in certain countries in the Eurozone, including Italy, in part due to the effects of the sovereign debt crisis and corresponding austerity measures in these markets, has added to these concerns. The measures implemented so far to reduce public debt and fiscal deficits have already resulted in lower or negative gross domestic product (GDP) growth and high unemployment rates in these countries. If the fiscal obligations of these or other countries continue to exceed their fiscal revenue, taking into account the reactions of the credit and swap markets, or if their banking systems are further destabilised, the ability of such countries to service their debt in a cost efficient manner could be impaired.

The continued uncertainty over the outcome of various international financial support programmes, the possibility that other countries might experience similar financial pressures, investor concerns about inadequate liquidity or unfavourable volatility in the capital markets, lower consumer spending, higher inflation or political instability could further disrupt the global financial markets and might adversely affect the economy in general. In addition, the risk remains that a default of one or more countries in the Eurozone, the extent and precise nature of which are impossible to predict, could lead to the expulsion or voluntary withdrawal of one or more countries from the Eurozone or a disorderly break-up of the Eurozone, either of which could significantly disrupt financial markets and possibly trigger another global recession. In addition, the outcome of the referendum held in the United Kingdom on 23 June 2016 and the subsequent negotiations between the United Kingdom and the European Union on its exit from the

European Union could exacerbate financial market volatility. All of these risks could adversely affect the business, results of operations and financial condition of the Group, including its ability to access the capital and financial markets and to refinance debt in order to meet its funding requirements.

Credit risk

The business of the Issuer and the Group, and the stability of their operating results and financial condition depend on the creditworthiness of customers, including sovereign debtors. More generally, as a result of bankruptcy, lack of liquidity, operating malfunction or other reasons, counterparties may fail to comply with their obligations to the Issuer. The failure of a major market participant, or even fears that one may default, could cause liquidity problems, losses or defaults by other financial institutions on a vast scale which, in turn, could have an adverse impact on the Issuer. In addition, the Issuer may face the risk in certain circumstances that some of the payments owed to it by a third party are not recoverable.

Furthermore, a decrease in the creditworthiness of third parties whose bonds or other securities are held by the Issuer, including sovereign debtors, could adversely affect the ability of the Issuer to use those securities as collateral or use them for other purposes connected with obtaining liquidity and/or could have an adverse impact on the results of the Issuer's operations.

Although in many cases the Issuer can require counterparties in financial difficulty to provide further security, it cannot be ruled out that disputes will arise over the amount of the security to which the Issuer is entitled and the value of the assets over which security is to be given. The frequency of defaults, reductions in value and disputes with counterparties over the value of security significantly increases in periods of tension and market illiquidity.

Accordingly, a prolonged market crisis, a deterioration in the conditions of the capital markets and a global economic slowdown could all have negative implications on the ability of bank counterparties to comply with the obligations they have taken on and, consequently, could cause a significant worsening in credit quality in the sectors in which the Issuer operates.

Credit risk is also closely linked to concentration risk, which derives from exposure to borrowers and groups of connected borrowers that operate in the same industry, conduct the same business or are located in the same geographic area. The concentration of loans to borrowers and groups of related borrowers operating in the same economic sector, conducting the same business or located in the same geographical area involves a risk that, if the sectors of the economy towards which the Issuer has the greatest exposure experiences a contraction (for example, if economic conditions in northern Italy deteriorate, whether or not as part of a broader contraction in the Italian economy), the Issuer would be likely to suffer greater losses than competitors with a more diversified loan portfolio, which could have an adverse impact on its financial condition and/or results of operations. See also "*Risks relating to the geographic coverage of the Issuer's business*" above.

Risks related to quality of loans

Credit quality is affected by the continuing weakness of the economy. Moreover, within the banking system generally, a growing number of companies are struggling to repay loans. The proportion of loans to companies experiencing temporary difficulties (sub-standard and restructured loans) is steadily increasing, while the deterioration of loans to households has remained moderate. The Group's impaired loans, net of valuation adjustments, amounted to €3,154 million as at 31 December 2016, down 6.06% on €3,358 million as at 31 December 2015. The allowances for losses on non-performing loans stood at €1,515 million (or 54.4% of gross non-performing loans) as at 31 December 2016, compared to €1,604 million (or 57.1%) at 31 December 2015. In addition, allowances for losses on loans classified as unlikely to pay (a new category of bad debt introduced under Bank of Italy regulations from 1 January 2015) amounted to €700 million (or 29.4% of the gross figure), compared to €627 million (or 25.5%) at the previous year end. Further significant increases in the Group's non-performing loans could have a material adverse effect on its financial condition and results of operation.

The Issuer has taken significant measures to dispose of its non-performing loans and an important element in its 2017-2018 Action Plan is its aim to deconsolidate non-performing loans of the Group of a gross value up to €1.5 billion. However, the Italian banking system is currently recording high levels of non-performing loans and, as a result, numerous other banks may seek to dispose of these assets, which may result in excess supply and downward price pressure. The Issuer may, therefore, find it difficult to identify buyers for non-performing loans or only find buyers at low prices, which may result in adverse consequences on the Issuer's financial condition and results of operations.

Risks related to the performance of sovereign debt securities

The large sovereign debts and fiscal deficits in European countries have raised concerns regarding the financial condition of Eurozone financial institutions and their exposure to such countries, which may in turn have an impact on Eurozone banks' funding. At 31 December 2016, the Group's exposure to debt securities issued by sovereign debtors amounted to €5,078 million, corresponding to 19.93% of the Group's total assets, nearly all of which was represented by debt securities issued by the Republic of Italy and Italian local government entities, and in residual amounts issued by the Portuguese and Spanish governments. The Group is therefore exposed to trends in Italian government securities, which in recent years have shown tension and volatility. If concerns persist over the ability of the Italian government to service its debt, the Group could suffer similar volatility in its business, financial condition or results of operations. In particular, the Issuer's credit ratings are exposed to the risk of reductions in the sovereign credit rating of Italy. On the basis of the methodologies used by rating agencies, further downgrades of Italy's credit rating have had, and may continue to have, a knock-on effect on the credit rating of Italian issuers such as the Issuer causing the credit rating of Notes issued under the Programme to be downgraded, with a consequent increase in funding costs.

Changes in regulatory framework

The Issuer is subject to extensive regulation and supervision by the Bank of Italy, CONSOB, the European Central Bank and the European System of Central Banks. The banking laws to which the Issuer is subject govern the activities in which banks and

foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in Italy and the European Union, such as the following:

- Between December 2010 and December 2011, the Basel Committee on Banking Supervision issued documents containing a capital and liquidity reform package (the "**Basel III Proposals**") to replace the existing EU directives on capital requirements. The main proposals are summarised as follows:
 - revision of the regulatory capital definition and its components, setting higher minimum levels for Common Equity Tier 1 capital adequacy ratios and introducing requirements for Additional Tier I and Tier II capital instruments to have a mechanism that requires them to be written off or converted into ordinary shares at the point of a bank's non viability;
 - introduction of a capital conservation buffer designed to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred and a countercyclical buffer, and measures aimed at ensuring that systemically important financial institutions have loss absorbing capacities which go beyond the minimum Basel III standards, in order to ensure that banking sector capital requirements take into account the macro financial environment in which banks operate;
 - enhancement of risk coverage of the capital requirements framework, especially regarding derivatives and other off balance sheet items (counterparty credit risk), the exposures to central counterparties (CCPs) and the values of the risk parameters under stress conditions (market, credit and counterparty credit risk);
 - introduction of a leverage ratio requirement as a supplementary measure to the risk based capital requirements;
 - promotion of stronger provisioning practices mainly by moving towards a forward looking (expected loss) provisioning approach; and
 - introduction of global common liquidity measurement standards for the banking sector, which will subject banks to minimum quantitative requirements for liquidity and increased risk weightings for "illiquid" assets.

In the European Union, the Basel III Proposals have been implemented by way of the Capital Requirements Directive 2013/36/EU (known as "**CRD IV**") and the Capital Requirements 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 should be largely fully effective by 2019 and some minor transitional provisions provide for phase-in by 2024 but it is possible that in practice implementation under national laws will take longer. Furthermore, Member States may introduce certain provisions at an earlier date than that set

out in CRD IV and CRR. Italy has enacted Legislative Decree No. 72 of 12 May 2015 implementing CRD IV.

- In June 2012, the European Commission published 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, resulting in the adoption of Directive 2014/59/EU (the "**Bank Recovery and Resolution Directive**" or "**BRRD**"). The stated aim of the BRRD is to provide authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses, including the so-called "bail-in" tool which is to be applied by Member States from 1 January 2016. Italy has supplemented the measures set out in BRRD with the senior debt bail-in tool taking effect from 1 January 2016. The powers set out in BRRD will affect how credit institutions and investment firms are managed, as well as, in certain circumstances, the rights of creditors, as described in further details under "*Risks relating to the Notes - The Bank Recovery and Resolution Directive may affect Notes issued under the Programme*".

In addition, the BRRD provides for a Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for European banks, which is a requirement for EU credit institutions to maintain at all times a minimum level of own funds (that is, regulatory capital) and eligible liabilities so as to ensure that the bail-in tool introduced by the BRRD could be applied effectively to a credit institution if a resolution process were commenced. The MREL for each entity is set by its the regulator on a case-by-case basis, having regard to certain specified criteria, including the size and business model of the institution.

On 23rd November, 2016, the European Commission published legislative proposals for amendments to the CRR, the CRD IV, the BRRD and Regulation (EU) No. 806/2014 establishing a Single Resolution Mechanism for the Banking Union and proposed an amending directive to facilitate the creation of a new asset class of "non-preferred" senior debt (the "**Proposals**"). The Proposals cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt, the MREL framework and the integration of the Financial Stability Board's proposed minimum total loss-absorbing capacity into EU legislation. The Proposals are to be considered by the European Parliament and the Council of the European Union and therefore remain subject to change. The final package of new legislation may not include all elements of the Proposals and new or amended elements may be introduced through the course of the legislative process. Until the Proposals are in final form, it is uncertain how the Proposals will affect the Issuers or the Noteholders.

LCR/NSFR

The new liquidity requirements introduced under the CRD IV Package are the Liquidity Coverage Ratio and the Net Stable Funding Ratio (the "**NSFR**"). The Liquidity Coverage Ratio Delegated Regulation (EU) 2015/61 was adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015. It was applicable from 1 October 2015, under a phase-in approach

before it becomes fully applicable from 1 January 2018. The Liquidity Coverage Ratio is subject to a gradual phase-in, beginning at 60 per cent. in 2015 and increasing by 10 per cent. each year in order to reach 100 per cent. in 2018. On 17 December 2015, the European Banking Authority (the "EBA") published its report recommending the introduction of the NSFR in the EU to ensure stable funding structures and outlining its impact assessment and proposed calibration. This report from the EBA has been taken into account by the European Commission in proposing a legislative proposal by the end of 2016, with the aim of complying with NSFR implementation in 2018, as per the Basel rules.

Leverage ratio

The CRD IV Package also introduced a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution's assets are in line with its capital. The Leverage Ratio Delegated Regulation (EU) 2015/61 was adopted on 10 October 2014 and was published in the Official Journal of the European Union in January 2015, amending the calculation of the leverage ratio compared to the current text of the CRR Regulation. Institutions have been required to disclose their leverage ratio from 1 January 2015. Full implementation of the leverage ratio as a Pillar 1 measure and European harmonisation, however, is not expected until 1 January 2018 following the European Commission's review in 2016. The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to liquidity coverage ratio and leverage ratio in order to enhance regulatory harmonisation in Europe through the Single Rule Book.

SREP

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

As of the date of this Prospectus, and on the basis of data published in relation to the above-mentioned capital and liquidity ratios, the Issuer believes that it is compliant with such ratios. Significant uncertainty remains around the implementation of some of these initiatives and how they are ultimately applied may have a material effect on the Issuer's business and operations. As this new framework of banking laws and regulations is still in the process of being implemented, the manner in which they will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not restrict the operations of the Issuer or otherwise have an adverse effect on its business, financial condition, cash flows and results of operations or on the rights of Noteholders as

creditors of the Issuer. Prospective investors in the Notes should consult their own advisors as to the consequences for them of the application of the above regulations as implemented by each Member State.

Value of assets and liabilities under IFRS

Under International Financial Reporting Standards (IFRS), for the purposes of preparing its consolidated financial statements, the Issuer uses estimates and assumptions that may have a significant effect on the values recorded on the balance sheet and income statement, as well as on the reporting of contingent assets and liabilities. In particular, estimates and assumptions are formulated by the Issuer's management with respect to:

- quantifying losses due to impairment, with particular reference to amounts owed to the Issuer, equity investments and tangible assets;
- the fair value of financial instruments, especially valuation models for financial instruments not listed on active markets;
- assessing the fairness of the valuation of goodwill and other intangible assets;
- quantifying provisions for employees and provisions for risks and charges;
- the actuarial and financial assumptions underlying benefit schemes for employees; and
- estimates and assumptions regarding the recovery of deferred tax assets.

These estimates and assumptions are applied on a going concern basis and are strongly influenced by growing uncertainty of the economic environment and current market conditions, the degree of volatility of financial parameters and the presence of high indicators for credit quality deterioration.

Parameters and information used for the determination of estimates and assumptions are particularly affected by the above factors, which by their nature are unpredictable. As a result, those estimates and assumptions may vary from period to period and, accordingly, it cannot be ruled out that amounts recorded in the Issuer's most recent financial statements and those recorded in the future will differ, even significantly, following changes to the valuation methods to be applied.

The estimates and assumptions are subject to periodic review in order to take into account changes in the relevant period. The determination of the above amounts is closely linked to the evolution of national and international social and economic framework and the performance of financial markets, which in turn generate a significant impact on interest rates, price fluctuations and the creditworthiness of counterparties. The parameters and information used to estimate the above-mentioned amounts are significantly affected by the above factors and, accordingly, it cannot be ruled out that a worsening performance will have an adverse effect on the items subject to valuation and, ultimately, on the financial condition and results of operations of the Issuer.

Impact of events which are difficult to anticipate

The Group's earnings and business are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes

in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competition at a regional, national and international level. Each of these factors can change the level of demand for the Group's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Group between lending and borrowing costs and the value of the Group's investment and trading portfolios.

Changes in interest rates

Fluctuations in interest rates influence the Group's financial performance. The results of the Group's banking operations are affected by the Group's management of interest rate sensitivity and, in particular, changes in market interest rates. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the Group's financial condition or results of operations.

Market declines and volatility

The results of the Group are affected by general economic, financial and other business conditions. During a recession, there may be less demand for loan products and a greater number of the Group's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the Group's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties.

Market risk

The financial results of the Issuer are linked to the operational context in which it carries on its business. In particular, the Issuer is exposed to potential changes in the value of securities, including securities issued by sovereign debtors, as a result of fluctuations in interest rates, exchange rates, the prices of listed securities and commodities, and credit spreads. Such fluctuations may be triggered by changes in the general performance of the economy, the appetite of investors, monetary and tax policy, market liquidity on a global scale, the availability and cost of funding, action taken by rating agencies, political events (both local and international), war and terrorism.

Although the Group has existing measures in place for the purposes of verifying risk, there can be no assurance that, at a future date, faced with market-related trends, such as share prices, inflation rates, interest rates and exchange rates and their volatility, as well as changes in the creditworthiness of the Issuer, a reduction in the value of its assets or an increase in financial liabilities will not have an adverse effect on the financial conditions and results of operations of the Issuer and the Group.

Protracted market declines and reduced liquidity in the markets

In some of the Group's businesses, protracted adverse market movements, particularly the volatility of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets that were not in a very liquid market to begin with. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Issuer using models other than publicly quoted prices.

Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the Issuer's operation results and financial condition.

Risk management and exposure to unidentified or unanticipated risks

The Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risks and intends to continue to do so in the future. Nonetheless, the Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all economic market environments or against all types of risks, including risks that the Group fails to identify or anticipate. If existing or potential customers believe that the Group's risk management policies and procedures are inadequate, the Group's reputation as well as its revenues and profits may be negatively affected.

Operational risk

The Group, like all financial institutions, is exposed to many types of operational risks, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, such as errors resulting from faulty information technology or telecommunication systems, as well as cyber crime risk, including theft or corruption of information or disruption of business processes. The Group's systems and processes are designed to ensure that the operational risks associated with the Group's activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the Group's financial performance and business activities.

Risk related to the rating assigned to the Issuer

The creditworthiness of the Issuer is measured, *inter alia*, through the ratings assigned by one or more international credit rating agencies. The rating is an assessment of the Issuer's ability to fulfil its financial obligations, including those relating to the Notes. Any downgrade in the rating of the Issuer could be an indicator of a reduced ability to fulfil its financial commitments compared to the past. As at the date of this Prospectus, the ratings assigned by Fitch Italia S.p.A. and DBRS Ratings Limited to the Issuer's long-term debt is categorised as "speculative", meaning that it is particularly susceptible to adverse economic and financial conditions in the long term. Both ratings are currently assigned with negative outlook. See also "*Risk relating to the Notes - Risks related to the market generally - Credit ratings may not reflect all risks*".

Risks linked to the Issuer's strategy

On 8 November 2016, the Issuer's Board of Directors approved the action plan for 2017-2018. See "*Description of the Issuer – Strategy*". If one or more of the underlying assumptions of the plan do not materialise or materialise only in part due to factors outside of the Issuer's control, the objectives of management may not be achieved and, consequently, the Group's financial performance could fall short of the forecasts under the plan, with a likely adverse effect on the Issuer's financial condition and results of operations.

Risks related to competition in the banking and finance sector

The Issuer and the other companies of the Group operate in a highly competitive market, with particular reference to the geographical areas where their activity is mainly concentrated (in particular, Italy). Competitive pressure may arise either from consumer demand of new services as well as technological demand, with the consequent necessity to make investments, or as a result of competitors' specific competitive actions. In the event that the Group is not able to respond to increasing competitive pressure by, for example, offering profitable new services and products that meet client demands, the Group could lose market share in a number of business sectors and/or fail to increase or maintain the volumes of business and/or profit margins it has achieved in the past, with possible adverse effects on the Issuer's financial condition and results of operations.

Risks related to operating losses

The economic recession and the crisis in the financial markets has had, and could continue to have, an adverse impact on the Group's results and, for the year ended 31 December 2016, the Issuer recorded a consolidated net loss of €333 million. With regard to the correct classification of exposures and related provisions, the Group commenced an internal review process that took account of indications arising from an inspection by the Bank of Italy that was concluded at the end of September 2016, including greater provisions for losses amounting to €282 million, which was also consistent with the aim of increasing the overall level of coverage for non-performing loans ("NPL's"), with a view to carrying out further transactions involving the sale of those loans and taking other decisive measures for the management of NPL's. For the year ended 31 December 2016, Net impairment losses on loans and receivables and other financial assets amounted to €491 million, compared to €442 million for 2015.

In addition, a number of one-off items affected results, which were linked to the progressive implementation of the 2017-2018 Action Plan, such as expenses related to reductions in the workforce, and the plan for disposals of NPL's, i.e. net losses on disposals and strengthening of coverage ratios, as well as industry-wide factors, such as contributions to bank resolution funds and the devaluation of the Atlante fund.

Risks related to the Notes

The Notes may not be a suitable investment for all investors

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

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

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

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

The Bank Recovery and Resolution Directive may affect Notes issued under the Programme

As described in "*Factors that may affect the Issuer's ability to fulfil its obligations under the Notes - Changes in regulatory framework*" above, the Bank Recovery and Resolution Directive 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 Senior Notes) and its subordinated creditors (including holders of Tier 2 instruments, such as the Subordinated Notes, and non-common Tier 1 securities) 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 Senior 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 Bank with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. As a result, significant amounts of liabilities that previously ranked *pari passu* with Senior Notes under the national insolvency regime in Italy will now be ranked higher than Senior 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 Senior Notes, meaning that holders of Senior Notes will therefore be subject to greater losses than the claims of such other creditors.

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to write-down permanently or convert into equity capital instruments such as Subordinated Notes at the point of non-viability of the financial institution or the group and before any other resolution action is taken ("**non-viability**

loss absorption"). Any shares issued to holders of Subordinated Notes upon any such conversion into equity may also be subject to any application of the general bail-in tool. For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments (such as Subordinated Notes) are written-down or converted or extraordinary public support is to be provided.

The measures set out in the BRRD, including the power of the authorities to write off non-common Tier 1 and Tier 2 capital, have already been implemented in Italy, with the senior debt bail-in tool 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. Under the BRRD, holders of Senior Notes and Subordinated Notes may be subject to write-down or conversion into equity on any application of the general bail-in tool and, in the case of Subordinated Notes, non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes. In addition to the bail-in tool, the BRRD provides for additional resolution tools such as (1) the sale of business assets or shares of the entity subject to resolution; (2) the establishment of a bridging organization; and (3) the separation of the unimpaired assets of the failing organization from those which are deteriorated or impaired.

Waiver of set-off

As specified in Condition 4(c) (*Status of the Senior Notes - Waiver*) in respect of Senior Notes and Condition 5(d) (*Status of the Subordinated Notes - Waiver*) in respect of Subordinated Notes, the holder of a Note will unconditionally and irrevocably waive any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Note.

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

Redemption for tax or regulatory reasons

The redemption for tax or regulatory reason feature is likely to limit the market value of the Notes, as during any period when the Issuer may, or is perceived to be able to, elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In addition, the Issuer may, at its option (if so specified in the relevant Final Terms), redeem Subordinated Notes for regulatory reasons, as described in further detail in "*Regulatory classification of Subordinated Notes*" below. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in the light of other investments available at that time.

Fixed Rate Notes

A holder of Fixed Rate Notes is exposed to the risk that the price of those Notes falls as a result of changes in the current interest rate on the capital markets (the "**Market Interest Rate**"). While the nominal interest rate of Fixed Rate Notes is fixed during the life of such Notes 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 Notes moves in the opposite direction. If the Market Interest Rate increases, the price of such Notes typically falls, until the yield of such Notes is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of Fixed Rate Notes typically increases, until its yield 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.

Floating Rate Notes

A key difference between Floating Rate Notes and Fixed Rate Notes is that interest income on Floating Rate Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the Notes provide for frequent interest payment dates, investors are exposed to reinvestment risk if market interest rates decline. In other words, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing. At the same time, the Issuer's ability to issue also Fixed Rate Notes may affect the market value and the secondary market (if any) of the Floating Rate Notes (and *vice versa*). In addition, if Floating Rate Notes are structured to include caps or floors, or a combination of both or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

CMS Linked Interest Notes

The Issuer may issue Notes with interest determined by reference to the CMS Rate which determine the amount of interest (a "**relevant factor**"). Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) the relevant factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (iv) if the relevant factor is applied to the Notes in conjunction with a multiplier greater than one or contains any other leverage factor, the effect of changes in the relevant factor on interest payable is likely to be magnified; and
- (v) the timing of changes in the relevant factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

Fixed/Floating Rate Notes

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

Reset Notes

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

Notes issued at a substantial discount or premium

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

Subordinated Notes

If the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors) in full before it can make any payments on the Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Subordinated Notes. Although Subordinated Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become insolvent. For a full description of the provisions relating to Subordinated Notes, see Condition 5 (*Status of Subordinated Notes*).

Regulatory classification of Subordinated Notes

If any Subordinated Notes are issued under the Programme, the Issuer's intention is that they should qualify on issue as "Tier II capital", for so long as this is permitted under the applicable regulations. Current regulatory practice by the Bank of Italy does not require (or customarily provide for) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such. There can be no representation that any such Subordinated Notes will continue to qualify as "Tier II Capital" during the life of the Notes or that the Notes will be grandfathered under the implementation of further EU capital requirement regulations. If the Notes are not grandfathered, or for any other reason cease to qualify, as "Tier II capital", the Issuer will (if so specified in the applicable Final Terms) have the right to redeem the Notes in accordance with Condition 10(c) (*Redemption and Purchase – Redemption for regulatory reasons*), subject to the prior approval of the Relevant Authority. There can be no assurance that holders of such Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Notes, as the case may be.

The regulation and reform of benchmarks may adversely affect the value of Notes linked to such benchmarks

Rates and indices which are deemed to be benchmarks ("**Benchmarks**"), are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such Benchmarks to perform differently from the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to such a Benchmark. Regulation (EU) 2016/1011 (the "**Benchmark Regulation**") was published in the official journal of the EU on 29 June 2016 and will apply from 1 January 2018. The Benchmark Regulation applies to the provision of Benchmarks, the contribution of input data to a Benchmark and the use of a Benchmark within the EU. It will, among other things, (i) require Benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of Benchmarks of administrators that are not authorised/registered (or, if non-EU based, deemed equivalent or recognised or endorsed).

The Benchmark Regulation could have a material impact on any Notes linked to a rate or index deemed to be a Benchmark, in particular, if the methodology or other terms of the Benchmark are changed in order to comply with the requirements of the Benchmark

Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the Benchmark.

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of Benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain Benchmarks: (i) discourage market participants from continuing to administer or contribute to such Benchmark; (ii) trigger changes in the rules or methodologies used in the Benchmark or (iii) lead to the disappearance of the Benchmark. Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to a Benchmark.

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

Risks related to Notes generally

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

Change of law

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

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

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

Denominations and restrictions on exchange for Definitive Notes

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

Potential conflicts of interest

Any Calculation Agent appointed under the Programme (whether the Fiscal Agent, any Paying Agent or otherwise) is the agent of the Issuer and not the agent of the Noteholders. Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a Calculation Agent), including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

The Issuer may appoint a Dealer as Calculation Agent in respect of an issuance of Notes under the Programme. In such a case the Calculation Agent is likely to be a member of an international financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Risks related to the market generally

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

The secondary market generally

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

the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

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

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

In addition, in relation to unsolicited ratings:

- (i) the Issuer is under no obligation to disclose any such ratings in the Final Terms or in any Supplement to this Prospectus; and
- (ii) unsolicited ratings assigned to the Issuer or Notes may differ from any then existing ratings assigned.

Furthermore, in general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established

in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Legal investment considerations may restrict certain investments

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

GENERAL DESCRIPTION OF THE PROGRAMME

This section is a general description of the Programme for the purposes of Article 22.5(3) of Regulation (EC) 809/2004 (as amended) and must be read as an introduction to this Prospectus. Any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including any information incorporated by reference. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus (or in the information incorporated by reference in the Prospectus) have the same meanings in this section.

Issuer:	Credito Valtellinese S.p.A.
Arranger:	UniCredit Bank AG
Dealers:	Banca Akros S.p.A. Gruppo Banco BPM, Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Credito Valtellinese S.p.A., Crédit Agricole Corporate and Investment Bank, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., Natixis, The Royal Bank of Scotland plc (trading as NatWest Markets), UBS Limited, UniCredit Bank AG and any other Dealer appointed from time to time by the Issuer, either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent:	Banque Internationale à Luxembourg SA
Luxembourg Listing Agent:	Banque Internationale à Luxembourg SA
Listing and Admission to Trading:	Application has been made to the CSSF to approve this Prospectus as a base prospectus pursuant to the Prospectus Directive. Application has also been made for Notes issued under the Programme to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading (as the case may be) on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes may also be issued which are neither listed nor admitted to trading on any market.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
Initial Programme Amount:	Up to €5,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.

Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches and each Tranche may comprise Notes of different denominations.
Final Terms or Drawdown Prospectus:	Notes issued under the Programme may be issued either (1) pursuant to this Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as completed by the relevant Final Terms or, as the case may be, as supplemented, amended and/or replaced by the relevant Drawdown Prospectus.
Forms of Notes:	<p>Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not specified in the relevant Final Terms as a New Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is specified in the relevant Final Terms as a New Global Note will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.</p> <p>Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.</p>
Currencies:	Notes may be denominated in euro or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
Status of the Notes:	Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms. See Condition 4 (<i>Status of Senior Notes</i>) and Condition 5 (<i>Status of Subordinated Notes</i>).

The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and (subject to any obligations preferred by any applicable law, including any obligations subsequently permitted by law to rank senior to the Senior Notes, if any) at least *pari passu* with all other unsubordinated and unsecured obligations (other than any obligations ranking junior to the Senior Notes from time to time, including any obligations permitted by law to rank junior to the Senior Notes following the Issue Date, if any) of the Issuer, present and future.

The Subordinated Notes will constitute direct and unsecured obligations of the Issuer, which are subordinated and subject to certain limitations as described in Condition 5(c) (*Winding-up, etc. of the Issuer*). Save as provided in Condition 5(c) (*Winding-up, etc. of the Issuer*), the Subordinated Notes rank *pari passu* without any preference among themselves.

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

Issue Price:

Notes may be issued at any price as specified in the relevant Final Terms.

Maturities:

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

In the case of Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Relevant Authority's requirements applicable to the issue of Subordinated Notes by the Issuer, Subordinated Notes must have a minimum maturity of five years (or, if issued for an indefinite duration, redemption of such Notes may only occur five years after their date of issue).

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption

value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer.

Under the Luxembourg Prospectus Law, prospectuses for the listing of money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities do not need to be approved by the CSSF but would need to be approved by the Luxembourg Stock Exchange in accordance with Part III of the Luxembourg Prospectus Law.

Redemption: Subject to any purchase and cancellation or early redemption or repayment, Notes are redeemable at par.

To the extent required by the Applicable Banking Regulations, the redemption of Subordinated Notes shall be subject to the prior approval of the Bank of Italy.

Optional Redemption: Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or (in the case of Senior Notes only) the Noteholders to the extent (if at all) specified in the relevant Final Terms. In the case of Subordinated Notes, such early redemption may only be at the option of the Issuer and is subject to any necessary prior consent thereto having been obtained from the Relevant Authority.

Tax or Regulatory Redemption: Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons or, in the case of Subordinated Notes, for regulatory reasons, as described in Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*) and Condition 10(c) (*Redemption and Purchase – Redemption for regulatory reasons*).

Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate, or interest may initially accrue at a fixed rate and then switch to a floating rate, or <i>vice versa</i> . Reset Notes will, in respect of an initial period, bear interest at the initial fixed rate of interest specified in the applicable Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the applicable Final Terms by reference to a mid-market swap rate for the relevant Specified Currency, and for a period equal to the reset period, as adjusted for any applicable margin, in each case as may be specified in the applicable Final Terms. The method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Denominations:	Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and save that the minimum denomination of each Note will be €100,000 (or, where the Notes are denominated in a currency other than euro, the equivalent amount in such other currency).
Negative Pledge:	The Notes will not be subject to a negative pledge.
Cross Default:	The Senior Notes will have the benefit of a cross default as described in Condition 13 (<i>Events of Default</i>).
Taxation:	<p>All payments of principal and interest in respect of Notes will be made free and clear of Italian withholding taxes, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 12 (<i>Taxation</i>)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.</p> <p>As more fully set out in Condition 12 (<i>Taxation</i>), the Issuer shall not be liable in certain circumstances to pay any additional amounts to holders of the Notes with respect to certain withholding or deductions, including any withholding or deductions made pursuant to Italian Legislative Decree No. 239 on account of substitute tax (<i>imposta sostitutiva</i>, as defined therein) in relation to interest payable in respect of Notes.</p>
Governing Law:	English law, other than subordination and certain other provisions relating to Subordinated Notes, which are governed by Italian law.

Enforcement of Notes in
Global Form:

In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 20 July 2017, a copy of which will be available for inspection at the specified office of the Fiscal Agent.

Ratings

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

The Final Terms relating to rated Notes will disclose whether or not each credit rating applied for in relation to the relevant Series of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation, or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating does not fall within any of the three above categories.

The European Securities and Markets Authority ("ESMA") is obliged to maintain on its website a list of credit rating agencies registered and certified in accordance with the CRA Regulation, which may be found on the following page:

<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>.

Selling Restrictions:

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area (including the United Kingdom, France and Italy) and Japan, see "*Subscription and Sale*" below.

ALTERNATIVE PERFORMANCE MEASURES

This section provides information on certain financial measures contained in the Prospectus that are not recognised as a measure of performance under IFRS or Italian GAAP. These measures can be found in the following information incorporated by reference in this Prospectus:

- (i) the audited annual consolidated financial statements of the Issuer as at and for the year ended 31 December 2016;
- (ii) the audited annual consolidated financial statements of the Issuer as at and for the year ended 31 December 2015; and
- (iii) the press release issued by the Issuer on 9 May 2017, announcing the Issuer's unaudited interim consolidated results as at and for the three-month period ended 31 March 2017,

in each case on the pages identified in the tables shown in the sub-section of this Prospectus entitled “Information Incorporated by Reference – Cross-reference list”.

Such financial measures should not be recognised as an alternative to operating income or net income or any other performance measures recognised as being in accordance with IFRS, Italian GAAP or any other generally accepted accounting principles. Although used by management to monitor the underlying performance of the business and operations, they are not indicative of the historical operating results of the Issuer, nor are they meant to be predictive of future results. Therefore, undue reliance should not be placed on any such data.

APM

Definition / reconciliation

Cost/Income ratio	Calculated as the ratio between Operating income and Operating costs net of the Single Resolution Fund (SRF) and Deposit Guarantee Scheme (DGS) contributions, deferred tax assets fee and any other non-recurring cost specified in the notes
Cost of credit	Calculated as the ratio between net impairment losses on loans and year-end loans, but excluding loans and receivables with customers classified among assets held for sale
Coverage ratio of bad loans	Calculated as the ratio between Individual impairment and the gross amount of Bad loans and Loans and receivables with customers (taken from the relevant consolidated financial statements of the Issuer), but excluding loans and receivables with customers classified among assets held for sale
Coverage ratio of non-performing loans	Calculated as the ratio between Individual impairment and the gross amount of non-performing loans included in Loans and

APM

Definition / reconciliation

	receivables with customers, but excluding loans and receivables with customers classified among assets held for sale
Coverage ratio of other doubtful loans	Calculated as the ratio between Individual impairment and the gross amount of other doubtful loans included in Loans and receivables with customers, but excluding loans and receivables with customers classified among assets held for sale
Customer loans / Direct funding from customers	Calculated as the ratio between Loans and receivables with customers (taken from the relevant consolidated financial statements of the Issuer) and Direct funding from customers (as defined above)
Customer loans / Total assets	Calculated as the ratio between Loans and receivables with customers and Total assets, both taken from the relevant consolidated financial statements of the Issuer
Direct funding from customers	Comprises the following items from the relevant consolidated financial statements of the Issuer: <ul style="list-style-type: none">• Due to customers• Securities issued
Direct funding from customers / Total liabilities	Calculated as the ratio between Direct funding from customers (as defined above) and Total liabilities (taken from the relevant consolidated financial statements of the Issuer)
Equity	Comprises the following items from the relevant consolidated financial statements of the Issuer <ul style="list-style-type: none">• Valuation reserves• Reserves• Share premium reserve• Share Capital• Treasury shares (-)• Profit (loss) for the period

APM

Definition / reconciliation

Financial assets and liabilities	Comprises the following items from the relevant consolidated financial statements of the Issuer: <ul style="list-style-type: none">• Financial assets held for trading• Financial assets available for sale• Hedging derivatives (Assets)• Financial liabilities held for trading• Hedging derivatives (Liabilities)
Indirect funding from customers	Comprises Asset under management and under administration, taken from internal management data of the Issuer
Indirect funding from customers / Total funding	Calculated as the ratio between Indirect funding from customers and Total funding
Managed funds	Asset under management, taken from internal management data of the Issuer
Managed funds / Indirect funding from customers	Calculated as the ratio between Managed funds and Indirect funding from customers
Net bad loans	Loans and receivables with customers classified as Bad loans net of allowances, but excluding loans and receivables with customers classified among assets held for sale
Net bad loans / Loans and receivables with customers	Calculated as the ratio between Net bad loans (as defined above) and Loans and receivables with customers (taken from the relevant consolidated financial statements of the Issuer), but excluding loans and receivables with customers classified among assets held for sale
Net non-performing loans	Loans and receivables with customers classified as Bad loans, Unlikely to pay and Past due non-performing net of allowances, but excluding loans and receivables with customers classified among assets held for sale
Net non-performing loans / Loans and receivables with customers	Calculated as the ratio between Net non-performing loans (as defined above) and Loans and receivables with customers (taken from the relevant consolidated financial statements of the Issuer), but excluding loans and receivables with customers classified among assets held for sale

APM

Definition / reconciliation

Net operating profit	The difference between Operating income and Operating costs
Operating costs	Comprises the following items: <ul style="list-style-type: none">• Administrative expenses: a) personnel expenses• Administrative expenses: b) other administrative expenses• Depreciation and net impairment losses on property, equipment and investment property• Amortisation and net impairment losses on intangible assets• Recoveries of taxes and other recoveries reclassified from Other operating expenses/income (-)• Accumulated depreciation of costs incurred for leasehold improvements reclassified from Other operating expenses/income (-)
Operating income	Comprises the following items: <ul style="list-style-type: none">• Total income• Profit (losses) of equity-accounted investments included in Net gains on investments• Other income and charges, corresponding to Other operating expenses/income without recoveries of taxes and other recoveries and accumulated depreciation of costs incurred for leasehold improvements
Other net doubtful loans	Loans and receivables with customers classified as Unlikely to pay and Past due non-performing net of allowances, but excluding loans and receivables with customers classified among assets held for sale
Other net doubtful loans / Loans and receivables with customers	Calculated as the ratio between Other net doubtful loans (as defined above) and Loans and receivables with customers (taken from the relevant consolidated financial statements of the Issuer), but excluding loans and receivables with

APM**Definition / reconciliation**

customers classified among assets held for sale

Personnel expenses/Number of employees

Calculated as the ratio Personnel expenses (taken from the relevant financial statements of the Issuer but after deducting costs not attributable to employees) and the number of employees

Total funding

Comprises the following items:

- Direct funding from customers
- Indirect funding from customers

The Issuer believes that the above measures provide useful information to investors for the purposes of evaluating the financial condition and results of operations of the Group, the quality of its assets and the fundamentals of its business. In particular:

- (i) the ratios presented by the Issuer are aimed at quantifying certain aspects of the Issuer's business and its strengths within the context of the Italian banking system; and
- (ii) the alternative performance indices, although not required by law in the preparation of financial statements, allow for comparisons with other banks (including as to size and different geographic location), over different periods of time and between the Issuer and the average industry standards.

Nevertheless, since companies do not all calculate alternative performance measures in an identical manner, the Issuer gives no assurance that the presentation of the above measures is consistent with similar indicators used by other companies.

INFORMATION INCORPORATED BY REFERENCE

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

- (1) the audited annual consolidated financial statements of the Issuer as at and for the year ended 31 December 2016;
- (2) the audited annual consolidated financial statements of the Issuer as at and for the year ended 31 December 2015;
- (3) the press release issued by the Issuer on 9 May 2017, announcing the Issuer's unaudited interim consolidated results as at and for the three-month period ended 31 March 2017; and
- (4) the base prospectus relating to the Programme dated 24 June 2016 (the "**2016 Prospectus**"),

in the case of (1) to (2) above, together with the accompanying notes and auditor's reports. Any statement contained in this Prospectus or in any of the information incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference by way of supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement.

The consolidated financial statements and financial information referred to above, together with (only in the case of (1) and (2)) the accompanying audit reports, are available both in the original Italian and in English. Only the English language versions are incorporated by reference in, and form part of, this Prospectus. The English language versions are direct translations from the Italian language documents. In the event of any inconsistencies or discrepancies between the Italian and English language versions, the original Italian versions will prevail.

The Issuer will provide, without charge to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all the documents deemed to be incorporated by reference herein unless such documents have been modified or superseded as specified above, in which case the modified or superseded version of such document will be provided. Requests for such documents should be directed to the Issuer at its offices set out at the end of this Prospectus. In addition such documents will be available, without charge, at the specified office of the Paying Agent in Luxembourg and on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Cross-reference list

The following table shows, *inter alia*, where the information required under Annex IX, paragraph 11.1 of Commission Regulation (EC) No. 809/2004 can be found in the above-mentioned documents.

Annual consolidated financial statements 2016 and 2015	Page number(s)	
Commission Regulation (EC) No. 809/2004, Annex IX, Paragraph 11.1	2016	2015

Group financial statement highlights and alternative performance indicators ⁽¹⁾	4 — 6	4 — 6
Report on operations.....	10 — 92	10 — 97
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<i>Consolidated statement of financial position</i>	95	100
<i>Consolidated income statement</i>	96	101
<i>Consolidated statement of comprehensive income</i>	97	102
<i>Statement of changes in consolidated equity</i>	98 — 99	103 — 104
<i>Consolidated statement of cash flows – direct method</i>	100 — 101	105 — 106
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(1) See the preceding section of this Prospectus entitled "Alternative Performance Measures".

Press release dated 9 May 2017	Page number(s)
Main text of press release	1 — 6
Consolidated highlights and alternative performance indicators at 31 March 2017 ⁽¹⁾	7 — 9
Reclassified consolidated statement of financial position.....	10
Reclassified consolidated income statement	11
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(1) See the preceding section of this Prospectus entitled "Alternative Performance Measures".

2016 Prospectus	Page numbers
Terms and Conditions of the Notes	36-77

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

FURTHER PROSPECTUSES

The Issuer will prepare a replacement prospectus setting out the changes in the operations and financial conditions of the Issuer at least every year after the date of this Prospectus and each subsequent Prospectus.

The Issuer has given an undertaking to the Dealers that, if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Prospectus which is capable of affecting the assessment of the Notes, it shall prepare a supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer any number of copies of such supplement as a Dealer may reasonably request.

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

FORMS OF THE NOTES

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

Notes in NGN form are intended to be in a form that allows such Notes to be in compliance with requirements for their recognition as eligible collateral for monetary policy and intra day credit operations of the central banking system for the euro (the "**Eurosystem**"), subject to certain other criteria being fulfilled (including denomination in euro and listing on an EU regulated market or on a non regulated market approved by the European Central Bank). If the Notes are stated in the relevant Final Terms to be issued in NGN form, the Global Notes will be delivered on or prior to the original issue date of the Tranche to a common safekeeper and the relevant clearing systems will be notified whether or not such Notes are intended to be held in a manner which would allow Eurosystem eligibility.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.1635(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

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

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

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership, within 7 days of the bearer requesting such exchange.

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

The Permanent Global Note will become exchangeable in whole, but not in part, only and at the request of the bearer of the Permanent Global Note, for Notes in definitive form ("**Definitive Notes**"):

- (a) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (b) at any time, if so specified in the relevant Final Terms; or
- (c) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occur:
 - (i) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or
 - (ii) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

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

Save as set out below, where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described above, Notes may only be issued in denominations which are integral multiples of their minimum denomination any may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (1) a minimum denomination of €100,000 (as specified in the relevant Final Terms), plus (2) integral multiples of €1,000, **provided that** such denominations are not less than €100,000 nor more than €199,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Note. However, a Noteholder who holds a principal amount of less than the minimum

denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

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

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

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

Permanent Global Note exchangeable for Definitive Notes

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

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following events occurs:
 - (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or

- (b) any of the circumstances described in Condition 13 (*Events of Default*) occurs.

Save as set out below, where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described above, Notes may only be issued in denominations which are integral multiples of their minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (1) a minimum denomination of €100,000 (as specified in the relevant Final Terms), plus (2) integral multiples of €1,000, **provided that** such denominations are not less than €100,000 nor more than €199,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global Note. However, a Noteholder who holds a principal amount of less than the minimum denomination may not receive a Definitive Note and would need to purchase a principal amount of Notes such that its holding is an integral multiple of the minimum denomination.

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

Rights under Deed of Covenant

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Terms and Conditions applicable to the Notes

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

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

Legend concerning United States persons

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

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

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

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme.

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

1. Introduction

- (a) **Programme:** Credito Valtellinese S.p.A. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €5,000,000,000 in aggregate principal amount of notes (the "**Notes**")
- (b) **Final Terms:** Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) **Agency Agreement:** The Notes are the subject of an amended and restated issue and paying agency agreement dated 20 July 2017 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Banque Internationale à Luxembourg SA as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and Banque Internationale à Luxembourg SA as paying agent or such other Person specified in the relevant Final Terms as the paying agent (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (d) **The Notes:** All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.
- (e) **Summaries:** Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons if any (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. Interpretation

(a) **Definitions:** In these Conditions the following expressions have the following meanings:

"**Accountholders**" has the meaning given in the Deed of Covenant;

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

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

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

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the Republic of Italy including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer;

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

"**Business Day**" means:

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

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

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

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

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

"Calculation Amount" has the meaning given in the Final Terms;

"CMS Rate" shall mean the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page as at the Relevant Time

on the Interest Determination Date in question, all as determined by the Calculation Agent;

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

"**Consolidated Banking Law**" means Legislative Decree No. 385 of 1 September 1993, as amended or supplemented from time to time, including any successor legislation;

"**Consolidated Net Worth**" means the consolidated shareholders' equity (*patrimonio netto*) of the Original Issuer or the Surviving Entity, as the case may be;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**CRR**" means the Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation No. 648/2012, as amended, supplemented or re-enacted from time to time, including any successor regulations;

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

- (i) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) where the Calculation Period is longer than one Regular Period, the sum of:
 - (1) the actual number of days in such Calculation Period falling in the Regular Period in which it begins, divided by the product of (a) the actual number of days in such Regular Period and (b) the number of Regular Periods in any year; and
 - (2) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product

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

- (ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360, 360/360**" or "**Bond Basis**" is specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows

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

Where:

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

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

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

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

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

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

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

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

Where:

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

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

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

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

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

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

- (vii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

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

Where:

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

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

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

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

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

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

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

"Deed of Covenant" means the deed of covenant dated 20 July 2017 relating to the Notes executed by the Issuer, as amended or supplemented from time to time;

"Deed Poll" means a deed poll substantially in the form annexed to the Agency Agreement and entered into in connection with a Permitted Reorganisation as follows:

- (i) by a New Issuer, whereby such New Issuer:
 - (A) undertakes in favour of each Noteholder and each Accountholder to be bound by the Notes and the Deed of Covenant and the Agency Agreement as fully as if the New Issuer had been named in the Notes, the Deed of Covenant and the Agency Agreement as the principal debtor in respect of the Notes in place of the Original Issuer; and
 - (B) agrees to indemnify each Noteholder and Accountholder against any tax, duty or assessment or governmental charge which (i) is imposed on it by (or by any authority in or of) the jurisdiction of the residence for tax purposes of the New Issuer and (ii) would not have been so imposed had such Permitted Reorganisation not taken place; and
- (ii) by a Relevant Group Undertaking whereby such Relevant Group Undertaking unconditionally and irrevocably guarantees in favour of each Noteholder and each Accountholder (subject to any other requirement under these Conditions), the due and punctual payment of all sums payable by the Issuer under the Notes, the Deed of Covenant and any Deed Poll executed by the New Issuer;

"Designated Maturity" has the meaning given in the relevant Final Terms;

"Early Redemption Amount (Regulatory Event)" means in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"Early Redemption Amount (Tax)" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"Early Termination Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in these Conditions or the relevant Final Terms;

"Early Redemption Date (Regulatory Event)" means the date on which the Notes are redeemed at the option of the Issuer pursuant to Condition 10(c) (*Redemption for regulatory reasons*);

"**Early Redemption Date (Tax)**" means the date on which the Notes are redeemed at the option of the Issuer pursuant to Condition 10(b) (*Redemption for tax reasons*);

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**EURIBOR**" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro-zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

"**Final Redemption Amount**" means, in respect of any Note, its principal amount, subject to any purchase, cancellation, early redemption or repayment;

"**First Margin**" means the margin specified as such in the relevant Final Terms;

"**First Reset Date**" means the date specified as such in the relevant Final Terms;

"**First Reset Period**" means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Final Terms, the Maturity Date;

"**First Reset Rate of Interest**" means, in respect of the First Reset Period and subject to Condition 7(c) (*Fallbacks*), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin;

"**Fixed Coupon Amount**" has the meaning given in the relevant Final Terms;

"**Group Entity**" means the Issuer or any legal person that is part of the Issuer's Group.

"**Group Undertaking**" means, in relation to any Person (the "**first Person**") at any particular time, any other person (the "**second Person**"):

- (i) who is a Subsidiary of the first Person;
- (ii) of whom the first Person is a Subsidiary; or
- (iii) who is a Subsidiary of a third Person of whom the first Person is also a Subsidiary;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;

- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

"Indebtedness" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised under any note purchase facility;
- (ii) 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;
- (iii) 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
- (iv) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"Initial Rate of Interest" means the initial rate of interest per annum specified in the relevant Final Terms;

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

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

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

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

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

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

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

"Issue Date" has the meaning given in the relevant Final Terms;

"LIBOR" means, in respect of any specified currency and any specified period, the London Inter-bank offered rate for that currency and period displayed on the appropriate page (expected to be Reuters screen page LIBOR01 or LIBOR02) on the information service which publishes that rate;

"Liquidazione Coatta Amministrativa" means *Liquidazione Coatta Amministrativa* as described in Articles 80 to 94 of the Consolidated Banking Law;

"Margin" has the meaning given in the relevant Final Terms;

"Material Subsidiary" means, at any time, any Subsidiary whose net profit on financial operations and total assets on a non-consolidated or, if applicable, consolidated basis, as shown in the most recent annual or half-yearly financial statements of such Subsidiary, represent 5 per cent. or more of the consolidated net profit on financial operations and consolidated total assets, respectively, of the Issuer, as shown in the in the Issuer's most recent audited consolidated annual financial statements or (as the case may be) unaudited consolidated half-yearly financial statements;

"Maturity Date" has the meaning given in the relevant Final Terms **provided, however, that** the Maturity Date of Subordinated Notes shall be at least five years after the Issue Date, in any case, as provided under and subject to CRR;

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

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

"Mid-Market Swap Rate Quotation" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

"Mid-Swap Floating Leg Benchmark Rate" means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro or the Reference Rate as specified in the relevant Final Terms;

"Mid-Swap Maturity" has the meaning given in the relevant Final Terms;

"Mid-Swap Rate" means, in relation to a Reset Determination Date and subject to Condition 7(c) (*Fallbacks*), either:

- (i) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:
 - (A) with a term equal to the relevant Reset Period; and
 - (B) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page; or

- (ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:
 - (A) with a term equal to the relevant Reset Period; and
 - (B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the Principal Financial Centre on such Reset Determination Date, all as determined by the Calculation Agent;

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

"New Issuer" means a Surviving Entity which, following a Permitted Reorganisation, is a Person other than the Original Issuer;

"Optional Redemption Amount (Call)" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

"Optional Redemption Amount (Put)" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

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

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

"Original Issuer" means, for the purposes of a Permitted Reorganisation affecting the Issuer, the body corporate having the obligations as Issuer under the Notes prior to completion of such Permitted Reorganisation;

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

"Payment Business Day" means:

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

"Permitted Reorganisation" means:

- (i) in the case of a Subsidiary, a reconstruction, amalgamation, reorganisation, merger, demerger, consolidation, transfer of business or similar transaction whilst solvent whereby all or substantially all of the assets and undertaking of such Subsidiary are transferred to or otherwise vested in the Issuer and/or one or more other Subsidiaries of the Issuer; or
- (ii) in the case of the Issuer, a reconstruction, amalgamation, reorganisation, merger, demerger, consolidation, transfer of business or similar transaction whilst solvent where all of the following conditions are fulfilled:
 - (A) upon completion of such transaction:
 - (1) where the Surviving Entity is the Original Issuer, such Surviving Entity and/or a Relevant Group Undertaking shall continue:
 - (a) to carry on all or substantially all of its business; and

- (b) to hold all or substantially all of the assets held by it before such transaction; or
- (2) where the Surviving Entity is a New Issuer:
 - (a) such New Issuer shall be a body corporate in good standing validly organised and existing under the laws of the Republic of Italy;
 - (b) such New Issuer and/or a Relevant Group Undertaking shall continue to carry on all or substantially all of the business of the Original Issuer; and
 - (c) all or substantially all of the assets held by the Original Issuer before such transaction shall be vested in such New Issuer and/or in a Relevant Group Undertaking;
- (B) both before and after completion of such transaction, no Event of Default shall have occurred and be continuing or would thereupon occur;
- (C) where the Surviving Entity is a New Issuer, such New Issuer shall assume the obligations of the Original Issuer under the Notes, in each case by operation of Italian law under the doctrine of universal succession, failing which it shall execute and deliver a Deed Poll, a supplemental agency agreement and such other documents (if any), together with (where applicable) the other parties to the Agency Agreement, as may be necessary to give full effect to the substitution of such New Issuer for the Original Issuer (such documents, including any supplemental agency agreement, the "**Additional Documents**");
- (D) either:
 - (1) upon completion of such transaction, the Surviving Entity shall have a Consolidated Net Worth that is not substantially less than the Consolidated Net Worth of the Original Issuer prior to completion of such transaction, evidenced by a certificate from two directors of the Surviving Entity to that effect (which certificate shall be available for inspection by Noteholders at the specified office of the Fiscal Agent); or
 - (2) if applicable, the relevant credit rating agencies shall have confirmed to the Issuer that, after giving effect to such transaction, the Notes shall continue to have the same credit rating as that assigned to them immediately prior to the transaction; or

- (3) where the transaction involves a Relevant Group Undertaking, such Relevant Group Undertaking shall execute a Deed Poll;
- (E) where a Deed Poll is executed, the party executing such Deed Poll shall:
 - (1) warrant and represent to the Noteholders and the Accountholders that (a) it has obtained all necessary governmental and regulatory approvals and consents in connection with the Permitted Reorganisation and the assumption and performance by that party of its obligations under the Deed Poll, the Additional Documents (if applicable) and any other documents required to give effect to the transaction and all such approvals and consents are in full force and effect and (b) such obligations are legal, valid and binding in accordance with their respective terms and enforceable by each Noteholder and each Accountholder (subject to all applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and under general equitable principles);
 - (2) appoint the process agent named in Condition 22(d) (*Process Agent*) (or its successor) as its agent in England to receive service of process on its behalf in relation to any legal actions or proceedings arising out of or in connection with, as applicable, the Notes, the Deed of Covenant, the Deed Poll and the Additional Documents; and
 - (3) acknowledge the right of every Noteholder and Accountholder to the production of such documents for so long as any of the Notes remains outstanding and for so long as any claim made against the Issuer by any Noteholder or Accountholder in connection with the Notes is not finally adjudicated, settled or discharged;
- (F) not later than 20 days after the execution of any Deed Poll and any Additional Documents, the Surviving Entity shall give notice thereof to the Noteholders in accordance with Condition 19 (*Notices*);
- (G) if applicable, the appropriate competent authority, stock exchange and/or quotation system shall have confirmed to the Issuer and the Fiscal Agent that, after giving effect to such substitution, the Notes shall continue to be listed, traded and/or quoted on the stock exchange or quotation system on which it is listed, traded and/or quoted;

- (H) a certificate of solvency of the Surviving Entity, signed by two directors of the Surviving Entity shall have been delivered to the Fiscal Agent;
- (I) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Notes, the Deed of Covenant, the Agency Agreement, the Deed Poll and/or the Additional Documents (as applicable) represent valid, legally binding and enforceable obligations of the Surviving Entity and (where applicable) the Relevant Group Undertaking shall have been taken, fulfilled and done and are in full force and effect; and
- (J) the Surviving Entity shall have obtained opinions addressed to the Fiscal Agent from lawyers of recognised standing as to matters of law of the jurisdiction of the place of incorporation of the Surviving Entity and (where applicable) the Relevant Group Undertaking confirming as follows:
 - (1) fulfilment of the condition in paragraph (I) above (subject to all applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general equitable principles);
 - (2) that the Surviving Entity is validly incorporated under the laws of its jurisdiction with power and capacity to assume and perform the obligations under the Notes, the Deed of Covenant, the Agency Agreement, the Deed Poll and/or the Additional Documents (as applicable);
 - (3) in the case of a Relevant Group Undertaking, that such Relevant Group Undertaking is validly incorporated under the laws of its jurisdiction with power and capacity to assume and perform the obligations under the Deed Poll; and
 - (4) that the Surviving Entity and (where applicable) the Relevant Group Undertaking has obtained all necessary approvals and consents (including governmental and regulatory consents) for the assumption and performance of their respective obligations,

and from lawyers of recognised standing as to matters of English law confirming the matters set out in (1) above and addressed to the Fiscal Agent, all such opinions to be made available to Noteholders and Accountholders at the Specified Offices of the Fiscal Agent, together with the Deed Poll and the Additional Documents (if any),

and, following any Permitted Reorganisation of the Issuer whereby the Surviving Entity is a New Issuer, (i) any reference in these Conditions to the "Issuer" shall be a reference to such New Issuer and (ii) the Original Issuer shall (except to the

extent that it is a Relevant Group Undertaking) be released from its obligations under the Notes, the Deed of Covenant and the Agency Agreement, with effect from the date on which the Permitted Reorganisation becomes effective, **provided, always, that:** (i) a Permitted Reorganisation whereby the Surviving Entity is the Original Issuer shall not apply to sub-section (2) of Condition 13(a)(ii)(F) (*Insolvency etc*) or to sub-section (1) of Condition 13(a)(ii)(G) (*Winding-up etc*) unless it is a Permitted Reorganisation affecting one or more of the Issuer's Subsidiaries only; and (ii) to the extent that a Deed Poll or Additional Documents are entered into pursuant to these Conditions, references to obligations under the Notes in Conditions 13(a)(ii)(B) (*Breach of other obligations*), (I) (*Failure to take action, etc*) and (J) (*Unlawfulness*) shall be deemed to include obligations under the Deed Poll and the Additional Documents;

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

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

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

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

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

"Rate of Interest" means (i) in the case of Notes other than Reset Notes, the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms; and (ii) in the case of Reset Notes, the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory Event), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, means (i) in the case of Notes other than Reset Notes, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate; or (ii) in the case of Reset Notes, four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute;

"Reference Currency" has the meaning given in the relevant Final Terms;

"Reference Price" has the meaning given in the relevant Final Terms;

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

"Regular Period" means:

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

"Regulatory Event" is deemed to have occurred if:

- (i) there is a change in the regulatory classification of any Series of Subordinated Notes after the Issue Date that would be likely to result in their exclusion in whole or, to the extent permitted by the Applicable Banking Regulations, in part from Tier II Capital of the Issuer; and
- (ii) where the Early Redemption Date (Regulatory Event) falls before five years from the date of issue of the Notes, both of the following conditions are met:
 - (A) the Relevant Authority considers such a change to be sufficiently certain; and

- (B) the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date;

"Relevant Authority" means the Bank of Italy or other governmental authority in Italy (or other country in which the Issuer is then domiciled having the responsibility of making such decisions) or any other European Union or other supranational body having power to regulate the Issuer by reason of its being a bank;

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

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

"Relevant Group Undertaking" means, in relation to a Surviving Entity, one or more Group Undertakings of the Surviving Entity which, upon completion of a Permitted Reorganisation, either singly or together carry on a substantial part of the business of the Original Issuer or hold or have vested in them a substantial part of the assets of the Original Issuer (and, for the avoidance of doubt, a Relevant Group Undertaking may include the Original Issuer itself);

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

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

"Relevant Swap Rate" means:

- (i) where the Reference Currency is Euro, the mid-market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions.

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

"Relevant Time" has the meaning given in the relevant Final Terms;

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

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

"Reset Date" means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

"Reset Determination Date" means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period;

"Reset Note" means a Note on which interest is calculated at reset rates payable in arrear on a fixed date or dates in each year and/or at intervals of one, two, three, six or 12 months or at such other date or intervals as may be agreed between the Issuer and the relevant dealer(s) (as indicated in the relevant Final Terms);

"Reset Period" means the First Reset Period or a Subsequent Reset Period, as the case may be;

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

"Second Reset Date" means the date specified as such in the applicable Final Terms;

"Senior Notes" means Notes specified as such in the relevant Final Terms;

"Specified Currency" has the meaning given in the relevant Final Terms;

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

"Specified Office" has the meaning given in the Agency Agreement;

"Specified Period" has the meaning given in the relevant Final Terms;

"SRM" means the Single Resolution Mechanism established pursuant to SRM Regulation;

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

"Subsequent Margin" means the margin specified as such in the relevant Final Terms;

"Subordinated Notes" means Notes specified as such in the relevant Final Terms, being Notes intended to qualify as Tier II Capital for regulatory capital purposes, in accordance with Article 63 of CRR;

"Subsequent Reset Date" means the date or dates specified as such in the relevant Final Terms;

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

"Subsequent Reset Rate of Interest" means, in respect of any Subsequent Reset Period and subject to Condition 7(c) (*Fallbacks*), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin;

"Subsidiary" means, in respect of any Person at any particular time, any entity which is controlled by the Issuer in accordance with Article 2359, sub-paragraphs 1 and 2 of the Italian Civil Code;

"Surviving Entity" means, for the purposes of a Permitted Reorganisation, the body corporate having the obligations as Issuer under the Notes upon completion of such Permitted Reorganisation;

"Talon" means a talon for further Coupons;

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

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

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

"Treaty" means the Treaty on the functioning of the European Union, as amended; and

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

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

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12

(*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;

- (vi) references to Notes being "**outstanding**" shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "**not applicable**" then such expression is not applicable to the Notes; and
- (viii) any reference to the Agency Agreement or the Deed of Covenant shall be construed as a reference to the Agency Agreement or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999. Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements save that the minimum denomination of each Note will be €100,000 (or, where the Notes are denominated in a currency other than euro, the equivalent amount in such other currency), or if higher such as may be allowed or required from time to time by the Relevant Authority or any laws or regulations applicable to the relevant Specified Currency.

4. **Status of Senior Notes**

- (a) **Application:** This Condition 4 (*Status of Senior Notes*) is applicable only to Notes (i) specified in the applicable Final Terms as Senior Notes or (ii) not specified in the applicable Final Terms as Subordinated Notes.
- (b) **Status of the Senior Notes:** The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves and (subject to any obligations preferred by any applicable law, including any obligations subsequently permitted by law to rank senior to the Senior Notes, if any) at least *pari passu* with all other unsubordinated and unsecured obligations (other than any obligations ranking junior to the Senior Notes from time to time, including any obligations permitted by law to rank junior to the Senior Notes following the Issue Date, if any) of the Issuer present and future.

- (c) **Waiver** Each holder of a Senior Note shall be deemed to have unconditionally and irrevocably waived any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note.

5. **Status of Subordinated Notes**

- (a) **Application:** This Condition 5 (*Status of Subordinated Notes*) is applicable only to Subordinated Notes.
- (b) **Status of Subordinated Notes:** The Subordinated Notes constitute direct and unsecured obligations of the Issuer subordinated as described below in Condition 5(c) (*Winding-up, etc. of the Issuer*). Save as provided in Condition 5(c) (*Winding-up, etc. of the Issuer*), the Subordinated Notes rank *pari passu* without any preference among themselves. In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.
- (c) **Winding-up, etc. of the Issuer:** In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer the payment obligations of the Issuer under each Series of Subordinated Notes and the relative Coupons will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors and any holder of Senior Notes and their respective Coupons) of the Issuer, but (B) at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes and (C) in priority to the claims of shareholders of the Issuer.
- (d) **Waiver:** Each holder of a Subordinated Note shall be deemed to have unconditionally and irrevocably waived any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

6. **Fixed Rate Note Provisions**

- (a) **Application:** This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes (a) if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable; or (b) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Interest Periods for which the Fixed Rate Note Provisions are stated to apply.
- (b) **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Rate(s) of Interest (in respect of the relevant Interest Period) payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such

Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) **Fixed Coupon Amount:** The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) **Calculation of interest amount:** The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

7. **Reset Note Provisions**

- (a) **Application:** This Condition 7 (*Reset Note Provisions*) is applicable to the Notes only if the Reset Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Accrual of interest:** The Notes bear interest:
 - (i) from (and including) the Interest Commencement Date specified in the relevant Final Terms until (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;
 - (ii) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the relevant Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and
 - (iii) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on each Interest Payment Date and on the Maturity Date if that does not fall on an Interest Payment Date. The Rate of Interest and the Interest Amount payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 6 (*Fixed Rate Note Provisions*) and, for such purposes, references in Condition 6 (*Fixed Rate Note Provisions*) to "Fixed Rate Notes" shall be deemed to be to "Reset Notes" and Condition 6 (*Fixed Rate Note Provisions*) shall be construed accordingly.

(c) **Fallbacks:**

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the Principal Financial Centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

(d) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

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

8. **Floating Rate Note and CMS Linked Interest Note Provisions**

- (a) **Application:** This Condition 8 (*Floating Rate Note and CMS Linked Interest Note Provisions*) is applicable to the Notes (a) if the Floating Rate Note Provisions or the CMS Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable; or (b) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Interest Periods for which the Floating Rate Note Provisions are stated to apply.
- (b) **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) **Screen Rate Determination for Floating Rate Notes other than CMS Linked Interest Notes:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and "CMS Rate" is not specified as the Reference Rate in the Final Terms, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and

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

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

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

CMS Rate plus Margin

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

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

- (e) ***ISDA Determination:*** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an

interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (f) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount during such Interest Period, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (h) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

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

9. **Zero Coupon Note Provisions**

- (a) **Application:** This Condition 9 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable. **Late payment on Zero Coupon Notes:** If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. **Redemption and Purchase**

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*) and Condition 10(f) (*Redemption of Subordinated Notes*).

- (b) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer (but subject to the prior approval of the Relevant Authority in the case of Subordinated Notes) in whole, but not in part:

- (i) at any time (if none of the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions), or the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions), or the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance

with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable),

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

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes;
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;
- (C) in the case of Subordinated Notes and only if the Early Redemption Date (Tax) falls before five years from the date of issue of the Notes, the Issuer has demonstrated to the satisfaction of the Relevant Authority that such change is material and was not reasonably foreseeable at the Issue Date,

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

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Fiscal Agent (1) a certificate signed by a legal representative of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) ***Redemption for regulatory reasons:***

- (i) *Application:* This Condition 10(c) applies only if (A) the Notes are specified in the relevant Final Terms as being Subordinated Notes; and

(B) Condition 10(c) is specified in the relevant Final Terms as being applicable.

(ii) *Redemption*: If, at any time, the Issuer determines that a Regulatory Event has occurred, subject to Condition 10(f) (*Redemption of Subordinated Notes*), the Notes may (subject to the prior approval of the Relevant Authority) be redeemed at the option of the Issuer, in whole, but not in part:

(A) at any time (if none of the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions), or the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable); or

(B) on any Interest Payment Date (if the Floating Rate Note Provisions or the CMS Linked Interest Note Provisions, the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions), or the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable),

on giving not less than 15 nor more than 30 days' notice prior to the Early Redemption Date (Regulatory Event) (which notice shall be irrevocable) to the Fiscal Agent and, in accordance with Condition 19 (*Notices*), the Noteholders.

Prior to the publication of any notice of redemption pursuant to this Condition 10(c), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describing the facts leading thereto, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 10(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(c), at the Early Redemption Amount (Regulatory Event) described in the relevant Final Terms, together (if applicable) with interest accrued to (but excluding) the date of redemption.

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

specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

- (e) **Partial redemption:** If the Notes are to be redeemed in part only on any date in accordance with Condition 10(d) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 10(d) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) **Redemption of Subordinated Notes:** Subordinated Notes shall have a Maturity Date falling not less than five years after the Issue Date. Notwithstanding the foregoing provisions of this Condition 10, to the extent required by the Applicable Banking Regulations, the redemption of any Series of Subordinated Notes shall always be subject to the prior approval of the Relevant Authority. Failure to redeem any such Notes where such consent has not been granted shall not constitute a default of the Issuer for any purpose. The provisions of this Condition 10(f) do not apply to redemptions under Condition 10(a) (*Scheduled redemption*).
- (g) **Redemption at the option of Noteholders:**
 - (i) **Application:** This Condition 10(g) (*Redemption at the option of Noteholders*) is applicable only if the Put Option is specified in the relevant Final Terms as being applicable but does not apply to Subordinated Notes.
 - (ii) **Put Options:** The Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(g), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(g), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is

improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(g), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- (h) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 10(a) (*Scheduled redemption*) to (g) (*Redemption at the option of Noteholders*) above.
- (i) **Early redemption of Zero Coupon Notes:** Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 10(i) or, if none is so specified, a Day Count Fraction of 30E/360.

- (j) **Purchase:** The Issuer or any of its Subsidiaries may (but, in the case of Subordinated Notes, subject (if required) to consent thereto having been obtained from the Relevant Authority) at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith. Such Notes may be held, re-issued or resold or, at the option of the Issuer, surrendered to the Fiscal Agent for cancellation.
- (k) **Cancellation:** All Notes which are (i) purchased by the Issuer or any of its Subsidiaries and surrendered to the Fiscal Agent for cancellation or (ii) redeemed, and any unmatured Coupons attached to or surrendered with them, shall be cancelled and may not be reissued or resold.

11. Payments

- (a) **Principal:** Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a

bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).

- (b) **Interest:** Payments of interest shall, subject to Condition 11(h) (*Payments other than in respect of matured coupons*) below, be made only against presentation and **(provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 11(a) (*Principal*) above.
- (c) **Payments in New York City:** Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 or otherwise imposed pursuant to Sections 1471 through 1474 of that Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any intergovernmental agreement in place between the United States and another jurisdiction facilitating the implementation thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Deductions for unmatured Coupons:** If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment;

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

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

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

- (f) ***Unmatured Coupons void:*** If the relevant Final Terms specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the CMS Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption for regulatory reasons*), Condition 10(d) (*Redemption at the option of the Issuer*), Condition 10(g) (*Redemption at the option of Noteholders*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) ***Payments on business days:*** If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) ***Payments other than in respect of matured Coupons:*** Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11(c) (*Payments in New York City*) above).
- (i) ***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.
- (j) ***Exchange of Talons:*** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date

for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

12. **Taxation**

- (a) **Gross up:** All payments of principal (if applicable) and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed or on behalf of the Republic of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders and the Couponholders after such withholding or deduction shall be equal to the amounts of principal, in the case of Senior Notes, and interest, in the case of any Notes, which would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:
- (i) presented for payment in the Republic of Italy; or
 - (ii) presented for payment by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Italy other than the mere holding of such Note or Coupon; or
 - (iii) presented for payment by a holder who is a non-Italian resident individual or legal entity which is resident for tax purposes in a country which does not allow for a satisfactory exchange of information with the Italian tax authorities according to Article 6 of Legislative Decree No. 239 of 1 April 1996, as amended from time to time ("**Decree No. 239**"); or
 - (iv) in relation to any payment or deduction of any interest, premium or other proceeds of any Note or Coupon on account of *imposta sostitutiva* pursuant to Decree No. 239; or
 - (v) in all circumstances in which the requirements and procedures to obtain an exemption from *imposta sostitutiva* or any alternative future system of deduction or withholding set forth in Decree No. 239, or related implementing regulations, have not been met or complied with except where such requirements and procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or
 - (vi) presented for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days; or
 - (vii) any combination of items (i) to (vii) above.

- (b) **Taxing jurisdiction:** If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

13. **Events of Default**

(a) **Events of Default of Senior Notes**

- (i) *Application:* This Condition 13(a) (*Events of Default of Senior Notes*) is applicable only to Notes specified in the relevant Final Terms as Senior Notes.

- (ii) *Events of Default:* If any of the following events occurs:

(A) *Non-payment:* the Issuer fails to pay any amount of principal or interest, in respect of the Notes for more than five TARGET Settlement Days from the due date for payment thereof;

(B) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Agency Agreement and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent;

(C) *Cross-default of Issuer or Material Subsidiary:*

(i) any Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any Indebtedness of the Issuer or any of its Material Subsidiaries becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or such Material Subsidiary of the Issuer; or

(iii) the Issuer or any of its Material Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds €10,000,000 (or its equivalent in any other currency or currencies);

(D) *Unsatisfied judgment:* one or more judgment(s) or order(s) for the payment of any amount in excess of €10,000,000 (or its equivalent in any other currency or currencies) is rendered

against the Issuer or any of its Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment;

- (E) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries;
- (F) *Insolvency etc*: (1) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (2) an administrator or liquidator is appointed in respect of the Issuer or any of its Material Subsidiaries or the whole or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Material Subsidiaries (other than for the purposes of or pursuant to a Permitted Reorganisation), (iii) the Issuer or any of its Material Subsidiaries takes any action for a general readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or any of its Material Subsidiaries becomes subject to an order for *Liquidazione Coatta Amministrativa* pursuant to Article 80 et. seq. of the Consolidated Banking Law or *Amministrazione Straordinaria* pursuant to Article 70 et. seq. of the Consolidated Banking Law (within the meaning ascribed to those expressions by the laws of the Republic of Italy) or similar proceedings in any other jurisdiction;
- (G) *Winding-up etc*: (1) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (other than for the purposes of or pursuant to a Permitted Reorganisation) or (2) the Issuer or any of its Material Subsidiaries ceases or expresses a clear and unequivocal intention to cease to carry on all or substantially all of its business (other than for the purposes of or pursuant to a Permitted Reorganisation);
- (H) *Analogous event*: any event occurs which under the laws of the Republic of Italy has an analogous effect to any of the events referred to in paragraphs (D) to (G) above;
- (I) *Failure to take action etc*: 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, exercise its rights and perform and comply with its obligations under and in respect of the Notes and the Agency Agreement, (ii) to ensure that those obligations are legal, valid, binding and

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

- (J) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Agency Agreement,

then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality unless prior to such date all Events of Default in respect of all Notes that are outstanding have been cured.

(b) *Events of Default of Subordinated Notes*

- (i) *Application*: This Condition 13(b) (*Events of Default of Subordinated Notes*) is applicable only to Notes specified in the relevant Final Terms as Subordinated Notes.

- (ii) *Events of Default*: If any of the following events occurs:

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

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

14. Prescription

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

15. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular

place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

16. **Agents**

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

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

- (a) the Issuer shall at all times maintain a Fiscal Agent; and
- (b) the Issuer will ensure that it maintains a Paying Agent in an EU member state who will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings or any law implementing or complying with, or introduced to conform to, such Directive; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) the Issuer shall at all times maintain a Paying Agent outside the Republic of Italy; and
- (e) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system the rules of which require the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by the rules of such listing authority, stock exchange and/or quotation system.

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

17. **Meetings of Noteholders; Modification and Waiver**

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

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

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

18. Further Issues

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

19. Notices

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper having general circulation in Europe (which is expected to be the *Financial Times*) and, if the Notes are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of that exchange (www.bourse.lu). Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

20. Currency Indemnity

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or

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

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

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Governing Law and Jurisdiction**

- (a) **Governing law:** The Notes and any non-contractual obligations arising out of or in connection with the Notes, are governed by, and shall be construed in accordance with, English law, except for Conditions 5 (*Status of Subordinated Notes*), 10(f) (*Redemption of Subordinated Notes*) and 13(b) (*Events of Default of Subordinated Notes*) and any non-contractual obligations arising out of or in connection with such Conditions, which shall be governed by and construed in accordance with Italian law.
- (b) **English courts:** The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity.
- (c) **Appropriate forum:** The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) **Process agent:** The Issuer agrees that the documents which start any proceedings relating to a Dispute ("**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on it by

being delivered to The London Law Agency Limited at The White House, 57-63 Church Road, Wimbledon, London SW19 5SB or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Parts 34 and 37 of the Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall appoint a further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

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

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

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

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

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

FORM OF FINAL TERMS

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

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended [, from 1 January 2018,] to be offered, sold or otherwise made available to and [, with effect from such date,] should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

Final Terms dated []

CREDITO VALTELLINESE S.p.A.

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

under the

€5,000,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated 20 July 2017 [and the supplement[s] to the Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC and amendments thereto, including the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented].

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplement[s] to the Prospectus] [is/are] available for viewing at [address] and [website] and copies may be obtained from [address]. The Prospectus [and the supplement[s] to the Prospectus] and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms, will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a prospectus with an earlier date and the relevant

terms and conditions from that prospectus with an earlier date were incorporated in this Prospectus]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated 24 June 2016. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU, to the extent implemented in a Member State of the European Economic Area (the "**Prospectus Directive**") and must be read in conjunction with the Prospectus dated 20 July 2017 [and the supplement[s] to the Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions, which are extracted from the Prospectus dated 24 June 2016 and are incorporated by reference in the Prospectus dated 20 July 2017.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated 24 June 2016 and 20 July 2017 [and the supplement[s] to the Prospectus dated []]. The Prospectuses [and the supplement[s] to the Prospectus] [is/are] available for viewing at [address] and [website] and copies may be obtained from [address].] The Prospectus [and the supplement[s] to the Prospectus] and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable Final Terms, will also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms]

(When completing any final terms, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

1. (i) Series Number: []
(ii) Tranche Number: []
(If fungible with an existing Series, name of that Series, including the date on which the Notes become fungible).
2. Specified Currency or Currencies: []
3. Aggregate Nominal Amount:
(i) Series: []
(ii) Tranche: []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert*

date] (if applicable)]

5. (i) Specified Denominations: [] [and integral multiples of [] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above []]

(No Notes may be issued under the Programme which have a minimum denomination of less than €100,000 (or its equivalent in other currencies)

(Under current practices of Euroclear and Clearstream, Luxembourg, unless paragraph 24 (Form of Notes) below specifies that the Global Note is to be exchanged for Definitive Notes "in the limited circumstances described in the Permanent Global Note", Notes may only be issued in denominations which are integral multiples of the lowest Specified Denomination and may only be traded in such amounts, whether in global or definitive form.)

- (ii) Calculation Amount: []

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.)

6. (i) Issue Date: []

- (ii) Interest Commencement Date: []

7. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]

[Subordinated Notes must have an original maturity period of at least five years.]

[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have

a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]

8. Interest Basis: [[] per cent. Fixed Rate]
 [Reset Notes]
 [EURIBOR/LIBOR] +/- [] per cent. Floating Rate]
 [Floating Rate: CMS Linked Interest]
 [Fixed-Floating Rate]
 [Floating-Fixed Rate]
 [Zero Coupon]
 (further particulars specified below)
9. Change of Interest or Redemption/ Payment Basis: [Applicable/Not Applicable]
10. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
 [Not Applicable]
11. Status of the Notes: [Senior/Subordinated] Notes

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12. **Fixed Rate Note Provisions** [Applicable/Not Applicable/Applicable for the period from (and including) [] to (but excluding) []]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
[Specify other in case of different Rate(s) of Interest in respect of different Interest Periods]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with the Business Day Convention] (N.B. This will need to be amended in the case of any long or short coupons)]
- (iii) Business Day Convention: [Following Business Day Convention/
 Modified Following Business Day Convention/
 Preceding Business Day Convention/

- FRN Convention]/
[Not Applicable]
- (iv) Additional Business Centre(s): [Not Applicable/[]]
- (v) Fixed Coupon Amount(s): [] per Calculation Amount
[Specify different Fixed Coupon Amounts if different Rates of Interest are specified as being applicable in respect of different Interest Periods]
- (vi) Day Count Fraction: [Actual/Actual(ICMA)]/
[Actual/365]/
[Actual/ Actual(ISDA)]/
[Actual/365(Fixed)]/
[Actual/360]/
[30/360]/[30/360]/[Bond Basis]/
[30E/360]/[Eurobond Basis]
- (vii) Broken Amount(s): [[] per Calculation Amount, payable
[on/in the Interest Payment Date falling in
[]]/[Not Applicable]
13. **Reset Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Initial Rate of Interest: [] per cent. per annum payable in arrear from (and including) the Interest Commencement Date to (but excluding) the First Reset Date
- (ii) First Margin: [+/-][] per cent. per annum
- (iii) Subsequent Margin: [[+/-][] per cent. per annum]/[Not Applicable]
- (iv) Interest Payment Date(s): [] [and []] in each year up to and including the Maturity Date
- (v) Fixed Coupon Amount up to (but excluding) the First Reset Date: [[] per Calculation Amount]/[Not Applicable]
- (vi) Broken Amount(s): [[] per Calculation Amount, payable
[on/in the Interest Payment Date falling in
[]]/[Not Applicable]
- (vii) First Reset Date: []

- (viii) Second Reset Date: []/[Not Applicable]
- (ix) Subsequent Reset Date(s): [] [and []]/[Not Applicable]
- (x) Relevant Screen Page: []
- (xi) Mid-Swap Rate: [Single Mid-Swap Rate/Mean Mid-Swap Rate]
- (xii) Mid-Swap Maturity: []
- (xiii) Reference Banks: []
- (xiv) Day Count Fraction: [Actual/Actual(ICMA)]/
[Actual/365]/
[Actual/ Actual(ISDA)]/
[Actual/365(Fixed)]/
[Actual/360]/
[30/360]/[30/360]/[Bond Basis]/
[30E/360]/[Eurobond Basis]
- (xv) Reset Determination Dates: [[] in each year]/[The provisions in the Conditions apply]
- (xvi) Business Day Convention: [Following Business Day Convention/
Modified Following Business Day Convention/
Preceding Business Day Convention/
FRN Convention]/
[Not Applicable]
- (xvii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): [[Name] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]/[Not Applicable]
- (xviii) Mid-Swap Floating Leg Benchmark Rate: [EURIBOR/LIBOR]
14. **Floating Rate Note Provisions** [Applicable/Not Applicable/Applicable for the period from (and including) [] to (but excluding) []]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Specified Period(s): [Not Applicable]/[]

(Specified Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention.

- Otherwise, insert "Not Applicable")*
- (ii) Interest Payment Dates: [Not Applicable]/[]
(If the Business Day Convention is the FRN Convention, insert "Not Applicable")
- (iii) First Interest Payment Date: []
- (iv) Business Day Convention: [Following Business Day Convention/
 Modified Following Business Day Convention/
 Preceding Business Day Convention/
 FRN Convention/
 No adjustment]
- (v) Additional Business Centre(s): [Not Applicable/[]]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): *[[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]/[Not Applicable]*
- (viii) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [EURIBOR/LIBOR/CMS Rate]
- Relevant Screen Page: []
(In the case of CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions)
- Interest Determination Date(s): []
(in the case of a CMS Rate where the Reference Currency is euro): [Second day on which the TARGET2 System is open prior to the start of each Interest Period]
(in the case of a CMS Rate where the Reference Currency is other than euro): [Second [specify type of day] prior to the start of each Interest Period]

- Relevant Time: []
 - Relevant Financial Centre: []
 - [Reference Currency:] []
(only relevant where the CMS Rate is the Reference Rate)
 - [Designated Maturity:] []
(only relevant where the CMS Rate is the Reference Rate)
- (ix) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (In the case of a LIBOR or EURIBOR or CMS Rate based option, the first day of the Interest Period)*
- (x) Margin(s): [+/-][] per cent. per annum
- (xi) Minimum Rate of Interest: [[] per cent. per annum/Not Applicable]
- (xii) Maximum Rate of Interest: [[] per cent. per annum/Not Applicable]
- (xiii) Day Count Fraction: [Actual/Actual(ICMA)]/
[Actual/365]/
[Actual/ Actual(ISDA)]/
[Actual/365(Fixed)]/
[Actual/360]/
[30/360]/[30/360]/[Bond Basis]/
[30E/360]/[Eurobond Basis]
15. **Fixed-Floating Rate Note Provisions:** [Applicable/Not Applicable]
- [[] per cent. Fixed Rate in respect of the Interest Period(s) ending on (but excluding) [], then calculated in accordance with paragraph 14 (*Floating Rate Note Provisions*) above.]
16. **Floating-Fixed Rate Note Provisions:** [Applicable/Not Applicable]
- [[*Floating Rate*] in respect of the Interest Period(s) ending on (but excluding) [],

then calculated in accordance with paragraph 12 (*Fixed Rate Note Provisions*) above.]

17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) [Amortisation/ Accrual] Yield: [] per cent. per annum
 - (ii) Reference Price: []
 - (iii) [Day Count Fraction]: [Actual/Actual(ICMA)]/
 [Actual/365]/
 [Actual/ Actual(ISDA)]/
 [Actual/365(Fixed)]/
 [Actual/360]/
 [30/360]/[30/360]/[Bond Basis]/
 [30E/360]/[Eurobond Basis]

PROVISIONS RELATING TO REDEMPTION

18. **Call Option** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s) (Call): []
- [If the Notes are Subordinated Notes, the Optional Redemption Date (Call) must not be earlier than five years after the Issue Date.]*
- (ii) Optional Redemption Amount(s) (Call): [] per Calculation Amount
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [[] per Calculation Amount/Not Applicable]
 - (b) Maximum Redemption Amount: [[] per Calculation Amount/Not Applicable]
 - (iv) Notice period (if other than as set out in the Conditions): [[]/Not Applicable]

19. **Redemption for regulatory reasons** [Condition 10(c) (*Redemption for regulatory reasons*) is applicable/Not Applicable]
(Insert "Not applicable" if the Notes are not Subordinated Notes.)
20. **Put Option** [Applicable/Not Applicable]
(Applicable only to Senior Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph.)
- (i) Optional Redemption Date(s) (Put): []
- (ii) Optional Redemption Amount(s) (Put): [] per Calculation Amount
- (iii) Notice period (if other than as set out in the Conditions): [[]/Not Applicable]
21. **Final Redemption Amount** [[] per Calculation Amount]
22. **Early Redemption Amount**
- (i) Early Redemption Amount (Tax) payable on redemption for taxation reasons: [€1,000 per Calculation Amount / [] per Calculation Amount]
- (ii) Early Redemption Amount (Regulatory Event) payable on redemption for regulatory reasons: [€1,000 per Calculation Amount / [] per Calculation Amount]
- (iii) Early Termination Amount payable on event of default: [€1,000 per Calculation Amount / [] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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

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

[Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]

24. New Global Note: [Yes/No]
25. Additional Financial Centre(s): [Not Applicable/give details. Note that this item relates to the place of payment, and not interest period end dates, to which items 12(iv) and 14(v) relate]
26. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, insert as follows:
- One Talon in the event that more than 27 Coupons need to be attached to each Definitive Note. On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Paying Agent in exchange for a further Coupon sheet. Each Talon shall be deemed to mature in the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.]

Signed on behalf of the Issuer:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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

2. RATINGS

- Ratings: [The Notes to be issued have been rated] / [The following ratings reflect the ratings allocated to the Notes of the type being issued under the Programme generally]:
- [Fitch Italia S.p.A.: []]
- [DBRS Ratings Limited: []]
- [[Other]: []]
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
- (Insert the following where the relevant credit rating agency is established in the EEA:)*
- [[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and [is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <https://www.esma.europa.eu/supervisio>

n/credit-rating-agencies/risk as being registered]/[is not registered] under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").]

(Insert the following where the relevant credit rating agency is not established in the EEA:)

[[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA [but the rating it has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the EEA and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk> as being registered] / [but is certified] / [and is not certified under nor is the rating it has given to the Notes endorsed by a credit rating agency established in the EEA and registered] under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.]

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

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

Certain of the [Managers/Dealers] named below and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business. *[Add any other interests, including conflicting ones, that are material to the issue/offer, detailing the persons involved and the nature of the interest.]*

[Save as set out in the paragraph above,] so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.

4. **YIELD**

Indication of yield: []/[Not Applicable]

The yield is calculated at the Issue Date on the basis of the Issue Price until the [Maturity Date / First Reset Date]. It is not an indication of future yield. [Since the Rate of Interest will be reset at the First Reset Date (unless the Issuer Call is exercised), an indication of yield up to the Maturity Date cannot be given.]

5. **HISTORIC INTEREST RATES**

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

6. **THIRD PARTY INFORMATION**

[[] has been extracted from []. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [], no facts have been omitted which would render the reproduced information inaccurate or misleading.] To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information.]/[Not Applicable]

7. **OPERATIONAL INFORMATION**

ISIN Code: []

Common Code: []

New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper]

and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *société anonyme* and the relevant identification number(s):

[Not Applicable/*give name(s), address(es) and number(s)*]

Delivery:

Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any):

[]/[Not Applicable]

8. DISTRIBUTION

(i) Method of distribution: [Syndicated]/[Non-syndicated]

(ii) If syndicated:

(A) Names of Managers: [Not Applicable/*give names*]

(B) Stabilising Manager (if any): [Not Applicable/*give name*]

(iii) If non-syndicated, name of Dealer: [Not Applicable/*give name*]

- (iv) U.S. Selling restrictions: [Reg. S Compliance Category [1/2/3]; [TEFRA C/D/not applicable]]
- (v) [Prohibition of Sales to EEA Retail Investors: [Applicable]/[Not Applicable] *(If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products, "Applicable" should be specified.)*]

9. AUTHORISATIONS

Date [Board] approval for issuance of Notes obtained: [] [and [], respectively]/[Not Applicable] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

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

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

Exchange of Temporary Global Notes

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

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

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

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

If:

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

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 20 July 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 and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Exchange of Permanent Global Notes

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

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or

- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

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

Conditions applicable to Global Notes

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

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

Exercise of put option: In order to exercise the option contained in Condition 10(g) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 10(d) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg, at their discretion, as either a pool factor or a reduction in principal amount).

Notices: Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that so long as the Notes are admitted to trading on the regulated market of the Luxembourg Stock Exchange and it is a requirement of applicable law or regulations, such notices shall be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

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

DESCRIPTION OF THE ISSUER

Overview and History

Credito Valtellinese is a company limited by shares (*società per azioni*) incorporated and operating under the laws of Italy and was originally established in Sondrio on 12 July 1908 under the name of "Banca Piccolo Credito Valtellinese" by 60 founding shareholders. One of the first credit institutions to be established in the Valtellina region of Lombardy, it opened its first branch in the province of Sondrio in December 1908. Credito Valtellinese was formed to promote savings by local customers and provide banking services to support its customers' business activities. The Issuer previously operated as a co-operative company (*società cooperativa*) until 31 October 2016, when it was transformed into a company limited by shares (see "- Transformation into S.p.A." below).

The Issuer is registered at the Companies' Registry (*Registro delle Imprese*) of the Chamber of Commerce of Sondrio under registration number 00043260140. Its registered office is at Piazza Quadrivio 8, Sondrio, Italy and its telephone number is +39 0342 522111. Credito Valtellinese's network consists of 350 branches (not including its subsidiaries' branches) located mainly in the region of Lombardy which is one of the most industrialised areas of Italy. The corporate duration of Credito Valtellinese will last until 2058, which may be extended by a resolution passed at an extraordinary shareholders' meeting.

The Issuer's corporate objects, as set out in Article 2 of its by-laws, are the taking of savings deposits and the extension of credit, paying particular attention to the creation of value locally where it is present through its own distribution network and that of the Group and supporting the development of businesses, particularly small businesses and co-operatives. Credito Valtellinese is authorised to perform, in accordance with applicable law, any banking or financial services or transactions, as well as any transaction necessary for or incidental to the achievement of such objects. Credito Valtellinese has traditionally concentrated on a customer base of small and medium-sized businesses in Lombardy, offering corporate and retail banking.

Credito Valtellinese is the holding company of the Credito Valtellinese banking group, comprising Credito Valtellinese and its banking subsidiaries (the "**Credito Valtellinese Group**" or the "**Group**"). The Group offers a broad range of products in the banking and financial sectors including private banking (private consulting), corporate finance, remote banking, bank insurance and financial leasing, as well as technical services such as information technology and real estate management.

The Group is present in Italy with a network of 503 branches in eleven regions as at 31 December 2016, operating through the following territorial banks:

- Credito Valtellinese, with its own network of 371 branches, most of which (217) are in the region of Lombardy, the others being in the regions of Valle d'Aosta, Piedmont, Veneto, Trentino-Alto Adige, Emilia Romagna, Tuscany, Marche, Umbria and Lazio; and
- Credito Siciliano S.p.A. ("**Credito Siciliano**"), which is present in all the provinces of Sicily with 132 branches, plus two branches in Rome and Turin.

As at 31 December 2016, the Group's total consolidated assets amounted to €25,469.4 million, compared to €26,901.7 million as at 31 December 2015. The Group's consolidated interest margin (interest income and similar revenues less interest expenses and similar charges) for the year ended 31 December 2016 was €421.7 million, compared to €464.5 million in 2015, and it made a consolidated net loss of €333.1 million in 2016, having made a net profit of €118.3 million in the previous year.

Shareholders and Share Capital

Share capital

As at 31 December 2016, Credito Valtellinese had an authorised and issued share capital of €1,846,816,830.42, consisting of 1,108,872,369 ordinary shares. Save as set out in "*Recent Developments – Share capital*", there have been no changes to the Issuer's share capital since 31 December 2016.

The shares of Credito Valtellinese have been listed on the Italian Stock Exchange since 1994.

Shareholders

As at 31 December 2016, the Issuer's shareholders numbered approximately 127,469. No natural or legal persons exercise control over the Issuer for the purposes of the relevant legislation in Italy and, following the transformation of the Issuer into a company limited by shares (*società per azioni* or S.p.A.) described in the next paragraph, the "one shareholder, on vote" rule applicable to co-operative companies no longer applies to the Issuer.

Transformation into an S.p.A.

At the ordinary and extraordinary shareholders' meeting on 29 October 2016, the following resolutions were passed:

- to transform the Issuer into a company limited by shares (*società per azioni* or S.p.A.);
- to consolidate the Issuer's shares by substituting one newly issued ordinary share for every ten existing shares held by each shareholder (see "*Share Capital*" above); and
- to update the rules for shareholders' meetings in the light of the transformation into an S.p.A.

The transformation of the Issuer into an S.p.A. and the consequential adoption of new By-laws, including the change of the Issuer's name to Credito Valtellinese S.p.A., took effect on 31 October 2016, following registration of the relevant resolutions at the local Companies' Registry of Sondrio.

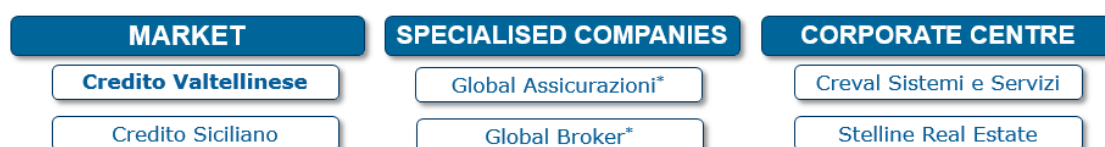
Any shareholders wishing to exit from the company following the transformation into an S.p.A. were entitled to do so no later than 15 November 2016 at a buy-back price of €0.4747 per share, subject to the resolution of the Issuer's Board of Directors to exclude the use of the Issuer's own funds for the payment of any such sum. Shareholders holding a total of 17,877,751 ordinary shares exercised their entitlement, representing 1.612% of

the Issuer's share capital and an aggregate buy-back price of approximately €8.49 million.

Pursuant to Article 2437-*quater* of the Italian Civil Code, the Issuer's remaining shareholders were entitled to exercise options (on the basis of one option per share held by each such shareholder) to purchase the above shares of exiting shareholders at a ratio of one share for every 61.0253 options and at the above-mentioned purchase price of €0.4747 per share, following which any unsold shares would then be placed with investors on the market. The offer period ran from 5 December 2016 to 5 January 2017 and requests to purchase a total of 35,167 ordinary shares were tendered. Subsequently, on 25 January 2017, the Issuer announced that the remaining 17,842,584 ordinary shares had been successfully placed.

Group Structure¹

Over the past few years, the Issuer has implemented a reorganisation of the Group as part of a simplification of its corporate and organisational structure, the most recent transaction being the merger of the Issuer's wholly-owned subsidiary Cassa di Risparmio di Fano S.p.A. ("**Carifano**") into the Issuer, which was completed in November 2016. The chart below sets out the structure of the Group as at the date of this Prospectus.



(*) Insurance companies subject to management and coordination by Credito Valtellinese pursuant to Articles 2497 et sequitur of the Italian Civil Code.

See also "*Recent Developments – New factoring company*".

Banking Activities

Credito Valtellinese performs a range of banking activities including commercial and private banking, mainly made up of deposit taking and lending. Its deposit taking activities, which are the Group's primary source of funding, include the provision of current accounts, deposit accounts and other savings products, whilst its lending activities include corporate lending, consumer credit and personal lending. Credito Valtellinese and the other members of the Group provide their customers with other services including, but not limited to, on-line trading payment transactions, account enquiries, purchase and sale of funds and insurance products.

Except where stated otherwise, the financial information set out in the tables below has been derived from the audited annual consolidated financial statements of the Credito Valtellinese Group as at and for the years ended 31 December 2016 and 2015.

¹ Note: Global Assicurazioni S.p.A. and Global Broker S.p.A. are insurance companies subject to management and coordination by Credito Valtellinese pursuant to Articles 2497 et seq. of the Italian Civil Code.

Deposit taking

Credito Valtellinese offers a comprehensive range of products, including direct deposits such as traditional deposit accounts (current and savings accounts and certificates of deposit), a variety of bonds issued by Credito Valtellinese, as well as repurchase agreements (*operazioni pronti contro termine*) and indirect deposits, including insurance products.

The following table shows a breakdown of the Group's direct customer deposits as at 31 December 2016 and 2015.

	Direct customer deposits					
	As at 31 December				Change	
	2016		2015			
	Audited		Audited			
	(thousands of euro)	(%)	(thousands of euro)	(%)	(thousands of euro)	(%)
Current accounts and deposit accounts	13,521,208	64.05	13,469,469	62.09	51,739	0.38
Term deposits	1,628,280	7.71	1,535,563	7.08	92,717	6.04
Other debts	476,695	2.26	348,575	1.61	128,120	36.76
Bonds	2,901,690	13.75	3,915,335	18.05	-1,013,645	-25.89
Other securities	172,177	0.82	167,352	0.77	4,825	2.88
Reverse repurchase agreements	2,285,531	10.83	2,154,036	9.93	131,495	6.10
Other items	123,184	0.58	104,626	0.48	18,558	17.74
Total	21,108,765	100.00	21,694,956	100.00	-586,191	-2.70

Total indirect customer deposits of the Group amounted to €11,603 million as at 31 December 2016². The following table shows a breakdown of the Group's indirect customer deposits, including insurance products, as at 31 December 2016 and 2015.

	Indirect customer deposits			
	As at 31 December			
	2016		2015	
	Unaudited		Unaudited	
	(thousands of euro)	(%)	(thousands of euro)	(%)
Assets held in custody or for administration	4,312,488	37.17	5,300,179	43.83
Portfolio securities under management	4,698,943	40.5	4,674,013	38.65
Insurance funds	2,591,262	22.33	2,118,580	17.52
Total	11,602,693	100.00	12,092,772	100.00

² Source: Unaudited internal management data.

Lending activity

Credito Valtellinese's lending policy remains primarily concerned with lending in Italy to small and medium-sized enterprises and households. Credito Valtellinese's management believe that its loan portfolio is highly diversified and, as a consequence, it is not over-exposed to any particular customers or industry sectors.

The following table shows the Group's loan portfolio as at 31 December 2016 and 2015, broken down according to the type of loan.

	Customers loans and receivables by type					
	As at 31 December				Change	
	2016		2015			
	Audited		Audited			
	(thousands of euro)	(%)	(thousands of euro)	(%)	(thousands of euro)	(%)
Current accounts (overdrafts)	2,654,858	15.23	3,363,506	17.66	-708,648	21.07
Reverse repurchase agreements	126,858	0.73	786,220	4.13	-659,362	-83.86
Mortgage loans	8,971,204	51.47	8,732,228	45.84	238,976	2.74
Credit cards, personal loans and salary-backed loans	276,719	1.59	239,572	1.26	37,147	15.51
Debt instruments	57,081	0.33	28,410	0.15	28,671	100.92
Finance leases	441,536	2.53	520,976	2.73	-79,440	-15.25
Non-performing loans and receivables	3,154,028	18.10	3,357,632	17.63	-203,604	-6.06
Other loans	1,746,912	10.02	2,021,206	10.61	-274,294	-13.57
Total	17,429,196	100.00	19,049,750	100.00	-1,620,554	-8.51

Non-performing loans

Under the Bank of Italy's system of classification, problem loans are categorised as follows:

- bad loans (*sofferenze*), in cases where the borrower is in a state of insolvency due to being unable to pay its debts, where there is a failure to comply with a debt restructuring plan previously agreed upon or where insolvency proceedings have been commenced or there are other adverse circumstances;
- unlikely to pay (*inadempienze probabili*), in cases where it is unlikely that, without having to resort to action such as enforcing security, the borrower will comply in full with its payment obligations; and
- past due non-performing loans (*esposizioni scadute deteriorate*), for loans other than those classified as doubtful loans or unlikely to pay that have expired and which may be so categorised by reference either to an individual debtor or to an individual transaction.

The Group's loan portfolio is monitored regularly to review the prospects of recovery and estimated losses and the Group makes specific provisions tied to the expected loss on each non-performing loan, problem loan or, if deemed necessary, on certain performing loans.

The following tables set out a breakdown of Credito Valtellinese's non-performing loans as at 31 December 2016 and 2015.

Non-performing loans

	As at 31 December 2016			
	Gross amount	Impairment losses (thousands of euro)	Carrying amount	Coverage ^(*) (%)
Non-performing loans				
Bad loans	2,787,065	-1,514,959	1,272,106	54.4%
Unlikely to pay	2,384,056	-700,195	1,683,861	29.4%
Past due non-performing loans	215,783	-17,722	198,061	8.2%
Total non-performing loans	5,386,904	-2,232,876	3,154,028	41.5%
Performing loans	14,363,285	-88,117	14,275,168	0.61%
Total loans and receivables with customers	19,750,189	-2,320,993	17,429,196	

(*) The coverage ratio is calculated as the ration between impairment losses and the gross amount.

	As at 31 December 2015			
	Gross amount	Impairment losses (thousands of euro)	Carrying amount	Coverage ^(*) (%)
Non-performing loans				
Bad loans	2,811,298	-1,604,141	1,207,157	57.1%
Unlikely to pay	2,462,609	-627,195	1,835,414	25.5%
Past due non-performing loans	346,130	-31,069	315,061	9.0%
Total non-performing loans	5,620,037	-2,262,405	3,357,632	40.3%
Performing loans	15,806,728	-114,610	15,692,118	0.73%
Total loans and receivables with customers	21,426,765	-2,377,015	19,049,750	

(*) The coverage ratio is calculated as the ration between impairment losses and the gross amount.

The Issuer is seeking to achieve a significant reduction in its stock of NPL's and a consistent gradual improvement of credit quality indicators, partly through strategic partnerships with Cerved Credit Management Group S.r.l. for the management of bad loans and Yard Credit and Asset Management ("**Yard CAM**") for the valuation and management of distressed real-estate loans.

During 2016, with a view to reducing its exposure to NPL's, the Group completed transfers of net performing exposures on the market representing a gross book value of approximately €557 million, comprising the following transactions:

- "*Cerere*" portfolio: in February 2016, the transfer to Credito Fondiario S.p.A. of a portfolio mainly consisting of secured and unsecured non-performing exposures to businesses for a net amount of €303 million;
- "*Arizona*" portfolio: in June 2016, the sale of a portfolio consisting of 15 secured non-performing loans to companies in the real estate sector, mainly residential,

with a gross book value ("**GBV**") of approximately €21 million and valued at approximately 35% of its GBV.

- "*Gavia*" portfolio: in October 2016, the sale to Credito Fondiario S.p.A. of a portfolio of 70 credit exposures, mainly consisting of secured non-performing loans to companies in the real estate sector, classified as "unlikely to pay", which was finalised at a gross book value of approximately €104 million and valued at approximately 41% of its GBV;
- "*San Marco*" portfolio: in December 2016, an agreement with an institutional investor to sell a further portfolio of 400 credit exposures, with a GBV of approximately €103 million and valued at nearly 43% of that amount, consisting of approximately 350 loans, nearly all classified as "unlikely to pay" and for the most part composed of secured loans to companies in the real estate sector, mainly in connection with residential property.

In addition, on 27 March 2017, the Issuer announced that it had signed a further agreement for the sale of a portfolio of secured non-performing loans with a GBV of approximately €50 million and valued at approximately 44% of its GBV.

For further information, see "*– Strategy*" and "*– Business Partnerships - Management of non-performing loans and assets*" and "*Recent Developments*" below.

Capital Adequacy

The Bank of Italy has adopted risk-based capital ratios ("**Capital Ratios**") pursuant to EU capital adequacy directives. The Bank of 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 set forth core and supplementary capital requirements with respect to a bank's assets and certain off-balance sheet items weighted according to risks.

The following table shows the Issuer's equity and risk-weighted assets as at 31 December 2016 and 2015.

	Equity	
	As at 31 December	
	2016	2015
	<i>(thousands of euro)</i>	
Credit risk and counterparty risk	1,049,811	1,121,714
Credit valuation adjustment risk	2,144	2,248
Market risk	207	1,126
Operational risk	110,960	113,193
Total capital requirements	1,163,122	1,238,281
Risk-weighted assets	14,539,042	15,478,506

The following table shows the Issuer's consolidated capital adequacy ratios as at 31 December 2016 and 2015, which fully comply with the levels prescribed by the Bank of Italy.

Capital adequacy ratios

	As at 31 December	
	2016	2015
	(%)	
Common Equity Tier I capital / Risk- weighted assets (Common Equity Tier 1 capital ratio)	11.8	13.1
Tier I capital / Risk- weighted assets (Tier 1 capital ratio)	11.8	13.1
Total own funds / Risk-weighted assets (Total capital ratio)	13.0	15.1

SREP

On 29 March 2017, the Issuer announced that, following the outcome of the Supervisory Review and Evaluation Process (SREP), the Bank of Italy had given notice of its decision concerning capital requirements. Under the SREP decision, the Issuer must comply with the following requirements on a consolidated basis, starting from its own funds regulatory reporting as at 31 March 2017:

- a Common Equity Tier 1 ratio (CET1 ratio) of 7.75%, being the sum of the regulatory minimum Pillar 1 requirement of 4.50% and an additional Pillar 2 requirement of 2%, with a Capital Conservation Buffer forming the remaining part;
- a Tier 1 ratio of 9.25%, being the sum of the regulatory minimum Pillar 1 requirement of 6% and an additional Pillar 2 requirement of 2%, with the Capital Conservation Buffer making up the remainder; and
- a Total Capital ratio of 11.25%, being the sum of the regulatory minimum Pillar 1 requirement of 8% and an additional Pillar 2 requirement of 2%, plus the Capital Conservation Buffer.

The Issuer's consolidated capital ratios as at 31 December 2016, calculated by applying the phased-in transitional regime, are as follows (and in each case are comfortably above the required minimums):

- a CET1 ratio at 11.78%;
- a Tier 1 ratio at 11.78%; and
- a Total Capital ratio at 13.02%.

Rating

The Issuer currently engages the following rating agencies for the purposes of rating its debt:

- Fitch Italia S.p.A., which has assigned a long term IDR (issuer default rating) of BB-, with negative outlook; and

- DBRS Ratings Limited, which assigned a rating of BB(high) for senior unsecured debt and deposits, with negative outlook.

See also "- *Recent Developments - Rating downgrades*" below.

Strategy

On 8 November 2016, the Issuer's Board of Directors approved the action plan for 2017-2018 (the "**Action Plan**") presented by its General Manager, Mauro Selvetti, which identifies the objectives with the highest priority and the related lines of action for the Group over the next two years and represents the foundations for significant improvements to the Group's business model.

Priority objectives

The primary objectives under the Action Plan are:

- *Asset quality and "disruptive NPL" solutions*: a significant improvement in the Group's NPL ratio (for which the target is 18.4% in 2018);
- *Optimisation and innovation of the service model, in an increasingly digital future*: a focus on generating fee-based revenues, by increasing cross-selling on the existing customer base, focused modification of service models in the corporate, retail and private banking areas, and continued development of integrated multi-channelling (with, in particular, the digital strategy leading to efficiency in the distribution model with a marked reduction in cost to serve); and
- *Operating efficiency*: a plan to revise/optimize the organisational model in the corporate centre, a further simplification and automation of operating processes (lean banking), as well as a redesign/optimisation of front-end and back-office processes, all with the aim of achieving rigorous cost management.

Key projects

The 2017-2018 Action Plan identifies the following priority objectives/projects:

- *NPL strategy*: additional measures of discontinuity on non-performing loans, with a view to significantly improving asset quality ratios and freeing up resources necessary for the Group's growth.

In particular, the Board of Directors has approved the commencement of a transaction to deconsolidate non-performing loans of the Group of a gross value up to €1.5 billion by means of a securitisation expected to take place in 2017, via the issuance of notes and possibly using the state guarantee scheme for securitisation of NPLs (*Garanzia sulla Cartoarizzazione delle Sofferenze* or GACS) for its senior investment grade component. The deconsolidation of the non-performing loan portfolio is aimed at improving the gross non-performing loans/gross loans and receivables ratio by approximately 6%. The overall management strategy for NPLs also includes a notable improvement in recovery rates, a gradual improvement in credit quality, with a marked reduction in transfers to non-performing status and the partial deleveraging of the unlikely to pay portfolio, involving further sales of €300 million in the two-year period.

- *Operating Efficiency*: action expected to rationalise the network, which is currently characterised by an excessively extensive model, having repercussions for efficiency and profitability, with the closure of 70 branches and the transformation of approximately 25 service points into digital branches.

In addition, in connection with the reduction of the number of branches, 340 employees are expected to be freed up as a result of (i) optimisation of the presence in local markets, (ii) the merger of Carifano in Credito Valtellinese, (iii) additional simplification of the governance framework, as well as the corporate centre structures, and (iv) simplification of the "value chain" of business processes. The remaining staff are expected to be reallocated, mainly in the branch network, including through appropriate steps for development and training. See also "*Cost reductions under Action Plan*" below.

The process of simplification and optimisation of the Group is therefore expected to be completed through the gradual implementation of cost savings and structural efficiencies, with the goal of making the business model sustainable in the medium term and returning to a path leading to the creation of value for shareholders, including in consideration of the transformation into an S.p.A.

- *Optimisation and innovation of the service model and increase in "share of wallet"*: the evolution of the service model will be based on additional initiatives, that are expected to have a positive impact on margins over the relevant timeframe.

This comprises:

- migration of operations from traditional channels to digital/remote/self channels, through a significant development in digital banking, with allocated investments of €14 million;
- strengthening of the oversight of the corporate segment, implementing a dedicated model for the affluent and private segment, and mechanisation of the retail segment;
- development of the factoring business, including through selective acquisitions, the relaunching of the foreign sector through the acquisition of dedicated specialist staff, the development of a dedicated range of services for the farming and food sector and strengthening of the business of loans against pledges; and
- enhancement of the value of the Group's real estate assets, potentially also with a view to strengthening equity ratios and freeing up financial resources to develop core businesses.

In relation to bancassurance activities, further evolution / optimisation of the current operating model is envisaged, with the aim of improving performance in the sector, including through more targeted commercial support to the sales network.

AIRB project

Finally, the Issuer expects to complete the adoption of its advanced internal rating-bases (AIRB) system, which is already fully operational in management systems, with the aim of validating and utilising the model for calculating risk-weighted assets on credit risk, including for regulatory purposes.

Update on Action Plan

On 21 December 2016, the Issuer announced that the following steps had been taken in connection with the operating efficiency component of the Action Plan:

- the establishment of a plan for the operating network, with the closure of a first tranche of 23 branches with effect from 19 December 2016, while approximately a further 50 branches are expected to cease business in 2017; and
- the signing of an agreement with the trade unions for the management of redundancies through use of the Solidarity Fund for the banking sector for 234 full-time equivalent employees.

More precisely, the agreement envisages an early retirement plan for 234 employees who will fulfil pension requirements in the period up to 31 December 2022. The affected employees may, on a voluntary basis, seek entitlement to the special benefits under the Solidarity Fund for the banking sector.

The Group notified the trade unions of its intention to employ 70 new people with new stable employment contracts while the Action Plan is in force. The agreement is expected to allow for savings on personnel costs of approximately €18 million per year, starting from 2018, against one-off costs for activating the Solidarity Fund and retirement incentives, amounting to approximately €61 million, which are recorded in full in the 2016 year-end financial statements.

Subsidiaries

In recent years, the Issuer has significantly reduced the number of its subsidiaries, partly due to a reorganisation of the Group aimed at simplifying the Group's structure, and partly as a result of disposals. A brief summary of the Issuer's subsidiaries in each of the Group's areas of activity as at 31 December 2015 is set out below. See also "*Recent Developments – New factoring company*".

Banking

Credito Siciliano S.p.A.: One of the most important financial institutions in Sicily, Credito Siciliano operates in all of the Sicilian provinces through a total of 132 branches, in addition to single branches in Rome and Turin specialising in secured lending. As at 31 December 2015, the Issuer held 98.54 per cent. of Credito Siciliano's share capital.

Insurance

Global Assicurazioni S.p.A.: The Group has a 60 per cent. shareholding in Global Assicurazioni S.p.A., which operates in the insurance sector.

Global Broker S.p.A.: This company, in which the Issuer has a 51 per cent. shareholding, specialises in insurance brokerage for small and medium-sized enterprises.

Under Bank of Italy regulations, these two companies are not part of the Credito Valtellinese Banking Group but are nonetheless subject to management and coordination by the Issuer and are therefore included in the consolidation area in the Group's financial statements.

Services

CreVal Sistemi e Servizi S.c.p.a.: This company ("**CreVal Sistemi e Servizi**"), formerly known as Bankadati Servizi Informatici Soc. Cons. P.A. is the Group's centre for ICT management and development, organisation, back office and support processes.

Stelline Real Estate S.p.A.: This company (formerly known as Stelline Servizi Immobiliari S.p.A.) manages the Group's real estate assets. In September 2015, the Issuer completed a demerger of Stelline's business unit consisting of property and facility management and property valuation in favour of CreVal Sistemi e Servizi. Following the demerger, Stelline is dedicated exclusively to asset repossession.

Minority Shareholdings

Istituto Centrale delle Banche Popolari Italiane

After completing the sale of 18.39 per cent share capital of Istituto Centrale delle Banche Popolari (ICBPI) in December 2015, the Issuer now retains a 2 per cent stake. There are outstanding commercial agreements under which ICBPI supplies a range of custodian, clearing and credit card services to Credito Valtellinese Group.

Fondo Atlante

In April, Credito Valtellinese joined the closed-end alternative investment fund called "Atlante" set up by SGR Quaestio Capital Management, undertaking to subscribe for shares of the Fund of €60 million. The transaction is part of the strategic actions designed to reduce the stock of NPLs held by Italian banks, partly through sales on the market. Fondo Atlante may also be important for the planned sale initiatives of NPLs, with the aim of fully enhancing the value of non-performing loans of the Group, with a special emphasis on loans backed by real estate assets. The presence of a new and qualified investor in the NPLs market is expected to help to improve trading liquidity and gradually to align demand and supply.

Unione Fiduciaria

In November 2016, the Issuer completed the purchase of a 4.94% stake in Unione Fiduciaria S.p.A. ("**Unione Fiduciaria**") and, following the acquisition, the Issuer now has a 6.88% shareholding in the company. The transaction is intended to strengthen the Issuer's partnership with Unione Fiduciaria, which provides trust services, and to enhance the range of services offered to its customers.

Business Partnerships

As at the date of this Prospectus, the following strategic partnerships are in place.

Generalfinance

On 11 November 2016, the Issuer signed a framework agreement with GGH – Gruppo General Holding S.r.l. ("**GGH**") and Generalfinance S.p.A. ("**Generalfinance**"). Currently wholly owned by GGH, Generalfinance is a financial intermediary operating in the field of loans to businesses and is one of the few independent Italian companies operating in the factoring sector with a high level of specialisation acquired through over 20 years of operations. Finalised on 29 June 2017, the agreement has resulted in completion of the following transactions: (i) the purchase from GGH of a stake in Generalfinance for a total consideration of €4 million; and (ii) the subscription by Credito Valtellinese of newly issued shares of Generalfinance for a total consideration of €7 million. At the end of the transaction, the Issuer's shareholding in Generalfinance stands at approximately 46.81%. At the same time, a development plan for the company has set out with a target of approximately €500 million of turnover for 2019. In addition to the expected return on investment for the Issuer, the transaction is also designed to allow the Issuer to support direct transactions in the factoring business, making use of the technical/operational skills of GF and to strengthen the range of services for small and medium-sized enterprises.

Fire Group

The Issuer established a strategic partnership with the Fire Group in 2014 for the management of activities relating to local taxation collection and credit recovery on behalf of the Issuer's customers, including those previously carried on by the Issuer's former subsidiary, Creset Servizi Territoriali S.p.A. ("**Creset**"). As part of the framework agreement for this partnership, Credito Valtellinese sold a majority shareholding in Creset but has retained a 40% stake.

Alba Leasing

The Issuer is developing a strategic alliance for the distribution of its leasing products range with Alba Leasing S.p.A. ("**Alba Leasing**"), an independent operator in the leasing business owned by a consortium of Italian co-operative banks, including the Issuer. Under the framework agreement entered into in 2014, in exchange for the transfer to Alba Leasing of the Group's leasing business, the Issuer subscribed the 8.05% stake that it currently holds in Alba Leasing.

Management of non-performing loans and assets

The Issuer has the following agreements in place:

- *Yard Group*: a co-operation agreement with Yard CAM, a company forming part of the Yard Group, for the management of the Group's distressed real estate loans; and
- *Cerved Credit Management Group*: a multi-year contract entered into in 2015 for the management of the Issuer's bad loans portfolio by Cerved Credit Management Group S.r.l., to which the Issuer also sold its subsidiary, Finanziaria San Giacomo S.p.A.

See also "*Banking Activities - Non-performing loans*" above and "*Recent Developments – Transfer of portfolio of NPL's through securitisation and GACS*" below.

Banca Popolare di Cividale

The Issuer retains a 1 per cent. shareholding in Banca Popolare di Cividale, which is a legacy from an alliance set up in 2004 but subsequently wound down. There are ongoing agreements between the Issuer and Banca Popolare di Cividale for the provision of services by the Credito Valtellinese Group, covering in particular ICT, with the use of new applications developed by CreVal Sistemi e Servizi in co-operation with Microsoft.

Management

The management of Credito Valtellinese is divided between the Board of Directors and the Executive Committee. The Executive Committee has between five and seven members and acts under delegated authority of the Board of Directors. The day-to-day operations of Credito Valtellinese are the responsibility of the General Management. In addition, the Italian Civil Code requires Credito Valtellinese to have a supervisory body, the Statutory Board of Auditors.

General Management

The current members of Credito Valtellinese's General Management are listed in the table below.

Name	Title
Mauro Selvetti	General Manager
Umberto Colli	Vice Deputy General Manager
Saverio Continella	Deputy General Manager
Vittorio Pellegatta	Deputy General Manager
Enzo Rocca	Deputy General Manager

Board of Directors

The Board of Directors consists of a minimum of twelve and a maximum of eighteen members elected by the shareholders' meeting. Members of the Board of Directors are elected for three years and may be re-elected. The current members of the Issuer's Board of Directors were appointed at the shareholders' meeting on 23 April 2016 for a three-year term expiring at the time of approval by the shareholders' meeting of the Issuer's financial statements for the year ending 31 December 2018.

In accordance with the Issuer's By-laws, the Board of Directors of Credito Valtellinese has complete power of ordinary and extraordinary administration of Credito Valtellinese, except those actions reserved by law or the By-laws to the shareholders.

The following table sets forth certain information regarding the current members of the Board of Directors of Credito Valtellinese.

Name	Title	Principal activities outside the company
Miro Fiordi	Chairman	Member of Comitato di Presidenza of Associazione Bancaria Italiana (Italian Banking Association)
Michele Colombo ^(*)	Vice Chairman	Chairman of Board of Directors of Colombo Design S.p.A. Member of Board of Directors of Gedy S.p.A. Partner of Col.Fin. S.a.s. Chairman of Board of Directors of Rossini Immobiliare S.r.l.
Elena Beccalli	Director	–
Mariarosa Borroni	Director	Professor at Università Cattolica del Sacro Cuore
Isabella Bruno Tolomei Frigerio	Director	Chairman of Condotte Immobiliare S.p.A. Chairman of Ferfina S.p.A. Supervisory Director of Società Italiana per Condotte d'Acqua S.p.A. Director of Beni Stabili S.I.I.Q. Representative of Finanziaria dei Dogi S.r.l. and Partner of Fimoven S.a.s. della Finanziaria dei Dogi S.r.l.
Gabriele Cogliati ^(*)	Director	Chairman of Finanziaria dei Dogi S.r.l. Chairman of Board of Directors of Elemaster S.p.A. Director of Sviluppo Como S.p.A. Chairman of Board of Directors of Cogliati Holding S.r.l. Chairman of Board of Directors of Eleprint S.r.l. Vice Chairman of Board of Directors of Elefin S.r.l. Managing Director of Eletech S.r.l. Director of Coet Costruzioni Elettrotecniche S.r.l. Director of Coet International S.r.l. Director of Valtellina Golf Club S.p.A. Chairman of Board of Directors of Elemaster US, Inc. Chairman of Board of Directors of Elesienna LLC Vice Chairman of Board of Directors of Eleonetech SA
Giovanni De Censi ^(*)	Honorary Chairman	Honorary President of Istituto Centrale Banche Popolari Italiane S.p.A.

Name	Title	Principal activities outside the company
Flavio Ferrari	Director	Vice Chairman of Board of Directors of F.A.M. Due Fin S.r.l. Managing Director of Associazione Cancro Primo Aiuto Onlus
Maria Elena Galbiati	Director	Member of A.G.F. of Enrico Fossati e C. S.a.s.
Paolo Stefano Giudici	Director	Professor at Università degli Studi di Pavia
Gionni Gritti ^(*)	Director	Chairman of Board of Directors of Unidata S.r.l. Chairman of Board of Directors of Aviovaltellina S.p.A. Chairman of Board of Directors of Agenzia per le Imprese Confartigianato srl - Roma Director of Free Work Servizi S.r.l. Director of Politec Soc. Coop. Partner of A. Gritti S.a.s. di Gritti Gionni & C.
Tiziana Mevio	Director	–
Livia Martinelli ^(*)	Director	Chairman of Board of Auditors of Adamello S.p.A. Chairman of Board of Auditors of Fabbrica Servizi S.r.l. Chairman of Board of Auditors of Sviluppo Immobiliare Corio S.r.l. Auditor of Sol S.p.A.
Alberto Sciumè	Director	Director of Società per Azioni Autostrade Centro Padane Chairman of Board of Directors of Stradivaria S.p.A. Chairman of Board of Statutory Auditors of Finlombarda Gestioni SGR S.p.A. Chairman of Board of Directors of Sasol Italy S.p.A. Chairman of Board of Statutory Auditors of PER S.p.A. Acting Statutory Auditor of Anas S.p.A. Acting Statutory Auditor of Indra Italia S.p.A.
Paolo Scarallo	Director	-

(*) Member of the Executive Committee.

Board of Statutory Auditors

The Board of Statutory Auditors is elected by the shareholders' meeting for a period of three years and is made up of a chairman, two statutory auditors and two alternate auditors.

The current members of Credito Valtellinese's Board of Statutory Auditors are listed in the table below and were appointed at the shareholders' meeting on 23 April 2016 for a three-year term expiring at the time of approval by the shareholders' meeting of the Issuer's financial statements for the year ending 31 December 2018.

Name	Title	Principal activities outside the company
Angelo Garavaglia	Chairman	Chairman of Board of Statutory Auditors of Orvital S.p.A. Sole Statutory Auditor of Immobiliare Capo d'Arco S.r.l. Chairman of Board of Statutory Auditors of MDC S.r.l. Chairman of Board of Statutory Auditors of Finim S.p.A. Acting Statutory Auditor of Faro S.p.A. Acting Statutory Auditor of Rinnovamento Commerciale S.p.A. Acting Statutory Auditor of Buca Uno S.r.l. Acting Statutory Auditor of Unendo Energia Italiana S.p.A. Alternate Statutory Auditor of Adamello S.p.A.
Luca Francesco Franceschi	Acting Auditor	Chairman of Board of Statutory Auditors of Fri-El Liquid Biomass S.p.A. Chairman of Board of Statutory Auditors of Fri-El Acerra S.r.l. Chairman of Board of Statutory Auditors of Fri-El San Canio S.r.l. Chairman of Board of Statutory Auditors of Nuova Energia S.r.l. Acting Statutory Auditor of Tecnopost S.p.A. Chairman of Board of Statutory Auditors of Societa' Generale Distribuzione S.p.A. Chairman of Board of Statutory Auditors of Maccorp Italiana S.p.A. Chairman of Board of Statutory Auditors of IDS International Drugstore Italia S.r.l. Alternate Statutory Auditor of SMA S.p.A. Alternate Statutory Auditor of Punto Lombardia S.p.A.
Giuliana Pedranzini	Acting Auditor	Acting Statutory Auditor of Politec Soc. Coop.

Name	Title	Principal activities outside the company
Edoardo Della Cagnoletta	Alternate Auditor	<p>Chairman of Board of Statutory Auditors of Credito Siciliano S.p.A.</p> <p>Acting Statutory Auditor of Cogest S.r.l. Alternate Statutory Auditor of MDC S.r.l. Alternate Statutory Auditor of Santa Paula S.r.l. Acting Statutory Auditor of La Policentro S.p.A. in liquidation Acting Statutory Auditor of Sviluppi e Partecipazioni Immobiliari S.p.A. in liquidation Chairman of Board of Statutory Auditors of Policentro Domus De Janas S.p.A. in liquidation</p>
Giorgio Sangiorgio	Alternate Auditor	<p>Acting Statutory Auditor of Sicep S.p.A. Chairman of Board of Statutory Auditors of Asec Trade S.p.A. Chairman of Board of Statutory Auditors of Baia Verde S.p.A. Acting Statutory Auditor of Fratelli Arena S.r.l. Acting Statutory Auditor of Cerere S.r.l. Acting Statutory Auditor of Pro.Se.Me S.r.l. Acting Statutory Auditor of GH Palermo S.p.A. Acting Statutory Auditor of STS Società Tipografica Siciliana S.p.A.</p>

Business addresses

The business address of each of the members of the Issuer's Board of Directors, Board of Statutory Auditors and General Management is Piazza Quadrivio 8, 23100 Sondrio, Italy.

Potential conflicts of interests

As far as Credito Valtellinese is aware, there are no potential conflicts of interest between the duties of its Directors, Statutory Auditors and members of the General Management to Credito Valtellinese and their private interests and other duties.

External Auditors

The Issuer has appointed KPMG S.p.A. as its auditors for the financial years from 2012 to 2020. See also "*General Information – Auditors*".

Human Resources

As at 31 December 2016, the workforce of the companies included in the consolidation area of the Group numbered 4,055, compared to 4,123 as at 31 December 2015.

Legal, Administrative and Arbitration Proceedings

Neither the Issuer nor any of its consolidated subsidiaries is or has been involved in any governmental, legal or arbitration proceedings in the 12 months preceding the date of this document relating to claims or amounts which, in the opinion of the Issuer, may have a significant effect on the Group's financial position or profitability (or, in any event, which may adversely affect the Issuer's ability to pay interest or principal under the Notes) and, so far as the Issuer is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

Without in any respect qualifying the above statement and solely for the sake of completeness, the Issuer confirms that, as at 31 December 2016, it was involved in legal proceedings, all of which are pending, involving an aggregate sum of €175.9 million on a consolidated basis, of which the Issuer has made provisions in the sum of €16.9 million, applied on the usual basis that the Issuer considers prudent.

Ministry of the Economy and Finance

In February 2014, the Italian Ministry of the Economy and Finance commenced legal action against the Issuer to recover the sum of €16.86 million, representing interest allegedly due up to the date of early redemption of the so-called "Tremonti Bonds" (financial instruments originally issued by Credito Valtellinese in 2009 and subscribed for by the Ministry as part of the measures introduced by the Italian government to tackle the global financial crisis). The Issuer decided not to pay the amount requested, having obtained a specific opinion on the matter from counsel, on the basis that it made a loss in the year 2012 and, accordingly, no interest payment was due. The case is still pending.

Inspection by regulator

In June 2016, the Bank of Italy commenced an inspection of the Group aimed at assessing its regulation, management and control of credit risk, with particular reference to the correct classification of exposures and the adequacy of the related provisioning. Having concluded the inspection in September 2016, the Bank of Italy gave notice to the Issuer of the results of its inspection on 13 December 2016, with a "partially unfavourable" evaluation, corresponding to level 3 on a scale of 1 (favourable) to 4 (unfavourable). Its examination of compliance of recent share capital increases with prudential regulations showed a substantially regular state of affairs, despite demonstrating the need for the introduction of specific rules to ensure correct processes and to direct the control process. No procedure to impose sanctions was commenced against the Issuer.

In relation to correct classification of exposures and related provisioning, the Group commenced a process of internal review while the inspection was ongoing, resulting in an increase in write-downs of non-performing loans, taking account of the indications arising from the inspection (including greater provisions amounting to €282 million), which furthermore was consistent with the Issuer's intention to increase its overall level of coverage for NPL's, with a view to carrying out further transactions involving the sale of those loans and taking other decisive measures for the management of NPL's.

On 20 June 2017, the Issuer presented its observations on the Bank of Italy's findings, assuring the regulator in any event of its commitment to taking up the suggestions set

out in the inspection report. In particular, a wide-ranging review of the policy regulating the process for the valuation of both secured and unsecured NPL's has been set in motion and, in addition, a review of the Issuer's provisioning policy is in course, partly on the basis of indications received during the inspection and expected to be completed by 31 December 2017. The Issuer also intends to supplement its Group-wide rules on exposures that are subject to forbearance measures, so as to prevent concessions granted to customers in financial difficulty from leading to delays in the correct management classification of customers.

Recent Developments

Disposal of shares in Anima

In the first quarter of 2017 the Issuer completed the disposal of its remaining shareholding in Anima Holding.

Share capital

On 20 February 2017, pursuant to a resolution passed at the Issuer's extraordinary shareholders' meeting on 29 October 2016, the Issuer completed the process of consolidation of its ordinary shares on the basis of a ratio of one new ordinary share to replace every ten existing ordinary shares. Following this process, the amount of the Issuer's share capital remained unchanged but now consists of 110,887,236 ordinary shares.

Shareholders' annual meeting

Short-term incentive plan

On 8 April 2017, the Issuer's annual shareholders' meeting approved an annual incentive plan intended for top executives of Credito Valtellinese and its subsidiaries, granting the Board of Directors all the powers required for its actual implementation.

Cover of loss for financial year 2016

On the same date, the annual shareholders' meeting also approved the proposal to cover its loss of €351,724,509.92 for the year ended 31 December 2016 by use of an amount of €134,261,366.98 from the extraordinary reserve, an amount of €39,003,860.47 from share premium reserve and €99,878,997.15 from the legal reserve, while carrying forward the remaining loss of €78,580,285.32.

Interim results and outlook for current year

On 9 May 2017, the Board of Directors of Credito Valtellinese published a press release announcing its consolidated interim results as at and for the three-month period ended 31 March 2017, which is incorporated by reference in this Prospectus.

Despite signs of improvement in the economy and overall favourable market sentiment, Italian banks remain exposed to substantial risk, with profitability continuing to be very low and vulnerable to a weakening of the economic recovery. The management of non-performing loans remains a priority for most banks, partly due to pressure from regulators, who are requiring action plans to be set out and implemented over a very short period. The Issuer therefore intends to focus its activities in the current year on achieving its objectives under the 2017-2018 Action Plan and it is expected that

prospects for profitability will be affected by the results of the planned sales of non-performing exposures, with the objective of returning to a sustainable profit levels in the medium term.

New factoring company

On 10 May 2017, the Issuer incorporated a wholly-owned subsidiary under the name Creval PiùFactor S.p.A. for the development of direct and indirect factoring for the Group's customers, both with and without recourse. With a share capital of €30,000,000 and with its registered office in Milan, the company is expected to be operational as soon as the relevant authorisation has been granted by the Bank of Italy.

The initiative is consistent with the Issuer's objectives under the 2017-2018 Action Plan in relation to optimisation and innovation of the Group's service model and is expected to allow for a strengthening of the range of services offered by the Group to small and medium-sized enterprises, with a positive impact on profitability, partly due to the increase in Group revenues with low capital absorption, in line with the targets of the Action Plan. The company is expected to achieve a turnover of more than €1.5 million within the next three years.

Rating downgrades

On 13 June 2017, the DBRS Ratings Limited announced that it had downgraded Credito Valtellinese's issuer and senior long-term debt and deposits ratings from BBB(low) to BB(high), while its short-term debt and deposits rating was downgraded from R-2(low) to R-3. Concurrently, the Issuer's intrinsic assessment (IA) was also lowered from BBB(low) to BB(high), whilst the support designation was maintained at SA3. The Issuer's mandatory pay subordinated debt was downgraded to BB(low). The trend on all ratings is now stable.

In addition, on 22 June 2017, Fitch Italia S.p.A. announced that it had downgraded Credito Valtellinese's long-term issuer default rating (IDR) from "BB" to "BB-" with negative outlook and its viability rating (VR) from "bb" to "bb-", while also removing them from rating watch negative (RWN). In addition, the Issuer's rating for subordinated notes was downgraded from "BB-" to "B+". The rating agency stated that the downgrades reflected its view that unreserved impaired loans were putting pressure on capitalisation and that internal capitalisation had weakened as the Issuer's operating performance had deteriorated. The negative outlook reflected execution risks around the Issuer's strategic plan in a weak operating environment.

Agreement with Beni Stabili

On 6 June 2017, following a competitive procedure aimed at identifying a potential purchaser, the Issuer, Credito Siciliano and Stelline Real Estate signed an agreement with Beni Stabili Siiq for the sale and leaseback of a portfolio of Group properties, consisting of 17 property units of a gross surface area of approximately 21,700 square meters, mostly involving properties for the use of offices and branches of the Group, located principally in Milan and the rest of Lombardy, together with some properties in Rome and Sicily. The transaction is part of the 2017-2018 Action Plan initiatives aimed at maximising the value of the Group's assets with a view to enhancing its capital ratios.

The real estate portfolio are expected to be occupied by companies in the Group in accordance with lease agreements for terms ranging from nine to twelve years,

renewable for a further six years at the option of the lessee. Finalised on 29 June 2017, the transaction represents a capital gain of approximately €70 million for the Group, based on a purchase price under the agreement of approximately €115.4 million and the portfolio's book value of approximately €46 million as at 31 December 2016, as well as an increase in CET1 by approximately 51 basis points, assuming the common equity and the RWA as at 31 December 2016 and without considering the tax effects, and a recurring negative impact at income statement level (net profit) of approximately €1 million after tax.

Transfer of portfolio of NPL's through securitisation and GACS

On 13 July 2017, the Issuer announced that, in line with its objectives to reduce NPL's set out in the 2017-2018 Action Plan, it had completed a securitisation of NPL's having a gross book value of approximately €1.4 billion at a cut-off date of 30 November 2016 ("**Project Elrond**"). The transaction involved the transfer of the portfolio by the Issuer and Credito Siciliano as Originators to a special purpose vehicle established pursuant to Law No. 130 of 30 April 1999 under the name Elrond NPL 2017 S.r.l. and the issue of the following three tranches of asset-backed securities:

- a €464 million senior tranche, which has since been rated Baa3 by Moody's and BBB- by Scope Ratings;
- a €42.5 million mezzanine tranche, since rated B1 by Moody's and B+ by Scope Ratings; and
- an unrated €20 million junior tranche.

The senior tranche notes, having a 6 months Euribor + 50 bps yield, are expected to be covered by the state guarantee scheme for securitisations of non-performing loans (*garanzie sulle cartolarizzazione delle sofferenze* or "**GACS**"), which is expected to be formalised by the Ministry for the Economy and Finance within a brief period. The tranche has been entirely retained by the Originators, whereas the mezzanine and junior tranches were placed with an institutional investor following a competitive bid. The portfolio special servicing activities are to be carried out by Cerved Credit Management S.p.A., while Cerved Credit Management Group S.r.l. (its immediate parent company) is expected to continue carrying out the outsourced management of the Group's residual NPL portfolio.

The deconsolidation of the portfolio of non-performing loans is expected to result in a significant improvement in the Group's gross NPL ratio. In addition, together with:

- the effect of the sale and leaseback transaction with Beni Stabili (see "*Agreement with Beni Stabili*" above);
- the acquisition of a minority interest in GeneralFinance; and
- the write-off of approximately €31 million relating to the Atlante Fund,

the Elrond transaction is expected to result in an overall negative impact of approximately 120 bps on the CET1 Ratio, taking into account the book value of the transferred assets and (i) the cash price collected, (ii) the reduction in risk-weighted assets of the transferred portfolio, partly as result of the expected positive impact of the GACS, (iii) the up-front costs associated with the transaction and (iv) the recovery of

legal and servicing costs in the interim period between the portfolio cut-off date and the transfer date.

OVERVIEW OF FINANCIAL INFORMATION OF THE ISSUER

The audited annual consolidated financial statements of the Issuer as at and for the years ended 31 December 2016 and 2015, together with the accompanying notes and auditors' reports, and the press release issued by the Issuer on 9 May 2017, containing its unaudited interim consolidated results as at and for the three-month period ended 31 March 2017, are incorporated by reference in this Prospectus. See "*Information Incorporated by Reference*".

The audited annual consolidated financial statements of the Issuer have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and as implemented under the Bank of Italy's instructions contained in Circular 262 of 22 December 2005 and related transitional regulations in Italy.

The unaudited interim consolidated results of the Issuer contained in the press release referred to above and incorporated by reference in this Prospectus have been prepared on a voluntary basis and are unaudited.

The following tables present:

- (1) audited annual consolidated statement of financial position and income statement information of the Issuer as at and for the year ended 31 December 2016, together with comparative figures as at and for the year ended 31 December 2015; and
- (2) unaudited interim consolidated statement of financial position and income statement information of the Issuer as at and for the three-month period ended 31 March 2017, together with comparative figures as at 31 December 2016 (for balance sheet information) and for the three-month period ended 31 March 2016 (for income statement information).

All of the financial information set out below derives from, should be read in conjunction with, and is qualified in its entirety by reference to, the full annual financial statements of the Issuer, together with the accompanying notes and auditors' reports, or (as applicable) the press release dated 9 May 2017, all of which are incorporated by reference in this Prospectus,

Credito Valtellinese S.p.A.
Annual Financial Statements
Reclassified Consolidated Statement of Financial Position

	As at 31 December	
	2016	2015
	Audited	Audited
	<i>(thousands of euro)</i>	
Assets		
Cash and cash equivalents	170,735	175,462
Financial assets held for trading	18,999	51,751
Available-for-sale financial assets	5,436,165	5,321,413
Loans and receivables with banks	821,748	713,089
Loans and receivables with customers	17,429,196	19,049,750
Equity investments	9,559	9,464
Property, equipment and investment property and intangible assets ⁽¹⁾	483,816	572,882
Non-current assets held for sale and disposal group	1,498	2,478
Other assets ⁽²⁾	1,097,743	986,343
Total assets	25,469,459	26,882,632

(1) Include the items "120. Property, equipment and investment property" and "130. Intangible assets".

(2) Include the items "140. Tax assets" and "160. Other assets".

	As at 31 December	
	2016	2015
	Audited	Audited
	<i>(thousands of euro)</i>	
Liabilities		
Due to banks	1,661,670	2,040,112
Direct funding from customers ⁽¹⁾	21,108,765	21,694,956
Financial liabilities held for trading	1,468	1,859
Hedging derivatives	294,137	269,496
Other liabilities	437,838	508,132
Provisions for specific purpose ⁽²⁾	208,111	180,347
Equity attributable to non-controlling interests	4,040	4,382
Equity ⁽³⁾	1,753,430	2,183,348
Total liabilities	25,469,459	26,882,632

(1) Includes the items "20. Due to customers" and "30. Securities issued".

(2) Includes the items "80. Tax liabilities", "110. Post-employment benefits" and "120. Provisions for risks and charges".

(3) Includes items "140. Valuation reserves", "170. Reserves", "180. Share premium reserve", "190. Share capital", "200. Treasury shares" and "220. Profit (Loss) for the year".

Credito Valtellinese S.p.A.
Annual Financial Statements
Reclassified Consolidated Income Statements

	For the year ended 31 December	
	2016	2015
	Audited	Audited
	<i>(thousands of euro)</i>	
Net interest income	421,695	464,508
Net fee and commission income	280,445	280,543
Dividends and similar income	4,241	2,017
Profit of equity-accounted investments ⁽¹⁾	878	10,972
Net trading and hedging income (expense) and profit (loss) on sales/repurchases	(15,782)	74,770
Other operating net income ⁽⁵⁾	16,236	22,314
Operating income	707,713	855,124
Personnel expenses	(346,187)	(295,036)
Other administrative expenses ⁽²⁾	(210,135)	(201,631)
Depreciation/amortisation and net impairment losses on property, equipment and investment property and intangible assets ⁽³⁾	(33,916)	(54,143)
Operating costs	(590,238)	(550,810)
Operating profit	117,475	304,314
Net impairment losses on loans and receivables and other financial assets	(491,232)	(442,342)
Net accruals to provisions for risks and charges	10,665	(17,655)
Goodwill impairment losses	(68,797)	(70,194)
Net gains on sales of investments ⁽⁴⁾	31,366	250,065
Pre-tax profit (loss) from continuing operations	(400,523)	24,188
Income taxes	71,791	78,000
Post-tax profit (loss) from continuing operations	(328,732)	102,188
Profit (loss) from discontinued operations	-	20,070
Profit for the year attributable to non-controlling interests	(4,371)	(3,981)
Profit (loss) for the year	(333,103)	118,277

(1) Net gains on equity-accounted investments include net gains (losses) on equity-accounted investments included in item 240 "Net gains on investments".

(2) Other administrative expenses include recoveries of taxes and other recoveries recognised in item 220 "Other operating net income" (€53,581 thousand in 2016 and €57,515 thousand in 2015).

(3) Depreciation/amortisation and net impairment losses on property, equipment and investment property and intangible assets include items 200 "Depreciation and net impairment losses on property, equipment and investment property", 210 "Amortisation and net impairment losses on intangible assets" and the accumulated depreciation on costs incurred for leasehold improvements, under item 220 "Other operating net income" (€2,025 thousand in 2016 and €2,718 thousand in 2015).

(4) Net gains on sales of investments include the residual amount of item 240 "Net gains on investments" not included among net gains on equity-accounted investments, together with item 270 "Net gains on sales of investments".

(5) Other income and costs correspond to item 220 "Other operating net income" net of the above reclassifications.

Credito Valtellinese S.p.A.
Interim Results
Reclassified Consolidated Statement of Financial Position

	As at	
	31 March 2017	31 December 2016
	Unaudited	Audited
	<i>(thousands of euro)</i>	
Assets		
Cash and cash equivalents	150,632	170,735
Financial assets held for trading	22,797	18,999
Available-for-sale financial assets	4,908,900	5,436,165
Held-to-maturity investments	624,471	-
Loans and receivables with banks	1,347,802	821,748
Loans and receivables with customers	17,281,485	17,429,196
Equity investments	9,742	9,559
Property, equipment and investment property and intangible assets ⁽¹⁾	480,553	483,816
Non-current assets held for sale and disposal groups	32,071	1,498
Other assets ⁽²⁾	1,125,569	1,097,743
Total assets	25,984,022	25,469,459

⁽¹⁾ Include the items "120. Property, equipment and investment property" and "130. Intangible assets".

⁽²⁾ Include the items "140. Tax assets" and "160. Other assets".

	As at	
	31 March 2017	31 December 2016
	Unaudited	Audited
	<i>(thousands of euro)</i>	
Liabilities		
Due to banks	2,805,884	1,661,670
Direct funding from customers ⁽¹⁾	20,168,413	21,108,765
Financial liabilities held for trading	411	1,468
Hedging derivatives	286,390	294,137
Other liabilities	802,722	437,838
Provisions for specific purpose ⁽²⁾	209,463	208,111
Equity attributable to non-controlling interests	3,586	4,040
Equity ⁽³⁾	1,707,153	1,753,430
Total liabilities and equity	25,984,022	25,469,459

⁽¹⁾ Include the items "20. Due to customers" and "30. Securities issued".

⁽²⁾ Include the items "80. Tax liabilities", "110. Post-employment benefits" and "120. Provisions for risks and charges".

⁽³⁾ Includes the items "140. Valuation reserves", "170. Reserves", "180. Share premium reserve", "190. Capital", "200. Treasury shares" and "220. Profit for the period".

Credito Valtellinese S.p.A.
Interim Results
Reclassified Consolidated Income Statements

	For the three month period ended 31 March	
	2017	2016
	Unaudited	Unaudited
Net interest income	99,725	107,491
Net fee and commission income	67,670	67,780
Dividends and similar income	290	0
Profit of equity-accounted investments ⁽¹⁾	174	89
Net trading and hedging income (expense) and profit (loss) on sales/repurchases	12,092	7,711
Other operating net income ⁽⁵⁾	4,905	4,306
Operating income	184,856	187,377
Personnel expenses	(75,122)	(72,353)
Other administrative expenses ⁽²⁾	(48,217)	(50,449)
Depreciation/amortisation and net impairment losses on property, equipment and investment property and intangible assets ⁽³⁾	(7,399)	(8,167)
Operating costs	(130,738)	(130,969)
Net operating profit	54,118	56,408
Net impairment losses on loans and receivables and other financial assets	(47,911)	(48,925)
Net accruals to provisions for risks and charges	(1,066)	(327)
Net gains (losses) on sales of investments ⁽⁴⁾	(18)	8
Pre-tax profit from continuing operations	5,123	7,164
Income taxes	(1,676)	(930)
Post-tax profit from continuing operations	3,447	6,234
Profit for the period attributable to non-controlling interests	(1,089)	(1.167)
Profit for the period	2,358	5,067

(1) Net gains on equity-accounted investments include net gains (losses) on equity-accounted investments included in item "240. Net gains (losses) on investments"; the residual amount of that item is included in gains on sales of investments, together with item "270. Net gains (losses) on sales of investments".

(2) Other administrative expenses include recoveries of taxes and other recoveries recognised to item "220. Other operating net income" (€12,811 thousand in the first quarter of 2017 and €14,020 thousand in the first quarter of 2016).

(3) The net impairment losses on property, equipment and intangible assets include items "200. Depreciation and net impairment losses on property and equipment", "210. Amortisation and net impairment losses on intangible assets" and the accumulated depreciation of costs incurred for leasehold improvements, included in item "220. Other operating expenses/income" (€374 thousand in the first quarter of 2017 and €642 thousand in the first quarter of 2016).

(4) Net gains on sales of investments include the residual amount of item "240. Net gains on investments" not included among net gains on equity-accounted investments, together with item "270. Net gains on sales of investments".

(5) Other income and charges correspond to item 220. "Other operating expense/income" net of the above.

TAXATION

The following is a general overview of certain tax consequences of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This section is based upon Italian tax laws and/or practice in force as at the date of this Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuer will not update this section to reflect changes in law and, if any such change occurs, the information in this section could be superseded.

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.

Italian Taxation

Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented ("**Decree No. 239**"), sets out the applicable tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") deriving from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) notes issued, *inter alia*, by Italian banks.

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

The tax regime set forth by Decree No. 239 also applies pursuant to article 2, paragraph 22, of Law Decree No. 138 of 13 August 2011 ("**Decree No. 138**") 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.

Interest

Italian resident Noteholders

Pursuant to Decree No. 239 and Decree No. 138, where the Italian resident Noteholder, who is the beneficial owner of the 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 application of the asset management regime ("*regime del risparmio gestito*") see under "*Capital gains*" below for an analysis of such regime), 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 associations, or
- (c) a private or public institution (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 under (a) and (c) above 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 No. 239, the 26 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so-called "SIMs"), fiduciary companies, *società di gestione del risparmio* (so-called "SGR"), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**"). An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes 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 fall within the definitions set out above are not subject to the 26 per cent. *imposta sostitutiva* if made to beneficial owners who are:

- (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;
- (ii) Italian resident partnerships carrying out commercial activities (*'società in nome collettivo'* or *'società in accomandita semplice'*);

- (iii) Italian resident open-ended or closed-ended collective investment funds (together the "**Funds**" and each a "**Fund**"), SICAVs, Italian resident pension funds referred to in Legislative Decree No. 252 of 5th December, 2005 ("**Decree No. 252**"), Italian resident real estate investment funds subject to the regime provided for by Law Decree No. 351 of 25 September 2001, SICAFs; and
- (iv) 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 ("*regime del risparmio gestito*").

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).

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 would 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 ("*regime del risparmio gestito*") 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, the SICAV or the 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 Substitute Tax**").

Where a Noteholder is an Italian resident real estate investment fund or a SICAF, to which the provisions of Law Decree No. 351 of 25th September, 2001, as subsequently amended, apply, Interest accrued on the Notes will be subject neither to *imposta sostitutiva*, nor to any other income tax in the hands of the real estate investment fund or the SICAF. The income of the real estate fund or 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 an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an 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

Pursuant to Decree No. 239, payments of Interest in respect of Notes issued by the Issuer will not be subject to *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 country which allows for a satisfactory exchange of information with Italy and listed in the Ministerial Decree of 4 September 1996, as amended and supplemented 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 White List, reference has to be made to the Italian Ministerial Decree dated 4th September, 1996, as amended from time to time; and
- (b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

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

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

- (a) be the beneficial owners of payments of Interest on the Notes;
- (b) deposit the Notes in due time together with the coupons relating to such Notes directly or indirectly with an 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 data transmission with the Ministry of Economy and Finance; and
- (c) file with the relevant depository a self-statement stating, *inter alia*, that he or she is resident, for tax purposes, in one of the above-mentioned White List states.

Such self-statement, which must comply with the requirements set forth by a Decree of the Ministry for the Economy and Finance 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 self-statement 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 Noteholder to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-resident Noteholder.

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

Fungible issues

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

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 (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the application of the asset management regime ("*regime del risparmio gestito*");
- (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; or
- (d) on any sale or transfer for consideration of the Notes or redemption thereof.

Under the tax declaration regime ("*regime della dichiarazione*"), 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 realised in any of the four succeeding tax years. Pursuant to Law Decree No. 66 of 24 April 2014 ("**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 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:

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

may elect for the administrative savings regime ("*regime del risparmio amministrato*") to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes. 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 30th 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 in an asset management regime ("*regime del risparmio gestito*") 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 increase in value of the managed assets accrued in any of the four succeeding tax years. Pursuant to Decree No. 66, depreciations of the managed assets registered from 1st January 2012 to 30th June, 2014 may be offset against any subsequent increase in value accrued as of 1st 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.

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 tax rules.

Subject to certain limitations and requirements (including a *minimum* holding period), capital gains in respect of Notes realised 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 Substitute Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders. A withholding tax of 20 per cent. is levied on proceeds accrued up to 30 June 2014 and received by certain categories of unitholders or shareholders upon redemption or disposal of the units or shares.

Where a Noteholder is an Italian resident real estate investment fund or a SICAF, to which the provisions of Law Decree No. 351 of 25th September, 2001, as subsequently amended, apply, capital gains realised will be subject neither to *imposta sostitutiva*, nor to any other income tax in the hands of the real estate investment fund or the SICAF. The income of the real estate fund or 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 an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an Italian resident intermediary, any capital gains realised upon sale, transfer or redemption of 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 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 capital gains accrued on the Notes).

As of 1 January 2015, Italian pension funds benefit from a tax credit equal to 9 per cent. of the result of the relevant portfolio accrued at the end of the tax period, **provided that** the pension fund invests in certain medium long term financial assets as identified with the Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.

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 tax rules.

Non-Italian resident Noteholders

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

However, pursuant to Article 23 of Decree No. 917, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a self-declaration) 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 (a) they are resident, for tax purposes in a country listed in the White List 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 are subject to the administrative savings regime ("*regime del risparmio amministrato*") or elect for the asset management regime ("*regime del risparmio gestito*"), exemption from Italian capital gains tax will apply **provided that** they timely file with the authorised financial intermediary an appropriate self-declaration stating that they meet the requirement indicated above. The same exemption applies in case 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, whether or not subject to tax, established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State; and
- (b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected are subject to the administrative savings regime ("*regime del risparmio amministrato*") or elect for the asset management regime ("*regime del risparmio gestito*"), exemption from Italian capital gains tax will apply **provided that** they timely 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.

Inheritance and gift tax

Pursuant to Law Decree No. 262 of 3rd October, 2006, converted with amendments by Law No. 286 of 24th November, 2006 effective from 29th November, 2006, and Law No. 296 of 27th 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:

- (i) 4 per cent. to transfers in favour of spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);
- (ii) 6 per cent. to transfers in favour of brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding €100,000 (per beneficiary);
- (iii) 6 per cent. to transfers in favour of 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
- (iv) 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.

Moreover, an anti-avoidance rule is provided for by Law No. 383 of 18 October 2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains to the *imposta sostitutiva* provided for by Decree No. 461. In particular, if the donee sells the Notes for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift was not made.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

Transfer tax

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

Stamp duty

Pursuant to Article 13 par. 2/ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, as amended by Article 1 par. 581 of Law No. 147 of 27 December 2013, a proportional stamp duty applies on an annual basis to the periodic

reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.20 per cent. and it cannot exceed € 14,000 for taxpayers other than individuals. This stamp duty is determined on the market value or – absent such value – on the nominal value or the redemption amount of any financial product or financial instruments (including the Notes). Stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory, nor the deposit, nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

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. 201/2011, as amended by Article 1 par. 582 of Law No. 147 of 27 December 2013, Italian resident individuals holding financial assets – including the Notes – outside the Italian territory are required to pay in its own annual tax declaration a wealth tax at the rate of 0.2 per cent. The tax applies on the market value at the end of the relevant year or – in the lack of the market value – 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 assets held outside the Italian territory.

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 such financial assets are administered by Italian financial intermediaries pursuant to an administration agreement.

Enactment provisions have been laid down in the implementing Decree issued by the Director of the Italian tax authorities on 5 June 2012.

Tax monitoring obligations

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended by Law No. 97 of 6 August 2013 and subsequently amended by Law No. 50 of 28 March 2014, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy are required – under certain circumstances – to report in a specific form of the yearly income tax return ("*Quadro RW*"), for tax monitoring purposes, the value of the securities (including the Notes) held abroad (or deemed to be held abroad) during the tax year, in case the income tax return is not due, such form must be filed apart within the same time as prescribed for the income tax return). The requirement also applies where the persons above, being not the direct holders of the

financial instruments, are the actual owners ("*titolari effettivi*") of the securities in accordance with Article 1(2)(u) and the Technical Annex of the Decree No. 231 of 21 November 2007.

Furthermore, the above reporting requirement is not required to comply with respect to Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to 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 and with respect to foreign investments which are only composed by deposits and/or bank accounts when their aggregate value never exceeds a €15,000 threshold throughout the year.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer any paying agent, the depositary, common depositary or common safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA withholding. However, definitive notes will only be printed in remote circumstances. Further, foreign financial

institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

The FATCA regime has recently been implemented in Italy after the promulgation of Law No. 95/2015 and the issuance of a number of decrees.

Prospective holders of Notes are advised to seek their own professional advice in relation to FATCA.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banca Akros S.p.A. Gruppo Banco BPM, Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Credito Valtellinese S.p.A., Crédit Agricole Corporate and Investment Bank, HSBC Bank plc, J.P. Morgan Securities plc, Mediobanca – Banca di Credito Finanziario S.p.A., Natixis, The Royal Bank of Scotland plc (trading as NatWest Markets), UBS Limited, UniCredit Bank AG and any additional dealer appointed under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**") or to purchasers procured by one of more Dealers. The arrangements under which the Issuer may agree from time to time to sell Notes and the relevant Dealer(s) may agree to purchase or procure purchasers of Notes, or use reasonable endeavours to procure purchasers of Notes, are set out in an amended and restated Dealer Agreement dated 20 July 2017 (the "**Dealer Agreement**") and made between the Issuer and the Dealers.

Any agreement for the sale and purchase of Notes will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase.

The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

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

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

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

distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms (or are the subject of the offering contemplated by a Drawdown Prospectus) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

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

Prior to 1 January 2018, and from that date if the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

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

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

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, that:

- (a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention by the Issuer of Section 19 of the FSMA;

- (b) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in

circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

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

The Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, that any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time); and
- (ii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France this Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person

resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, that, to the best of its knowledge and belief, it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus or any Final Terms or related offering material, in all cases at its own expense. Other persons into whose hands this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

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

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Prospectus.

GENERAL INFORMATION

Approval, listing and admission to trading

This Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Directive by the CSSF in its capacity as competent authority in Luxembourg for the purposes of the Prospectus Directive.

Application has been made for Notes issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange. However, Notes may be issued pursuant to the Programme which will not be listed on the Official List or admitted to trading on the regulated market of the Luxembourg Stock Exchange or any other stock exchange and/or quotation system or which will be listed or admitted to trading on such stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

Authorisations

The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer dated 10 December 2002. The 2017 update of the Programme was authorised by the Board of Directors of the Issuer on 6 June 2017.

The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Clearing of the Notes

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

Use of proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer to meet part of its general financing requirements.

Rating agencies

DBRS Ratings Limited and Fitch Italia S.p.A. are established in the EEA and registered under the CRA Regulation, and are included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at: <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>.

Auditors

The Issuer has appointed KPMG S.p.A. as its auditors for the financial years from 2012 to 2020. KPMG S.p.A. are registered under No. 13 in the special register (*albo speciale*) maintained by CONSOB and set out under Article 161 of Legislative Decree No. 58 of 24 February 1998 (as amended) and under No. 70623 in the Register of Accountancy Auditors (*Registro dei Revisori Contabili*) in compliance with the provisions of Legislative Decree No. 88 of 27 January 1992. KPMG S.p.A. is also a member of Assirevi (*Associazione Nazionale Revisori Contabili*).

No significant/material adverse change

Since 31 March 2017 (being the last day of the financial period in respect of which the most recent published interim financial statements of the Issuer have been prepared), there has been no significant change in the financial or trading position of the Group and since 31 December 2016 (being the last day of the financial period in respect of which the most recent audited financial statements of the Issuer have been prepared), save as disclosed in "*Description of the Issuer – Recent Developments – Interim results and outlook for current year*" on pages 125 – 126 of this Prospectus, there has been no material adverse change in the prospects of the Issuer.

Documents available for inspection

For so long as the Programme remains in effect or any Notes shall be outstanding, electronic copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Fiscal Agent, namely:

- (a) this Prospectus and any future prospectuses, offering circulars, information memoranda and supplements to this Prospectus and any other documents containing information incorporated herein or therein by reference;
- (b) a certified copy of the constitutive documents of the Issuer;
- (c) the Agency Agreement;
- (d) the Deed of Covenant;
- (e) the Programme Manual (which contains the forms of the Notes in global and definitive form).
- (f) any Final Terms relating to Notes which are listed on any stock exchange save that Final Terms relating to Notes which are neither admitted to trading on a regulated market in the European Economic Area or offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by the relevant Noteholders and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity); and
- (g) the Issuer's audited consolidated financial statements as at and for the years ended 31 December 2016 and 2015, together with the accompanying notes and auditors' reports, and the Issuer's press release dated 9 May 2017 containing its interim consolidated results as at and for the three months ended 31 March 2017.

Interests of natural and legal persons involved in the issue/offer

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

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

Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

THE ISSUER

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Italy

DEALERS

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Gruppo Banco BPM**
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BNP Paribas
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United Kingdom

**Crédit Agricole
Corporate and
Investment Bank**
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92547 MONTROUGE
CEDEX
France

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United Kingdom

**Goldman Sachs
International**
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United Kingdom

HSBC Bank plc
8 Canada Square
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United Kingdom

**J.P. Morgan Securities
plc**
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Canary Wharf
London E14 5JP
United Kingdom

**Mediobanca – Banca di
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France

**The Royal Bank of
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London EC2M 4AA
United Kingdom

UBS Limited
5 Broadgate
London EC2M 2QS
United Kingdom

UniCredit Bank AG
Arabellastrasse 12
81925 Munich
Germany

FISCAL AGENT AND LUXEMBOURG LISTING AGENT

Banque Internationale à Luxembourg, SA
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LEGAL ADVISERS

To the Issuer as to English and Italian law:
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To the Dealers as to English and Italian law:
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Italy

AUDITORS

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