BASE PROSPECTUS

illimity Bank S.p.A.

(incorporated as a joint stock company (società per azioni) in the Republic of Italy)

€3,000,000,000
Euro Medium Term Note Programme

This base prospectus (the "**Base Prospectus**") constitutes a base prospectus for the purposes of Article 8 of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Under this €3,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), illimity Bank S.p.A. (the "**Issuer**" or the "**Bank**" or "**illimity**" or "**us**" or "**we**") may from time to time issue non-equity securities, which may be governed by English law (the "**English Law Notes**") or Italian law (the "**Italian Law Notes**" and together with the English Law Notes, the "**Notes**"), denominated in any currency agreed between the Issuer and the Dealers (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €3,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

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

Interest and/or other amounts payable under the Notes may be calculated by reference to benchmarks including EURIBOR in each case as specified in the relevant Final Terms or Drawdown Prospectus (as defined below) as the case may be. As at the date of this Base Prospectus, the administrator of EURIBOR is included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**").

An investment in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" below.

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Regulation. The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer nor as an endorsement of the quality of the Notes that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. This Base Prospectus is valid for a period of twelve months from the date of approval. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus after the end of its 12-month validity period. This Base Prospectus comprises a Base Prospectus for the purposes of Article 8 of the Prospectus Regulation. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for notes ("**Notes**") issued under the Programme within twelve months after the date hereof to be admitted to the Official List of Euronext Dublin (the "**Official List**") and trading on its regulated market. The regulated market of Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of MiFID II and/or which are to be offered to the public in any Member State of the European Economic Area (the "**EEA**"). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the English Law Notes*" (the "**Terms and Conditions of the English Law Notes**") or "*Terms and Conditions of the Italian Law Notes*" (the "**Terms and Conditions of the Italian Law Notes**" and, together with the Terms and Conditions of the English Law Notes, the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

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

MiFID II product governance / target market – The Final Terms or Drawdown Prospectus, as the case may be in respect of any Notes will include a legend entitled "*MiFID II Product Governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**")

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

UK MiFIR product governance / target market - The Final Terms or Drawdown Prospectus, as the case may be, in respect of any Notes will include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels f or distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR product governance rules set out in UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS *- If the Final Terms or Drawdown Prospectus, as the case may be, in respect of any Notes include a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the 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 MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, 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.*

IMPORTANT – UK RETAIL INVESTORS *- If the Final Terms or Drawdown Prospectus, as the case may be, in respect of any Notes include a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.*

The Final Terms in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**").

The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

ARRANGER AND SOLE DEALER

BNP Paribas

The date of this Base Prospectus is 4 November 2021.

IMPORTANT NOTICES

The Issuer (the "Responsible Person") accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer, the information contained in this Base Prospectus is in accordance with the facts and this Base Prospectus does not omit anything likely to affect the import of such information.

Subject as provided in the relevant Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Notes are the persons named in the relevant Final Terms as the relevant Dealer or the Managers, as the case may be.

Copies of Final Terms will be available from the registered office of the Issuer and the specified office set out below of the Paying Agents (as defined below) and, in the case of listed Notes, will be published on the website of Euronext Dublin (http://www.ise.ie/).

This Base Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below) and with any supplements hereto. This Base Prospectus shall be read and construed on the basis that such documents are incorporated in and form part of this Base Prospectus.

Neither the Dealers nor the Fiscal Agent nor any of their respective affiliates have authorised this Base Prospectus or any part thereof. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealer or the Fiscal Agent or any of their respective affiliates as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer or the Fiscal Agent accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

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

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Dealers or the Fiscal Agent that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Fiscal Agent to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Fiscal Agent expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

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 notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons as defined in Regulation S under the Securities Act except in certain transactions exempt from the registration requirements of the Securities Act. See "*Subscription and Sale*" below.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Fiscal Agent do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Fiscal Agent which would permit a public offering of any Notes outside the EEA or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the United Kingdom, the EEA (including France and the Republic of Italy) and Japan. See "*Subscription and Sale*" below.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the EEA or the United Kingdom which has implemented the Prospectus Regulation (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Regulation, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by the relevant Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 1 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

This Base Prospectus includes forward-looking statements. These include statements relating to, among other things, the future financial performance of the Issuer, plans and expectations regarding developments in the business, growth and profitability of the Issuer and general industry and business conditions applicable to the Issuer. The Issuer has based these forward-looking statements on its current expectations, assumptions, estimates and projections about future events. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results, performance or achievements of the Issuer or those of its industry to be materially different from or worse than these forward-looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments except to the extent required by law.

All references in this document to: "Euro", "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended; "U.S. dollars", "U.S.$" and "$" refer to United States dollars being the currency of the United States of America; "Sterling" refers to the currency of the United Kingdom; and "yen" refers to the currency of Japan.

Suitability of the Notes as an investment

Each potential investor in the Notes must determine the suitability of that investment in the 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 relevant Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;

(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.

STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms or, as the case may be, Drawdown Prospectus 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. Such stabilising shall be conducted in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilising shall, as against the Issuer, be for the account of the Stabilising Manager(s) and the Lead Manager(s).

MARKET STATISTICS

Information and statistics presented in this Base Prospectus regarding business trends, market trends, market volumes and market share of illimity are either derived from, or are based on, internal data. No information has been sourced from third parties.

CONTENTS

Page

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.

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

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

Words and expressions defined in "Terms and Conditions of the English Law Notes" and "Terms and Conditions of the Italian Law Notes" or elsewhere in this Base Prospectus have the same meaning in this section. Prospective investors should read the whole of this Base Prospectus, including the information incorporated by reference. Unless otherwise specified, the term "Terms and Conditions" shall refer to both the Terms and Conditions of the English Law Notes and the Terms and Conditions of the Italian Law Notes and any reference to a "Condition" shall be to both a Condition under the Terms and Conditions of the English Law Notes and a Condition under the Terms and Conditions of the Italian Law Notes.

RISK FACTORS RELATED TO THE ISSUER

Risk Factors relating to the Issuer

The risks below have been classified into the following categories:

A. Risks relating to the Issuer's financial position;
B. Risks relating to the Issuer's business activity and industry;
C. Risks relating to the legal and regulatory environment of the Issuer; and
D. Risks relating to environmental, social and governance of the Issuer.

(A) Risks related to the Issuer's financial situation

Risks related to the Issuer's results

The Issuer incurred a net profit of Euro 31.1 million for illimity Bank Consolidated Financial Statements for the year ended 31 December 2020. The profits in the financial year are essentially attributable to the favourable market conditions and the introduction of various lines of business by the Bank in 2020.

Notwithstanding the positive results incurred in the financial year 2020, since key elements of illimity's medium-long term strategy consist of acquiring new customers, implementing new technologically sophisticated financial services and carrying on to innovate and build its brand, the Issuer will incur capital expenditure in the future, which may be substantial until the Issuer's operating platform and its staff structure reach the target level and may not be offset in full by income generated for the corresponding periods. Accordingly, illimity cannot assure investors that it will sustain profitability. Moreover, illimity, cannot assure investors that it will not cease to be profitable at any specific time in the future. If illimity is ultimately unable to generate sufficient income to meet its financial targets, maintain profitability and have sustainable cash flows, investors could lose their investment or could benefit from a lower than expected profit.

Risks arising from failure to implement the Strategic Plan

The Issuer's ability to achieve the results and to pursue future plans and objectives set out in its Strategic Plan, to expand and consolidate its activities through three business divisions and its subsidiaries each targeting a distinct subset of customers/products, as well as to attain a sustainable level of profitability, depends on its ability to implement successfully its commercial and financial strategies.

Should the Issuer fail to implement its Strategic Plan and to pursue the initiatives envisaged therein in the manner and/or within the time frames expected, if the new business initiatives fail to generate the revenues forecasted and/or if the business strategies fail to achieve the intended results, the Issuer's businesses and growth prospects would be negatively affected, which could have a negative impact on the Issuer's financial condition, results and cash flow.

The Strategic Plan is based on both general and hypothetical assumptions of a discretionary nature related to the effects of specific operational and organisational actions that the Issuer intends to undertake over the duration of the Strategic Plan. The Issuer's ability to perform these actions and to meet the objectives of the Strategic Plan therefore depends on a combination of hypotheses, estimates and forecasts based on the realisation of future external events and actions to be undertaken by management and by the Issuer's Board of Directors over the 2021 - 2025 period. These include, among others, hypothetical assumptions of various nature relating to future events that are subject to risks and uncertainties characterising the prevailing macroeconomic and regulatory landscape; actions of illimity's directors and management that may not necessarily occur; other future events which the directors and management cannot, or can only partially, influence. In particular, the assumptions underlying the Strategic Plan may be inaccurate and/or may not occur or may occur only in part or in a different manner; and may moreover change over the duration of the Strategic Plan.

The Issuer's ability to achieve the business volumes envisaged for its Growth Credit Division and its Distressed Credit Division furthermore relies on its ability to compete with other companies currently operating in, or that may in the future enter, these market segments which, in recent years, have seen the entry of specialised, non-banking players from abroad. Intense competition in the distressed credit sector may result in the failure by the Issuer to purchase (or to obtain servicing mandates for) a sufficient volume of non-performing/unlikely-to-pay

receivables (single name or portfolios), which would lead to lower than expected revenues from operations for this Division and could have a negative impact on the Issuer's overall business and outlook. Improvement in Italy's macroeconomic conditions in the future could also result in a decrease in loans classified as non-performing in general, potentially leading to a contraction of the NPL market. The ability of the Direct Banking & Digital Operations Division to acquire new customers is also exposed to the risk of competition in direct collections from banks and financial intermediaries operating in Italy and, therefore, could affect the viability of illimity funding plan.

Should any of the events or scenarios illustrated above occur, the results of illimity could differ, possibly in a significant manner, from that set out in its Strategic Plan, with potential negative impact on the financial condition and results of the Issuer.

Risks related to the deterioration of credit quality

One of the factors on which the Issuer's financial performance and economic condition and its ability to generate profits depend on is the creditworthiness of its customers. The Issuer is exposed to the risk that deterioration of a counterparty's creditworthiness could affect the value of its exposure towards such counterparty, resulting in the full or partial write-down of such exposure higher than expected. Within the scope of its lending operations, this risk entails the possibility that borrowers default on their payment obligations or that the Issuer grants credit that it would not have granted, or would have granted on different terms, as a result of information provided that is incomplete, inaccurate or false.

Many factors can affect the Issuer's credit risk and negatively impact its credit exposure to individual borrowers and in respect of its entire loan book. These include lack of liquidity or insolvency of the borrowers caused by, *inter alia*, poor management, changes in rating, deterioration in their competitive position or external factors such as trend of the borrower's industry sector, country risk as well as impact of operating risks. A continuation of the crisis of the financial markets, further deterioration of the conditions of the capital markets, slowdown of the global economy seen in recent years, and monetary policies adopted by the competent authorities can all affect the availability of disposable income for households as well as profits of businesses, which may in turn have a negative impact on the ability of the Issuer's customers to fulfil their commitments, thereby affecting the Issuer's financial position, results and cash flow.

The Issuer has established risk management methodologies, rules and principles to monitor and manage credit risk, both at the level of individual counterparties and at portfolio level. Despite these measures, there remains the risk that the Issuer's credit exposures could, in the future, increase and exceed predetermined levels. The deterioration of the credit worthiness of major customers, defaults and/or (re)payment irregularities, reduction in the economic value of any collateral and/or the inability to successfully and promptly enforce such collateral, as well as any errors in assessing customers' creditworthiness in general, could have a material negative effect on the business and operations of the Issuer and on its financial condition, results and cash flow.

As of 30 June 2021, illimity net loans to customers (excluding bad loans/UTP single name/portfolios acquired by the Issuer) amounted to Euro 1,049 million, classified respectively as organic bad loans (sofferenze) Euro 5.2 million, unlikely-to-pay exposures Euro 13.9 million, overdue and/or past due exposures Euro 1.6 million, and performing loans (in bonis) Euro 1,029 million. As of the same date, gross Organic NPE ratio stood at 3.0% and net Organic NPE ratio at 1.6%.

The Issuer sets aside provisions to absorb potential losses from its loans. As of 30 June 2021, coverage ratios were as follows: organic bad loans (*sofferenze*) 72.50%, unlikely-to-pay exposures 24.92%, overdue and/or past due exposures 15.34%, and performing loans 0.98%[1]. There can, however, be no guarantee that the procedures put in place by the Issuer can assess accurately the risks of its exposure to borrowers, and increased defaults of the borrowers and/or inadequate loans provisioning may negatively impact the Issuer's financial condition and results of operations.

Risks related to capital adequacy

As a credit institution authorised to carry out banking activities in Italy, the Issuer is subject to Italian laws and regulations applicable to the banking industry that are aimed at safeguarding financial stability and solidity and liquidity and limiting exposure to risks. The rules concerning capital and liquidity adequacy for banks lay down

[1] The coverage ratio for performing loans (excluding securities) of the Bank as of 30 June 2021 was equal to 0.98%, down slightly from the value of 1.20% as of 31 December 2020, as a result of government-backed financing during the half year.

prudential requirements relating to own funds, eligible liabilities and liquidity as well as the instruments for risk mitigation.

Following the crisis of the financial markets, the Basel Committee on Banking Supervision (the "**BCBS**") approved a number of capital adequacy and liquidity requirements ("**Basel III**"), which impose requirements for, *inter alia*, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards. The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement starting from 2019.
In January 2013, the BCBS revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio with a full implementation in 2019 as well as expanding the definition of high-quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Regarding the other liquidity requirement, the Net Stable Funding Ratio, the BCBS published the final rules in October 2014 which took effect from 1 January 2018.
At a European level, the Basel III rules have been implemented through two separate legislative instruments: Directive 2013/36/EU of 26 June 2013 (the "**CRD IV**") and Regulation (EU) No. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**" and together with the CRD IV, the "**CRD IV Package**").
The CRD IV and CRR have been amended in 2019 following adoption of a comprehensive reform package first announced by the European Commission in November 2016 (the "**Banking Reform Package**") by:

- Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending the CRD IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (the "**CRD V**"); and

- Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the "**CRR II**").

In Italy, the Bank of Italy published the supervisory regulations on banks with circular No. 285 of 17 December 2013 ("**Circular No. 285**"), which came into force on 1 January 2014, implementing the CRD IV Package and setting out additional national prudential rules. Circular No. 285 has been subject to continuous review and update, the last of which occurred on 20 July 2021.

The Government implemented the CRD IV with Legislative Decree No. 72 of 12 May 2015 ("**Decree 72/2015**"), which entered into force on 27 June 2015. Decree 72/2015 impacts, *inter alia*, on:

- proposed acquirers of holdings in credit institutions, requirements for shareholders and members of the management body (Articles 23 and 91 of the CRD IV Directive);

- competent authorities' powers to intervene in cases of crisis management (Articles 64, 65, 102 and 104 of the CRD IV Directive);

- reporting of potential or actual breaches of national provisions (so called "whistleblowing", Article 71 of the CRD IV Directive); and

- administrative penalties and measures (Article 65 of the CRD IV Directive).

Circular No. 285 is divided in four parts: (i) Part One is on the implementation of CRD IV in Italy through secondary provisions within the competence of the Bank of Italy; (ii) Part Two contains rules needed to implement the CRR; (iii) Part Three contains prudential provisions on matters and types of risks not directly covered by the CRD IV Package that, though not harmonised at European level, are necessary to align the Italian regulatory system to the best practices and requirements established by international bodies, including the core principles of the Basel Committee; and (iv) Part Four sets forth provisions concerning intermediaries.
Insofar as capital requirements are concerned, banks (including illimity) are required to comply with the following minimum capital requirements: (i) a Common Equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6%; and (iii) a Total Capital Ratio of 8%. In addition, banks are required to retain combined buffers comprised of: a capital conservation buffer equal to 2.5% of risk-weighted assets, a counter-cyclical capital buffer currently set at

0%, while banks that qualify as global systemically important institutions (G-SII) and other systemically important institutions at domestic level (O-SII) are required to meet also additional capital buffers.
In addition, illimity is subject to the Pillar 2 requirements for banks, which will be impacted, on an ongoing basis, by the SREP. The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. The key purpose of the SREP is to ensure that institutions have adequate arrangements as well as capital and liquidity to ensure sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, as well as risks the institution may pose to the financial system.

On 19 March 2020 illimity Bank, in conclusion of the Supervisory Review and Evaluation Process (SREP) performed on the illimity Banking Group, received notification from the Bank of Italy of the prudential requirements to be observed at the consolidated level with effect from 31 March 2020. To ensure compliance with the binding requirements even in the event of a deterioration in the economic and financial scenario (Pillar 2 Guidance - P2G), the Bank of Italy also identified the following capital levels, which the illimity Banking Group was invited to maintain on an ongoing basis:

- Common Equity Tier 1 (CET1) ratio of 9.20%;
- Tier 1 ratio of 11.10%;
- Total Capital ratio of 13.70%.

The supervisory authority also indicated a need – without prejudice to the additional supervisory requirements set out in the notification sent – for observance of the commitment to keep the CET1 ratio over 15% on an ongoing basis.

As of 30 June 2021, illimity presented a CET1 ratio of 17.2% and a Total Capital ratio of 17.2%.

Notwithstanding the foregoing, there can be no assurance that the total capital requirements imposed on the Issuer from time to time (also as a result of the introduction of more stringent legislation or other external factors and unpredictable events beyond the Issuer's control) may not be higher than the levels of capital available at such time.

The quantum of any Pillar 2 requirement imposed on a bank, the type of capital which it must apply to meeting such capital requirements, and whether the Pillar 2 requirement is "stacked" below the capital buffers (*i.e.* the bank's capital resources must first be applied to meeting the Pillar 2 requirements in full before capital can be applied to meeting the capital buffers) or "stacked" above the capital buffers (*i.e.* the bank's capital resources can be applied to meeting the capital buffers in priority to the Pillar 2 requirement) may all impact a bank's ability to comply with the combined buffer requirement.

As set out in the "*Opinion of the European Banking Authority on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions*" published on 16 December 2015, in the EBA's opinion competent authorities should ensure that the Common Equity Tier 1 Capital to be taken into account in determining the Common Equity Tier 1 Capital available to meet the combined buffer requirement is limited to the amount not used to meet the Pillar 1 and Pillar 2 Own Funds requirements of the institution. In effect, this would mean that Pillar 2 capital requirements would be "stacked" below the capital buffers, and thus a firm's CET1 resources would only be applied to meeting capital buffer requirements after Pillar 1 and Pillar 2 capital requirements have been met in full.
However, the above has been more clearly regulated in the EBA Guidelines on SREP published in July 2018. The EBA guidelines define a distinction between the "Pillar 2 Requirement" (stacked below the capital buffers and thus directly affecting the application of a Maximum Distributable Amount, as defined below) and "Pillar 2 Guidance" (stacked above the capital buffers). In cases where a "Pillar 2 Guidance" is provided, that guidance will not be included in the calculation of the Maximum Distributable Amount (as defined below), but competent authorities would expect banks to meet that guidance.
Moreover, the CRD Reform Package further clarifies the distinction between "Pillar 2 Requirement" and "Pillar 2 Guidance". In particular, the "Pillar 2 Guidance" refers to the possibility for competent authorities to communicate to an institution their expectations for such institution to hold capital in excess of its capital requirements (Pillar 1 and Pillar 2) and combined buffer requirements in order to address forward-looking and remote situations. Under the CRD Reform Package (and as described above), only the "Pillar 2 Requirement", and not the "Pillar 2 Guidance", will be relevant in determining whether an institution meets its combined buffer requirement for the purposes of the Maximum Distributable Amount restrictions.

In addition to the above, the Maximum Distributable Amount restrictions are being extended in order to encompass also the minimum Leverage Ratio Requirement and the MREL requirement.
Within the CRD Reform Package a new Article 141b is included in the CRD IV Directive which introduces restrictions on distributions in the case of failure to meet the Leverage Ratio requirement (including any applicable buffer, *i.e.* G-SIB buffer), thus introducing a new Leverage Ratio Maximum Distributable Amount (L-MDA). The BRRD Reforms instead contain a new Article 16a that clarifies the stacking order between the combined buffer and the MREL requirement. Pursuant to this new provision the resolution authority shall have the power to prohibit an entity from distributing more than the Maximum Distributable Amount for the Minimum Requirement for Own Funds and Eligible Liabilities "MREL" (calculated in accordance with the proposed Article 16a(4) of the revised BRRD, the M-MDA) where the combined buffer requirement and the MREL requirement are not met. The Article 16, envisages a potential nine month grace period during which the resolution authority assesses on a monthly basis whether to exercise its powers under the provision, before such resolution authority is compelled to exercise its power under the provisions (subject to certain limited exceptions, to be verified on a monthly basis).
As part of the CRD IV Package transitional arrangements, regulatory capital recognition of outstanding instruments which qualified as Tier I and Tier II capital instruments under the framework which the CRD IV Package has replaced that no longer meet the minimum criteria under the CRD IV Package will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition is capped at 80 per cent. in 2014, with this cap decreasing by 10 per cent. in each subsequent year.
Further, the Basel III agreements provided for the introduction of a Liquidity Coverage Ratio ("**LCR**"), in order to establish and maintain a liquidity buffer which will permit the bank to survive for 30 days in the event of serious stress. The Commission Delegated Regulation (EU) No. 2015/61, adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015, specifies the calculation rules of the LCR. 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.

The Banking Reform Package introduces a binding (Pillar 1) leverage ratio of three per cent. of Tier 1 capital which banks must meet in parallel with their own risk-based capital requirements, as well as an additional leverage ratio buffer requirement for institutions identified as G-SIIs; and a Net Stable Funding Ratio ("**NSFR**") in order to prevent overreliance by banks on short-term funding raised in wholesale markets to finance their long-term commitments.

The CRR contains a supporting factor for small and medium-sized enterprises (SMEs), which lowers the capital requirements for credit risk on exposures to SMEs of up to Euro 1.5 million by 23.81 percent. The Banking Reform Package extends this reduction of 23.81 percent to exposures of up to Euro 2.5 million and introduces a new SME supporting factor reduction of 15 percent for the part of SME exposures exceeding Euro 2.5 million.

There can be no assurance as to the result of any future SREP and whether this will impose further additional own funds requirements (or guidance) on the Issuer. The strengthening of capital adequacy requirements, restrictions on liquidity and increase in any of the liquidity coverage, net stable funding, leverage and other ratio requirements could adversely affect the Issuer's financial condition, results of operations and cash flow.

Maximum Distributable Amount means any applicable maximum distributable amount relating to the Issuer and/or the illimity group, as the case may be, required to be calculated in accordance with the CRD IV Directive and/or any other Relevant Regulation(s) (or any provision of Italian law transposing or implementing the CRD IV Directive and/or, if relevant, any other Relevant Regulation(s)).

(B) <u>Risks related to the Issuer's business activities and industry</u>

Our results of operations may be negatively impacted by the COVID-19 outbreak.

The World Health Organization ("**WHO**") declared a global emergency on 30 January 2020 with respect to the outbreak in 2019 of novel coronavirus (COVID-19) which emerged in Wuhan, China. The WHO subsequently characterised it as a pandemic on 11 March 2020. The outbreak has spread throughout Asia, Europe and the Middle East and currently there have been cases of COVID-19 throughout the world (including Brazil, Canada and the United States), causing companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The entire national and international scenario has been severely affected by such restrictions. The pandemic significantly affected the markets, globally and locally, from a systemic standpoint. Although the effects of the pandemic are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time. Similarly, we cannot estimate whether or to what extent this outbreak and potential financial impact may extend

to countries outside of those currently impacted. Such circumstances originated a general uncertainty and the full extent of its adverse impacts is not entirely foreseeable at the moment. The severe restrictive measures put in place by the relevant States in order to contain the spread of the outbreak, including lockdowns which lasted for several weeks and moratoriums on the repayments of loans, have had a highly significant across-the-board impact on economic activity and value-chains.

The Italian Government enacted two laws in response to the epidemiological emergency:

- Law Decree no. 18/2020 (converted into Italian Law no. 27/2020), which introduced a legal suspension, initially until 30 September 2020, subsequently extended to 31 January 2021 (and then to 30 June 2021), for maturing loans and lines of credit contracted by SMEs, as an urgent measure to contain the effects of the business shutdowns ordered in response to the emergency – similar measures have been implemented at a private level, with the renewal of the agreements between the Italian Banking Association and trade associations; and
- Law Decree no. 23/2020 (converted into Italian Law no. 40/2020), which modified the rules governing public guarantees, expanding the scope of application of the traditional subsidies provided through the SME Central Guarantee Fund (CGF) and introducing a government guarantee, intended to secure loans of more than Euro 5 million or loans to companies too large to be eligible for the CGF.

In 2020, suspensions and moratoria were finalised for nearly 200 positions, for a total amount of approximately Euro 86 million; 52% of initial exposures in a moratorium was attributable to suspensions for companies provided for in Article 56 of Decree no. 18/2020, with a further 44% referring to bilateral interventions, since the conditions required by law to activate legal suspensions had not been met; the remainder (3%) were ABI moratoria and those with individuals pursuant to Article 54 of Decree no.18/2020. Around half the restructuring interventions (48% of loan volumes) affected concerned the former Banca Interprovinciale (BIP) portfolio, with the remainder represented by the Crossover and Turnaround Areas (37%) plus one Senior Financing position. Specific contact activity was overseen for the aggregate, targeting customers affected by the suspension or moratoria measures to verify whether, in future, there could be problems with resuming payments, so as to take prompt management measures (e.g., the preparation of forbearance measures, classification as higher risk, etc.). These control activities extend to all moratoria implemented, whether legislative or bilateral. As of 30 June 2021, the total exposures subject to suspension moratoria in connection with the Covid-19 emergency amounted to Euro 47 million.

The Issuer acted promptly in response to the pandemic, adopting a number of actions to deal with the critical context and to mitigate the related risks, and implemented the measures introduced by the Italian lawmaker. The Issuer's activity may be adversely affected, as higher operating costs, lower fee earnings, credit losses, compliance and corporate governance challenges and a compression of net interest income can be expected. The Issuer cannot assure that the outbreak will not have a material adverse impact on the Issuer's business and financial performance.

The future impact of the outbreak is still highly uncertain and its final magnitude cannot be predicted. The extent of the impact will depend on future developments, including actions taken to contain COVID-19 and the effects of ongoing immunisation programmes implemented by the relevant States. The paramount concern in 2021 and 2022 lies in a resurgence of the pandemic. The surge of variants of the virus more resistant to vaccines is a potential obstacle to a resumption of economic normality, accompanied by the operational risks related to the production, distribution and inoculation of the vaccine and reluctance of sectors of the population as regards their efficacy. Moreover, differences in access of populations to vaccines can trigger false starts regarding the reopening of economies and require extensions of the period of social distancing, augmenting uncertainties and insecurities faced by households, companies and politicians.

Risks related to the Issuer's dependence on key members of management

The Issuer's performance and the future success of its operations depend to a significant extent on its ability to attract, retain and motivate qualified staff with relevant experience in the business segments in which the Issuer operates. In particular, the Issuer's operations depend to a large extent on the continued contributions of certain key members of its management, including the Issuer's Chief Executive Officer, who have significant experience in the banking and Distressed Credit industries and with none of whom the Issuer has entered into non-competition arrangements.

The loss of the services of one or more of these key figures combined with the failure to identify equally qualified/skilled replacement(s) therefore, the inability to recruit additional resources in certain functions as well as operational personnel fundamental for growth in the specific business areas envisaged in the Issuer's Strategic

Plan, may prejudice illimity's competitiveness and ability to achieve its business objectives. These risks, if realised, may have a material adverse effect on the Issuer's operations and financial and economic conditions and, accordingly, on the Issuer's ability to fulfil its obligations under the Notes as well as the market price and value of the Notes.

Risks related to increasing competition in the sectors in which the Issuer operates

The Issuer's activities are grouped into three business divisions: Growth Credit Division, Distressed Credit Division and Direct Banking & Digital Operations Division. See further "*Description of the Issuer – Business Overview*". In each of these business areas, the Issuer faces intense competitive pressures that have been increasing in recent years and will likely further increase as a result of changes in legislation, the actions of competitors, consumer demand, technological changes, consolidations through mergers and acquisitions, the entrance of new competitors and other factors not necessarily under the Issuer's control.

With specific reference to the Distressed Credit Division, there is a growing interest of foreign and domestic specialist players to enter Italy's NPL market. An increasing number of direct banking operators that provide internet banking services in Italy as well as traditional banks that offer online and mobile services alongside traditional channels in recent years have increased competitive pressure on the business areas of the Direct Banking & Digital Operations Division, driving the need for significant investments in order to meet customers' demand for new, technologically sophisticated financial services. The business activities of the Growth Credit Division are similarly facing increased competition from the entrance of new market players offering new products with high technological content. The entrance of non-bank players (such as private equity funds or other lenders offering alternative financial solutions that are more accessible and less costly) that are subject to less stringent regulations because they do not qualify as credit institutions, has also resulted in significant changes in the competitive landscape in general.

If illimity is unable to meet these increasing competitive pressures successfully, it may not be able to achieve the objectives set out in its Strategic Plan in the manner or within the time frames envisaged and the Issuer's businesses and prospects could be negatively affected, which could have a negative effect on its financial condition, results and cash flow.

Risks related to the illimity's investments in NPL securitisation transactions and SPV financing

The operations of the Issuer's Distressed Credit Division consist in investing in NPL securitisation transactions in which Aporti and other SPVs purchase NPL portfolios funded by the issuance of asset backed securities that are subscribed in full by illimity, or in purchasing NPL single name exposure.

In terms of GBV (Gross Book Value) declared by the contracting parties and considering the investments made during 2018, 2019 and 2020, the total volume acquired by the Bank as at 30 June 2021 amounted to Euro 8.0 billion, against a consideration of Euro 1.2 billion.

The Issuer's activities in the Distressed Credit Division also includes the financing to third investors that buy NPL portfolios, through a securitization vehicle ex art. 130/1999, by subscribing the senior notes issued by the SPV. In certain instances, illimity acts as the sponsor of the securitisation in accordance with the EU securitisation regulation (Regulation 2017/2042) which requires a material net economic interest in the securitisation in accordance with the risk retention requirement set forth in Article 6 of the regulation, subscribing also a limited portion of the junior notes.

Investments in NPLs exposes illimity to risk factors affecting the likelihood, timing and amount of recoveries of the underlying receivables, although SPV financing is less risky than direct investments in NPLs. Accordingly, this line of business activities may generate lower than expected levels of revenues or even losses, even though any loss will be limited to the amount of the loans granted or securities subscribed.

Risks related to sovereign debt

A worsening of the credit rating of the Italian government, together with a consequent reduction in the value of Italian government bonds, could lead to a revision of the calculation of the Issuer's risk-weighted assets (RWAs) and have a negative impact on its capital ratio requirements. Downgrading of Italian government bonds could also result in a revision of the haircuts applied by counterparties in refinancing operations such as the ECB's TLTROs, with consequential increase in collateral required or reduction in the liquidity received on the collateral provided in refinancing transactions.

Tensions on the government securities market and volatility of such securities could therefore have negative effects on the Issuer's business and its financial condition, results of operations and cash flow.

Risks related to inaccurate projections and appraisals

When negotiating the NPLs purchase price and/or pricing of the asset backed securities and making any investment decisions in SPV financing, the Issuer assesses the (underlying) NPLs on the basis of models and analytical tools in order to project cash flow generation from the NPLs, taking into consideration the ability of the borrowers to meet their obligations and enforceability of the mortgages and other guarantees securing the NPLs. The Issuer is thus exposed to the risks of incorrect economic valuation of the NPLs and of the relating collateral, inaccurate estimation of the recovery timeline owing to protraction of judicial and extrajudicial procedures as well as inadequacy of the contractual guarantees and collateral securing the NPLs.

The reliability of the calculations produced by illimity's valuation models depends on accuracy of the historical data provided by the originators as well as the accuracy and availability of other market data supplied by third party providers (for example, assessment of borrowers' creditworthiness provided by credit rating agencies). Any flaw in the data underlying these calculations, any termination or suspension of services from the third party providers or adverse change in the terms of their services (such as a significant increase in their fees) could affect the Issuer's ability to make proper investment decisions, thereby resulting in a negative impact on the Issuer's financial condition and results of operations. There can furthermore be no assurance that illimity's managers will not make material mistakes or errors in judgment when utilising these models and analytical tools, resulting in erroneous appraisals of the receivables or of the collateral and other guarantees securing them and in inaccurate cash flow projections, which could negatively impact the solidity of the investment as a whole. Projections and appraisals may prove impossible as a result of unavailability or insufficiency of data. An incorrect estimation of the time frames for out-of-court settlements or judicial enforcement procedures could also affect the accuracy of projections.

More in general, any miscalculation in illimity's projections could potentially result in the adoption of erroneous recovery strategy by illimity's recovery and servicing teams, thereby negatively impacting the performance of its proprietary NPLs (single name and portfolios) as well as illimity's ability to service third party NPLs pursuant to servicing mandates.

Should actual recoveries from the underlying receivables (including by way of enforcement) prove to be significantly less than the estimated recoveries, or the enforcement of collateral and other guarantees prove to be more problematic and/or time consuming than envisaged, the return on the asset backed securities subscribed by the Issuer and other revenues from this line of business activities would be adversely affected, thereby resulting in a negative impact on the Issuer's financial condition and results of operations.

Risks related to borrowers concentration

The degree of single-name concentration of illimity's loans portfolio shows a constant decreasing trend. Indeed, the concentration levels have been managed applying a set of internal limits set forth by the Issuer's Risk Appetite Framework (RAF) and internal policies. Specifically, the Issuer has been seeking to address loans concentration by setting quantitative limits on big ticket exposures, implementing syndacation operations and broadening the granularity of the credit exposures via NPL portfolios purchases, in the context of an improvement in the quality of its loan's portfolio in terms of the borrowers' credit rating. The Issuer's operations will likely be adversely affected by negative trends of the industry segments (industrial sectors concentration risk) where the Issuer's portfolio to borrower is concentrated, risk that is mitigated through an effective sectors limit system.

illimity carries out nearly all its lending activities in the Italian market, which are therefore sensitive to conditions of the Italian economy.

Adverse developments in the Italian economy in general, the economic conditions of the northern regions in particular, the specific industry sectors to which illimity's borrowers belong and the performance of the asset markets of the loans collateral could have negative effects on the Issuer's business and on its financial condition, results and cash flow.

Risks related to BIP's acquisition of Banca Emilveneta S.p.A. and other transactions of an extraordinary nature by illimity

BIP carried out a number of transactions of an extraordinary nature, including its acquisition of Banca Emilveneta S.p.A. that took place prior to the Merger. Although pre-acquisition due diligence processes were duly conducted

by BIP or external consultants, there can be no assurance that these acquisitions would not expose the Issuer to future liabilities (including those of a fiscal nature) that failed to emerge prior to the acquisitions, have not been adequately covered by the contractual provisions contained in the relevant acquisition agreements or are not fully taken into account in the Issuer's economic valuation of the acquisitions. There can further be no assurance that the competent tax or other authorities would not adopt an interpretation of certain specific aspects of these transactions that is different from the treatment or interpretation adopted by the Issuer, potentially resulting in challenges and/or consequential fines. Any such unforeseen liability could have a material adverse effect on the Issuer's financial condition and results of operations.

In connection with BIP's acquisition of Banca Emilveneta S.p.A. in July 2016 there can be no assurance that the due diligence conducted has been able to identify all (and the extent) of the risks and liabilities connected with such acquisition, or other critical issues concerning the operations of Banca Emilveneta S.p.A.. See further "*Description of the Issuer – Litigation*".

Interest rate risk: banking book

The Issuer is exposed to the risk of significant fluctuations in interest rates which could have a material adverse effect on its financial condition and results of operations. This risk concerns assets, liabilities as well as off-balance sheet items whose values are affected by changes in interest rates and also arises from the mismatching in maturities or pricing (fixed vs indexed rate and repricing frequency) between interest income accrued on assets on the one hand, and interest expense incurred on liabilities on the other hand. In particular, a rise in interest rates may result in an increase in the cost of funding that is not compensated by increased yields from assets due to mismatches between the maturities on assets and liabilities or mismatches between sensitivities to interest rates of assets and liabilities with similar maturities. Similarly, a fall in interest rates may lead to a decrease in yield from assets that is not fully matched by a reduction in the cost of funding.

Interest rate trends and fluctuations depend on different factors - such as monetary and macroeconomic policies, general trends in the national and international economy and the political conditions of Europe and Italy - that are beyond the Issuer's control. These fluctuations impact: (a) net interest income and, consequently, net profits (*i.e.* cash flow risk); and (b) the net present value of assets and liabilities and the present value of future cash flows (*i.e.* fair value risk).

In general, illimity is exposed to the risk that market volatility, liquidity shortages and/or shifts in customers' preferences towards determined product types caused by interest rate fluctuations may have a negative impact on the business, financial condition and/or results of operations of the Issuer.

Risks related to outsourcing services

The Issuer outsources certain information services of its banking operations to Sella Technology Solutions regarding its Core Banking Services and to Microsoft Cloud Services regarding the IT infrastructure in which illimity has installed all its custom applications. These services include, inter alia, administration of the home-banking system, supply of the virtual server services (including disaster recovery), supply of the ex BIP mobile banking application, documentation storage, provision of online reports and administration of the data transmission network.

illimity is exposed to the risk of any failure or interruptions and errors in the performance of services by the outsourcer. Bankruptcy or similar proceedings affecting the outsourcer could also lead to discontinuity of the relevant services. The occurrence of any of these scenarios could have a material adverse effect on illimity's operations.

Operational risks

Operational risk is the risk of incurring losses due to the dysfunction or other inadequacies in procedures, human resources or internal systems, or due to external factors. This type of risk includes losses due to fraud, human errors, interruptions in operations, the unavailability of systems, breaches of contract or natural disasters. It does not include strategic or reputation risk, but does include legal risk related to the violation of applicable laws and regulations, to the failure to meet contractual and other obligations, and to other disputes that may arise with counterparties in the course of the Issuer's operations. The main sources of operational risk include (*inter alia*) the following: insufficient reliability of operating processes in terms of efficiency and efficacy; internal and external fraud; operating errors; an information system not suited to the size and complexity of the organisation's operations; increasing reliance on automation; outsourcing of company functions; use of a limited number of

suppliers; changes in strategy; incorrect policies for human resources management and training; and social and environmental factors.

The measures adopted by the Issuer to mitigate operational risks and to prevent and/or limit any potentially negative effects may not be sufficient to handle all types of risk that may arise, and there can be no assurance that any one or more of these risks may not arise again in the future as a result of unforeseeable events that are wholly or partially beyond the Issuer's control (including fraud or losses caused by employees infidelity and/or violations of control processes). The occurrence of any of the foregoing could have a material adverse effect on the Issuer's financial condition, results of operations and cash flow.

Risks related to illimity's IT platform

The maintenance of an efficient and advanced information technology platform subjects the Issuer to costs and risks associated with maintenance, upgrades, adaptations and replacements of the underlying hardware, software and applications, to update technologies that are constantly evolving and to introduce new technologies or applications. Inability to anticipate, adopt or manage the necessary technological upgrades, or failure to detect defects and implement corrections promptly, could have a material adverse effect on illimity's operations.

Liquidity risks

The availability of liquidity and access to long-term financing markets are essential for the Issuer to carry out its banking and other core activities and to achieve its strategic objectives. Liquidity risk refers to a bank's inability to meet its payment obligations that are either known or foreseen with a reasonable degree of certainty. This may occur as a result of internal causes (an idiosyncratic emergency) or external factors (macroeconomic conditions) resulting in unexpected liquidity shortfalls or increase in funding requirements. There are two typical types of liquidity risk as follows:

- market liquidity risk refers to the possibility that a bank is unable to liquidate an asset without incurring a capital loss or within a suitable time frame due to limited liquidity or market conditions; and
- funding liquidity risk refers to the risk that a bank is unable to meet its scheduled or unscheduled payment obligations in a cost-effective manner without compromising its core business or its financial condition.

illimity monitors its liquidity profile with the use of gap analysis techniques and with the aim to measure the Liquidity Coverage Ratio, Net Stable Funding Ratio, Survival Period and Loan-to-Deposit Ratio. Furthermore, additional liquidity monitoring metrics (ALMMs) - covering concentration of funding by counterparty and product type, pricing details for funding of different durations, roll-over of funding, concentration of counterbalancing capacity and maturity ladder - are reported to the supervisory authorities on a quarterly basis, in order to identify potential difficulties indicated by downward trends and/or anomalous levels in these metrics. illimity also makes use of early warning indicators, based on internal variables or market indicators.

A liquidity crisis due to uncertainties inherent in the prevailing macroeconomic landscape, current market trends and, more generally, other events beyond the Issuer's control could have an impact on its liquidity profile and require the adoption of measures that could have a negative effect on the Issuer's financial condition, results of operations and/or cash flow.

Risks related to macroeconomic and political uncertainty

As a bank, the Issuer's performance is significantly influenced by the macroeconomic conditions and trends in the financial markets in general as well as by the economic condition in Italy in particular. Since Italy is the only country in which illimity currently operates as a financing entity, the Issuer's business is particularly sensitive to investor perception of the country's reliability and solidity of its financial condition as well as prospects for its economic growth.

Lingering uncertainties arising from geopolitical tensions (including recent developments in connection with the trade disputes between the United States and China and the related protectionist initiatives that have been introduced, the withdrawal of US troops from Afghanistan and the related geopolitical tensions created thereafter) continue to affect market conditions and there is the risk of one or more EU Member States deciding either (i) to hold referenda as to their membership of the EU or (ii) to adopt an alternative currency, in the case of EU Member States that adopted the Euro as their national currency. A potential collapse of the Eurozone could lead to the deterioration of the EU's economic and financial situation with a significant negative effect on the entire financial sector, creating new difficulties in the granting of sovereign loans and loans to businesses, and significant changes

to financial activities both at market and retail level. The materialization of these risks could have a significant adverse impact on global economic conditions and the stability of international financial markets.

On 31 January 2020, the United Kingdom ("**UK**") formally left the European Union ("**Brexit**"). The withdrawal process encompassed the conclusion of an EU-UK Trade and Cooperation Agreement, which was ratified by the EU Council on 29 April 2021. This agreement does not create a detailed framework to govern the cross-border provision of regulated financial services from the UK into the EU and from the EU into the UK. Even though the withdrawal agreement entered into by the EU and the UK ensures there is a statute book in the UK, the Treaty on the European Union and the Treaty on the Functioning of the European Union have ceased to apply to the UK. Furthermore, there remain significant uncertainties with regards to the political and economic outlook of the UK and the EU.

At the date of the Base Prospectus, it remains unclear whether Italy and some European economies will be able to make a significant, structural turnaround over the medium to long term.

If the adverse economic conditions continue to persist, or should there be further turbulence in the global financial markets or resurgence of sovereign debt tensions, or if political instability in Italy negatively affect the country's economic recovery, the resulting market disruptions could impact the Issuer's ability to access capital and liquidity on acceptable terms, lead to slowdown of its operations and/or result in potential losses, with possible negative effects on the Issuer's financial condition, results and/or cash flow.

Risks related to trends of the real estate industry

The Issuer is exposed to risks of the real estate industry as a direct result of its lending to borrowers belonging to the real estate and construction sector whose cash flows are generated mainly from the leasing and sale of commercial real estates. The real estate industry has witnessed over recent years an increase in funding costs and difficulties in accessing credit as well as fall in volumes and operating margins. There has also been a decline in investment in both residential and non-residential constructions alongside a parallel reduction in property sales triggered by uncertainties of the economy, the difficult outlook of the jobs market, fall in disposable income and increased tax burden on various types of properties. All these factors have had negative impact on the profitability of companies operating in the real estate industry, adversely affecting their ability to repay loans they have obtained from banks (including the Issuer).

The Issuer is exposed to risks of the real estate industry also as an indirect result of granting loans to individuals or corporate customers that are secured by real estate assets.

The activities of the Issuer's Distressed Credit Division, insofar as they concern investing in NPLs backed by real estate assets, are also exposed to trends of the real estate market. The value of the real estate collateral securing the customer loans and underlying the NPLs may be affected by, among other things, a decline in property values, which could translate into a reduction in the realisation value of the collateral upon enforcement. Property values may in turn be affected by changes in the general and regional economic conditions as well as the strength (or weakness) of the Italian national economy, the local economy where the properties are situated and the real estate market in general. No assurance can be given that the values of the relevant real estate assets have remained (or will remain) at the levels at which they were on the origination dates of the related loans, or at the levels envisaged by the Issuer when pricing its NPL investment.

Furthermore, worsening of the real estate market could potentially require the Issuer to make (additional) adjustments to the value of loans granted to borrowers operating in the real estate industry or of its mortgage loans.

The occurrence of any of the aforementioned scenarios could have significantly negative effects on the Issuer's financial condition, results and cash flow.

Risks connected to the absence of credit ratings

On 27 November 2020, Fitch Ratings ("Fitch") published illimity's Issuer Default Rating of "B+" with Stable Outlook and Viability Rating of "b+", and an expected rating of "B(EXP)" to the Issuer's senior preferred debt issuance of 2020. Credit ratings represent an important component of the Issuer's liquidity profile and affect the cost and other terms according to which the Issuer is able to obtain funding. Any downgrading of illimity's ratings may adversely affect its access to funding and could increase its funding costs, potentially affecting its financial performance. Unsolicited credit ratings of the Issuer may impact investor's assessments and could affect illimity's cost of borrowing and have negative effects on the Issuer's financial conditions, results and cash flow.

Furthermore, any future downgrade of the sovereign credit rating of Italy or any relevant State or the perception that such a downgrade may occur may adversely affect the market's perception of the Issuer creditworthiness and have a negative impact on the ratings of illimity.

Risks related to alternative performance measures

In order to facilitate interpretation of the Issuer's financial performance and standing, management has defined a number of Alternative Performance Measures ("**APMs**"). These indicators provide investors with supplemental information that facilitate interpretation of the Issuer's financial performance and standing, while also enabling the Issuer to identify trends in operations, to make investment and operating decisions, and to allocate resources.

These APMs are not replacements for the indicators required by the IASs and IFRSs, so they may not be comparable to the alternative indicators of other issuers, and there may be the risk of differences in the definition of these indicators.

With regard to interpretation of these alternative performance measures, it should be noted that:

- the indicators are calculated based on historical data on the Issuer and are not indicative of future trends;
- the APMs are not required by international standards (IAS/IFRS), so they are not subject to audit, although they are based on the separate and consolidated financial statements;
- the APMs are not to be considered as replacements for the measures envisaged by IFRSs;
- the APMs are to be interpreted in conjunction with the financial information found in the illimity Bank Consolidated Financial Statement for the year ended 31 December 2020;
- the APMs used by the Issuer have been calculated and presented in a similar manner for all periods for which financial information has been provided in the Base Prospectus.

For further information on the APMs, reference should be made to Chapter "*Descriprion of the Issuer*", paragraph "*Alternative performance measures*" of the Base Prospectus.

Risks related to market volatility and the performance of financial instruments

Market risk is the risk caused by losses in the value of the financial instruments held by an issuer due to fluctuations in market variables (by way of example, but not limited to, interest rates, share prices, exchange rates, commodity prices, volatility and their correlation effects) or due to other factors (that affect the issuer's credit spreads), which could result in a deterioration of its financial condition.

These fluctuations could be caused by (*inter alia*) a change in the general performance of the Italian and international economy, trends in investment and divestment by (qualified) investors, changes in monetary and fiscal policies, global market liquidity, the availability and cost of capital, actions taken by ratings agencies, local and international political events and conflicts or terrorist attacks.

Risks related to competition and operations in the banking and financial services industry

The banking and financial services industry in which illimity operates is highly competitive.

Competition in the Italian banking industry has increased in recent years, and may likely intensify further as a result of consolidation in the industry, regulatory changes, the conduct of competitors, consumer demand, changes in technology, the entrance of new competitors, innovations introduced by financial-technology companies, and other factors not necessarily within the control of the Issuer. The worsening of the macroeconomic conditions could add to the competitive pressure through, for example, increased pressure on lending margins, increases in the cost of funding or lower business volumes.

Should the Issuer be unable to respond to these increasing competitive pressures by, for example, offering innovative, profitable products and services able to meet the needs of the customer, the Issuer may be unable to achieve the strategic objectives of its Strategic Plan, and this could have negative effects on the Issuer's business, financial condition, results of operations and cash flow.

(C) Legal and regulatory risks

Risks related to oversight by the Bank of Italy

The Issuer is subject to a complex set of regulations that affect its business and services as well as to the oversight of a number of competent authorities, including the Bank of Italy. In particular, the Bank of Italy performs audits and inspections on credit institutions, including the Issuer, that concern (*inter alia*) an institutions' organisation and operating processes, including those that govern the management, recognition and measurement of an institution's assets and liabilities, as well as the annual Supervisory Review and Evaluation Process (SREP) that determines a credit institution's regulatory capital requirements.

Following discussions with the Bank of Italy, the Issuer has put in place measures to address these observations, including the hiring of a head of Compliance, reinforcing the Internal Audit function, updating the policies for loans administration and provisioning, implementing actions in order to improve its credit origination and monitoring processes and its credit risk management controls and improvements to the operating platform that manages the banking book.

The Issuer has furthermore implemented the internal procedures to prepare and submit to the Bank of Italy quarterly reports on its operations, as requested by the Bank of Italy in its letter authorising the repurchase of treasury shares in the context of the Merger. In view of the expanded business operations envisaged in illimity's post-Merger Business Plan, the Bank of Italy stressed the importance for the corporate bodies to be promptly informed of the results of the activities conducted by the internal control functions and any dysfunctions identified and requested that the competent internal control functions prepare quarterly reports on the results of their assessments and analyses for the Board of Directors and the Board of Statutory Auditors. These reports – which are then to be submitted to the Bank of Italy after having been reviewed by the Board of Directors and Board of Statutory Auditors – are to cover the following areas:

- analyses conducted by risk management concerning: the degree of exposure to the various types of risk (e.g. credit, operational, ICT, liquidity, market, interest rate, concentration, etc.); trends in asset quality; compliance with the limits set by the risk appetite framework; and current and future capital and liquidity adequacy, taking into account of first and second pillar risks assumed and the planned increase in operating volumes;
- audits conducted by the Compliance & AML and Internal Audit functions, including indications of any weaknesses identified and their severity, any corrective action taken or to be taken, the persons responsible, and the time frame, for implementing such actions.

There can be no assurance that the measures to manage the risks assumed and the procedures to address Bank of Italy's requests and observations will be effective at all times, or that future audits or inspections by the competent authorities will not impose additional requirements on the Issuer that may have an adverse effect on its operations and financial condition.

Risks related to the collection, storage and processing of personal data

In the ordinary course of its operations, the Issuer collects, stores and uses data that is protected by data protection laws, as set out in the EU General Data Protection Regulation (EU 2016/679, "**GDPR**"). The GDPR applies to all processing of personal data, being any operation performed upon identifiable information of an individual (data subject) within the EU. Therefore, the Issuer undertakes to act in compliance with the GDPR in relation to any processing of personal data related to clients, employees and stakeholders. Breaches of the GDPR could result in administrative fines of up to Euro 20 million or 4% of an undertaking's worldwide annual turnover of the financial year preceding the breach, whichever is the higher. Any destruction, damage, loss, unauthorised use or dissemination of customer data by the Issuer in breach of the GDPR requirements, and any violation of data protection laws by the Issuer's suppliers resulting in losses for which the Issuer is not fully indemnified against, may result in fines and reputational harm and could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Risks related to the applicability of new accounting standards

The Issuer prepares its financial reports in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union as applicable at the time of preparation. The Issuer is therefore exposed (similar to other parties operating in the banking sector) to the effects of the entry into force and subsequent application of new accounting principles or standards and

regulations and/or changes to them. In particular, the Issuer could, in the future, need to revise the treatment of certain assets, liabilities, income or expenses for accounting and/or regulatory purposes, and this could have potentially significant negative effects on its financial reporting.

Risks related to the administrative liability of legal persons

The Issuer has established, since 26 July 2018, an Organisation, Management and Control Model (the "**Model**"), in accordance with Legislative Decree 231/2001 to implement a system of rules aimed at preventing the commission of crimes by senior management and the other relevant individuals that come within the scope of application of such legislation.

In accordance with the recommendations of the Bank of Italy, a Board of Statutory Auditors has been appointed by the Board of Directors to act as the supervisory body (*Organismo di Vigilanza*) envisaged by Legislative Decree 231/2001 and in such capacity, has the task to ensure the correct functioning of, and compliance with, the Model as well as to update the Model. The *Organismo di Vigilanza* is entrusted with the necessary powers to take action autonomously in accordance with its supervisory purposes. For further reference see: "*Description of Issuer – Board of Statutory Auditors*".

Despite adoption of the Model and supervision by the *Organismo di Vigilanza*, the Issuer may not be exonerated from potential liability under Legislative Decree 231/2001 for illegal acts committed by persons within the company in all instances. In particular, illimity may be held responsible in determined circumstances and may be required to pay pecuniary fines imposed pursuant to Legislative Decree 231/2000.

Risks related to changes in fiscal law

The Issuer is subject to risks associated with changes in tax law or in the interpretation of tax law, changes in tax rates and consequences arising from non-compliance with procedures required by tax authorities. More in particular, the Issuer is required to pay Italian corporate income taxes (**IRES**) pursuant to Title II of Italian Presidential Decree no. 917 of 22 December 1986 (*i.e.* the Consolidated Income Tax Law, or "**TUIR**") and the Italian regional business tax (**IRAP**) pursuant to Legislative Decree no. 446 of 15 December 1997, and the amount of taxes due and payable by the Issuer may be affected by tax benefits from time to time available.

The Issuer currently benefits from the stimulus provisions introduced by way of article 1 of Italian Law Decree no. 201 of 6 December 2011, as amended and converted into Law no. 214 of 22 December 2011, concerning "economic-growth allowances" (*aiuto alla crescita economica*, or "**ACE**"). The ACE rules allow for a deduction from net income for the purposes of IRES of an amount computed by applying a notional yield (being 1.3% from 2019 onwards) to the increase in net equity (the "**ACE base**"). The ACE base is, for the first year of application of ACE (*i.e.* 2011), the amount of equity existing at close of that year less the amount of equity as of 31 December 2010 (excluding profits earned in 2010) and, for subsequent years, the base carried forward from the previous year as adjusted (increased and reduced) to reflect components affecting equity.

In accordance with article 3 of the Italian Ministerial Decree of 3 August 2017 revising the implementing provisions of the ACE legislation, if the amount of the notional yield (*i.e.* the ACE deduction) exceeds net income declared for a given tax year (the "**Excess ACE**"), such excess (i) may increase the amount deductible from income in subsequent tax years, or (ii) may be converted into a tax credit calculated by applying the IRES tax rate to the Excess ACE amount and then utilised in five annual instalments of equal amount as an offset to IRAP up to the amount of tax due for the period.

From time to time, the Italian budget law may also include provisions that affect the deductibility of particular items that could result in an increase in the taxable income of the Issuer for IRES and/or IRAP purposes, either in general or for specific tax period(s), for example the measures introduced by the 2019 budget law as regards the treatment of loss on loans to customers recognised on first application of IFRS 9.

Any legislative changes affecting the calculation of taxes could therefore have an impact on the Issuer's financial condition, results of operations and cash flow.

Risks related to outstanding disputes and the adequacy of provisions

The Issuer operates in a legal and regulatory context that exposes it to a wide range of potential disputes related, for example, to the terms and conditions applied to customers, the nature and characteristics of the financial products and services provided, administrative irregularities, claw back actions and labour/employment lawsuits. Accordingly, the Issuer is party to a number of administrative, civil and tax proceedings as well as judicial and

regulatory investigations relating to its activities as part of the ordinary course of business, the outcome of which cannot be predicted. See further "*Description of the Issuer – Litigation*". It cannot be excluded that the occurrence of new developments that, as of the date of the Base Prospectus, are not predictable may result in such provisions being inadequate. Given the risks inherent in court rulings, there can be no guarantee that the Issuer will succeed in obtaining judgments or settlements favourable to it. To the extent the Issuer is not successful in any one or more of these proceedings and/or investigations that are pending or that may be initiated in the future, its reputation, financial position and results may be adversely affected.

Risks related to the bail-in

Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") is designed to provide competent authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimizing the impact of an institution's failure on the economy and the financial system.

If the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest, the relevant resolution authority may use the following resolution tools and powers alone or in combination without the consent of the institution's creditors:

- sale of business: which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms;
- bridge institution, which enables resolution authorities to transfer all or part of the business of the institution to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control);
- asset separation, which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and
- bail-in relating to eligible liabilities, which gives resolution authorities the power to write down or convert to equity all or part of certain claims of unsecured creditors (including the Noteholders) and to write-down or convert to equity certain unsecured debt claims (including the Notes issued under the Programme) into shares or other instruments of ownership (*i.e.* shares, other instruments that cover ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership (the "**general bail-in tool**")), which equity could also be subject to any future application of the general bail-in tool.

The BRRD also provides for a Member State as a last resort, after having assessed and made use of the above resolution tools (including the general bail-in tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public entity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

An institution or, under certain conditions, a group will be considered as failing or likely to fail when: (i) it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further statutory power to permanently write down (or convert into equity) tier 1 and tier 2 capital instruments (such as Subordinates Notes issued under the Programme) at the point of non-viability and before any other resolution action is taken ("**non-viability loss absorption**"). Any shares issued to holders of such capital instruments upon any such statutory conversion into equity may also be subject to subsequent application of the general bail-in tool, which may result in cancellation or dilution of the shareholding. For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution or, under certain conditions, the group meets the conditions for resolution (but no resolution action has yet been taken) or that the institution or, under certain conditions, the group will no

longer be viable unless the relevant capital instruments are written down or converted or extraordinary public support is to be provided and the appropriate authority determines that without such support the institution or, under certain conditions, the group would no longer be viable.

Any application of the general bail-in tool and non-viability loss absorption under the BRRD shall be in accordance with the hierarchy of claims in normal insolvency proceedings. Accordingly, the impact of such application on the Noteholders will depend on their ranking in accordance with such hierarchy, including any priority given to other creditors such as depositors. Therefore, also in a non-bankruptcy scenario, the Senior Notes, Senior Non-Preferred Notes and the Subordinated Notes issued under the Programme might be written down to zero, or converted to equity, without the prior consent of the relevant Noteholders.

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government. In particular, Legislative Decrees Nos. 180/2015 and 181/2015 implementing the BRRD in Italy (the "**BRRD Implementing Decrees**") were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law, which implements the BRRD in Italy, while Legislative Decree No. 181/2015 amends the Legislative Decree No. 385 of 1 September 1993 and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Implementing Decrees entered into force on 16 November 2015, save for: (i) the bail-in tool, which applied from 1 January 2016; and (ii) the "depositor preference" to deposits other than those protected by the deposit guarantee scheme and those of individuals and small and medium enterprises, which applied from 1 January 2019.

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of debt instruments and other eligible liabilities issued by an institution under resolution or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including by suspending payment for a temporary period, except for those secured liabilities which are subject to Article 44(2) of the BRRD.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the general bail-in tool and (ii) the BRRD provides, at Article 44(3), that the resolution authority may partially or fully exclude certain further liabilities from the application of the general bail-in tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Accordingly, holders of a Series of Notes issued under the Programme may be subject to write-down/conversion upon an application of the general bail-in tool while other Series of *pari passu* ranking Notes (or, in each case, other *pari passu* ranking liabilities) are partially or fully excluded from such application of the general bail-in tool. Further, although the BRRD provides a safeguard in respect of shareholders and creditors upon application of resolution tools, Article 75 of the BRRD sets out that such protection is limited to the incurrence by shareholders or, as appropriate, creditors, of greater losses as a result of the application of the relevant tool than they would have incurred in a winding up under normal insolvency proceedings. It is therefore possible not only that, in circumstances in which Notes issued under the Programme have been partially or fully written-down/converted into equity capital instruments on an application of the general bail-in tool, the claims of other holders of junior or *pari passu* liabilities may have been excluded from the application of the general bail-in tool and therefore the holders of such claims may receive a treatment which is more favourable than that received by holders of the relevant Notes, but also that the safeguard referred to above does not apply to ensure equal (or better) treatment compared to the holders of such fully or partially excluded claims because the safeguard is not intended to address such possible unequal treatment but rather to ensure that shareholders or creditors do not incur greater losses in a bail-in (or other application of a resolution tool) than they would have received in a winding up under normal insolvency proceedings.

Also, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such 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. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to liquidation proceedings (and therefore the hierarchy which will apply in order to assess claims pursuant to the safeguard provided for in Article 75 of the BRRD as described above), by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and small and medium sized enterprises benefit from priority over senior unsecured liabilities, though with a ranking which is lower than that provided for deposits of individuals and small and medium sized enterprises exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and

interbank deposits which under the national insolvency regime in force prior to such date in Italy ranked *pari passu* with Senior Notes, rank higher than Senior Notes in normal insolvency proceedings and therefore that, on application of the general bail-in tool, such creditors will be written-down/converted into equity capital instruments only after Senior Notes. On 28 December 2017, Directive (EU) 2017/2399, amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy (the "**BRRD Amending Directive**") entered into force. The BRRD Amending Directive requires Member States to create a new class of the so-called "senior non-preferred" debt instruments which would rank just below the most senior debt and other senior liabilities for the purposes of liquidation, while still being part of the senior unsecured debt category (only as a lower tier of senior debt) and that will be eligible to meet MREL and TLAC requirements. The new creditor hierarchy will not have a retroactive effect and will only apply to new issuances of bank debts. In this regard, the Italian Law No. 205/2017, approved by the Italian Parliament on 27 December 2017, contains the implementing provisions pertaining to "non-preferred" senior debt instruments.

Legislative Decree No. 181/2015 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary. Since each holder of Subordinated Notes, Senior Non-Preferred Notes and the Senior Notes will have expressly waived any rights of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, it is clear that the statutory right of set-off available under Italian insolvency laws will likewise not apply in respect of such Notes.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of Senior Notes, Senior Non-Preferred Notes and Subordinated Notes issued by the Issuer under the Programme may be subject to write-down/conversion into equity capital instruments on any application of the general bail-in tool and, in the case of Tier 2 Instruments, non-viability loss absorption, which may result in such holders losing some or all of their investment. The determination that all or a part of the principal amount of Notes issued the Programme will be subject to bail-in is likely to be inherently unpredictable and may depend on a number of factors which are outside of the Issuer's control. 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 the relevant Notes and/or the ability of the Issuer to satisfy its obligations under the relevant Notes.

Risks related to changes in regulations of the banking industry and other laws and regulations that concern the Issuer

As a bank, the Issuer operates in a highly regulated industry, and the laws and regulations applicable to the Issuer are subject to constant changes.

More specifically, the Issuer is subject to a wide range of regulations and oversight by the Bank of Italy, by the ECB, and by the European System of Central Banks. These laws and regulations govern the activities that banks may perform and seek to preserve the stability and solidity of banks and limit their exposure to risk. The Issuer must also comply with laws and regulations regarding financial services, such as those that govern the marketing, distribution and sales of financial products and services.

The competent supervisory authorities regulate and supervise various aspects of the Issuer's business activities, including (*inter alia*) liquidity levels and capital adequacy, minimum requirement for own funds and eligible liabilities, the prevention of money laundering and data protection, while ensuring transparency and proper conduct in relations with customers and compliance with records keeping and reporting obligations.

To enable it to operate in compliance with industry laws and regulations, the Issuer has put in place specific internal policies and procedures. Despite the existence of these policies and procedures, the Issuer may nonetheless (a) inadvertently violate specific provisions of applicable laws and regulations, including those concerning money laundering and customer relations, or (b) fail to adapt to supervisory interpretations of laws and regulations in a timely manner, all of which could have a negative impact on the Issuer's business and on its financial condition, results and cash flow.

At the date of the Base Prospectus, certain laws and regulations concerning the business sectors in which the Issuer operates have been amended in 2019 with adoption of the so-called reformed 'Banking Package' consisting of:

- Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed

financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (the "**CRD V**");

- Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending the Capital Requirements Regulation as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the "**CRR II**");
- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the Bank Recovery and Resolution Directive as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC (the "**BRRD II**"); and
- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 806/2014 as regards the loss absorbing and recapitalisation capacity of credit institutions and investment firms (the "**SRMR II**").

With reference to BRRD, on 23 November 2016, the European Commission published a proposal to amend certain provisions of the BRRD. The proposal included an amendment to Article 108 of the BRRD aimed at further harmonising the creditor hierarchy as regards the priority ranking of holders of bank senior unsecured debt in resolution and insolvency. A new class of so called "senior non-preferred debt" was proposed to be added that would have been eligible to meet TLAC and MREL requirements, being senior to all subordinated debt, but junior to ordinary unsecured senior claims. These changes to Article 108 were taken out of the general revision of the BRRD and were separately enacted on 12 December 2017 by (EU) Directive 2017/2399, requiring Member States to implement them in the national legislation by 29 December 2018.

On 26 January 2021, the European Commission launched a targeted public consultation on technical aspects of a new review of BRRD ("**BRRD III**"), the SRM Regulation ("**SRM III**"), and Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes ("**DGSD II**"). This public consultation was open until 20 April 2021 and split into two main sections: a section covering the general objectives of the review, and a section seeking technical feedback on stakeholders' experience with the current Covid-19 crisis and framework and the need for changes in the future framework, notably regarding (i) resolution, liquidation and other available measures to handle banking crises, (ii) level of harmonisation of creditor hierarchy in the EU and impact on the 'no creditor worse off' principle, and (iii) depositor insurance. Legislative proposals for BRRD III, SRM III and DGSD II are to be tabled during the fourth quarter of 2021. The European Commission launched a general public consultation on 25 February 2021, which was open until 20 May 2021.

Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) No. 575/2013 as regards minimum loss coverage for non-performing exposures has also been recently adopted and introduces a "statutory prudential backstop" to prevent the risk of under provisioning of future NPLs. These recently introduced banking reforms as well as other laws and regulations that may be adopted in the future could adversely affect the Issuer's business, financial condition, results of operations and cash flow.

illimity's continuous implementation of these measures may have a considerable impact on its capital and on its assets and liabilities management as new regulations may restrict or limit the type or volume of transactions in which illimity participates. Further introduction of new regulation may require illimity to comply with new legal requirements and standards that are not predictable by the Issuer at this time. Moreover, such adaptation may lead to the Issuer incurring in additional costs deriving from potential change, adaptation or renovation of the characteristics of its services and products, internal and external control structures and/or distribution mechanisms or facilities to comply with new potential regulations. The occurrence of these events may have a negative impact on illimity's business, performance and/or financial condition.

Risks related to changes in laws and regulations applicable to the NPL industry segment

Through its Distressed Credit Division, illimity is engaged in the acquisition as well as the management and servicing of NPLs through its in-house servicing structure.

The NPL regulatory framework is under an ongoing evolution, started at the end of 2016, which is placing the financial industry players under pressure aimed at the reduction of their Non Performing Loans.

As part of the comprehensive package of measures adopted by the European Commission in March 2018 to reduce NPLs in Europe, Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 was adopted to introduce a 'statutory prudential backstop' in order to prevent the risk of under provisioning of future NPLs. This regulation requires banks to have sufficient loan loss coverage (*i.e.* common minimum coverage levels)

for newly originated loans if these become non-performing exposures. In case a bank does not meet the applicable minimum coverage level, it has to deduct the shortfall from its own funds. The measures adopted by the European Commission to tackle NPLs also include a proposal for a directive on credit servicers, credit purchasers and the recovery of collateral.

Moreover, starting from 2020, calendar provisioning is applied to the stock of banks' NPLs, gradually bringing it to a run off indicatively until 2026.

In addition, in March 2019, the EU Council adopted a directive which defines rules for how non-credit institutions can buy credit agreements from banks. The proposed directive removes obstacles to the transfer of NPLs from banks to non-credit institutions and tries to simplify the authorization requirements for credit services across the EU.

Also at a country level, the Italian Government has acted to introduce two reforms that might have impact on the forthcoming NPLs market. In particular:

- the reform of the Italian Bankruptcy Law, published on February 2019, introduced new requirements for business in order to timely identify and prevent financial crisis, with a specific timeline;
- the Decree for Growth (*Decreto Crescita*), published on April 2019, introduced new measures that could be easily applicable to still active borrowers (often classified as UTP), such as public guarantees on lending to SMEs, public aid on new financing and new securitization rules.

These recent changes to the legislative framework and other measures that may be introduced in the future could affect the NPL market by altering the methods and time frames for debt recoveries and enforcement proceedings in Italy and introducing new operating and capital requirements. While some of these changes will likely improve efficiency of the NPL market, others (such as the statutory prudential backstop) may impose more stringent requirements on NPL operators.

Risks related to efforts to support system liquidity

The 2008-2009 financial market crisis has led to a reduction in available liquidity and an increase in credit spreads, followed by growing tensions surrounding the sovereign debts of a number of countries. These factors, together with more stringent liquidity and capital regulatory requirements and the outcome of the comprehensive assessments, created a need for extensive efforts to support the banking system, which directly involved both governments (in part through recapitalisation of certain banks) and central banks (initially, mainly through refinancing operations backed by eligible securities as collateral and subsequently also through repurchase operations on the financial markets). Within this context, the competent authorities took a series of actions to inject liquidity in the banking industry in the Eurozone, beginning around mid-2011, by granting guarantees on issues of medium-term debt securities and by expanding the types of securities that could be used as collateral for ECB refinancing operations. In September 2012, in order to combat the increasing spreads between yields on government securities, the ECB launched the Outright Monetary Transactions programme under which the ECB makes purchases in secondary, sovereign bond markets, under certain conditions, of bonds issued by Eurozone member states. At a meeting in June 2014, the ECB also launched a plan to purchase asset-backed securities (ABSs) and covered bonds in order to increase its assets by one trillion Euro by the end of 2016. This purchase plan, which called for joint market initiatives by the ECB and national central banks, was then extended to other assets, including national government securities and bonds issued by local and regional governments, as announced at an ECB meeting of 2015, as well as Euro-denominated, investment-grade bonds issued by non-banking undertakings in the Eurozone, as announced at its meeting of March 2016. Finally, in addition to further cuts to its reference rates, the ECB launched a series of new targeted longer-term (4-year) refinancing operations (TLTROs) prior to the expiration of the LTROs commenced in 2011 in order to encourage banks to increase lending to stimulate the economy. The TLTRO I operations began between September and December 2014 and continued for two years in amounts that were correlated with loans granted by banks within the private sector; the TLTRO II operations took place between June 2016 and March 2017; while the TLTRO III operations have been announced by the ECB in June 2019 for the period June 2020 until June 2021. The Issuer has participated in various tranches of the ECB's TLTRO transactions.

On 13 December 2018, the Governing Council of the ECB decided to end the net purchases under the asset purchase programmes and announced its intention (which was confirmed again in June 2019) to reinvest principal payments from maturing securities purchased under the programmes for an extended period of time past the date when it starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

Nonetheless, there is no certainty concerning the duration of (or the level of support offered by) ECB's accommodation policies and the repercussions that a suspension (or downsizing) of these policies would have on the Eurozone and Italian economies may likely have negative effects on the financial condition, results and cash flow of the Issuer.

(D) Environmental, social and governance risks

Risks related to the risk management Process

The Issuer is exposed to risks related to the improper design or functioning of its Risk Management processes and the inadequacy of its internal control system. The Issuer has an organisational structure and has put in place procedures for different levels of controls to be performed by dedicated functions and personnel, in order to detect, monitor, control and manage the different relevant risks (namely, credit and counterparty risk, liquidity risk, market risk, interest rate risk, concentration risk, operational risk, technology risk and strategic and business risks) that the Issuer is exposed to in its activities. The methodologies utilised by the Issuer to monitor and manage risks involve the observation of historical data, the use of external representative data and advanced statistical models (included those developed with the application of artificial intelligence / machine learning techniques), and corrective mechanisms have been introduced that will apply if risks exceed predetermined levels set by the Issuer's Board of Directors in compliance with parameters defined by the Bank of Italy. See further "*Description of the Issuer – Internal Control System and Risk Management*".

Therefore, any inadequacy of illimity's organisational structure, failure or weakness of the Risk Management process, inability of the system in place to identify promptly and quantify accurately the relevant risks, inaccuracy of the assumptions, historical and external data and advanced statistical models underlying internal policies, inadequacy of the procedures developed to manage risks, and the occurrence of certain unforeseeable events that are wholly or partly out of the Issuer's control resulting in (or intensifying) specific risks, could adversely affect illimity's performance and financial condition and its results of operations.

Risks related to the management reporting and control system

The Issuer has in place a well-defined system to report to management the financial performance of the different areas of its operations as well as control mechanisms to monitor progress and verify the objectives set forth in its annual budget. In particular, the Budget & Control function prepares periodic reports to senior management and the Board of Directors on the Issuer's financial condition and results of operations as well as - with the involvement of the risk control function - the position as to risks and capital/liquidity. Certain reporting procedures have been integrated to address the Bank of Italy's observations (see risk factor headed "*Risks related to oversight by the Bank of Italy*" above), and to better deal with specific activities of the Distressed Credit Division and the Growth Credit Division. The Issuer's management reporting and control system is also reliant on the proper functioning of its information systems, some processes of which have been migrated in 2019 from the previous outsourcer Consorzio Servizi Bancari to the new "Core Banking" outsourcer Sella Technology Solutions and other new ones that are based on the new Microsoft Cloud "ecosystem".

There can be no assurance that the system will be capable of detecting relevant risks in all instances, or that it can be revised and adapted in a timely manner to adequately cover an expanded scope of illimity's activities in the future as envisaged in its Strategic Plan. The occurrence of any of the foregoing events could hamper management decisions and/or its ability to take corrective action promptly and may have an adverse impact on the Issuer's operations.

RISKS FACTORS RELATED TO THE NOTES

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made to the Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and trading on its regulated market, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will

develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Under no circumstances shall the interest payments for the Noteholder be less than zero. Set out below is a description of the most common features:

Notes have limited Events of Default and remedies

The Events of Default, being events upon which the Noteholders may declare the Notes to be immediately due and payable, are limited to circumstances in which the Issuer becomes subject to compulsory winding-up (*liquidazione coatta amministrativa*) pursuant to Articles 80 and following of the Consolidated Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with Article 96 *quinquies* of the Consolidated Banking Act of the Republic of Italy (as amended from time to time) as set out in Condition 13 (*Events of Default*). Accordingly, other than following the occurrence of an Event of Default, even if the Issuer fails to meet any of its obligations under the Notes, including the payment of any interest, the Noteholders will not have the right of acceleration of principal and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Bail-in Powers and contractual recognition of the BRRD

Under the BRRD framework the Relevant Authorities have the power to apply "resolution" tools if the Issuer is failing or likely to fail, as an alternative to compulsory liquidation proceedings. Specifically, these tools are: (1) the sale of business assets or shares of the Issuer; (2) the establishment of a bridging organization; (3) the separation of the unimpaired assets of the Issuer from those which are deteriorated or impaired; and (4) a bail-in, through write-down/conversion into equity of regulatory capital instruments (including the Subordinated Notes) as well as other liabilities of the Issuer (including the Senior Notes) if the relevant conditions are satisfied and in accordance with the creditors' hierarchy provided under the relevant provisions of Italian law.

In particular, by its acquisition of a Note (whether on issuance or in the secondary market), each holder of the Notes acknowledges, accepts, agrees to be bound by and consents to the exercise of any Bail-in Power by a Relevant Authority that may result in the cancellation of all, or a portion, of the principal amount of, or interest on, the Notes and/or the conversion of all, or a portion, of the principal amount of, or interest on, the Notes into equity or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes, in each case to give effect to the exercise by a Relevant Authority of such Bail-in Power. Each holder of the Notes acknowledges, accepts and agrees that its rights as a holder of the Notes are subject to, and will be varied, if necessary, so as to give effect to, the exercise of any such power by any Relevant Authority.

The exercise of any Bail-in Power, which could result in the Notes being written down or converted into equity pursuant to such statutory measures, or any suggestion of such exercise could, therefore, materially adversely affect the rights of the Noteholders, the price or value of their investment in the Notes, the ability of the Issuer to satisfy its obligations under the Notes, and may have a negative impact on the market value of the Notes. Please refer to the *risk factor "Risks related to the bail-in".*

Waiver of set-off

In Condition 4(a) (*Status - Senior Notes*) with respect to Senior Notes, Condition 4(b) (*Status – Senior Non-Preferred Notes*) with respect to Senior Non-Preferred Notes and Condition 4(c) (*Status - Subordinated Notes*) with respect to Subordinated Notes, each holder of a Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Note.

Integral multiples of less than €100,000

Subject to any minimum denomination applicable to Notes, in relation to any Notes issued in denominations representing the aggregate of (i) a minimum Specified Denomination of €100,000 (or €250,000 (or such other

minimum denomination provided by applicable law from time to time) in the case of Senior Non-Preferred Notes), plus (ii) integral multiples of another smaller amount, Notes may be traded in amounts which, although greater than €100,000 (or €250,000 (or such other minimum denomination provided by applicable law from time to time) in the case of Senior Non-Preferred Notes) (or its equivalent in another currency), are not integral multiples of €100,000 (or €250,000 (or such other minimum denomination provided by applicable law from time to time) in the case of Senior Non-Preferred Notes) (or its equivalent). In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than €100,000 (or €250,000 (or such other minimum denomination provided by applicable law from time to time) in the case of Senior Non-Preferred Notes) will not receive a definitive Note in respect of such holding (if definitive Notes are printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Potential conflicts of interest

Any Calculation Agent appointed under the Programme (whether the Principal 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 regulation and reform of "benchmarks" may adversely affect the value of Notes linked to such "benchmarks"

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

Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU.

The Benchmark Regulation (EU) No. 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the EU Benchmarks Regulation or the UK Benchmarks Regulation, and 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.

For example, the terms and conditions of the English Law Notes and the Italian Law Notes provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if a published benchmark, such as EURIBOR, and any page on which such benchmark may be published (or any successor service) becomes unavailable, or if the Issuer, the Calculation Agent, any Paying Agent or any other party responsible for the calculation of the Rate of Interest (as specified in the relevant Final Terms) are no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark under the Benchmarks Regulation or otherwise. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate, with or without an adjustment spread and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark, all as determined by an independent adviser. An adjustment spread, if applied could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of a benchmark. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a successor rate or alternative rate may nonetheless be used to determine the rate of interest. The use of a successor rate or alternative rate (including with the application of an adjustment

spread) will still result in any Notes linked to or referencing a benchmark performing differently (which may include payment of a lower rate of interest) than they would if the benchmark were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, the Issuer is unable to appoint an independent advisor or the Independent Adviser appointed by it fails to determine a successor rate or an alternative rate, or, if specified in the relevant Final Terms, if this provision would cause the occurrence of a Regulatory Event, the ultimate fallback for the purposes of calculation of the rate of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes or Reset Notes (as applicable) based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative rates and the involvement of an independent adviser, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or Reset Notes (as applicable) or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes or Reset Notes (as applicable). Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes or Reset Notes (as applicable).

It is not possible to predict with certainty whether, and to what extent, EURIBOR will continue to be supported going forwards. This may cause EURIBOR to perform differently than it has done in the past and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain "benchmarks": (i) discouraging market participants from continuing to administer or contribute to a "benchmark"; (ii) triggering changes in the rules or methodologies used in the "benchmarks" and/or (iii) leading to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reformsor other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national and the possible application of the benchmark replacement provisions of the Notes, investigations and licensing issues in making any investment decision with respect to the Notes linked to or referencing such a "benchmark".

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes or is perceived to be able to redeem the 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 light of other investments available at that time.

There are particular risks associated with Inflation Linked Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.

Each Issuer may issue Notes with principal and/or interest determined by reference to an index or formula or to changes in the prices of securities or commodities (each a "relevant factor"). In addition, each Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time;

(iv) they may lose all or a substantial portion of their principal;

(v) the relevant factors may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a 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 principal or interest payable is likely to be magnified; and

(vii) the timing of changes in a relevant factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

The historical experience of an index or other relevant factor should not be viewed as an indication of the future performance of such relevant factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a relevant factor and the suitability of such Notes in light of its particular circumstances.

If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

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

To the extent that Multiplier or Reference Rate Multiplier applies in respect of the determination of the Interest Rate for the Floating Rate Notes, investors should be aware that any fluctuation of the underlying floating rate will be amplified by such multiplier. Where the Multiplier is less than 1, this may adversely affect the return on the Floating Rate Notes.

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

Reset Notes will initially bear interest at the Initial Rate of Interest from and including the Interest Commencement Date up to but excluding the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the 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 which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

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.

Risks relating to Senior Notes

The qualification of the Senior Notes as MREL eligible liabilities is subject to uncertainty

Senior Notes may be intended to be MREL eligible liabilities under the MREL Requirements. However, as the EU Banking Reform has only recently came into force, there may be uncertainty regarding the interpretation of

the MREL Requirements, and the Issuer cannot provide any assurance that the Senior Notes will be or remain MREL eligible liabilities.

Because of the uncertainty surrounding any potential changes to the regulations giving effect to MREL, the Issuer cannot provide any assurance that the Senior Notes will ultimately be MREL eligible liabilities. If they are not MREL eligible liabilities (or if they initially are MREL eligible liabilities and subsequently become ineligible due to a change MREL Requirements), then a MREL Disqualification Event will occur, if so specified in the relevant Final Terms. Please refer to the risk factor "*Senior Notes could be subject to redemption following a MREL Disqualification Event*".

Senior Notes could be subject to redemption following a MREL Disqualification Event

If so specified in the Final Terms, if at any time a MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Notes, the Issuer may redeem all, but not some only, the Notes of such Series at the Early Redemption Amount set out in the applicable Final Terms, together with any outstanding interest. Senior Notes may only be redeemed by the Issuer *provided that*, except to the extent that the Relevant Authority does not so require at the time of the proposed redemption, the Issuer has given such notice to the Relevant Authority as the Relevant Authority may then require prior to such redemption and no objection thereto has been raised by the Relevant Authority or, if required, the Relevant Authority has provided its consent thereto and any other requirements of the Relevant Authority applicable, if any, to such redemption at the time have been complied with by the Issuer.

A MREL Disqualification Event shall be deemed to have occurred if, by reason of the introduction of, or a change in, the MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the Senior Notes, all or part of the aggregate outstanding nominal amount of such Series of Senior Notes are or will be excluded fully or partially from the liabilities that are eligible to meet the MREL Requirements.

If the Senior Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Senior Notes.

Early redemption and purchase of the Senior Notes may be restricted

Any early redemption or purchase of Senior Notes is subject to compliance by the Issuer with any conditions or restrictions to such redemption or repurchase prescribed by the applicable laws and regulations at the relevant time, including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes at such time as liabilities eligible to meet the MREL Requirements.

In addition, pursuant to the EU Banking Reform, the early redemption or purchase of Senior Notes is subject to the prior approval of the Relevant Authority.

The EU Banking Reform states that the Relevant Authority would approve an early redemption of the Senior Notes in accordance with Article 78a of the CRR in the event either of the following conditions is met:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Senior Notes with Own Funds Instruments or Eligible Liabilities Instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds and Eligible Liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements for Own Funds and Eligible Liabilities laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; or

(iii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that the partial or full replacement of the Eligible Liabilities with Own Funds Instruments is necessary to ensure compliance with the Own Funds requirements laid down in the Applicable Banking Regulations for continuing authorization,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

Senior Notes may be subject to substitution and modification without the Noteholder consent

If at any time a MREL Disqualification Event occurs and is continuing in relation to any Senior Notes and/or in order to ensure the effectiveness and enforceability of Condition 24 (*Acknowledgement of Bail-in Power*) of the Terms and Conditions of the English Law Notes and Condition 23 (*Acknowledgement of Bail-in Power*) of the Terms and Conditions of the Italian Law Notes with respect to Senior Notes, then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Relevant Authority (without any requirement for the consent or approval of the holders of the Senior Notes of that Series), at any time (i) in the case of English Law Notes, either substitute all (but not some only) of such Senior Notes, or vary the terms of such Senior Notes or (ii) in the case of Italian Law Notes, vary the terms of such Senior Notes, so that they remain or, as appropriate, become, Qualifying Senior Notes (as defined below), *provided that* such variation or substitution (as applicable) does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

Qualifying Senior Notes are securities issued by the Issuer that have terms not materially less favorable to the Noteholders, as reasonably determined by the Issuer, than the terms of the relevant Senior Notes. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. However, in respect of the effectiveness and enforceability of Condition 24 (*Acknowledgment of Bail-in Power*) of the Terms and Conditions of the English Law Notes and Condition 23 (*Acknowledgement of Bail-in Power*) of the Terms and Conditions of the Italian Law Notes with respect to Senior Notes, the Qualifying Senior Notes may have terms materially less favorable to a holder of the Senior Notes, including but not limited to a change in governing law and/or to the jurisdiction and service of process provisions. Additionally, there may be material tax consequences for holders of Senior Notes as a result of such substitution or modification, and holders should consult their own tax advisors regarding such potential consequences.

Risks relating to Senior Non-Preferred Notes

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

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

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

(i) the original maturity period is at least equal to twelve months;

(ii) are not derivative securities or linked to derivative securities, nor include any feature of such derivative securities;

(iii) the minimum denomination is at least equal to €250,000 (or such other minimum denomination provided by applicable law from time to time);

(iv) may be offered only to qualified investors (*investitori qualificati*), as referred to in Article 100, letter a), of the Financial Services Act as implemented by Article 34-*ter*, first paragraph, letter b) of Regulation No. 11971/1999 and Article 35, paragraph 1(d) of CONSOB Regulation No. 20307 of 15 February 2018; and

(v) the prospectus and the agreements regulating the issuance of senior non-preferred securities expressly provide that payment of interests and reimbursement of principal due in respect thereof are subject to the provisions set forth in of Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Act.

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

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

(i) the provisions set forth in Article 91, paragraph 1-*bis*, letter c-*bis* of the Consolidated Banking Act shall apply to such senior non-preferred securities only to the extent that the requirements described in paragraphs (i), (ii) and (v) above have been complied with; any contractual provision which does not comply with any of the above requirements is invalid but such invalidity does not imply the invalidity of the entire agreement;

(ii) the senior non-preferred securities, once issued, may not be amended in a manner that the requirements described in paragraphs (i), (ii) and (v) above are not complied with and that any different contractual provision is null and void; and

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

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

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

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

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

Senior Non-Preferred Notes are new types of instruments

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

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

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

Although it is Issuer's expectation that the Senior Non-Preferred Notes qualify as "*strumenti di debito chirografario di secondo livello*" as defined under, and for the purposes of, Articles 12-*bis* and 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Act and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority and also qualify as eligible liabilities available to meet the MREL

Requirements (as defined in the Conditions) there can be no representation that this is or will remain the case during the life of the Senior Non-Preferred Notes.

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

If so specified in the Final Terms, if at any time a MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Non-Preferred Notes, the Issuer may redeem all, but not some only, the Notes of such Series at the Early Redemption Amount set out in the applicable Final Terms, together with any outstanding interest. Senior Non-Preferred Notes may only be redeemed by the Issuer *provided that*, except to the extent that the Relevant Authority does not so require at the time of the proposed redemption, the Issuer has given such notice to the Relevant Authority as the Relevant Authority may then require prior to such redemption and no objection thereto has been raised by the Relevant Authority or, if required, the Relevant Authority has provided its consent thereto and any other requirements of the Relevant Authority applicable, if any, to such redemption at the time have been complied with by the Issuer.

A MREL Disqualification Event shall be deemed to have occurred if, by reason of the introduction of, or a change in, the MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the Senior Non-Preferred Notes, all or part of the aggregate outstanding nominal amount of such Series of Senior Non-Preferred Notes are or will be excluded fully or partially from the liabilities that are eligible to meet the MREL Requirements.

If the Senior Non-Preferred Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Senior Non-Preferred Notes.

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

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

In addition, pursuant to the EU Banking Reform, the early redemption or purchase of Senior Non-Preferred Notes is subject to the prior approval of the Relevant Authority.

The EU Banking Reform states that the Relevant Authority would approve an early redemption of the Senior Non-Preferred Notes in accordance with Article 78a of the CRR in the event either of the following conditions is met:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Senior Non-Preferred Notes with Own Funds Instruments or Eligible Liabilities Instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds and Eligible Liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements for Own Funds and Eligible Liabilities laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; or

(iii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that the partial or full replacement of the Eligible Liabilities with Own Funds Instruments is necessary to ensure compliance with the Own Funds requirements laid down in the Applicable Banking Regulations for continuing authorization,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

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

If at any time a MREL Disqualification Event occurs and is continuing in relation to any Senior Non-Preferred Notes and/or in order to ensure the effectiveness and enforceability of Condition 24 (*Acknowledgment of Bail-in Power*) of the Terms and Conditions of the English Law Notes and Condition 23 (*Acknowledgement of Bail-in Power*) of the Terms and Conditions of the Italian Law Notes, then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Relevant Authority (without any requirement

for the consent or approval of the holders of the Senior Non-Preferred Notes of that Series), at any time (i) in the case of English Law Notes, either substitute all (but not some only) of such Senior Non-Preferred Notes, or vary the terms of such Senior Notes or (ii) in the case of Italian Law Notes, vary the terms of such Senior Non-Preferred Notes, so that they remain or, as appropriate, become, Qualifying Senior Non-Preferred Notes (as defined below), *provided that* such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

Qualifying Senior Non-Preferred Notes are securities issued by the Issuer that have terms not materially less favorable to the Noteholders, as reasonably determined by the Issuer, than the terms of the relevant Senior Non-Preferred Notes. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. However, in respect of the effectiveness and enforceability of Condition 24 (*Acknowledgement of Bail-in Power*) of the Terms and Conditions of the English Law Notes and Condition 23 (*Acknowledgement of Bail-in Power*) of the Terms and Conditions of the Italian Law Notes, the Qualifying Senior Non-Preferred Notes may have terms materially less favorable to a holder of the Senior Non-Preferred Notes, including but not limited to a change in governing law and/or to the jurisdiction and service of process provisions. Additionally, there may be material tax consequences for holders of Senior Non-Preferred Notes as a result of such substitution or modification, and holders should consult their own tax advisors regarding such potential consequences.

Risks related to the Subordinated Notes

Subordinated Notes are subordinated obligations

If the Issuer is declared insolvent and a winding up is initiated or in the event that the Issuer becomes subject to an order for *Liquidazione Coatta Amministrativa*, as defined in the Consolidated Banking Act, 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 Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under such Notes.

For a full description of the provisions relating to Subordinated Notes, see Condition 4(c) (*Status – Subordinated Notes*).

Regulatory classification of the Notes

The intention of the Issuer is for Subordinated Notes to qualify on issue as "Tier 2 Capital", for regulatory capital purposes.

Although it is Issuer's expectation that the Notes qualify as "Tier 2 Capital", there can be no representation that this is or will remain the case during the life of the Notes or that the Notes will be grandfathered under the implementation of future EU capital requirement regulations. If the Notes are not grandfathered, or for any other reason cease to qualify, as "Tier 2 Capital", the Issuer will (if so specified in the applicable Final Terms) have the right to redeem the Notes in accordance with Condition 10(f) (*Redemption of Subordinated Notes for regulatory reasons (Regulatory Call)*), 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, see "*Early Redemption of the Subordinated Notes"*.

In addition, if at any time a Regulatory Event or a Tax Event with regard to Subordinated Notes occurs or in order to ensure the effectiveness and enforceability of Condition 24 (*Acknowledgement of Bail-in Power*) of the Terms and Conditions of the English Law Notes and Condition 23 (*Acknowledgement of Bail-in Power*) of the Terms and Conditions of the Italian Law Notes then the Issuer may, in accordance with Condition 17(c) at any time either substitute all (but not some only) of such Notes, or vary the terms of such Notes so that they remain or, as appropriate, become Qualifying Subordinated Securities, as applicable, *provided that* such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder.

Subordinated Notes may be subject to loss absorption on any application of the general bail-in-tool or at the point of non-viability of the Issuer

Investors should be aware that, in addition to the general bail-in tool, the BRRD contemplates that Subordinated Notes may be subject to a write-down or conversion into common shares at the point of non-viability. The BRRD is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the BRRD or the taking of any action under it could materially affect the value of any Subordinated Notes. Additionally, there may be material tax consequences for holders of Subordinated Notes as a result of such write-down or conversion, and holders should consult their own tax advisors regarding such potential consequences.

Early redemption of the Subordinated Notes may be restricted

The rules under the CRR prescribe certain conditions for the granting of permission by the Relevant Authority to a request by the Issuer to redeem or repurchase the Subordinated Notes. In this respect, the CRR provides that the Relevant Authority shall grant permission to a redemption or repurchase of the Subordinated Notes in accordance with Article 78 of the CRR provided that either of the following conditions is met, as applicable to the Notes:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds would, following such call, redemption, repayment or repurchase, exceed the capital requirements laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary.

In addition, the rules under the CRR provide that the Relevant Authority may only permit the Issuer to redeem the Subordinated Notes before five years after the Issue Date of the Notes if and to the extent required under Article 78(4) of the CRR or the related implementing regulations, policies and guidelines:

(i) the conditions listed in paragraphs (i) or (ii) above are met; and

(ii) in the case of redemption pursuant to Condition 10(b) (*Redemption for tax reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as of the Issue Date; or

(iii) in case of redemption pursuant to Condition 10(f) (*Redemption of Subordinated Notes for regulatory reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as of the Issue Date; or

(iv) on or before the relevant call, redemption, repayment or repurchase, the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity and the Relevant Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(v) the Subordinated Notes are repurchased for market making purposes,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations

Subordinated Notes may be subject to substitution and modification without Noteholder consent

If at any time a Tax Event or a Regulatory Event occurs and/or in order to ensure the effectiveness and enforceability of Condition 24 (*Acknowledgment of Bail-in Power*) of the Terms and Conditions of the English Law Notes and Condition 23 (*Acknowledgement of Bail-in Power*) of the Terms and Conditions of the Italian Law Notes, then the Issuer may, subject to giving any notice required to, and receiving any consent required from, the Relevant Authority, if so required, (without any requirement for the consent or approval of the holders of Subordinated Notes of that Series), (i) in the case of English Law Notes, either substitute all (but not some only) of such Subordinated Notes, or vary the terms of such Senior Notes or (ii) in the case of Italian Law Notes, vary the terms of such Subordinated Notes, so that they become or remain Qualifying Subordinated Securities *provided that* such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities. The Relevant Authority has discretion as to whether or not it will approve any substitution or variation of the Subordinated Notes. Any such substitution or variation which is considered by the Relevant Authority to be material shall be treated by it as the issuance of a new instrument. Therefore, the Subordinated

Notes, as so substituted or varied, must be eligible as Tier 2 Capital in accordance with then prevailing Applicable Banking Regulations, which may include a requirement that (save in certain prescribed circumstances) the Subordinated Notes may not be redeemed or repurchased prior to five years after the effective date of such substitution or variation.

Qualifying Subordinated Securities are securities issued directly by the Issuer that have terms not materially less favorable to the Noteholders, as reasonably determined by the Issuer, than the terms of the relevant Subordinated Notes. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. However, in respect of the effectiveness and enforceability of Condition 24 (*Acknowledgement of Bail-in Power*) of the Terms and Conditions of the English Law Notes and Condition 23 (*Acknowledgement of Bail-in Power*) of the Terms and Conditions of the Italian Law Notes, the Qualifying Subordinated Securities (as defined below) may have terms materially less favorable to a holder of the Subordinated Notes, including but not limited to a change in governing law and/or to the jurisdiction and service of process provisions. Additionally, there may be material tax consequences for holders of Subordinated Notes as a result of such substitution or modification, and holders should consult their own tax advisors regarding such potential consequences.

Risks related to Notes generally

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

Delisting of the Notes

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

Modification, waivers and substitution

The Agency Agreement and the Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The conditions of the Notes also provide that the parties to the Agency Agreement may, without the consent of Noteholders, agree to any modification of a formal, minor or technical nature, or that is made to correct a manifest error or that is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders in accordance with Condition 17 (*Meetings of Noteholders; Modification and Waiver*).

Change of law

The conditions of the English Law Notes are governed by English law in effect as of the date of this Base Prospectus, except for the status provisions applicable to the Notes and the contractual recognition of bail-in powers provisions, and any non-contractual obligations arising out of or in connection with such provisions, which shall be governed by, and construed in accordance with, Italian law. The conditions of the Italian Law Notes are governed by Italian law in effect as of the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to applicable law or administrative practice after the date of this Base Prospectus.

Risk relating to the governing law of the Italian Law Notes

The Terms and Conditions for the Italian Law Notes are governed by Italian law and Condition 22 (*Governing Law and Jurisdiction*) of the Terms and Conditions for the Italian Law Notes provides that contractual and non-contractual obligations arising out or in connection with them are governed by, and shall be construed in accordance with, Italian Law. The Global Notes representing the Italian Law Notes provide that all contractual and non-contractual obligations arising out of or in connection with the Global Notes representing the Italian Law Notes are governed by Italian law, save for the form and transferability of the Global Notes which are governed by English law. Furthermore, Temporary Global Notes or the Permanent Global Notes, whether issued in CGN or NGN form, as the case may be, representing the Italian Law Notes are signed by the Issuer in the United Kingdom and, thereafter, delivered to BNP Paribas Securities Services as initial Fiscal Agent, being the entity in

charge for, inter alia, completing, authenticating and delivering the Temporary Global Notes and Permanent Global Notes and (if required) authenticating and delivering Definitive Notes, hence the Italian Law Notes would be deemed to be issued in England according to Italian law. Article 59 of Law No. 218 of 31 May 1995 (regarding the Italian international private law rules) provides that "other debt securities (*titoli di credito*) are governed by the law of the State in which the security was issued".

In light of the above, the Issuer cannot foresee the effect of any potential misalignment between the laws applicable to the Terms and Conditions for the Italian Law Notes and the Global Notes and the laws applicable to their transfer and circulation for any prospective investors in the Italian Law Notes and any disputes which may arise in relation to, inter alia, the transfer of ownership in the Italian Law Notes.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors who hold Notes through interests in the Global Notes 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 once the paying agent has paid 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.

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. Illiquidity may have a severely adverse effect on the market value of Notes. In addition, Notes issued under the Programme might not be listed on a stock exchange or regulated market and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market prices of such Notes may be adversely affected. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

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 (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's

Currency-equivalent value of the principal payable on the Notes and (3) 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. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

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 (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) 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.

DESCRIPTION OF THE PROGRAMME

The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the Terms and Conditions of the Notes of such Tranche and the relevant Final Terms.

This description constitutes a general description of the Programme for the purposes of the Prospectus Regulation. Words and expressions defined in "*Form of the Notes*" and "*Terms and Conditions of the Notes*" below shall have the same meanings in this description.

Issuer:	illimity Bank S.p.A.
Description:	Euro Medium Term Note Programme
Arranger:	BNP Paribas
Dealers:	BNP Paribas and any other Dealers appointed in accordance with the Dealer Agreement
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time. See "*Subscription and Sale*" below.
Fiscal Agent and Paying Agent:	BNP Paribas Securities Services
Irish Listing Agent:	BNP Paribas Securities Services
Programme Size:	Up to €3,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Euro and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer(s).
Maturities:	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. In the case of Senior Non-Preferred Notes, pursuant to Article 12-*bis*, paragraph 1, letter a), of the Italian Banking Act, the Maturity Date shall not fall earlier than twelve months after their Issue Date. In the case of Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the requirements of the Relevant Authority (as defined in the Terms and Conditions)

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).

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale – United Kingdom*" below.

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

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

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

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

Issuance in Series: Notes will be issued in series (each, a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**" and, each, a "**Tranche**") issued on different issue dates. The Notes of each Series will 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. The Notes of each Tranche will be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations (of at least €100,000 or its equivalent in another currency).

Form of Notes: The Notes will be in bearer form and will on issue be represented by either a Temporary Global Note or a Permanent Global Note as specified in the relevant Final Terms. Temporary Global Notes

	will be exchangeable for either (i) interests in a Permanent Global Note or (ii) definitive Notes, as indicated in the relevant Final Terms. Permanent Global Notes will be exchangeable for definitive Notes upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Fiscal Agent as described therein or (ii) only upon the occurrence of an Exchange Event as described under "*Form of the Notes*" below.
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or a variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. Reset Notes will, in respect of an initial period, bear interest at the initial fixed rate of interest specified in the relevant Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the relevant Final Terms by reference to a mid-market swap rate, as adjusted for any applicable margin, in each case, as may be specified in the relevant Final Terms.
Other provisions in relation to Floating Rate Notes:	Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Benchmark replacement:	Condition 6(g) (*Benchmark Replacement*) provides for certain fallback arrangements in the event that a Benchmark Event (as described in the Conditions) occurs in relation to an Original Reference Rate at any time when the Conditions provide for any remaining Rate of Interest (or any component part(s) thereof) to be determined by reference to such Original Reference Rate. In such event, the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Benchmark Rate and, in either case, an Adjustment Spread, if any, as well as any Benchmark Amendments. See Condition 6(g) (*Benchmark Replacement*) for further information.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Redemption:	Notes may be redeemed at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms The redemption of Senior Notes and Senior Non-Preferred Notes shall be subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by (i) the MREL Requirements at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Notes or Senior Non-Preferred Notes

at such time as eligible liabilities available to meet the MREL Requirements) and (ii) in case of Senior Non-Preferred Notes only, Article 12-*bis* and Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Act, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority at the relevant time.

Under CRR, the early redemption of the Subordinated Notes is subject to the prior written approval of the Relevant Authority. The Relevant Authority would approve an early redemption of the Subordinated Notes if either of the following conditions are met: (i) on or before such early redemption of the Subordinated Notes, the Issuer replaces the Subordinated Notes with own funds instruments of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer; or (ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its own funds would, following such redemption, exceed the own funds requirements and combined buffer requirements under CRD IV by a margin that the Relevant Authority may consider necessary on the basis set out in CRD IV.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Maturities*" above.

Redemption for Indexation Reasons: Inflation linked interest notes may be redeemed before their stated maturity at the option of the Issuer, if the Calculation Agent determines that there is no appropriate alternative index in relation to Inflation Linked Notes, on giving notice to Noteholders, the Issuer shall redeem or cancel, as applicable all but not some only of the Inflation Linked Notes, each Inflation Linked Note being redeemed or cancelled, as applicable by payment of the relevant Early Redemption Amount. Payments will be made in such manner as shall be notified to the Noteholders. Any such redemption shall be subject, in the case of Subordinated Notes, to the prior consent of the Relevant Authority and, in the case of any Notes, to the circumstances described in "*Redemption*" above.

Optional Redemption: Notes may be redeemed before their stated maturity at the option of the Noteholders or, as the case may be, the Issuer (either in whole or in part) to the extent (if at all) specified in the relevant Final Terms. Any such redemption shall be subject, in the case of Subordinated Notes, to the prior consent of the Relevant Authority and, in the case of any Notes, to the circumstances described in "*Redemption*" above.

Regulatory Call: If specified as applicable in the relevant Final Terms, Subordinated Notes may be redeemed before their stated maturity at the option of the Issuer if any change in Italian Law or Applicable Banking Regulations or any change in the official application or interpretation thereof, such Subordinated Notes are excluded in whole or, to the extent permitted by the Applicable Banking Regulations, in part from regulatory treatment as Tier 2 Capital. Such optional 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.

MREL Disqualification Event: If the applicable Final Terms specify that the Issuer Call due to MREL Disqualification Event applies, Senior Notes or the Senior

	Non-Preferred Notes may be redeemed before their stated maturity at the option of the Issuer if the Issuer determines that a MREL Disqualification Event has occurred and is continuing. Any such redemption shall be subject to the circumstances described in "*Redemption*" above.
Tax Redemption:	Except as described in "*Optional Redemption*" and "*Regulatory Call*" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) (*Redemption and Purchase – Redemption for tax reasons*). Any such redemption shall be subject, in the case of Subordinated Notes, to the prior consent of the Relevant Authority and, in the case of any Notes, to the circumstances described in "*Redemption*" above.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Regulation will be €100,000 (or, if the Notes are denominated in a currency other than Euro, the equivalent amount in such currency). Senior Non-Preferred Notes will have a denomination of at least €250,000 or such other minimum denomination provided by applicable law from time to time (or, where the Senior Non-Preferred Notes are denominated in a Specified Currency other than Euro, the equivalent amount in such other Specified Currency).
Taxation:	All payments of principal and interest in respect of Notes by the Issuer, in case of payments under the Notes will be made free and clear of deduction or withholding taxes in the jurisdiction of incorporation of the Issuer, unless the withholding or deduction is required by law. In that event, the Issuer will (subject as provided in Condition 12 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required. However, as more fully set out in Condition 12 (*Taxation*), the Issuer shall not be liable in certain circumstances to pay any additional amounts to holders of the Notes with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1 April 1996 on account of substitute tax (*imposta sostitutiva*, as defined therein) in relation to interest payable in respect of any Notes. In addition, Notes are subject to a withholding tax at the rate of 26 per cent. per annum in respect of interest and premium (if any) on Notes that qualify as of typical securities (pursuant to Law Decree No. 512 of 30 September 1983, as amended and supplemented from time to time). The Issuer will not be liable to

	pay any additional amounts to Noteholders in relation to any such withholding, as more fully specified in Condition 12 (*Taxation*).
Negative Pledge:	None
Status of Notes:	Notes may be issued either on a senior basis ("**Senior Notes**") or on a senior non-preferred basis ("**Senior Non-Preferred Notes**") or on a subordinated basis ("**Subordinated Notes**") as described herein. The status of the Senior Notes is described in Condition 4(a) (*Status - Senior Notes*). Notes may be issued as Senior Non-Preferred Notes as described in Condition 4(b) (*Status – Senior Non-Preferred Notes*). Notes may be issued as Subordinated Notes as described in Condition 4(c) (*Status - Subordinated Notes*).
Terms and Conditions:	Final Terms will be prepared in respect of each Tranche of Notes to be listed on Euronext Dublin, and admitted to trading on the regulated market of Euronext Dublin. A copy of such Final Terms will be filed with the Central Bank of Ireland (the "**CBI**") and delivered to Euronext Dublin on or before the date of issue of such Notes. The terms and conditions applicable to the Notes of each Tranche will be those set out herein under Terms and Conditions of the Notes as completed and/or modified by the relevant Final Terms.
Risk Factors:	There are certain risks related to the holding of any Notes issued under the Programme which investors should ensure they fully understand. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" above.
Rating:	The rating (if any) of the Notes to be issued under the Programme will be specified in the relevant Final Terms. 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 European Union and registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**") or (2) issued by a credit rating agency established in the United Kingdom and registered under Regulation (EU) No. 1060/2009 on credit rating agencies, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") but is endorsed by a credit rating agency which is established in the European Union and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the European Union but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, EEA regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency 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. In general, UK 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 United Kingdom and registered under the UK CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the United Kingdom but is endorsed by a credit rating agency established in the United Kingdom and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the United Kingdom which is certified under the UK CRA Regulation. 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: at http://www.esma.europa.eu/supervision/credit-rating-agencies/risk.
Approval, Listing and Admission to Trading:	The CBI has approved this document as a base prospectus. Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to trading on the regulated market of Euronext Dublin and to be listed on the Official List. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The relevant Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Clearing Systems:	Euroclear, Clearstream, Luxembourg and/or, in relation to any Notes, any other clearing system as may be specified in the relevant Final Terms.
Modification or Substitution of Subordinated Notes:	The Issuer may, without the consent of the holders of Subordinated Notes, (i) in the case of the English Law Notes, either substitute new notes for the Subordinated Notes whereby such new notes shall replace the Subordinated Notes, or vary the terms of the Subordinated Notes, as fully specified in Condition 17(c) or (ii) in the case of the Italian Law Notes, vary the terms of the Subordinated Notes, as fully specified in Condition 17(c).
Modification or Substitution of Senior Notes and Senior Non-Preferred Notes:	The Issuer may, without the consent of the holders of Senior Notes or Senior Non-Preferred Notes, (i) in the case of the English Law Notes, either substitute new notes for the Senior Notes or Senior Non-Preferred Notes whereby such new notes shall replace the Senior Notes or Senior Non-Preferred Notes, or vary the terms of the Senior Notes or Senior Non-Preferred Notes, as fully specified in Condition 17(d) (*Meeting of Noteholders; Modification and Waiver*) or (ii) in the case of the Italian Law Notes, vary the terms of the Senior Notes or Senior Non-Preferred Notes, as fully specified in Condition 17(d) (*Meeting of Noteholders; Modification and Waiver*).
Governing Law of the English Law Notes:	The Agency Agreement and the rights and obligations in respect of the Notes and the Coupons, and any non-contractual obligations arising out of or in connection with each of the

	foregoing, are governed by, and shall be construed in accordance with, English law, save that the status provisions applicable to the Notes and the contractual recognition of bail-in powers provisions, and any non-contractual obligations arising out of or in connection with such provisions, shall be governed by, and construed in accordance with, Italian law.
Governing Law of the Italian Law Notes:	The Notes and the Coupons and any non contractual obligations arising out of or in connection with the Italian Law Notes and the Coupons, will be governed by, and shall be construed in accordance with, Italian law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, the European Economic Area (including the Republic of Italy and France) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale*" below.
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D, as specified in the relevant Final Terms.
Prohibition of Sales to EEA Retail Investors:	If the Final Terms in respect of any Notes include a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended 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.
Prohibition of Sales to UK Retail Investors:	If the Final Terms in respect of any Notes include a legend entitled "*Prohibition of Sales to UK Retail Investors*", the Notes are not intended 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 United Kingdom.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the audited consolidated financial statements of illimity Bank S.p.A. as of and for the year ended 31 December 2019, prepared in accordance with IFRS as adopted by EU and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and together with the accompanying notes and auditors' report (the "**illimity Bank 2019 Consolidated Financial Statements**"), which can be found on the website of Euronext Dublin at https://www.ise.ie/debt_documents/illimity_ENG%20Financial%20Statements%20and%20Report%202019_5fd0bf7a-6de1-4ebd-a0a9-fd11c689c13f.pdf;

(b) the audited consolidated financial statements of illimity Bank S.p.A. as of and for the year ended 31 December 2020, prepared in accordance with IFRS as adopted by EU and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and together with the accompanying notes and auditors' report (the "**illimity Bank 2020 Consolidated Financial Statements**"), which can be found on the website of Euronext Dublin at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202106/1196ad01-df8f-489d-ad3e-a8ffddaa6b22.pdf;

(c) the consolidated Interim Financial Statement of illimity Bank as of and for the six months ended 30 June 2021, prepared in accordance with IAS 34 and together with the accompanying notes and auditors' review report (the "**illimity Bank 1H Interim Financial Statements**"), which can be found on the website of Euronext Dublin at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202110/654ce0b9-ab58-4c60-9616-5e57efbda113.pdf;

(d) the Issuer investor presentation entitled "Company Presentation" dated September 2021 (the "**Investor Presentation**") which can be found on the website of Euronext Dublin at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202110/34ff455e-5287-4ecb-8f3a-4f74195ce27a.pdf;

(e) the by-laws (*statuto*) of the Issuer (incorporated for information purposes and in force from 30 September 2021), which can be found on the website of Euronext Dublin at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202110/2e4ab6ca-ab87-4a8d-bbca-4d9ca71ab043.pdf.

with an English translation thereof and, in the case of the documents listed under paragraphs (a), (b), (c) and (d) above, together with the audit and review reports prepared in connection therewith. Any statement contained in this Base Prospectus or in a document which is incorporated by reference herein (including without limitation the documents listed under paragraphs (a) to (d) above) shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 23 of the Prospectus Regulation modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and will also be published on Euronext Dublin's website (http://www.ise.ie/).

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

The tables below set out the relevant page references for the notes (i) in respect of the consolidated Interim Financial Statements of illimity Bank S.p.A. (including limited review report) as of and for the period ended 30 June 2021; (ii) for the audited annual consolidated financial statements of illimity Bank S.p.A. as of and for the year ended 31 December 2020; and (iii) for the audited annual consolidated financial statements of illimity Bank S.p.A. as of and for the year ended 31 December 2019.

Cross Reference List

(A) **illimity Bank S.p.A.**

Document	Information incorporated	Page numbers
illimity Bank S.p.A. audited consolidated financial statements as of and for the financial year ended 31 December 2019	Audited consolidated annual financial statements:	
	Consolidated balance sheet	78-79
	Consolidated income statement	80-81
	Statement of consolidated statement of comprehensive income	82
	Statements of changes in consolidated equity	83
	Consolidated statement of cash flows	85-86
	Notes to the consolidated financial statements	89-255
	Independent auditors' report	265-273

Document	Information incorporated	Page numbers
illimity Bank S.p.A. audited consolidated financial statements as of and for the financial year ended 31 December 2020	Audited consolidated annual financial statements:	
	Consolidated statement of financial position	90-91
	Consolidated income statement	92
	Statement of consolidated statement of comprehensive income	93
	Statements of changes in consolidated equity	94-95
	Consolidated statement of cash flows	96-97
	Notes to the consolidated financial statements	99-272
	Independent auditors' report	279-287

Document	Information incorporated	Page numbers
illimity Bank consolidated Interim Report as of and for the six months ended 30 June 2021	Consolidated interim financial statements (including limited review report):	
	Consolidated balance sheet	58-59
	Consolidated income statement	60
	Statement of consolidated statement of comprehensive income	61
	Statements of changes in consolidated equity	62-63
	Consolidated statement of cash flows	64-65
	Notes to the consolidated financial statements	67-142
	Independent auditors' report	146-147

Document	Information incorporated	Page numbers
Investor Presentation	*Entire Document*	

Document	Information incorporated	Page numbers
By-laws	*Entire Document*	

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 Commission Regulation (EU) No. 2019/980 (as amended).

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

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

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

Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Notes.

TERMS AND CONDITIONS OF THE ENGLISH LAW NOTES

*The following is the text of the terms and conditions of the Notes governed by English law (the "**English Law Notes**" or the "**Notes**") 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 "Conditions applicable to Global Notes" above.*

1. **Introduction**

(a) *Programme*: illimity Bank S.p.A. ("**illimity**" or the "**Issuer**"), has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €3,000,000,000 in aggregate principal amount of notes (the "**Note**s").

(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 complete these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms.

(c) *Agency Agreement*: The Notes are the subject of a fiscal amended and restated agency agreement dated 4 November 2021 (the "**Agency Agreement**") between the Issuer and BNP Paribas Securities Services as fiscal agent (in such capacity, the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time) and the paying agent named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

(d) *The Notes*: All subsequent references in these Conditions to Notes are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection and obtainable free of charge by the public during normal business hours at the Specified Office of the Fiscal Agent.

(e) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. Noteholders and Couponholders, if any, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. **Definitions and Interpretation**

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

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

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

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

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the quantum of the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines should be applied to the Successor Rate or the Alternative Benchmark Rate (as the case may be) to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Benchmark Rate (as the case may be) and is the spread, quantum formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of an Alternative Benchmark Rate or (where (i) above does not apply) in the case of a Successor Rate, the Independent Adviser determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Benchmark Rate (as the case may be); or

(iii) (if the Independent Adviser determines that (i) above does not apply and no such spread, quantum formula or methodology is recognised or acknowledged as being customary market usage as referred to in (ii) above) to be appropriate;

"**Alternative Benchmark Rate**" means an alternative to the Reference Rate which the Independent Adviser determines in accordance with Condition 6(g) (ii) (*Successor Rate or Alternative* Benchmark *Rate*) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) or if no such rate exists, the rate which is most comparable to the Original Reference Rate, for a comparable interest period and in the same Specified Currency as the Notes;

"**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 and applicable to the Issuer or the Group (as the case may be), including, without limitation, the BRRD, the BRRD Implementing Decrees, the CRD IV Package, the Capital Instruments Regulations, Circular No. 285, the Banking Reform Package, the SRM Regulation and any other regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority or of the institutions of the European Union (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 or the Group, as the case may be) and standards and guidelines issued by the European Banking Authority;

"**Bail-in Power**" means any statutory write-down, conversion, transfer, modification and/or suspension 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 in effect and applicable in the relevant Member State to the Issuer or other entities of the Group (as the case may be), including but not limited to any laws, regulations, rules or requirements set forth in or implementing the BRRD, the BRRD Implementing Decrees and/or the SRM Regulation or any successor laws, regulations, rules or requirements establishing a framework for the recovery and resolution of the Issuer (and/or other entities of the Group, where applicable) within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of the Issuer (and/or other entities of the Group, where applicable) can be reduced, cancelled, transferred, modified, suspended for a temporary period and/or converted into shares or obligations of the obligor or any other person, whether in combination with a resolution action or otherwise;

"**Banking Reform Package**" means: (i) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ration (this ration has been introduced as a requirement by Regulation 575/2013/EU published in June 2019 and will apply from June 2021), requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposure to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No. 648/2012; (ii) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 806/2014 as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms; (iii) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures; and (iv) Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms and Directive 98/26/EC;

"**Bank Creditor Hierarchy Directive**" means Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy, as amended, supplemented or replaced from time to time;

"**Benchmark Amendments**" has the meaning given to it in Condition 6(g) (iv) (*Benchmark Amendments*);

"**Benchmark Event**" means:

(A) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to be calculated, administered or published;

(B) the later of (i) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (ii) the date falling six months prior to the specified date referred to in (B)(i) above;

(C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued;

(D) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (ii) the date falling six months prior to the specified date referred to in (D)(i) above;

(E) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (ii) the date falling six months prior to the specified date referred to in (E)(i) above; or

(F) it has become unlawful for any Paying Agent, the Calculation Agent or such other party as specified in the relevant Final Terms to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate including, without limitation, under the BMR, if applicable;

"**BMR**" means Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014;

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of May 15 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**BRRD Implementing Decrees**" means the Legislative Decrees No. 180 and 181 of November 16, 2015, implementing the BRRD in the Republic of Italy, as amended or replaced from time to time (including, without limitation, as a consequence of the transposition of the Banking Reform Package into Italian law);

"**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

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

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

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*

(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;

(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 the 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 relevant Final Terms;

"**Capital Instruments Regulations**" means the Delegated Regulation and any other rules or regulations of the Relevant Authority or of the institutions of the European Union or which are otherwise applicable to the Issuer or the Group (as the case may be and, where applicable), whether introduced before or after the Issue Date, which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer or the Group (as the case may be) to the extent required under the CRD V Package (including, without limitation, any rules or regulations implementing the Banking Reform Package);

"**CET1 Instruments**" means at any time common equity tier 1 instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Consolidated Banking Act**" means the Legislative Decree of 1 September 1993, No. 385 of the Republic of Italy as amended or replaced from time to time;

"**Couponholder**" means the holder of a Coupon;

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

"**CRD IV**" means Directive 2013/36/EU of the European Parliament and of the Council of June 26 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**CRD IV Package**" means the CRR and the CRD IV;

"**CRR**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26 2013 setting out prudential requirements for credit institutions and investment firms, as amended or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**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 (1) the actual number of days in such Regular Period and (2) 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/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**" (in respect of Condition 5 (*Fixed Rate Note Provisions*)) is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(vi) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(vii) If "**30/360**" (in respect of Condition 6 (*Floating Rate Note and Benchmark Replacement*)) or "**360/360**" 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:

Day Count Fraction =

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

where

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" 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 D_1 is greater than 29, in which case D_2 will be 30; and

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

Day Count Fraction =

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" 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

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

Day Count Fraction =

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" 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 D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 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;

"**Delegated Regulation**" means Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014 supplementing the CRR with regard to the regulatory technical standards for Own Funds requirements for institutions, as amended, supplemented or replaced from time to time (including, without limitation, as a consequence of any rules or regulations implementing the Banking Reform Package);

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

"**Eligible Liabilities**" means at any time eligible liabilities as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Eligible Liabilities Instruments**" means at any time eligible liabilities instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities as amended from time to time;

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

"**Final Redemption Amount**" means, in respect of any Note (other than Inflation Linked Notes), its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms *provided that*, in any case, such amount will be at least equal to the relevant par value. In respect of Inflation Linked Notes, the "Final Redemption Amount" means an amount different from the relevant par value as may be specified in the relevant Final Terms, *provided that* under no circumstances shall the Final Redemption Amount be less than the Aggregate Nominal Amount of the Notes;

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

"**Group**" means the Issuer and its consolidated Subsidiaries (or any other entities that are consolidated in the Issuer's calculation of its Own Funds on a consolidated basis in accordance with Applicable Banking Regulations);

"**Holder**" means a holder of a Note;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 6(g) (*Benchmark Replacement*) at its own expense;

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

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

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as of 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;

"**Loss Absorption Requirement**" means the power of the Relevant Authority to impose that Own Funds instruments or other liabilities of the Issuer or entities of the Group (as the case may be) are subject to full or partial write-down of the principal or conversion into CET1 Instruments or other instruments of ownership in accordance with Article 59 of the BRRD and the related national implementing provisions applicable to the Issuer or entities of the Group (as the case may be);

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

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

"**Maturity Date**" has the meaning given in the relevant Final Terms;

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

"**MREL Disqualification Event**" means that, by reason of the introduction of, or a change in, any MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the relevant Series of Notes, all or part of the aggregate outstanding nominal amount of a Series of Senior Notes and/or of Senior Non-Preferred Notes (as the case may be) are or will be excluded fully or partially from the liabilities that are eligible to meet the MREL Requirements. For the avoidance of doubt: (a) the exclusion

of a Series of Notes from the liabilities that are eligible to meet the MREL Requirements due to the remaining maturity of such Notes being less than any period prescribed thereunder does not constitute a MREL Disqualification Event; (b) the exclusion of all or some of a Series of Notes from the MREL Requirements due to there being insufficient headroom for such Notes within any prescribed exception to the otherwise applicable general requirements for liabilities that are eligible to meet the MREL Requirements does not constitute a MREL Disqualification Event; and (c) the exclusion of all or some of a Series of Senior Notes or Senior Non-Preferred Notes from the MREL Requirements as a result of such Notes being purchased by or on behalf of the Issuer or as a result of a purchase which is funded directly or indirectly by the Issuer, does not constitute a MREL Disqualification Event;

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

"**Multiplier**" has the meaning given in the relevant Final Terms;

"**Noteholder**" means a holder of a Note;

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

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

"**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 Reference Rate**" means the originally-specified Reference Rate, benchmark or screen rate (as applicable) used to determine the relevant Rate of Interest (or any component part thereof) on the Notes;

"**Own Funds**" shall have the meaning assigned to such term in the CRR as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Own Funds Instruments**" means at any time own funds instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**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; or

"**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* in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**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;

"**Qualifying Senior Notes**" means securities issued directly or indirectly by the Issuer that:

(i) (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) include a ranking at least equal to that of the Senior Notes; (C) have the same Rate of Interest and the same Interest Payment Dates as those from time to time applying to the Senior Notes; (D) have the same redemption rights as the Senior Notes; (E) preserve any existing rights under the Senior Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation; (F) are assigned (or maintain) the same or higher solicited credit ratings as were assigned to the Senior Notes immediately prior to such variation or substitution, unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 24 (*Acknowledgment of Bail-in Power*) with respect to Senior Notes; and (G) other than in respect of the effectiveness and enforceability of Condition 24 (*Acknowledgment of Bail-in Power*) with respect to Senior Notes, have terms not materially less favorable to a holder of the Senior Notes, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing which is independent of the Group, than the terms of the Senior Notes; and

(ii) are listed on a recognized stock exchange if the Senior Notes were listed immediately prior to such variation or substitution;

"**Qualifying Senior Non-Preferred Notes**" means securities issued directly or indirectly by the Issuer that:

(i) (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) include a ranking at least equal to that of the Senior Non-Preferred Notes; (C) have the same Rate of Interest and the same Interest Payment Dates as those from time to time applying to the Senior Non-Preferred Notes; (D) have the same redemption rights as the Senior Non-Preferred Notes; (E) preserve any existing rights under the Senior Non-Preferred Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation; (F) are assigned (or maintain) the same or higher solicited credit ratings as were assigned to the Senior Non-Preferred Notes immediately prior to such variation or substitution, unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 24 (*Acknowledgment of Bail-in Power*); and (G)

other than in respect of the effectiveness and enforceability of Condition 24 (*Acknowledgment of Bail-in Power*), have terms not materially less favorable to a holder of the Senior Non-Preferred Notes, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing which is independent of the Group, than the terms of the Senior Non-Preferred Notes; and

(ii) are listed on a recognized stock exchange if the Senior Non-Preferred Notes were listed immediately prior to such variation or substitution;

"**Qualifying Subordinated Securities**" means securities, whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:

(i) (A) contain terms such that they comply with the then-current minimum requirements under the Applicable Banking Regulations for inclusion in the Tier 2 Capital of the Issuer or the Group (as applicable); (B) include a ranking at least equal to that of the Subordinated Notes; (C) have the same Rate of Interest and the same Interest Payment Dates as those from time to time applying to the Subordinated Notes; (D) have the same redemption rights as the Subordinated Notes; (E) preserve any existing rights under the Subordinated Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation; (F) are assigned (or maintain) the same or higher solicited credit ratings as were assigned to the Subordinated Notes immediately prior to such variation or substitution, unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 24 (*Acknowledgment of Bail-in Power*); and (G) other than in respect of the effectiveness and enforceability of Condition 24 (*Acknowledgment of Bail-in Power*), have terms not materially less favorable to a holder of the Subordinated Notes, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing which is independent of the Group, than the terms of the Subordinated Notes; and

(ii) are listed on a recognized stock exchange if the Subordinated Notes were listed immediately prior to such variation or substitution;

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

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Issuer or an agent appointed by the Issuer in the market that is most closely connected with the Reference Rate;

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

"**Reference Rate**" has the meaning given in the relevant Final Terms;

"**Reference Rate Multiplier**" has the meaning given 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**" means any change (or pending change which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Subordinated Notes from their classification on the Issue Date that results, or would be likely to result, in their exclusion in full or, to the extent permitted under the Applicable Banking Regulations, in part, from the Tier 2 Capital of the Issuer or, where applicable in accordance with the Applicable Banking Regulations, a reclassification as a lower quality form of Own Funds;

"**Relevant Authority**" means, as the context may require, (i) the European Central Bank or the Bank of Italy, acting within the framework of the Single Supervisory Mechanism, or any successor or replacement authority having responsibility for the prudential oversight and supervision of the Issuer or the Group (as the case may be), and/or (ii) the Single Resolution Board, the European Council, the European Commission or the Bank of Italy, acting within the framework of the Single Resolution Mechanism, or any successor or replacement authority having responsibility for the resolution of the Issuer or other entities of the Group (as the case may be);

"**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 Paying 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 Nominating Body**" means, in respect of the Original Reference Rate:

(i) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Original Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof;

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

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

"**Reserved Matter**" has the meaning ascribed thereto in the Agency Agreement;

"**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;

"**Single Resolution Mechanism**" means the single resolution mechanism established pursuant to the SRM Regulation;

"**Single Supervisory Mechanism**" means the single supervisory mechanism established pursuant to the SSM Regulation;

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

"**SSM Regulation**" means Council Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, as amended, supplemented or replaced from time to time;

"**Subsidiary**" means any company or person that is controlled by the Issuer pursuant to Article 23 of the Consolidated Banking Act;

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body;

"**Switch Option**" means, if Change of Interest Basis and Issuer's Switch Option are specified as applicable in the applicable Final Terms, the option of the Issuer, at its sole absolute discretion, on one or more occasions and subject to the provisions of Condition 6(i) (*Change of Interest Basis*), to change the Interest Basis of the Notes from Fixed Rate to Floating Rate, to Floating Rate to Fixed Rate or as otherwise specified in the applicable Final Terms, with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date;

"**Talon**" means a talon for further Coupons;

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System (or any successor to TARGET2) is open for the settlement of payments in euro;

"**Tax**" or "**Taxes**" means all taxes, direct and indirect, duties, contributions, levies and imposts of any kind or nature imposed by any governmental authorities, either as a primary, secondary or joint liability, including but not limited to taxes on income (including capital gains), taxes on capital, value added taxes, excise taxes, alternative add-on minimum taxes, estimated taxes, social security contributions and similar taxes, customs duties and stamp duties, payments subject to a requirement to withhold, social contributions, and any interest, penalties, and other related charges referred to one of the foregoing;

"**Tier 1 Capital**" means at any time tier 1 capital as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Tier 2 Capital**" has the meaning given to it from time to time in the Applicable Banking Regulations;

"**Tier 2 Instruments**" means at any time tier 2 instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Treaty**" means the Treaty of the Functioning of the European Union, as amended;

"**Yield**" means the yield specified in the Final Terms, as calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield; 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 shall be construed as a reference to the Agency Agreement, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. Form, Denomination and Title

The Notes will be issued in bearer form in the Specified Denomination(s) with Coupons (if applicable) 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.

(a) *Title to Notes:* Title to Notes and Coupons will pass by delivery.

(b) *Minimum Denomination:* The minimum denomination per Note will be €100,000.

(c) *Ownership:* The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. Status of the Notes

(a) Status – Senior Notes

*This Condition 4(a) is applicable in relation to Senior Notes and specified in the Final Terms as being Senior Notes (and, for the avoidance of doubt, does not apply to Senior Non-Preferred Notes) ("**Senior Notes**").*

The Senior Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (subject to any obligations preferred by any applicable law) equally with all other unsecured and unsubordinated indebtedness and monetary obligations (including deposits) of the Issuer, present and future (other than obligations ranking, in accordance with their terms and/or by provision of law, junior to the Senior Notes from time to time (including Senior Non-Preferred Notes and any further obligations permitted by law to rank junior to the Senior Notes following the Issue Date)) if any.

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

(b) **Status - Senior Non-Preferred Notes**

*This Condition 4(b) is applicable only to Senior Non-Preferred Notes issued by the Issuer specified in the applicable Final Terms as Non-Preferred Senior obligations and intended to qualify as "strumenti di debito chirografario di secondo livello" of the Issuer, as defined under Article 12 bis of the Consolidated Banking Act, as amended from time to time ("**Senior Non-Preferred Notes**").*

Senior Non-Preferred Notes (notes intending to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under, and for the purposes of, Article 12-bis and Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Act and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority) constitute direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer, ranking:

(i) junior to Senior Notes and any other unsecured and unsubordinated obligations of The Issuer which rank, or are expressed to rank by their terms and/or by provision of law, senior to the Senior Non-Preferred Notes including claims arising from the excluded liabilities within the meaning of Article 72a(2) of the CRR;

(ii) *pari passu* without any preferences among themselves, and with all other present or future obligations of The Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes; and

(iii) in priority to any subordinated instruments and to the claims of shareholders of the Issuer,

in all such cases in accordance with Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Act, as amended from time to time, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority and/or any laws, regulations or guidelines implementing the rules set forth in the Bank Creditor Hierarchy Directive.

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

(c) **Status – Subordinated Notes**

*This Condition 4(c) is applicable only in relation to Subordinated Notes issued by The Issuer and specified in the Final Terms as being subordinated and intended to qualify as Tier 2 Capital ("**Subordinated Notes**").*

(i) ***Status of Subordinated Notes***

The Subordinated Notes (notes intended to qualify as Tier 2 Capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Bank of Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time (the "**Bank of Italy Regulations**"), including any successor regulations, and Article 63 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms) constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and

rank *pari passu* without any preference among themselves and with all other present and future unsecured and subordinated obligations of the Issuer (other than those subordinated obligations expressed by their terms to rank lower or higher than the Subordinated Notes) save of those preferred by mandatory and/or overriding provisions of law. In the event of compulsory winding-up (*liquidazione coatta amministrativa*) pursuant to Articles 80 and following of the Consolidated Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with Article 96-*quinquies* of the Consolidated Banking Act, the payment obligations of the Issuer in respect of principal and interest under the Subordinated Notes will be subordinated to the claims of the Senior Creditors (as defined below) and will rank *pari passu* with Parity Creditors.

"**Senior Creditors**" means creditors of the Issuer whose claims are admitted to proof in the winding up of the Issuer and who are either (a) unsubordinated creditors of the Issuer or (b) creditors of the Issuer whose claims against the Issuer are, or are expressed to be, subordinated in the event of the winding up of the Issuer but senior to the Subordinated Notes, and

"**Parity Creditors**" means creditors of the Issuer (including, without limitation, the Noteholders and the Couponholders of Subordinated Notes or Coupons) whose claims against the Issuer are, or are expressed to be, subordinated in the event of the winding up of the Issuer in any manner to the claims of any unsecured and unsubordinated creditor of the Issuer, but excluding those subordinated creditors of the Issuer (if any) whose claims rank, or are expressed to rank, junior or senior to the claims of the Noteholders and the Couponholders of Subordinated Notes or Coupons and/or to the claims of any other creditors of the Issuer whose claims rank, or are expressed to rank, *pari passu* with the claims of the Noteholders and the Couponholders of Subordinated Notes or Coupons or with whose claims the claims of the Noteholders and the Couponholders of Subordinated Notes or Coupons rank, or are expressed to rank, *pari passu*.

(ii) ***Loss Absorption***

The Subordinated Notes (including, for the avoidance of doubt, payments of principal and/or interest) shall be subject to the Loss Absorption Requirement, if so required under the BRRD and/or the SRM Regulation, in accordance with the powers of the Relevant Authority and where the Relevant Authority determines that the application of the Loss Absorption Requirement to the Subordinated Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

(iii) ***Set-Off***

Subject to applicable law, neither any Noteholders and Couponholders of Subordinated Notes or Coupons nor the Fiscal Agent may exercise or claim any right of set-off in respect of any amount owed to it by The Issuer arising under or in connection with the Subordinated Notes or Subordinated Coupons and each Noteholder and Couponholder of Subordinated Notes or Coupons shall, by virtue of his subscription, purchase or holding of any Subordinated Note or Subordinated Coupon, be deemed to have waived all such rights of set-off.

(d) **No negative pledge**

There is no negative pledge in respect of the Notes.

5. **Fixed Rate Note Provisions**

(a) *Application*: This Condition 5 (*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; and (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, and including, 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 5 (*Fixed Rate Note Provisions*) (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). As specified in the relevant Final Terms, interest from such Notes may accrue on a different basis from that set out in this Condition 5 (*Fixed Rate Note Provisions*).

(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.

(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 and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency. Where the Specified Denomination of a Fixed Rate Note is the multiple of the Calculation Amount, the Amount of interest payable in respect of such Fixed Rate Note shall be the multiple of the product of the amounts (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

6. **Floating Rate Note and Benchmark Replacement**

(a) *Application*: This Condition 6 (*Floating Rate Note and Benchmark Replacement*) is applicable to the Notes only if (a) the Floating Rate Note Provisions, EONIA Linked Interest Notes, CMS Linked Interest Notes or the Inflation Linked Note Provisions are specified in the relevant Final Terms as being applicable; and (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. Condition 6(g) (*Benchmark Replacement*) is applicable also if the Reset Note Provisions are specified in the relevant Final Terms as being applicable. The applicable Final Terms contain provisions applicable to the determination of the interest and must be read in conjunction with this Condition 6 (*Floating Rate Note and Benchmark Replacement*) for full information on the manner in which interest is calculated.

(b) *Accrual of interest*: The Notes bear interest from, and including, 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 7(b) (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). As specified in the relevant Final Terms, interest from such Notes may accrue on a different basis from that set out in this Condition 7 (*Rate of Interest and Interest Payment Dates*).

(c) *Screen Rate Determination (other than EONIA and 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, 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,:

(A) the Issuer or an agent appointed by the Issuer will request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) the Calculation Agent will determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer or an agent appointed by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for deposits 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:

(i) if "Multiplier" is specified in the relevant Final Terms as not being applicable, the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined (the "**Determined Rate**");

(ii) if "**Multiplier**" is specified in the relevant Final Terms as being applicable the sum of (i) the Margin and (ii) the relevant Determined Rate multiplied by the Multiplier;

(iii) if "**Reference Rate Multiplier**" is specified in the relevant Final Terms as being applicable, the sum of (i) the Margin, and (ii) the relevant Determined Rate multiplied by the Reference Rate Multiplier,

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 the immediately preceding Interest Period for which such rate or arithmetic mean was determined.

(d) *Floating Rate Notes which are EONIA Linked Interest Notes*: Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified as being EONIA, the Rate of Interest for each Interest Period will, subject as provided below, be the rate of return of a daily compound interest investment (with the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market as reference rate for the calculation of interest) plus or minus (as indicated in the applicable Final Terms) the Margin (if any) and will be calculated by the Calculation Agent on the Interest Determination Date of the Interest Period, as follows, and the resulting percentage will be rounded, if necessary, to the nearest one ten-thousandth of a percentage point, with 0.00005 being rounded upwards:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{EONIA_i \; x \; n_i}{360}\right)-1\right] x \; \frac{360}{D} + Margin \; x \; D/360$$

or

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{(EONIA_i\ +\ Margin)\ x\ n_i}{360}\right)-1\right]\ x\ \frac{360}{D}$$

where

"**d_o**" for any Interest Period, is the number of Business Days in the relevant Interest Period;

"**i**" is a series of whole numbers from one to do, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Interest Period;

"**EONIA$_i$**", for any day "**i**" in the relevant Interest Period, is a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page or such other page or service as may replace such page for the purposes of displaying the Euro overnight index average rate of leading reference banks for deposits in Euro (the EONIA Page) in respect of that day *provided that*, if, for any reason, on any such day "i", no rate is published on the EONIA Page, the Calculation Agent will request the principal office in the Euro-zone of each of the Reference Banks (but which shall not include the Calculation Agent) to provide with its quotation of the rate offered by it at approximately 11.00 a.m. (Brussels time) on such day "i", to prime banks in the Euro-zone inter-bank market for Euro overnight index average rate for deposits in Euro in an amount that is, in the reasonable opinion of the Calculation Agent, representative for a single transaction in the relevant market at the relevant time. The applicable reference rate for such day "i" shall be the arithmetic mean (rounded if necessary, to the nearest ten-thousandth of a percentage point, with 0.00005 being rounded upwards) of at least two of the rates so quoted, it being *provided that* if less than two rates are provided to the Calculation Agent, the applicable reference rate shall be determined by the Calculation Agent after consultation with an independent expert;

"**n_i**" is the number of calendar days in the relevant Interest Period on which the rate is EONIAi; and

"**D**" is the number of calendar days in the relevant Interest Period.

(e) *Floating Rate Notes which are CMS Linked Interest Notes*: Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be calculated as it follows, subject to letter (g) below:

(w) where "**CMS Reference Rate**" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

CMS Rate + Margin

(x) where "**Leveraged CMS Reference Rate**" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

Either:

(a) L x CMS Rate + M

(b) Min [max (L x CMS Rate + M; F); C]

(y) where "**Steepener CMS Reference Rate**" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

Either:

(a) where "**Steepener CMS Reference Rate: Unleveraged**" is specified in the applicable Final Terms:

Min {[max (CMS Rate 1 – CMS Rate 2) + M; F]; C}

or:

(b) where "**Steepener CMS Reference Rate: Leveraged**" is specified in the applicable Final Terms:

$$\text{Min } \{[\max [L \times (\text{CMS Rate 1} - \text{CMS Rate 2}) + M; F]; C\}$$

where:

C = Cap (if applicable)

F = Floor

L = Leverage

M= Margin

For the purposes of sub-paragraph (y):

"**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 of the specified time on the Interest Determination Date in question, all as determined by the Calculation Agent. The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available; and

"**Cap**", **"CMS Rate 1**", "**CMS Rate 2**", **"Floor**", **"Leverage**" and "**Margin**" shall have the meanings given to those terms in the applicable Final Terms.

(f) *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:

(i) if "**Multiplier**" is specified in the relevant Final Terms as not being applicable, the sum of the Margin and the relevant ISDA Rate;

(ii) if "**Multiplier**" is specified in the relevant Final Terms as being applicable the sum of (i) the Margin and (ii) the relevant ISDA Rate multiplied by the Multiplier;

(iii) if "**Reference Rate Multiplier**" is specified in the relevant Final Terms as being applicable, the sum of (i) the Margin, and (ii) the relevant ISDA Rate multiplied by the Reference Rate Multiplier,

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 as specified in the relevant Final Terms.

(g) *Benchmark Replacement*: Notwithstanding the provisions above in this Condition 6 (*Floating Rate Note and Benchmark Replacement*), if a Benchmark Event occurs in relation to an Original Reference Rate at any time when these Conditions provide for any remaining Rate of Interest (or any component part(s) thereof) to be determined by reference to such Original Reference Rate, then the following provisions shall apply.

(i) *Independent Adviser*: The Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Benchmark Rate (in accordance with Condition 6(g) (ii) (*Successor Rate or Alternative Benchmark Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 6(g) (iii) (*Adjustment Spread*)) and any Benchmark Amendments (in accordance with Condition 6(g) (iv) (*Benchmark Amendments*)).

An Independent Adviser appointed pursuant to this Condition 6(g) (*Benchmark Replacement*) shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer and (in the absence of bad faith, fraud or gross negligence) shall have no liability whatsoever to the Issuer, the Paying Agents, the Calculation Agent, any other party specified in the relevant Final Terms as being responsible for calculating the Rate of Interest or the Noteholders for any determination made by it or for any advice given to the Issuer in connection with to the operation of this Condition 6(g) (*Benchmark Replacement*).

(ii) *Successor Rate or Alternative Benchmark Rate*: If the Independent Adviser determines that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 6(g) (iii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 6(g) (*Benchmark Replacement*)); or

(B) there is no Successor Rate but that there is an Alternative Benchmark Rate, then such Alternative Benchmark Rate shall (subject to adjustment as provided in Condition 6(g) (iii) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 6(g) (*Benchmark Replacement*)).

(iii) *Adjustment Spread*: If the Independent Adviser determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Benchmark Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Benchmark Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Benchmark Rate (as applicable).

(iv) *Benchmark Amendments*: If any Successor Rate, Alternative Benchmark Rate or Adjustment Spread is determined in accordance with this Condition 6(g) (*Benchmark Replacement*) and the Independent Adviser determines (i) that amendments to these Conditions (including without limitation, amendments to the definitions of Day Count Fraction, Business Day, Relevant Screen Page, Interest Determination Date, Relevant Time, Relevant Financial Centre, Reference Banks, Principal Financial Centre, Business Day Convention or Additional Business Centre) are necessary to ensure the proper operation of such Successor Rate, Alternative Benchmark Rate and/or Adjustment Spread (such amendments, the "Benchmark Amendments") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, and subject to the Issuer giving notice thereof in accordance with Condition 6(g) (v) (*Notices, etc.*), without any requirement for the consent or approval of Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 6(g) (iv) (*Benchmark Amendments*), the Issuer shall comply with the rules of any stock exchange or other relevant

authority on which the Notes are for the time being listed or by which they have been admitted to trading.

(v) *Notices, etc.*: The Issuer shall notify the Paying Agents and the Calculation Agent or any other party specified in the relevant Final Terms as being responsible for calculating the Rate of Interest and, in accordance with Condition 19 (*Notices*), the Noteholders promptly of any Successor Rate, Alternative Benchmark Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 6(g) (*Benchmark Replacement*). Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period.

The Successor Rate or Alternative Benchmark Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such notice will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Benchmark Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any)) be binding on the Issuer, the Paying Agents, the Calculation Agent, any other party specified in the relevant Final Terms as being responsible for calculating the Rate of Interest, the Noteholders.

(vi) *Survival of Original Reference Rate*: Without prejudice to the obligations of the Issuer under the provisions of this Condition 6(g) (*Benchmark Replacement*), the Original Reference Rate and the fallback provisions provided for in Condition 6 (*Floating Rate Note and Benchmark Replacement*) will continue to apply unless and until a Benchmark Event has occurred and only then once the Paying Agents and Calculation Agent or such other party specified in the relevant Final Terms, as applicable, have been notified of the Successor Rate or Alternative Benchmark Rate (as the case may be) and any Adjustment Spread (if applicable) and Benchmark Amendments (if applicable) in accordance with Condition 6(g) (v) (*Notices, etc.*).

(vii) *Fallbacks*: If, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest on the relevant Interest Determination Date, the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by it fails to determine a Successor Rate or Alternative Benchmark Rate (as applicable) pursuant to this Condition 6(g) (*Benchmark Replacement*) by such Interest Determination Date, or, if the provisions relating to the occurrence of a Regulatory Event in case of a Benchmark Event is specified as applicable in the relevant Final Terms, the provisions under paragraphs from (i) to (iv) above would case the occurrence of a Regulatory Event, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period).

For the avoidance of doubt, this Condition 6(g) (*Benchmark Replacement*) shall apply to the determination of the Rate of Interest on the relevant Interest Determination Date only, and the Rate of Interest applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(g) (*Benchmark Replacement*).

(h) *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.

(i) *Change of Interest Basis.* If Change of Interest Basis is specified as applicable in the applicable Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 5

(*Fixed Rate Note Provisions*) or Condition 6 (*Floating Rate Note and Benchmark Replacement*), each applicable only for the relevant periods specified in the applicable Final Terms.

If Change of Interest Basis is specified as applicable in the applicable Final Terms, and Issuer's Switch Option is also specified as applicable in the applicable Final Terms, the Issuer may, on one or more occasions, as specified in the applicable Final Terms, at its option (any such option, a "**Switch Option**"), having given notice to the Noteholders in accordance with Condition 19 (*Notices*) on or prior to the relevant Switch Option Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as otherwise specified in the applicable Final Terms with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date), *provided that* (A) the Switch Option may be exercised only in respect of all the outstanding Notes, (B) upon exercise of a Switch Option, the Interest Basis change will be effective from (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and (C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

"**Switch Option Expiry Date**" and "**Switch Option Effective Date**" shall mean any date specified as such in the applicable Final Terms *provided that* any date specified in the applicable Final Terms as a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having been notified to the Issuer pursuant to this Condition and in accordance with Condition 19 (*Notices*) prior to the relevant Switch Option Expiry Date.

(j) *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 of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where the Specified Denomination of a Floating Rate Note or an Inflation Linked Interest Note is the multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amounts (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

(k) *Calculation of other amounts*: If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(l) *Publication*: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Fiscal Agent and each stock exchange (if any) on which the Notes are then listed 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 in accordance with Condition 19 (*Notices*). 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.

(m) *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 Fiscal Agent, 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.

(n) *Determination or Calculation by Fiscal Agent*: If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Fiscal Agent will make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Fiscal Agent shall apply all of the provisions of these conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof. Any such determination or calculation made by the Fiscal Agent shall be binding on the Issuer, the Noteholders and the Couponholders.

7. **Reset Note Provisions**

(a) *Application*: This Condition 7 (*Reset Note Provisions*) is applicable to the Notes if the Reset Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Rate of Interest and Interest Payment Dates*: Each Reset Note bears interest:

(i) from (and including) the Interest Commencement Date until (but excluding) the First Reset Date at 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 applicable 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 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, subject to Condition 6(g) (*Benchmark Replacement*) and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 6 (*Floating Rate Note and Benchmark Replacement*).

(c) *Reset Reference Rate Conversion*: This Condition 7(c) (*Reset Reference Rate Conversion*) is only applicable if Reset Reference Rate Conversion is specified in the applicable Final Terms.

The First Reset Rate of Interest and, if applicable, each Subsequent Reset Rate of Interest will be converted from the Original Reset Reference Rate Payment Basis specified in the applicable Final Terms to a basis which matches the frequency of Interest Payment Dates in respect of the relevant Notes.

For the purposes of the Conditions, with regard to the Reset Notes:

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

"**First Reset Date**" means the date specified in the applicable 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 applicable Final Terms, the Maturity Date;

"**First Reset Rate of Interest**" means, in respect of the First Reset Period, 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, subject to Condition 7(c) (*Reset Reference Rate Conversion*);

"**Initial Rate of Interest**" has the meaning specified in the applicable 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 Original Reset Reference Rate Payment Basis (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 applicable 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;

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to Condition 7(c) (*Reset Reference Rate Conversion*), 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 of approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

"**Original Reset Reference Rate Payment Basis**" has the meaning specified in the applicable Final Terms. The Original Reset Reference Rate Payment Basis shall be annual, semi-annual, quarterly or monthly;

"**Rate of Interest**" means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

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

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

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

"**Subsequent Reset Date**" means the date or dates specified in the applicable 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; and

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period and subject to Condition 7(d) (*Fallback*), 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, subject to Condition 7(c) (*Reset Reference Rate Conversion*).

(d) *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, subject as provided in Condition 6(g) (*Benchmark Replacement*), request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as of 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 sum of (as applicable) the First Margin (in the case of the First Reset Rate of Interest) or the Subsequent Margin (in the case of the Subsequent Reset Rate of Interest) and the relevant Mid-Swap Rate as of 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.

For the purposes of this Condition 7 (*Reset Note Provisions*), "**Reference Banks**" means the principal office in the principal financial centre of the Specified Currency of 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.

8. **Inflation Linked Note**

This Condition 8 (*Inflation Linked Note*) is applicable to the Notes only if the Inflation Linked Notes Provisions are specified in the relevant Final Terms as being applicable.

(a) **Inflation Linked Note Provisions**

(i) **Rate of Interest – Inflation Linked Notes**

The Rate of Interest payable from time to time in respect of [YoY] Inflation Linked Notes, for each Interest Period, shall be determined by the Calculation Agent, or other party specified in the Final Terms, on the relevant Determination Date in accordance with the following formula:

Rate of Interest = [[Index Factor]*[YoY] Inflation] + Margin

subject to the Minimum Rate of Interest or the Maximum Rate of Interest if, in either case, designated as applicable in the applicable Final Terms in which case the provisions of paragraph (f) above shall apply as appropriate.

Where:

"**Index Factor**" has the meaning given to it in the applicable Final Terms, *provided that* if Index Factor is specified as "**Not Applicable**", the Index Factor shall be deemed to be equal to one;

"**Inflation Index**" has the meaning given to it in the applicable Final Terms;

"[**YoY] Inflation**" means in respect of the Specified Interest Payment Date falling in month (t), the value calculated in accordance with the following formula:

$$\left[\frac{InflationIndex(t)}{InflationIndex(t\ -1)}\ -1\right]$$

"**Inflation Index (t)**" means the value of the Inflation Index for the Reference Month in the calendar year in which the relevant Specified Interest Payment Date and/or the Maturity Date falls;

"**Inflation Index (t-1)**" means the value of the Inflation Index for the Reference Month in the calendar year preceding the calendar year in which the relevant Specified Interest Payment Date falls;

"**Margin**" has the meaning given to it in the applicable Final Terms;

"**Reference Month**" has the meaning given to it in the applicable Final Terms; and

The Rate of Interest shall be rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards.

(ii) **Redemption Amount – [YoY] Inflation Linked Notes**

The Final Redemption Amount payable on the Maturity Date in respect of [YoY] Inflation Linked Notes may be i) 100% of the Aggregate Nominal Amount of the Notes or ii) (if so specified in the applicable Final Terms) a [YoY] Indexed Redemption Amount to be calculated on the [Maturity Date/ relevant Determination Date] on the basis of the following formula:

[[YoY] Indexed Redemption Amount = Aggregate Nominal Amount x (Inflation Index (t)/Inflation Index (0))]

Where:

"**Inflation Index (t)**" means the value of the Inflation Index for the Reference Month in the calendar year in which the relevant Specified Interest Payment Date and/or the Maturity Date falls; and

"**Inflation Index (0)**" means the value of the Inflation Index for the Reference Month in the calendar year in which the relevant Issue Date falls.

The [YoY] Indexed Redemption Amount may be subject to a minimum or a maximum amount (if so specified in the applicable Final Terms) *provided that* under no circumstances shall the Final Redemption Amount be less than the Aggregate Nominal Amount of the Notes.

(iii) **Inflation Linked Note Provisions**

Unless previously redeemed or purchased and cancelled in accordance with this Condition 8 (*Inflation Linked Notes*) or as specified in the applicable Final Terms and subject to this Condition 8 (*Inflation Linked Notes*), each Inflation Linked Note will bear interest in the manner specified in the applicable Final Terms and the Conditions.

The following provisions apply to Inflation Linked Notes:

"**Additional Disruption Event**" means any of Change of Law, Hedging Disruption and/or Increased Cost of Hedging, in each case if specified in the applicable Final Terms, and such other events (if any) specified as an Additional Disruption Event in the applicable Final Terms.

"**Change of Law**" means that, on or after the Trade Date (as specified in the applicable Final Terms):

(A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or

(B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines in its discretion that (i) it has become illegal to hold, acquire or dispose of any relevant hedging arrangements in respect of the Inflation Index, or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer, any of its affiliates or any other Hedging Party).

"**Cut-Off Date**" means, in respect of a Determination Date, five (5) Business Days prior to any due date for payment under the Notes for which valuation on the relevant Determination Date is relevant, unless otherwise stated in the applicable Final Terms.

"**Delayed Index Level Event**" means, in respect of any Determination Date and an Inflation Index, that the relevant Inflation Index Sponsor fails to publish or announce the level of such Inflation Index (the Relevant Level) in respect of any Reference Month which is to be utilised in any calculation or determination to be made by the Issuer in respect of such Determination Date, at any time on or prior to the Cut-Off Date.

"**Determination Date**" means each date specified as such in the applicable Final Terms.

"**End Date**" means each date specified as such in the applicable Final Terms.

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

"**Hedging Disruption**" means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by the Calculation Agent.

"**Hedging Party**" means at any relevant time, the Issuer, or any of its affiliates or any other party providing the Issuer directly or indirectly with hedging arrangements in relation to the Notes as the Issuer may select at such time.

"**Increased Cost of Hedging**" means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), *provided that* any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its affiliates shall not be deemed an Increased Cost of Hedging.

"**Inflation Index**" means each inflation index specified in the applicable Final Terms and related expressions shall be construed accordingly.

"**Inflation Index Sponsor**" means, in relation to an Inflation Index, the entity that publishes or announces (directly or through an agent) the level of such Inflation Index which, as of the Issue Date, is the Inflation Index Sponsor specified in the applicable Final Terms.

"**Reference Month**" means the calendar month for which the level of the Inflation Index is reported as specified in the applicable Final Terms, regardless of when this information is published or announced, except that if the period for which the Relevant Level was reported is a period other than a month, the Reference Month shall be the period for which the Relevant Level is reported.

"**Related Bond**" means, in respect of an Inflation Index, the bond specified as such in the applicable Final Terms. If the Related Bond specified in the applicable Final Terms is "Fallback Bond", then, for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the applicable Final Terms as the Related Bond and "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond. If a bond is specified as the Related Bond in the applicable Final Terms and that bond redeems or matures before the End Date (i) unless "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination and (ii) if "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond.

"**Relevant Level**" has the meaning set out in the definition of "Delayed Index Level Event" above.

(iv) **Inflation Index Delay And Disruption Provisions**

(A) **Delay in Publication**

If the Calculation Agent determines that a Delayed Index Level Event in respect of an Inflation Index has occurred with respect to any Determination Date, then the Relevant Level for such Inflation Index with respect to the relevant Reference Month subject to such Delayed Index Level Event (the "**Substitute Index Level**") shall be determined by the Calculation Agent as follows:

(1) if "Related Bond" is specified as applicable for such Inflation Index in the relevant Final Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond;

(2) if (I) "Related Bond" is not specified as applicable for such Inflation Index in the relevant Final Terms, or (II) the Calculation Agent is not able to determine

a Substitute Index Level under (i) above, the Calculation Agent shall determine the Substitute Index Level by reference to the following formula:

Substitute Index Level = Base Level x (Latest Level/Reference Level);

or

(3) otherwise in accordance with any formula specified in the relevant Final Terms,

in each case as of such Determination Date,

where:

"**Base Level**" means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

"**Latest Level**" means, in respect of an Inflation Index, the latest level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Index Level is being determined.

"**Reference Level**" means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

The Issuer shall give notice to Noteholders, in accordance with Condition 19 (*Notices*) of any Substitute Index Level calculated pursuant to Condition 8(iv)(A) (*Delay in Publication*).

If the Relevant Level (as defined above) is published or announced at any time on or after the relevant Cut-off Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 8 (*Inflation Lined Notes*) will be the definitive level for that Reference Month.

(B) **Cessation of Publication**

If the Calculation Agent determines that the level for the Inflation Index has not been published or announced for two (2) consecutive months, the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index or the Inflation Index Sponsor otherwise cancels the Inflation Index, then the Calculation Agent shall determine a successor inflation index (the "**Successor Inflation Index**") (in lieu of any previously applicable Inflation Index) for the purposes of the Inflation Linked Notes by using the following methodology:

(1) if at any time (other than after an early redemption or cancellation event has been designated by the Calculation Agent pursuant to Condition 8(iv)(B)(5) below), a successor inflation index has been designated by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, such successor inflation index shall be designated a "Successor Inflation Index" notwithstanding that any other Successor Inflation Index may previously have been determined under Conditions 8(iv)(B)(2), 8(iv)(B)(3) or 8(iv)(B)(4) below;

(2) if a Successor Inflation Index has not been determined pursuant to Condition 8(iv)(B)(1) above, and a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will

be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Inflation Linked Notes from the date that such replacement Inflation Index comes into effect;

(3) if a Successor Inflation Index has not been determined pursuant to Conditions 8(iv)(B)(1) or 8(iv)(B)(2) above, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If four or five responses are received and, of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the "**Successor Inflation Index**". If three responses are received and two or more leading independent dealers state the same index, this index will be deemed the "Successor Inflation Index". If fewer than three responses are received or no Successor Inflation Index is determined pursuant to this Condition 8(iv)(B)(3), the Calculation Agent will proceed to Condition 8(iv)(B)(4) below;

(4) if no replacement index or Successor Inflation Index has been determined under Conditions 8(iv)(B)(1), 8(iv)(B)(2), 8(iv)(B)(3) above by the next occurring Cut-Off Date, the Calculation Agent, subject as provided below, will determine an appropriate alternative index from such Cut-Off Date, and such index will be deemed a "Successor Inflation Index"; or

(5) if the Calculation Agent determines that there is no appropriate alternative index in relation to Inflation Linked Notes, on giving notice to Noteholders in accordance with Condition 19 (*Notices*), the Issuer shall redeem or cancel, as applicable all but not some only of the Inflation Linked Notes, each Inflation Linked Note being redeemed or cancelled, as applicable by payment of the relevant Early Redemption Amount. Payments will be made in such manner as shall be notified to the Noteholders in accordance with Condition 19 (*Notices*).

(C) **Rebasing of the Inflation Index**

If the Calculation Agent determines that the Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the "**Rebased Index**") will be used for purposes of determining the level of the Inflation Index from the date of such rebasing; *provided, however, that* the Calculation Agent shall make adjustments as are made by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, if "Related Bond" is specified as applicable in the applicable Final Terms, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased.

(D) **Material Modification Prior to Last Occurring Cut-Off**

If, on or prior to the last occurring Cut-Off Date, the Inflation Index Sponsor announces that it will make a material change to the Inflation Index then the Calculation Agent shall make any such adjustments, if "Related Bond" is specified as applicable in the applicable Final Terms, consistent with adjustments made to the Related Bond, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, only those adjustments to the Inflation Index necessary for the modified Inflation Index to continue as the Inflation Index.

(E) **Manifest Error in Publication**

With the exception of any corrections published after the day which is three (3) Business Days prior to the relevant Maturity Date, if, within thirty (30) calendar days of publication, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent may, in its discretion, make such adjustments to the terms of the Inflation Linked Notes as it determines appropriate to account for the correction and will notify the Noteholders of any such adjustments in accordance with Condition 19 (*Notices*).

(F) **Consequences of an Additional Disruption Event**

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may at its option:

(1) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any terms of the Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or

(2) redeem or cancel, as applicable, all but not some of the Inflation Linked Notes on the date notified by the Calculation Agent to Noteholders in accordance with Condition 19 (*Notices*) by payment of the relevant Early Redemption Amount, as of the date of redemption or cancellation, as applicable, taking into account the relevant Additional Disruption Event. The redemption or cancellation referred to in this Condition 8(a)(iv) (*Inflation Index Delay and Disruption Provisions*) shall be subject to (i) in case of Senior Notes and Senior Non-Preferred Notes, Condition 10(n) (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*) and (ii) in case of Subordinated Notes, Condition 10(m) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

(G) **Inflation Index Disclaimer**

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

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.

(b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

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

10. **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).*

Pursuant to Article 12-*bis*, paragraph 1, letter *a)*, of the Consolidated Banking Act, the Maturity Date of the Senior Non-Preferred Notes shall not fall earlier than twelve months after their Issue Date.

The Maturity Date of Subordinated Notes shall not fall earlier than five years after their Issue Date, as provided under the Applicable Banking Regulations.

In the case of Subordinated Notes, the redemption referred to in this Condition 10(a) shall be subject to Condition 10(m) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

In the case of Senior Notes and Senior Non-Preferred Notes, the redemption referred to in this Condition 10(a) shall be subject to Condition 10(n) (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if neither the Floating Rate Note Provisions or the Inflation Linked 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 or the Inflation Linked Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if the Issuer satisfies the Fiscal Agent immediately prior to the giving of the notice by the Issuer referred to above that it 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 or agency thereof or therein, or any change in the application or interpretation or administration 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; and such obligation cannot be avoided by the Issuer taking reasonable measures available to it (any such event, a "**Tax Event**").

At least 15 days prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two duly authorised officers 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 such evidence shall be sufficient to the Fiscal Agent and conclusive and binding on the Noteholders). 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).

In the case of Subordinated Notes, the redemption referred to in this Condition 10(b) shall be subject to Condition 10(m) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

In the case of Senior Notes and Senior Non-Preferred Notes, the redemption referred to in this Condition 10(b) shall be subject to Condition 10(n) (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*).

(c) *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 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 giving not less than 15 nor more than 30 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).

In the case of Subordinated Notes, no Call Option in accordance with this Condition 10(c) (*Redemption at the option of the Issuer*) may be exercised by the Issuer to redeem, in whole or in part, such Notes prior to the fifth anniversary of their Issue Date. After the fifth anniversary of such Issue Date, the redemption referred to in this Condition 10(c) (*Redemption at the option of the Issuer*) shall be subject to Condition 10(m) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

In the case of Senior Notes and Senior Non-Preferred Notes, the redemption referred to in this Condition 10(c) (*Redemption at the option of the Issuer*) shall be subject to Condition 10(n) (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*).

(d) *Partial redemption:* If Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*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 stock exchange on which the Notes are then listed, and the notice to Noteholders referred to in Condition 10(c) (*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.

(e) *Redemption at the option of Noteholders:*

This provision is not applicable to Senior Non-Preferred Notes and Subordinated Notes.

If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note, redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. The applicable Final Terms contains provisions applicable to any Put Option and must be read in conjunction with this Condition 10(e) for full information on any Put Option. In particular, the applicable Final Terms will identify the Optional Redemption Date (Put), the Optional Redemption Amount (Put) and the applicable notice periods.

If the Put Option is specified as being applicable in the applicable Final Terms, the Holder of any Note must, in accordance with Condition 19 (*Notices*), not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, deposit with the Fiscal Agent such

Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from the Fiscal Agent. The Fiscal Agent, with which a Note is so deposited, shall immediately notify the Issuer and shall deliver a duly completed Put Option Receipt to the depositing Holder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e) (*Redemption at the option of Noteholders*), 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 Fiscal 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 the Fiscal Agent in accordance with this Condition 10(e) (*Redemption at the option of Noteholders*), the depositor of such Note and not the Fiscal Agent shall be deemed to be the holder of Note for all purposes.

(f) *Redemption of Subordinated Notes for regulatory reasons (Regulatory Call)*: If a Regulatory Call is specified in the applicable Final Terms and if the Issuer notifies the Noteholders of the occurrence of a Regulatory Event, the Issuer may redeem such Subordinated Notes, in whole but not in part, at the Early Redemption Amount specified in the applicable Final Terms, together with any accrued but unpaid interest to the date fixed for redemption, *provided that* (to the extent required by applicable law or regulation):

(A) the Issuer has given not less than the minimum period nor more than the maximum period of notice to the Fiscal Agent and the Noteholders of such Subordinated Notes (such notice being irrevocable) specifying the date fixed for such redemption; and

(B) the circumstance that entitles the Issuer to exercise this right of redemption of the relevant Subordinated Notes was not reasonably foreseeable at the relevant Issue Date.

Upon the expiry of such notice period, the Issuer shall be bound to redeem the Subordinated Notes accordingly.

The redemption referred to in this Condition 10(f) (*Redemption of Subordinated Notes for regulatory reasons (Regulatory Call)*) shall be subject to Condition 10(m) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

(g) *Redemption at the option of the Issuer of Senior Notes and Senior Non-Preferred Notes due to a MREL Disqualification Event:* If redemption at the option of the Issuer due to a MREL Disqualification Event is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 19 (*Notices*) (which notice shall specify the date fixed for redemption)and the Fiscal Agent, redeem the Senior Notes or the Senior Non-Preferred Notes, in whole but not in part, then outstanding at any time (if the Senior Note or the Senior Non-Preferred Note is not a Floating Rate Note or an Index-Linked Interest Note or a Dual Currency Interest Note) or on any Interest Payment Date (if this Senior Note or the Senior Non-Preferred Note is a Floating Rate Note or an Index-Linked Interest Note or a Dual Currency Interest Note), if the Issuer determines that a MREL Disqualification Event has occurred and is continuing. Upon the expiry of any such notice as is referred to in this Condition 10(g) (*Redemption at the option of the Issuer of Senior Notes and Senior Non-Preferred Notes due to a MREL Disqualification Event*), the Issuer shall redeem the Notes in accordance with this Condition 10(g) (*Redemption at the option of the Issuer of Senior Notes and Senior Non-Preferred Notes due to a MREL Disqualification Event*).

The redemption referred to in this Condition 10(g) (*Redemption at the option of the Issuer of Senior Notes and Senior Non-Preferred Notes due to a MREL Disqualification Event*) shall be subject to Condition 10(n) (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*).

(h) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) 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) (*Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of Actual/Actual (or 30/360 if such request is made to and accepted by the respective Issuer).

(j) *Purchase*: The Issuer may 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, resold or, at the option of the purchaser, surrendered to any Paying Agent for cancellation. The Issuer may not purchase Subordinated Notes prior to the fifth anniversary of their Issue Date, except in the cases contemplated under Article 78(4) of the CRR, including, without limitation, repurchases made for market making purposes (where applicable), where the conditions set out in Article 29(3) of the Delegated Regulation are met and in particular with respect to the predetermined amount defined by the Relevant Authority, which according to Article 29(3)(b) of the Delegated Regulation may not exceed the lower of: (i) 10% of the amount of the relevant issuance; and (ii) 3% of the total amount of Tier 2 Instruments of the Issuer from time to time outstanding, or such other amount permitted to be purchased for market making purposes under the Applicable Banking Regulations. Also the repurchases referred to in this Condition 10(j) (*Purchase*) shall be subject to Condition 10(m) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*) and Condition 10(n) (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*).

(k) *Cancellation*: All Notes so redeemed by the Issuer and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

(l) *Redemption Amount*: For the avoidance of doubt, in no event will the Redemption Amount of any Notes issued by the Issuer be lower than the principal amount of the Notes.

(m) *Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*: In the case of Subordinated Notes, any call, redemption, repayment or repurchase of such Notes in accordance with Condition 8(a)(iv) (*Inflation Index Delay And Disruption Provisions*), Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(f) (*Redemption of Subordinated Notes for regulatory purposes (Regulatory Call)*), or Condition 10(j) (*Purchase*) is subject to compliance with the then applicable Banking Regulations, including:

(i) the Issuer has obtained the prior permission of the Relevant Authority in accordance with Article 77 and 78 of the CRR as amended or replaced from time to time, where either:

(A) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(B) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds would, following such call, redemption, repayment or repurchase, exceed the capital requirements laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; and

(ii) in respect of a call, redemption repayment or repurchase prior to the fifth anniversary of the Issue Date of the relevant Notes, if and to the extent required under Article 78(4) of the CRR or the Capital Instruments Regulation:

(A) in the case of redemption pursuant to Condition 10(b) (*Redemption for tax reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as of the Issue Date; or

(B) in case of redemption pursuant to Condition 10(f) (*Redemption of Subordinated Notes for regulatory reasons (Regulatory Call)*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as of the Issue Date; or

(C) on or before the relevant call, redemption, repayment or repurchase, the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity and the Relevant Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(D) the Subordinated Notes are repurchased for market making purposes,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations

The Relevant Authority may grant a general prior permission, for a specified period which shall not exceed one year, to redeem or purchase (including for market making purposes) the Subordinated Notes, in the limit of a predetermined amount, which shall not exceed the lower of (i) 10 per cent. (or any other threshold as may be requested or required by the Relevant Authority from time to time) of the aggregate nominal amount of the relevant Subordinated Notes and (ii) 3 per cent. (or any other threshold as may be requested or required by the Relevant Authority from time to time) of the outstanding aggregate nominal amount of the Tier 2 Instruments of the Issuer at the relevant time, subject to criteria that ensure that any such redemption or purchase will be in accordance with the conditions set out at letters (A) and (B) of sub-paragraph (i) of the preceding paragraph.

(n) For the avoidance of doubt, any refusal of the Relevant Authority to grant its permission in accordance with Article 78 of the CRR shall not constitute a default of the Issuer for any purposes. *Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*: Any call, redemption, repayment or repurchase in accordance with Condition 8(a)(iv) (*Inflation Index Delay And Disruption Provisions*), Condition 10(b) (*Redemption due to taxation*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(j) (*Purchase*), or Condition 10(g) (*Redemption at the option of the Issuer of Senior Notes and Senior Non-Preferred Notes due to a MREL Disqualification Event*) of Senior Notes or Senior Non-Preferred Notes is subject, to the extent such Senior Notes or Senior Non-Preferred Notes qualify at such time as liabilities that are eligible to meet the MREL Requirements or, in case of a redemption pursuant to Condition 10(g) (*Redemption at the option of the Issuer of Senior Notes and Senior Non-Preferred Notes due to a MREL Disqualification Event*), qualified as liabilities that are eligible to meet the MREL Requirements before the occurrence of the MREL Disqualification Event, to compliance with the then applicable Banking Regulations, including the condition that the Issuer has obtained the prior permission of the Relevant Authority in accordance with Article 78a of the CRR, where one of the following conditions is met:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Senior Notes with Own Funds Instruments or Eligible Liabilities Instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds and Eligible Liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements for Own Funds and Eligible Liabilities laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; or

(iii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that the partial or full replacement of the Eligible Liabilities with Own Funds Instruments is necessary to ensure compliance with the Own Funds requirements laid down in the Applicable Banking Regulations for continuing authorization,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

The Relevant Authority may grant a general prior permission, for a specified period which shall not exceed one year, to redeem or purchase (including for market making purposes) Senior Notes or Senior Non-Preferred Notes, in the limit of a predetermined amount, instruments, subject to criteria that ensure that any such redemption or purchase will be in accordance with the conditions set out in subparagraphs (i) and (ii) of the preceding paragraph.

For the avoidance of doubt, any refusal of the Relevant Authority to grant its permission in accordance with Article 78a of the CRR shall not constitute a default of the Issuer for any purposes.

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.

(b) *Interest*: Payments of interest shall, subject to Condition 10(h) (*Payments other than in respect of matured Coupons*) be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 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 (the Code) or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons*: If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented for payment on redemption 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 such missing Coupons shall become void.

Each sum of principal deducted pursuant to (i) above 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 the Floating Rate Note Provisions or the Inflation Linked 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 at the option of the Issuer*), Condition 10(e) (*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 Agent outside the United States (or in New York City if permitted by Condition 10(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 of 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 (if any) by the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of any taxes, 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 (if relevant) after such withholding or deduction shall be equal to the amounts of principal, in case of Senior Notes and Senior Non-Preferred Notes not qualifying at such time as liabilities that are eligible to meet the MREL Requirements only, and interest, in case of any Notes, and which would otherwise have been receivable by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any payment of any interest or principal either:

(i) for or on account of *Imposta Sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1 April 1996 (as amended), the "**Legislative Decree No. 239**" or, for the avoidance of doubt, Italian Legislative Decree No. 461 of 21 November 1997 (as amended by Italian Legislative Decree No. 201 of 16 June 1998) (as any of the same may be amended or supplemented) or any related implementing regulations and in all circumstances in which the procedures set forth in Legislative Decree No. 239 in order to benefit from a tax exemption have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

(ii) with respect to any Notes or Coupons presented for payment:

(A) in the Republic of Italy; or

(B) by or on behalf of a holder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Republic of Italy other than the mere holding of such Note or Coupon; or

(C) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Note or Coupon by making, or procuring, a declaration of non-residence or other similar claim for exemption but has failed to do so; or

(D) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to an additional amount on presenting such Note or Coupon for payment on such thirtieth day assuming that day to have been a Business Day; or

(E) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information for the purposes of Article 6 of Italian Legislative Decree No. 239 of 1 April, 1996 not included in the list of Ministerial Decree of 4 September 1996 as amended and supplemented from time to time in respect of the beneficiary of the payments made from Italy; or

(F) in respect of Notes classified as of atypical securities where such withholding or deduction is required under Law Decree No. 512 of 30 September 1983, as amended and supplemented from time to time.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of Sections 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto ("**FATCA Withholding**") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA Withholding. The Issuer will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA Withholding deducted or withheld by the Issuer, the paying agent or any other party.

(b) *Taxing jurisdiction*: If payments made by the Issuer becomes subject to withholding tax as a result of the Issuer becoming resident, whether for tax purposes or otherwise, in any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to such other jurisdiction instead of the Republic of Italy.

13. Events of Default

In the event of compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer pursuant to Articles 80 and following of the Consolidated Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with Article 96-*quinquies* of the Consolidated Banking Act, 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 outstanding principal amount together with accrued interest (if any) without further action or formality.

No remedy against the Issuer other than as specifically provided by this Condition 13 (*Events of Default*) shall be available to the Fiscal Agent or to the holders of the Notes and the related Coupons, whether for the recovery of amounts owing in respect of the Notes and the related Coupons or in respect of any breach by the Issuer of any of its obligations under the Notes and the related Coupons or otherwise.

For the avoidance of doubt, the non-payment by the Issuer of any amount due and payable under these Notes, or the taking of any crisis prevention measure or crisis management measure in relation to the Issuer in accordance with the BRRD, is not an event of default.

14. Prescription

Claims against the Issuer for payment of principal and interest in respect of the Notes will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the 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 listed on any stock exchange 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 stock exchange), subject to all applicable laws and stock exchange 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. **Paying 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;

(b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;

(c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system; and

Notice of any change in the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 19 (*Notices*).

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

(a) *Meetings of Noteholders*: The Conditions may not be amended without the prior approval of the Relevant Authority (if applicable). The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

(b) *Modification*: The Notes, these Conditions and the Deed of Covenant 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.

(c) This Condition 17(c) applies to Subordinated Notes. If at any time a Tax Event or a Regulatory Event occurs and/or in order to ensure the effectiveness and enforceability of Condition 24 (*Acknowledgment of Bail-in Power*), then the Issuer may, subject to giving any notice required to, and receiving any consent required from, the Relevant Authority, if so required, (without any requirement for the consent or approval of the holders of Subordinated Notes of that Series) and having given not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Fiscal Agent and the Holders of Subordinated Notes of that Series (which notice shall be irrevocable), at any time either substitute all (but not some only) of such Subordinated Notes, or vary the terms of such Subordinated Notes so that they remain or, as appropriate, become, Qualifying Subordinated Securities, *provided that* such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities that would otherwise provide the Issuer with a right of redemption pursuant to the provisions of Subordinated Notes.

For the avoidance of doubt, no consent of the Noteholders shall be required for a substitution or variation of the Notes in accordance with this Condition 17(c) and the Fiscal Agent shall be obliged to effect such matters.

(d) This Condition 17(d) applies to Senior Notes and Senior Non-Preferred Notes. If at any time a MREL Disqualification Event occurs and/or in order to ensure the effectiveness and enforceability of Condition 24 (*Acknowledgment of Bail-in Power*) with respect to Senior Notes then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Relevant Authority (without any requirement for the consent or approval of the holders of the Senior Notes or Senior Non-Preferred Notes of that Series) and having given not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Fiscal Agent and the Holders of the Senior Notes or Senior Non-Preferred Notes of that Series, which notice shall be irrevocable, at any time either substitute all (but not some only) of such Senior Notes or Senior Non-Preferred Notes, or vary the terms of such Senior Notes or Senior Non-Preferred Notes so that they remain or, as appropriate, become Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes, *provided that* such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

For the avoidance of doubt, no consent of the Noteholders shall be required for a substitution or variation of the Notes in accordance with this Condition 17(d) and the Fiscal Agent shall be obliged to effect such matters.

(e) Any variation of the Conditions to give effect to the Benchmark Amendments in accordance with Condition 6(g) (*Benchmark Replacement*) shall not require the consent or approval of 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 other than the Issue Date, Issue Price and/or Interest Commencement Date and/or the first payment of interest) so as to form a single series with the Notes.

19. **Notices**

To holders of Notes

Notices to the olders of Notes shall be valid if published (i) in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*), (ii) if and for so long as the Notes are admitted to trading on, and listed on the to the Official List and/or admitted to trading on the regulated market of Euronext Dublin, if filed within the Companies Announcement Office of Euronext Dublin or published in a leading English language daily newspaper of general circulation in the Republic of Ireland and approved by Euronext Dublin (which is expected to be the *Irish Times*) and/or the Euronext Dublin's website (http://www.ise.ie/). 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.

To Holders of Notes held in a clearing system

While all the Notes are represented by a Global Note and the Global Note is deposited with a depositary or a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system or a common safekeeper for Euroclear and/or Clearstream, Luxembourg, as the case may be, notices to Noteholders may (to the extent permitted by the rules of the Luxembourg Stock Exchange or any other exchange on which the Notes are then listed or admitted to trading) be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Any such notices shall be deemed to have been given to the Noteholders on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

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. **Third Party Rights**

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

23. **Governing Law and Jurisdiction**

(a) *Governing law*: The Agency Agreement and the rights and obligations in respect of the Notes and the Coupons, and any non-contractual obligations arising out of or in connection with each of the foregoing, are governed by, and shall be construed in accordance with, English law, save that the provisions described in Condition 24 (*Acknowledgement of Bail-in Power*), Condition 4(a) (*Status – Senior Notes*), Condition 4(b) (*Status – Senior Non-Preferred Notes issued by the Issuer*) and Condition 4(c) (*Status – Subordinated Notes issued by the Issuer*) and any non-contractual obligations arising out of or in connection with both such provisions, shall be governed by the laws of the Republic of Italy.

(b) *Jurisdiction*: In the Agency Agreement the Issuer has irrevocably agreed for the benefit of the Noteholders and the Couponholders that the courts of England are to have exclusive jurisdiction to hear and determine any suit, action or proceedings and to hear and determine any suit, action or proceedings

and to settle any disputes which may arise out of or in connection with the Agency Agreement and the Notes and the Coupons (including any non-contractual obligations arising out of or in connection with the foregoing) (respectively "**Proceedings**" and "**Disputes**") and for such purposes have irrevocably submitted to the exclusive jurisdiction of such courts.

(c) *Appropriate forum*: In the Agency Agreement the Issuer has irrevocably waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and has agreed not to claim that any such court is not a convenient or appropriate forum.

(d) *Process Agent*: In the Agency Agreement, the Issuer has agreed that the documents which start any Proceedings or any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Laurentia Financial Services Ltd which is presently at 15 Northfields Prospect, London SW 18 1PE, United Kingdom, or to such other person with an address in England and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law.

(e) *Consent to enforcement etc*: In the Agency Agreement the Issuer has consented generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

24. **Acknowledgement of Bail-in Power**

Notwithstanding any provision of these Conditions or any other agreements, arrangements, or understandings between the Issuer and any holder of the Notes and without prejudice to Article 55(1) of the BRRD, each Noteholder, by virtue of its acquisition of the Notes (whether on issuance or in the secondary market), and the Fiscal Agent acknowledges and accepts the existence of, agrees to be bound by and consents to:

(a) the effects of the exercise of the Bail-In Power by the Relevant Authority, which exercise may include and result in any of the following, or some combination thereof:

(i) the reduction of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto;

(ii) the conversion of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto, into ordinary shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of these Conditions;

(iii) the cancellation of the Notes or the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; and

(iv) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest become payable, including by suspending payment for a temporary period; and

(b) the variation of these Conditions, as deemed necessary by the Relevant Authority, to give effect to the exercise of the Bail-In Power by the Relevant Authority.

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 Authority.

Upon the Issuer becoming aware of the exercise of the Bail-In Power by the Relevant Authority with respect to the Notes, the Issuer shall provide a notice to the holders of the Notes in accordance with Condition 19 (*Notices*) as soon as reasonably practicable. The Issuer shall also deliver a copy of such notice to the Fiscal Agent for information purposes. 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 Condition 24 (*Acknowledgement of Bail-in Power*).

The exercise of the Bail-In Power by the Relevant 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 to the outstanding principal amount of the Notes subject to any modification of the amount of interest payments to reflect the reduction of the outstanding principal amount, and any further modification of the terms that the Relevant Authority may decide in accordance with applicable laws and regulations, including in particular the BRRD and the SRM Regulation, and any other relevant provisions under the Applicable Banking Regulations.

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 the Bail-In Power.

TERMS AND CONDITIONS OF THE ITALIAN LAW NOTES

*The following is the text of the terms and conditions of the Notes governed by Italian Law (the "**Italian Law Notes**" or the "**Notes**") 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 "Conditions applicable to Global Notes" above.*

1. **Introduction**

(a) *Programme*: illimity Bank S.p.A. ("**illimity**" or the "**Issuer**"), has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €3,000,000,000 in aggregate principal amount of notes (the "**Note**s").

(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 complete these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms.

(c) *Agency Agreement*: The Notes are the subject of a fiscal amended and restated agency agreement dated 4 November 2021 (the "**Agency Agreement for the Italian Law Notes**" or "**Agency Agreement**") between the Issuer and BNP Paribas Securities Services as fiscal agent (in such capacity, the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time) and the paying agent named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

(d) *The Notes*: All subsequent references in these Conditions to Notes are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection and obtainable free of charge by the public during normal business hours at the Specified Office of the Fiscal Agent.

(e) *Summaries*: Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. Noteholders and Couponholders, if any, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. **Definitions and Interpretation**

(a) *Definitions*

In these Conditions the following expressions have the following meanings:

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

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

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

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the quantum of the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines should be applied to the Successor Rate or the Alternative Benchmark Rate (as the case may be) to reduce or eliminate, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Benchmark Rate (as the case may be) and is the spread, quantum formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of an Alternative Benchmark Rate or (where (i) above does not apply) in the case of a Successor Rate, the Independent Adviser determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Benchmark Rate (as the case may be); or

(iii) (if the Independent Adviser determines that (i) above does not apply and no such spread, quantum formula or methodology is recognised or acknowledged as being customary market usage as referred to in (ii) above) to be appropriate;

"**Alternative Benchmark Rate**" means an alternative to the Reference Rate which the Independent Adviser determines in accordance with Condition 6(g) (ii) (*Successor Rate or Alternative Benchmark Rate*) has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) or if no such rate exists, the rate which is most comparable to the Original Reference Rate, for a comparable interest period and in the same Specified Currency as the Notes;

"**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 and applicable to the Issuer or the Group (as the case may be), including, without limitation, the BRRD, the BRRD Implementing Decrees, the CRD V Package, the Capital Instruments Regulations, Circular No. 285, the Banking Reform Package, the SRM Regulation and any other regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority or of the institutions of the European Union (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 or the Group, as the case may be) and standards and guidelines issued by the European Banking Authority;

"**Bail-in Power**" means any statutory write-down, conversion, transfer, modification and/or suspension 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 in effect and applicable in the relevant Member State to the Issuer or other entities of the Group (as the case may be), including but not limited to any laws, regulations, rules or requirements set forth in or implementing the BRRD, the BRRD Implementing Decrees and/or the SRM Regulation or any successor laws, regulations, rules or requirements establishing a framework for the recovery and resolution of the Issuer (and/or other entities of the Group, where applicable) within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of the Issuer (and/or other entities of the Group, where applicable) can be reduced, cancelled, transferred, modified, suspended for a temporary period and/or converted into shares or obligations of the obligor or any other person, whether in combination with a resolution action or otherwise;

"**Banking Reform Package**" means: (i) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 575/2013 as regards the leverage ratio, the net stable funding ration, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposure to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No. 648/2012; (ii) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 806/2014 as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms; (iii) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures; and (iv) Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms and Directive 98/26/EC;

"**Bank Creditor Hierarchy Directive**" means Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy, as amended, supplemented or replaced from time to time;

"**Benchmark Amendments**" has the meaning given to it in Condition 6(g) (iv) (*Benchmark Amendments*);

"**Benchmark Event**" means:

(A) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to be calculated, administered or published;

(B) the later of (i) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (ii) the date falling six months prior to the specified date referred to in (B)(i) above;

(C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued;

(D) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (ii) the date falling six months prior to the specified date referred to in (D)(i) above;

(E) the later of (i) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (ii) the date falling six months prior to the specified date referred to in (E)(i) above; or

(F) it has become unlawful for any Paying Agent, the Calculation Agent or such other party as specified in the relevant Final Terms to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate including, without limitation, under the BMR, if applicable.

"**BMR**" means Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014;

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of May 15 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**BRRD Implementing Decrees**" means the Legislative Decrees No. 180 and 181 of November 16, 2015, implementing the BRRD in the Republic of Italy, as amended or replaced from time to time (including, without limitation, as a consequence of the transposition of the Banking Reform Package into Italian law);

"**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

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

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

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred *provided, however, that:*

(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;

(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 the 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 relevant Final Terms;

"**Capital Instruments Regulations**" means the Delegated Regulation and any other rules or regulations of the Relevant Authority or of the institutions of the European Union or which are otherwise applicable to the Issuer or the Group (as the case may be and, where applicable), whether introduced before or after the Issue Date, which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer or the Group (as the case may be) to the extent required under the CRD V Package (including, without limitation, any rules or regulations implementing the Banking Reform Package);

"**CET1 Instruments**" means at any time common equity tier 1 instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Consolidated Banking Act**" means the Legislative Decree of 1 September 1993, No. 385 of the Republic of Italy as amended or replaced from time to time;

"**Couponholder**" means the holder of a Coupon;

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

"**CRD IV**" means Directive 2013/36/EU of the European Parliament and of the Council of June 26 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package), lastly by Regulation (EU) No. 2019/876 (CRRII) and Directive (EU) No. 2019/878;

"**CRD IV Package**" means the CRR and the CRD IV;

"**CRR**" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26 2013 setting out prudential requirements for credit institutions and investment firms, as amended or replaced from time to time (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

"**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 (1) the actual number of days in such Regular Period and (2) 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/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**" (in respect of Condition 5 (*Fixed Rate Note Provisions*)) is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation

Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(vi) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(vii) If "**30/360**" (in respect of Condition 6 (*Floating Rate Note and Benchmark Replacement*)) or "**360/360**" 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:

Day Count Fraction =

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

where

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" 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 D_1 is greater than 29, in which case D_2 will be 30; and

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

Day Count Fraction =

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" 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

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

Day Count Fraction =

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" 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 D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 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;

"**Delegated Regulation**" means Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014 supplementing the CRR with regard to the regulatory technical standards for Own Funds requirements for institutions, as amended, supplemented or replaced from time to time (including, without limitation, as a consequence of any rules or regulations implementing the Banking Reform Package);

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

"**Eligible Liabilities**" means at any time eligible liabilities as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Eligible Liabilities Instruments**" means at any time eligible liabilities instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**euro**" means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities as amended from time to time;

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

"**Final Redemption Amount**" means, in respect of any Note (other than Inflation Linked Notes), its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms *provided that*, in any case, such amount will be at least equal to the relevant par

value. In respect of Inflation Linked Notes, the "Final Redemption Amount" means an amount different from the relevant par value as may be specified in the relevant Final Terms, *provided that* under no circumstances shall the Final Redemption Amount be less than the Aggregate Nominal Amount of the Notes;

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

"**Group**" means the Issuer and its consolidated Subsidiaries (or any other entities that are consolidated in the Issuer's calculation of its Own Funds on a consolidated basis in accordance with Applicable Banking Regulations);

"**Holder**" means a holder of a Note;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 6(g) (*Benchmark Replacement*) at its own expense;

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

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

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as of 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;

"**Loss Absorption Requirement**" means the power of the Relevant Authority to impose that Own Funds instruments or other liabilities of the Issuer or entities of the Group (as the case may be) are subject to full or partial write-down of the principal or conversion into CET1 Instruments or other instruments of ownership in accordance with Article 59 of the BRRD and the related national implementing provisions applicable to the Issuer or entities of the Group (as the case may be);

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

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

"**Maturity Date**" has the meaning given in the relevant Final Terms;

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

"**MREL Disqualification Event**" means that, by reason of the introduction of, or a change in, any MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the relevant Series of Notes, all or part of the aggregate outstanding nominal amount of a Series of Senior Notes and/or of Senior Non-Preferred Notes (as the case may be) are or will be excluded fully or partially from the liabilities that are eligible to meet the MREL Requirements. For the avoidance of doubt: (a) the exclusion of a Series of Notes from the liabilities that are eligible to meet the MREL Requirements due to the remaining maturity of such Notes being less than any period prescribed thereunder does not constitute a MREL Disqualification Event; (b) the exclusion of all or some of a Series of Notes from the MREL Requirements due to there being insufficient headroom for such Notes within any prescribed exception to the otherwise applicable general requirements for liabilities that are eligible to meet the MREL Requirements does not constitute a MREL Disqualification Event; and (c) the exclusion of all or some of a Series of Senior Notes or Senior Non-Preferred Notes from the MREL Requirements as a result of such Notes being purchased by or on behalf of the Issuer or as a result of a purchase which is funded directly or indirectly by the Issuer, does not constitute a MREL Disqualification Event;

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

"**Multiplier**" has the meaning given in the relevant Final Terms;

"**Noteholder**" means a holder of a Note;

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

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

"**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 Reference Rate**" means the originally-specified Reference Rate, benchmark or screen rate (as applicable) used to determine the relevant Rate of Interest (or any component part thereof) on the Notes;

"**Own Funds**" shall have the meaning assigned to such term in the CRR as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Own Funds Instruments**" means at any time own funds instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**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; or

"**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* in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"**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;

"**Qualifying Senior Notes**" means securities issued directly or indirectly by the Issuer that:

(i) (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) include a ranking at least equal to that of the Senior Notes; (C) have the same Rate of Interest and the same Interest Payment Dates as those from time to time applying to the Senior Notes; (D) have the same redemption rights as the Senior Notes; (E) preserve any existing rights under the Senior Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation; (F) are assigned (or maintain) the same or higher solicited credit ratings as were assigned to the Senior Notes immediately prior to such variation or substitution, unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 23 (*Acknowledgment of Bail-in Power*) with respect to Senior Notes; and (G) other than in respect of the effectiveness and enforceability of Condition 23 (*Acknowledgment of Bail-in Power*) with respect to Senior Notes, have terms not materially less favorable to a holder of the Senior Notes, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing which is independent of the Group, than the terms of the Senior Notes; and

(ii) are listed on a recognized stock exchange if the Senior Notes were listed immediately prior to such variation or substitution.

"**Qualifying Senior Non-Preferred Notes**" means securities issued directly or indirectly by the Issuer that:

(i) (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) include a ranking at least equal to that of the Senior Non-Preferred Notes; (C) have the same Rate of Interest and the same Interest Payment Dates as those from time to time applying to the Senior Non-Preferred Notes; (D) have the same redemption rights as the Senior Non-Preferred Notes;

(E) preserve any existing rights under the Senior Non-Preferred Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation; (F) are assigned (or maintain) the same or higher solicited credit ratings as were assigned to the Senior Non-Preferred Notes immediately prior to such variation or substitution, unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 23 (*Acknowledgment of Bail-in Power*); and (G) other than in respect of the effectiveness and enforceability of Condition 23 (*Acknowledgment of Bail-in Power*), have terms not materially less favorable to a holder of the Senior Non-Preferred Notes, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing which is independent of the Group, than the terms of the Senior Non-Preferred Notes; and

(ii) are listed on a recognized stock exchange if the Senior Non-Preferred Notes were listed immediately prior to such variation or substitution.

"**Qualifying Subordinated Securities**" means securities, whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:

(i) (A) contain terms such that they comply with the then-current minimum requirements under the Applicable Banking Regulations for inclusion in the Tier 2 Capital of the Issuer or the Group (as applicable); (B) include a ranking at least equal to that of the Subordinated Notes; (C) have the same Rate of Interest and the same Interest Payment Dates as those from time to time applying to the Subordinated Notes; (D) have the same redemption rights as the Subordinated Notes; (E) preserve any existing rights under the Subordinated Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of substitution or variation; (F) are assigned (or maintain) the same or higher solicited credit ratings as were assigned to the Subordinated Notes immediately prior to such variation or substitution, unless any downgrade is solely attributable to the effectiveness and enforceability of Condition 23 (*Acknowledgment of Bail-in Power*); and (G) other than in respect of the effectiveness and enforceability of Condition 23 (*Acknowledgment of Bail-in Power*), have terms not materially less favorable to a holder of the Subordinated Notes, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing which is independent of the Group, than the terms of the Subordinated Notes; and

(ii) are listed on a recognized stock exchange if the Subordinated Notes were listed immediately prior to such variation or substitution;

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

"**Redemption Amount**" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"**Reference Banks**" has the meaning given in the relevant Final Terms or, if none, four major banks selected by the Issuer or an agent appointed by the Issuer in the market that is most closely connected with the Reference Rate;

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

"**Reference Rate**" has the meaning given in the relevant Final Terms;

"**Reference Rate Multiplier**" has the meaning given 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**" means any change (or pending change which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Subordinated Notes from their classification on the Issue Date that results, or would be likely to result, in their exclusion in full or, to the extent permitted under the Applicable Banking Regulations, in part, from the Tier 2 Capital of the Issuer or, where applicable in accordance with the Applicable Banking Regulations, a reclassification as a lower quality form of Own Funds;

"**Relevant Authority**" means, as the context may require, (i) the European Central Bank or the Bank of Italy, acting within the framework of the Single Supervisory Mechanism, or any successor or replacement authority having responsibility for the prudential oversight and supervision of the Issuer or the Group (as the case may be), and/or (ii) the Single Resolution Board, the European Council, the European Commission or the Bank of Italy, acting within the framework of the Single Resolution Mechanism, or any successor or replacement authority having responsibility for the resolution of the Issuer or other entities of the Group (as the case may be);

"**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 Paying 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 Nominating Body**" means, in respect of the Original Reference Rate:

(i) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank, reserve bank, monetary authority or any similar institution for the currency to which the Original Reference Rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof.

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

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

"**Reserved Matter**" has the meaning ascribed thereto in the Agency Agreement;

"**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;

"**Single Resolution Mechanism**" means the single resolution mechanism established pursuant to the SRM Regulation;

"**Single Supervisory Mechanism**" means the single supervisory mechanism established pursuant to the SSM Regulation;

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

"**SSM Regulation**" means Council Regulation (EU) No. 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, as amended, supplemented or replaced from time to time;

"**Subsidiary**" means any company or person that is controlled by the Issuer pursuant to Article 23 of the Consolidated Banking Act;

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body;

"**Switch Option**" means, if Change of Interest Basis and Issuer's Switch Option are specified as applicable in the applicable Final Terms, the option of the Issuer, at its sole absolute discretion, on one or more occasions and subject to the provisions of Condition 6(i) (*Change of Interest Basis*), to change the Interest Basis of the Notes from Fixed Rate to Floating Rate, to Floating Rate to Fixed Rate or as otherwise specified in the applicable Final Terms, with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms to (but excluding) the Maturity Date;

"**Talon**" means a talon for further Coupons;

"**TARGET Settlement Day**" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System (or any successor to TARGET2) is open for the settlement of payments in euro;

"**Tier 1 Capital**" means at any time tier 1 capital as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Tier 2 Capital**" has the meaning given to it from time to time in the Applicable Banking Regulations;

"**Tier 2 Instruments**" means at any time tier 2 instruments as interpreted and applied in accordance with the Applicable Banking Regulations;

"**Treaty**" means the Treaty of the Functioning of the European Union, as amended;

"**Yield**" means the yield specified in the Final Terms, as calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield; 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 shall be construed as a reference to the Agency Agreement, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination and Title**

The Notes will be issued in bearer form in the Specified Denomination(s) with Coupons (if applicable) 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.

(a) *Title to Notes:* Title to Notes and Coupons will pass by delivery.

(b) *Minimum Denomination:* The minimum denomination per Note will be €100,000.

(c) *Ownership:* The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. **Status of the Notes**

(a) **Status – Senior Notes**

*This Condition 4(a) is applicable in relation to Senior Notes and specified in the Final Terms as being Senior Notes (and, for the avoidance of doubt, does not apply to Senior Non-Preferred Notes) ("**Senior Notes**").*

The Senior Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (subject to any obligations preferred by any applicable law) equally with all other unsecured and unsubordinated indebtedness and monetary obligations (including deposits) of the Issuer, present and future (other than

obligations ranking, in accordance with their terms and/or by provision of law, junior to the Senior Notes from time to time (including Senior Non-Preferred Notes and any further obligations permitted by law to rank junior to the Senior Notes following the Issue Date)) if any.

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

(b) **Status - Senior Non-Preferred Notes**

*This Condition 4(b) is applicable only to Senior Non-Preferred Notes issued by the Issuer specified in the applicable Final Terms as Non-Preferred Senior obligations and intended to qualify as "strumenti di debito chirografario di secondo livello" of the Issuer, as defined under Article 12 bis of the Consolidated Banking Act, as amended from time to time ("**Senior Non-Preferred Notes**").*

Senior Non-Preferred Notes (notes intending to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under, and for the purposes of, Article 12-bis and Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Act and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority) constitute direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer, ranking:

(i) junior to Senior Notes and any other unsecured and unsubordinated obligations of The Issuer which rank, or are expressed to rank by their terms and/or by provision of law, senior to the Senior Non-Preferred Notes including claims arising from the excluded liabilities within the meaning of Article 72a(2) of the CRR;

(ii) *pari passu* without any preferences among themselves, and with all other present or future obligations of The Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes; and

(iii) in priority to any subordinated instruments and to the claims of shareholders of the Issuer,

in all such cases in accordance with Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Act, as amended from time to time, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority and/or any laws, regulations or guidelines implementing the rules set forth in the Bank Creditor Hierarchy Directive.

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

(c) **Status – Subordinated Notes**

*This Condition 4(c) is applicable only in relation to Subordinated Notes issued by The Issuer and specified in the Final Terms as being subordinated and intended to qualify as Tier 2 Capital ("**Subordinated Notes**").*

(i) ***Status of Subordinated Notes***

The Subordinated Notes (notes intended to qualify as Tier 2 Capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Bank of Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time (the "**Bank of Italy Regulations**"), including any successor regulations, and Article 63 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms) constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and with all other present and future unsecured and subordinated obligations of the Issuer (other than those subordinated obligations expressed by their terms to rank lower or higher than the Subordinated Notes) save of those preferred by mandatory and/or overriding provisions of law. In the event of compulsory

winding-up (*liquidazione coatta amministrativa*) pursuant to Articles 80 and following of the Consolidated Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with Article 96-*quinquies* of the Consolidated Banking Act, the payment obligations of the Issuer in respect of principal and interest under the Subordinated Notes will be subordinated to the claims of the Senior Creditors (as defined below) and will rank *pari passu* with Parity Creditors.

"**Senior Creditors**" means creditors of the Issuer whose claims are admitted to proof in the winding up of the Issuer and who are either (a) unsubordinated creditors of the Issuer or (b) creditors of the Issuer whose claims against the Issuer are, or are expressed to be, subordinated in the event of the winding up of the Issuer but senior to the Subordinated Notes, and

"**Parity Creditors**" means creditors of the Issuer (including, without limitation, the Noteholders and the Couponholders of Subordinated Notes or Coupons) whose claims against the Issuer are, or are expressed to be, subordinated in the event of the winding up of the Issuer in any manner to the claims of any unsecured and unsubordinated creditor of the Issuer, but excluding those subordinated creditors of the Issuer (if any) whose claims rank, or are expressed to rank, junior or senior to the claims of the Noteholders and the Couponholders of Subordinated Notes or Coupons and/or to the claims of any other creditors of the Issuer whose claims rank, or are expressed to rank, *pari passu* with the claims of the Noteholders and the Couponholders of Subordinated Notes or with whose claims the claims of the Noteholders and the Couponholders of Subordinated Notes or Coupons rank, or are expressed to rank, *pari passu*.

(ii) ***Loss Absorption***

The Subordinated Notes (including, for the avoidance of doubt, payments of principal and/or interest) shall be subject to the Loss Absorption Requirement, if so required under the BRRD and/or the SRM Regulation, in accordance with the powers of the Relevant Authority and where the Relevant Authority determines that the application of the Loss Absorption Requirement to the Subordinated Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

(iii) ***Set-Off***

Subject to applicable law, neither any Noteholders and Couponholders of Subordinated Notes or Coupons nor the Fiscal Agent may exercise or claim any right of set-off in respect of any amount owed to it by The Issuer arising under or in connection with the Subordinated Notes or Subordinated Coupons and each Noteholder and Couponholder of Subordinated Notes or Coupons shall, by virtue of his subscription, purchase or holding of any Subordinated Note or Subordinated Coupon, be deemed to have waived all such rights of set-off.

(d) **No negative pledge**

There is no negative pledge in respect of the Notes.

5. **Fixed Rate Note Provisions**

(a) *Application*: This Condition 5 (*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; and (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, and including, 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 5 (*Fixed Rate Note Provisions*) (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). As specified in the relevant Final Terms, interest from such Notes may accrue on a different basis from that set out in this Condition 5 (*Fixed Rate Note Provisions*).

(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.

(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 and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency. Where the Specified Denomination of a Fixed Rate Note is the multiple of the Calculation Amount, the Amount of interest payable in respect of such Fixed Rate Note shall be the multiple of the product of the amounts (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

6. **Floating Rate Note and Benchmark Replacement**

(a) *Application*: This Condition 6 (*Floating Rate Note and Benchmark Replacement*) is applicable to the Notes only if (a) the Floating Rate Note Provisions, EONIA Linked Interest Notes, CMS Linked Interest Notes or the Inflation Linked Note Provisions are specified in the relevant Final Terms as being applicable; and (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. Condition 6(g) (*Benchmark Replacement*) is applicable also if the Reset Note Provisions are specified in the relevant Final Terms as being applicable. The applicable Final Terms contain provisions applicable to the determination of the interest and must be read in conjunction with this Condition 6 (*Floating Rate Note and Benchmark Replacement*) for full information on the manner in which interest is calculated.

(b) *Accrual of interest*: The Notes bear interest from, and including, 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 7(b) (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). As specified in the relevant Final Terms, interest from such Notes may accrue on a different basis from that set out in this Condition 6 (*Floating Rate Note and Benchmark Replacement*).

(c) *Screen Rate Determination (other than EONIA and 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, 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,:

(A) the Issuer or an agent appointed by the Issuer will request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(B) the Calculation Agent will determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Issuer or an agent appointed by the Issuer, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for deposits 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:

(v) if "Multiplier" is specified in the relevant Final Terms as not being applicable, the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined (the "**Determined Rate**");

(vi) if "**Multiplier**" is specified in the relevant Final Terms as being applicable the sum of (i) the Margin and (ii) the relevant Determined Rate multiplied by the Multiplier;

(vii) if "**Reference Rate Multiplier**" is specified in the relevant Final Terms as being applicable, the sum of (i) the Margin, and (ii) the relevant Determined Rate multiplied by the Reference Rate Multiplier,

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 the immediately preceding Interest Period for which such rate or arithmetic mean was determined.

(d) *Floating Rate Notes which are EONIA Linked Interest Notes*: Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified as being EONIA, the Rate of Interest for each Interest Period will, subject as provided below, be the rate of return of a daily compound interest investment (with the arithmetic mean of the daily rates of the day-to-day Euro-zone interbank euro money market as reference rate for the calculation of interest) plus or minus (as indicated in the applicable Final Terms) the Margin (if any) and will be calculated by the Calculation Agent on the Interest Determination Date of the Interest Period, as follows, and the resulting percentage will be rounded, if necessary, to the nearest one ten-thousandth of a percentage point, with 0.00005 being rounded upwards:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{EONIA_i \; x \; n_i}{360}\right)-1\right] x \; \frac{360}{D} + Margin \; x \; D/360$$

or

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{(EONIA_i \; + \; Margin\,) \; x \; n_i}{360}\right)-1\right] x \; \frac{360}{D}$$

where

"**d_o**" for any Interest Period, is the number of Business Days in the relevant Interest Period;

"**i**" is a series of whole numbers from one to do, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Interest Period;

"**EONIA$_i$**", for any day "**i**" in the relevant Interest Period, is a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on the Reuters Screen EONIA Page or such other page or service as may replace such page for the purposes of displaying the Euro overnight index average rate of leading reference banks for deposits in Euro (the EONIA Page) in respect of that day *provided that*, if, for any reason, on any such day "i", no rate is published on the EONIA Page, the Calculation Agent will request the principal office in the Euro-zone of each of the Reference Banks (but which shall not include the Calculation Agent) to provide with its quotation of the rate offered by it at approximately 11.00 a.m. (Brussels time) on such day "i", to prime banks in the Euro-zone inter-bank market for Euro overnight index average rate for deposits in Euro in an amount that is, in the reasonable opinion of the Calculation Agent, representative for a single transaction in the relevant market at the relevant time. The applicable reference rate for such day "i" shall be the arithmetic mean (rounded if necessary, to the nearest ten-thousandth of a percentage point, with 0.00005 being rounded upwards) of at least two of the rates so quoted, it being *provided that* if less than two rates are provided to the Calculation Agent, the applicable reference rate shall be determined by the Calculation Agent after consultation with an independent expert;

"**n_i**" is the number of calendar days in the relevant Interest Period on which the rate is EONIAi; and

"**D**" is the number of calendar days in the relevant Interest Period.

(e) *Floating Rate Notes which are CMS Linked Interest Notes*: Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be calculated as it follows, subject to letter (g) below:

(w) where "**CMS Reference Rate**" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

CMS Rate + Margin

(x) where "**Leveraged CMS Reference Rate**" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

Either:

(a) L x CMS Rate + M

(b) Min [max (L x CMS Rate + M; F); C]

(y) where "**Steepener CMS Reference Rate**" is specified as the Reference Rate in the applicable Final Terms, determined by the Calculation Agent by reference to the following formula:

Either:

(a) where "**Steepener CMS Reference Rate: Unleveraged**" is specified in the applicable Final Terms:

Min {[max (CMS Rate 1 – CMS Rate 2) + M; F]; C}

or:

(b) where "**Steepener CMS Reference Rate: Leveraged**" is specified in the applicable Final Terms:

Min {[max [L x (CMS Rate 1 – CMS Rate 2) + M; F]; C}

where:

C = Cap (if applicable)

F = Floor

L = Leverage

M= Margin

For the purposes of sub-paragraph (y):

"**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 of the specified time on the Interest Determination Date in question, all as determined by the Calculation Agent. The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available; and

"**Cap**", **"CMS Rate 1**", "**CMS Rate 2**", **"Floor**", **"Leverage**" and "**Margin**" shall have the meanings given to those terms in the applicable Final Terms.

(f) *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:

(i) if "**Multiplier**" is specified in the relevant Final Terms as not being applicable, the sum of the Margin and the relevant ISDA Rate;

(ii) if "**Multiplier**" is specified in the relevant Final Terms as being applicable the sum of (i) the Margin and (ii) the relevant ISDA Rate multiplied by the Multiplier;

(iii) if "**Reference Rate Multiplier**" is specified in the relevant Final Terms as being applicable, the sum of (i) the Margin, and (ii) the relevant ISDA Rate multiplied by the Reference Rate Multiplier,

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:

(iv) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(v) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and

(vi) the relevant Reset Date (as defined in the ISDA Definitions) is as specified in the relevant Final Terms.

(g) *Benchmark Replacement*: Notwithstanding the provisions above in this Condition 6 (*Floating Rate Note and Benchmark Replacement*), if a Benchmark Event occurs in relation to an Original Reference Rate at any time when these Conditions provide for any remaining Rate of Interest (or any component part(s) thereof) to be determined by reference to such Original Reference Rate, then the following provisions shall apply.

(i) *Independent Adviser*: The Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate,

failing which an Alternative Benchmark Rate (in accordance with Condition 6(g) (ii)(*Successor Rate or Alternative Benchmark Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 6(g) (iii) (*Adjustment Spread*)) and any Benchmark Amendments (in accordance with Condition 6(g) (iv) (*Benchmark Amendments*)).

An Independent Adviser appointed pursuant to this Condition 6(g) (*Benchmark Replacement*) shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer and (in the absence of bad faith, fraud or gross negligence) shall have no liability whatsoever to the Issuer, the Paying Agents, the Calculation Agent, any other party specified in the relevant Final Terms as being responsible for calculating the Rate of Interest or the Noteholders for any determination made by it or for any advice given to the Issuer in connection with to the operation of this Condition 6(g) (*Benchmark Replacement*).

(ii) *Successor Rate or Alternative Benchmark Rate*: If the Independent Adviser determines that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 6(g) (iii)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 6(g) (*Benchmark Replacement*)); or

(B) there is no Successor Rate but that there is an Alternative Benchmark Rate, then such Alternative Benchmark Rate shall (subject to adjustment as provided in Condition 6(g) (iii) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 6(g) (*Benchmark Replacement*)).

(iii) *Adjustment Spread*: If the Independent Adviser determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Benchmark Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Benchmark Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Benchmark Rate (as applicable).

(iv) *Benchmark Amendments*: If any Successor Rate, Alternative Benchmark Rate or Adjustment Spread is determined in accordance with this Condition 6(g) (*Benchmark Replacement*) and the Independent Adviser determines (i) that amendments to these Conditions (including without limitation, amendments to the definitions of Day Count Fraction, Business Day, Relevant Screen Page, Interest Determination Date, Relevant Time, Relevant Financial Centre, Reference Banks, Principal Financial Centre, Business Day Convention or Additional Business Centre) are necessary to ensure the proper operation of such Successor Rate, Alternative Benchmark Rate and/or Adjustment Spread (such amendments, the "Benchmark Amendments") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, and subject to the Issuer giving notice thereof in accordance with Condition 6(g) (v) (*Notices, etc.*), without any requirement for the consent or approval of Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 6(g) (iv) (*Benchmark Amendments*), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading.

(v) *Notices, etc.*: The Issuer shall notify the Paying Agents and the Calculation Agent or any other party specified in the relevant Final Terms as being responsible for calculating the Rate of Interest and, in accordance with Condition 19 (*Notices*), the Noteholders promptly of any Successor Rate, Alternative Benchmark Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 6(g) (*Benchmark Replacement*).

Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period.

The Successor Rate or Alternative Benchmark Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such notice will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Benchmark Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any)) be binding on the Issuer, the Paying Agents, the Calculation Agent, any other party specified in the relevant Final Terms as being responsible for calculating the Rate of Interest, the Noteholders.

(vi) *Survival of Original Reference Rate*: Without prejudice to the obligations of the Issuer under the provisions of this Condition 6(g) (*Benchmark Replacement*), the Original Reference Rate and the fallback provisions provided for in Condition 6 (*Floating Rate Note and Benchmark Replacement*) will continue to apply unless and until a Benchmark Event has occurred and only then once the Paying Agents and Calculation Agent or such other party specified in the relevant Final Terms, as applicable, have been notified of the Successor Rate or Alternative Benchmark Rate (as the case may be) and any Adjustment Spread (if applicable) and Benchmark Amendments (if applicable) in accordance with Condition 6(g) (v) (*Notices, etc.*).

(vii) *Fallbacks*: If, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest on the relevant Interest Determination Date, the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by it fails to determine a Successor Rate or Alternative Benchmark Rate (as applicable) pursuant to this Condition 6(g) (*Benchmark Replacement)* by such Interest Determination Date, or, if the provisions relating to the occurrence of a Regulatory Event in case of a Benchmark Event is specified as applicable in the relevant Final Terms, the provisions under paragraphs from (i) to (iv) above would case the occurrence of a Regulatory Event, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period).

For the avoidance of doubt, this Condition 6(g) (*Benchmark Replacement*) shall apply to the determination of the Rate of Interest on the relevant Interest Determination Date only, and the Rate of Interest applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 6(g) (*Benchmark Replacement*).

(h) *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.

(i) *Change of Interest Basis.* If Change of Interest Basis is specified as applicable in the applicable Final Terms, the interest payable in respect of the Notes will be calculated in accordance with Condition 5 (*Fixed Rate Note Provisions*) or Condition 6 (*Floating Rate Note and Benchmark Replacement*), each applicable only for the relevant periods specified in the applicable Final Terms.

If Change of Interest Basis is specified as applicable in the applicable Final Terms, and Issuer's Switch Option is also specified as applicable in the applicable Final Terms, the Issuer may, on one or more occasions, as specified in the applicable Final Terms, at its option (any such option, a "**Switch Option**"), having given notice to the Noteholders in accordance with Condition 19 (*Notices*) on or prior to the relevant Switch Option Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating

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

"**Switch Option Expiry Date**" and "**Switch Option Effective Date**" shall mean any date specified as such in the applicable Final Terms *provided that* any date specified in the applicable Final Terms as a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having been notified to the Issuer pursuant to this Condition and in accordance with Condition 19 (*Notices*) prior to the relevant Switch Option Expiry Date.

(j) *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 of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where the Specified Denomination of a Floating Rate Note or an Inflation Linked Interest Note is the multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amounts (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

(k) *Calculation of other amounts*: If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.

(l) *Publication*: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Fiscal Agent and each stock exchange (if any) on which the Notes are then listed 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 in accordance with Condition 19 (*Notices*). 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.

(m) *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 Fiscal Agent, 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.

(n) *Determination or Calculation by Fiscal Agent*: If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Fiscal Agent will make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Fiscal Agent shall apply all of the provisions of these conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be

liable for any loss, liability, cost, charge or expense which may arise as a result thereof. Any such determination or calculation made by the Fiscal Agent shall be binding on the Issuer, the Noteholders and the Couponholders.

7. **Reset Note Provisions**

(a) *Application*: This Condition 7 (*Reset Note Provisions*) is applicable to the Notes if the Reset Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Rate of Interest and Interest Payment Dates*: Each Reset Note bears interest:

(i) from (and including) the Interest Commencement Date until (but excluding) the First Reset Date at 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 applicable 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 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, subject to Condition 6(g) (*Benchmark Replacement*) and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 6 (*Floating Rate Note and Benchmark Replacement*).

(c) *Reset Reference Rate Conversion*: This Condition 7(c) (*Reset Reference Rate Conversion*) is only applicable if Reset Reference Rate Conversion is specified in the applicable Final Terms.

The First Reset Rate of Interest and, if applicable, each Subsequent Reset Rate of Interest will be converted from the Original Reset Reference Rate Payment Basis specified in the applicable Final Terms to a basis which matches the frequency of Interest Payment Dates in respect of the relevant Notes.

For the purposes of the Conditions, with regard to the Reset Notes:

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

"**First Reset Date**" means the date specified in the applicable 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 applicable Final Terms, the Maturity Date;

"**First Reset Rate of Interest**" means, in respect of the First Reset Period, 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, subject to Condition 7(c) (*Reset Reference Rate Conversion*);

"**Initial Rate of Interest**" has the meaning specified in the applicable 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 Original Reset Reference Rate Payment Basis (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 applicable 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;

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to Condition 7(c) (*Reset Reference Rate Conversion*), 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 of approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

"**Original Reset Reference Rate Payment Basis**" has the meaning specified in the applicable Final Terms. The Original Reset Reference Rate Payment Basis shall be annual, semi-annual, quarterly or monthly;

"**Rate of Interest**" means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

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

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

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

"**Subsequent Reset Date**" means the date or dates specified in the applicable 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; and

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period and subject to Condition 7(d) (*Fallback*), 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, subject to Condition 7(c) (*Reset Reference Rate Conversion*).

(d) *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, subject as provided in Condition 6(g) (*Benchmark Replacement*), request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as of 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 sum of (as applicable) the First Margin (in the case of the First Reset Rate of Interest) or the Subsequent Margin (in the case of the Subsequent Reset Rate of Interest) and the relevant Mid-Swap Rate as of 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.

For the purposes of this Condition 7 (*Reset Note Provisions*), "**Reference Banks**" means the principal office in the principal financial centre of the Specified Currency of 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.

8. **Inflation Linked Note**

This Condition 8 (*Inflation Linked Note*) is applicable to the Notes only if the Inflation Linked Notes Provisions are specified in the relevant Final Terms as being applicable.

(a) **Inflation Linked Note Provisions**

(i) **Rate of Interest – Inflation Linked Notes**

The Rate of Interest payable from time to time in respect of [YoY] Inflation Linked Notes, for each Interest Period, shall be determined by the Calculation Agent, or other party specified in the Final Terms, on the relevant Determination Date in accordance with the following formula:

Rate of Interest = [[Index Factor]*[YoY] Inflation] + Margin

subject to the Minimum Rate of Interest or the Maximum Rate of Interest if, in either case, designated as applicable in the applicable Final Terms in which case the provisions of paragraph (f) above shall apply as appropriate.

Where:

"**Index Factor**" has the meaning given to it in the applicable Final Terms, *provided that* if Index Factor is specified as "**Not Applicable**", the Index Factor shall be deemed to be equal to one;

"**Inflation Index**" has the meaning given to it in the applicable Final Terms;

"[**YoY] Inflation**" means in respect of the Specified Interest Payment Date falling in month (t), the value calculated in accordance with the following formula:

$$\left[\frac{InflationIndex(t)}{InflationIndex(t\ -1)}\ -1\right]$$

"**Inflation Index (t)**" means the value of the Inflation Index for the Reference Month in the calendar year in which the relevant Specified Interest Payment Date and/or the Maturity Date falls;

"**Inflation Index (t-1)**" means the value of the Inflation Index for the Reference Month in the calendar year preceding the calendar year in which the relevant Specified Interest Payment Date falls;

"**Margin**" has the meaning given to it in the applicable Final Terms;

"**Reference Month**" has the meaning given to it in the applicable Final Terms; and

The Rate of Interest shall be rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards.

(ii) **Redemption Amount – [YoY] Inflation Linked Notes**

The Final Redemption Amount payable on the Maturity Date in respect of [YoY] Inflation Linked Notes may be i) 100% of the Aggregate Nominal Amount of the Notes or ii) (if so specified in the applicable Final Terms) a [YoY] Indexed Redemption Amount to be calculated on the [Maturity Date/ relevant Determination Date] on the basis of the following formula:

[[YoY] Indexed Redemption Amount = Aggregate Nominal Amount x (Inflation Index (t)/Inflation Index (0))]

Where:

"**Inflation Index (t)**" means the value of the Inflation Index for the Reference Month in the calendar year in which the relevant Specified Interest Payment Date and/or the Maturity Date falls; and

"**Inflation Index (0)**" means the value of the Inflation Index for the Reference Month in the calendar year in which the relevant Issue Date falls.

The [YoY] Indexed Redemption Amount may be subject to a minimum or a maximum amount (if so specified in the applicable Final Terms) *provided that* under no circumstances shall the Final Redemption Amount be less than the Aggregate Nominal Amount of the Notes.

(iii) **Inflation Linked Note Provisions**

Unless previously redeemed or purchased and cancelled in accordance with this Condition 8 (*Inflation Linked Notes*) or as specified in the applicable Final Terms and subject to this Condition 8 (*Inflation Linked Notes*), each Inflation Linked Note will bear interest in the manner specified in the applicable Final Terms and the Conditions.

The following provisions apply to Inflation Linked Notes:

"**Additional Disruption Event**" means any of Change of Law, Hedging Disruption and/or Increased Cost of Hedging, in each case if specified in the applicable Final Terms, and such other events (if any) specified as an Additional Disruption Event in the applicable Final Terms.

"**Change of Law**" means that, on or after the Trade Date (as specified in the applicable Final Terms):

(A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or

(B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines in its discretion that (i) it has become illegal to hold, acquire or dispose of any relevant hedging arrangements in respect of the Inflation Index, or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer, any of its affiliates or any other Hedging Party).

"**Cut-Off Date**" means, in respect of a Determination Date, five (5) Business Days prior to any due date for payment under the Notes for which valuation on the relevant Determination Date is relevant, unless otherwise stated in the applicable Final Terms.

"**Delayed Index Level Event**" means, in respect of any Determination Date and an Inflation Index, that the relevant Inflation Index Sponsor fails to publish or announce the level of such Inflation Index (the Relevant Level) in respect of any Reference Month which is to be utilised in any calculation or determination to be made by the Issuer in respect of such Determination Date, at any time on or prior to the Cut-Off Date.

"**Determination Date**" means each date specified as such in the applicable Final Terms.

"**End Date**" means each date specified as such in the applicable Final Terms.

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

"**Hedging Disruption**" means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by the Calculation Agent.

"**Hedging Party**" means at any relevant time, the Issuer, or any of its affiliates or any other party providing the Issuer directly or indirectly with hedging arrangements in relation to the Notes as the Issuer may select at such time.

"**Increased Cost of Hedging**" means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or

fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), *provided that* any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its affiliates shall not be deemed an Increased Cost of Hedging.

"**Inflation Index**" means each inflation index specified in the applicable Final Terms and related expressions shall be construed accordingly.

"**Inflation Index Sponsor**" means, in relation to an Inflation Index, the entity that publishes or announces (directly or through an agent) the level of such Inflation Index which, as of the Issue Date, is the Inflation Index Sponsor specified in the applicable Final Terms.

"**Reference Month**" means the calendar month for which the level of the Inflation Index is reported as specified in the applicable Final Terms, regardless of when this information is published or announced, except that if the period for which the Relevant Level was reported is a period other than a month, the Reference Month shall be the period for which the Relevant Level is reported.

"**Related Bond**" means, in respect of an Inflation Index, the bond specified as such in the applicable Final Terms. If the Related Bond specified in the applicable Final Terms is "Fallback Bond", then, for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the applicable Final Terms as the Related Bond and "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond. If a bond is specified as the Related Bond in the applicable Final Terms and that bond redeems or matures before the End Date (i) unless "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination and (ii) if "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond.

"**Relevant Level**" has the meaning set out in the definition of "Delayed Index Level Event" above.

(iv) **Inflation Index Delay And Disruption Provisions**

(A) **Delay in Publication**

If the Calculation Agent determines that a Delayed Index Level Event in respect of an Inflation Index has occurred with respect to any Determination Date, then the Relevant Level for such Inflation Index with respect to the relevant Reference Month subject to such Delayed Index Level Event (the "**Substitute Index Level**") shall be determined by the Calculation Agent as follows:

(1) if "Related Bond" is specified as applicable for such Inflation Index in the relevant Final Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond;

(2) if (I) "Related Bond" is not specified as applicable for such Inflation Index in the relevant Final Terms, or (II) the Calculation Agent is not able to determine a Substitute Index Level under (i) above, the Calculation Agent shall determine the Substitute Index Level by reference to the following formula:

Substitute Index Level = Base Level x (Latest Level/Reference Level);

or

(3) otherwise in accordance with any formula specified in the relevant Final Terms,

in each case as of such Determination Date,

where:

"**Base Level**" means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

"**Latest Level**" means, in respect of an Inflation Index, the latest level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Index Level is being determined.

"**Reference Level**" means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

The Issuer shall give notice to Noteholders, in accordance with Condition 19 (*Notices*) of any Substitute Index Level calculated pursuant to Condition 8(iv)(A) (*Delay in Publication*).

If the Relevant Level (as defined above) is published or announced at any time on or after the relevant Cut-off Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 8 (*Inflation Linked Notes*) will be the definitive level for that Reference Month.

(B) **Cessation of Publication**

If the Calculation Agent determines that the level for the Inflation Index has not been published or announced for two (2) consecutive months, the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index or the Inflation Index Sponsor otherwise cancels the Inflation Index, then the Calculation Agent shall determine a successor inflation index (the "**Successor Inflation Index**") (in lieu of any previously applicable Inflation Index) for the purposes of the Inflation Linked Notes by using the following methodology:

(1) if at any time (other than after an early redemption or cancellation event has been designated by the Calculation Agent pursuant to Condition 8(iv)(B)(5) below), a successor inflation index has been designated by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, such successor inflation index shall be designated a "Successor Inflation Index" notwithstanding that any other Successor Inflation Index may previously have been determined under Conditions 8(iv)(B)(2), 8(iv)(B)(3) or 8(iv)(B)(4) below;

(2) if a Successor Inflation Index has not been determined pursuant to Condition 8(iv)(B)(1) above, and a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Inflation Linked Notes from the date that such replacement Inflation Index comes into effect;

(3) if a Successor Inflation Index has not been determined pursuant to Conditions 8(iv)(B)(1) or 8(iv)(B)(2) above, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If four or five responses are received and, of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the "**Successor Inflation Index**". If three responses are received and two or more leading independent dealers state the same index, this index will be deemed the "Successor Inflation Index". If fewer than three responses are received or no Successor Inflation Index is determined pursuant to this Condition 8(iv)(B)(3), the Calculation Agent will proceed to Condition 8(iv)(B)(4) below;

(4) if no replacement index or Successor Inflation Index has been determined under Conditions 8(iv)(B)(1), 8(iv)(B)(2), 8(iv)(B)(3) above by the next occurring Cut-Off Date, the Calculation Agent, subject as provided below, will determine an appropriate alternative index from such Cut-Off Date, and such index will be deemed a "Successor Inflation Index"; or

(5) if the Calculation Agent determines that there is no appropriate alternative index in relation to Inflation Linked Notes, on giving notice to Noteholders in accordance with Condition 19 (*Notices*), the Issuer shall redeem or cancel, as applicable all but not some only of the Inflation Linked Notes, each Inflation Linked Note being redeemed or cancelled, as applicable by payment of the relevant Early Redemption Amount. Payments will be made in such manner as shall be notified to the Noteholders in accordance with Condition 19 (*Notices*).

(C) **Rebasing of the Inflation Index**

If the Calculation Agent determines that the Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the "**Rebased Index**") will be used for purposes of determining the level of the Inflation Index from the date of such rebasing; *provided, however, that* the Calculation Agent shall make adjustments as are made by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, if "Related Bond" is specified as applicable in the applicable Final Terms, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased.

(D) **Material Modification Prior to Last Occurring Cut-Off**

If, on or prior to the last occurring Cut-Off Date, the Inflation Index Sponsor announces that it will make a material change to the Inflation Index then the Calculation Agent shall make any such adjustments, if "Related Bond" is specified as applicable in the applicable Final Terms, consistent with adjustments made to the Related Bond, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, only those adjustments to the Inflation Index necessary for the modified Inflation Index to continue as the Inflation Index.

(E) **Manifest Error in Publication**

With the exception of any corrections published after the day which is three (3) Business Days prior to the relevant Maturity Date, if, within thirty (30) calendar days of publication, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent may, in its discretion, make such adjustments to the terms of the Inflation Linked Notes as it determines appropriate to account for the

correction and will notify the Noteholders of any such adjustments in accordance with Condition 19 (*Notices*).

(F) **Consequences of an Additional Disruption Event**

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may at its option:

(1) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any terms of the Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or

(2) redeem or cancel, as applicable, all but not some of the Inflation Linked Notes on the date notified by the Calculation Agent to Noteholders in accordance with Condition 19 (*Notices*) by payment of the relevant Early Redemption Amount, as of the date of redemption or cancellation, as applicable, taking into account the relevant Additional Disruption Event. The redemption or cancellation referred to in this Condition 8(a)(iv) (*Inflation Index Delay and Disruption Provisions*) shall be subject to (i) in case of Senior Notes and Senior Non-Preferred Notes, Condition 10(n) (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*) and (ii) in case of Subordinated Notes, Condition 10(m) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

(G) **Inflation Index Disclaimer**

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

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.

(b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

(i) the Reference Price; and

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

10. **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).*

Pursuant to Article 12-*bis*, paragraph 1, letter *a)*, of the Consolidated Banking Act, the Maturity Date of the Senior Non-Preferred Notes shall not fall earlier than twelve months after their Issue Date.

The Maturity Date of Subordinated Notes shall not fall earlier than five years after their Issue Date, as provided under the Applicable Banking Regulations.

In the case of Subordinated Notes, the redemption referred to in this Condition 10(a) shall be subject to Condition 10(m) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

In the case of Senior Notes and Senior Non-Preferred Notes, the redemption referred to in this Condition 10(a) shall be subject to Condition 10(n) (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*).

(b) *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(i) at any time (if neither the Floating Rate Note Provisions or the Inflation Linked 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 or the Inflation Linked Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if the Issuer satisfies the Fiscal Agent immediately prior to the giving of the notice by the Issuer referred to above that it 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 or agency thereof or therein, or any change in the application or interpretation or administration 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; and such obligation cannot be avoided by the Issuer taking reasonable measures available to it (any such event, a "**Tax Event**").

At least 15 days prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two duly authorised officers 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 such evidence shall be sufficient to the Fiscal Agent and conclusive and binding on the Noteholders). 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).

In the case of Subordinated Notes, the redemption referred to in this Condition 10(b) shall be subject to Condition 10(m) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

In the case of Senior Notes and Senior Non-Preferred Notes, the redemption referred to in this Condition 10(b) shall be subject to Condition 10(n) (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*).

(c) *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 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 giving not less than 15 nor more than 30 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).

In the case of Subordinated Notes, no Call Option in accordance with this Condition 10(c) (*Redemption at the option of the Issuer*) may be exercised by the Issuer to redeem, in whole or in part, such Notes prior to the fifth anniversary of their Issue Date. After the fifth anniversary of such Issue Date, the redemption referred to in this Condition 10(c) (*Redemption at the option of the Issuer*) shall be subject to Condition 10(m) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

In the case of Senior Notes and Senior Non-Preferred Notes, the redemption referred to in this Condition 10(c) (*Redemption at the option of the Issuer*) shall be subject to Condition 10(n) (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*).

(d) *Partial redemption:* If Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*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 stock exchange on which the Notes are then listed, and the notice to Noteholders referred to in Condition 10(c) (*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.

(e) *Redemption at the option of Noteholders:*

This provision is not applicable to Senior Non-Preferred Notes and Subordinated Notes.

If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note, redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. The applicable Final Terms contains provisions applicable to any Put Option and must be read in conjunction with this Condition 10(e) for full information on any Put Option. In particular, the applicable Final Terms will identify the Optional Redemption Date (Put), the Optional Redemption Amount (Put) and the applicable notice periods.

If the Put Option is specified as being applicable in the applicable Final Terms, the Holder of any Note must, in accordance with Condition 19 (*Notices*), not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, deposit with the Fiscal Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from the Fiscal Agent. The Fiscal Agent, with which a Note is so deposited, shall immediately notify the Issuer and shall deliver a duly completed Put Option Receipt to the depositing Holder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e) (*Redemption at the option of Noteholders*), 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 Fiscal 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 the Fiscal Agent in accordance with this Condition 10(e) (*Redemption at the option of Noteholders*), the depositor of such Note and not the Fiscal Agent shall be deemed to be the holder of Note for all purposes.

(f) *Redemption of Subordinated Notes for regulatory reasons (Regulatory Call)*: If a Regulatory Call is specified in the applicable Final Terms and if the Issuer notifies the Noteholders of the occurrence of a Regulatory Event, the Issuer may redeem such Subordinated Notes, in whole but not in part, at the Early Redemption Amount specified in the applicable Final Terms, together with any accrued but unpaid interest to the date fixed for redemption, *provided that* (to the extent required by applicable law or regulation):

(A) the Issuer has given not less than the minimum period nor more than the maximum period of notice to the Fiscal Agent and the Noteholders of such Subordinated Notes (such notice being irrevocable) specifying the date fixed for such redemption; and

(B) the circumstance that entitles the Issuer to exercise this right of redemption of the relevant Subordinated Notes was not reasonably foreseeable at the relevant Issue Date.

Upon the expiry of such notice period, the Issuer shall be bound to redeem the Subordinated Notes accordingly.

The redemption referred to in this Condition 10(f) (*Redemption of Subordinated Notes for regulatory reasons (Regulatory Call*)) shall be subject to Condition 10(m) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

(g) *Redemption at the option of the Issuer of Senior Notes and Senior Non-Preferred Notes due to a MREL Disqualification Event:* If redemption at the option of the Issuer due to a MREL Disqualification Event is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 19 (*Notices*) (which notice shall specify the date fixed for redemption)and the Fiscal Agent, redeem the Senior Notes or the Senior Non-Preferred Notes, in whole but not in part, then outstanding at any time (if the Senior Note or the Senior Non-Preferred Note is not a Floating Rate Note or an Index-Linked Interest Note or a Dual Currency Interest Note) or on any Interest Payment Date (if this Senior Note or the Senior Non-Preferred Note is a Floating Rate Note or an Index-Linked Interest Note or a Dual Currency Interest Note), if the Issuer determines that a MREL Disqualification Event has occurred and is continuing. Upon the expiry of any such notice as is referred to in this Condition 10(g) (*Redemption at the option of the Issuer of Senior Notes and Senior Non-Preferred Notes due to a MREL Disqualification Event*), the Issuer shall redeem the Notes in accordance with this Condition 10(g) (*Redemption at the option of the Issuer of Senior Notes and Senior Non-Preferred Notes due to a MREL Disqualification Event*).

The redemption referred to in this Condition 10(g) (*Redemption at the option of the Issuer of Senior Notes and Senior Non-Preferred Notes due to a MREL Disqualification Event*) shall be subject to Condition 10(n) (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*).

(h) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) 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) (*Early redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of Actual/Actual (or 30/360 if such request is made to and accepted by the respective Issuer).

(j) *Purchase*: The Issuer may 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, resold or, at the option of the purchaser, surrendered to any Paying Agent for cancellation. The Issuer may not purchase Subordinated Notes prior to the fifth anniversary of their Issue Date, except in the cases contemplated under Article 78(4) of the CRR, including, without limitation, repurchases made for market making purposes (where applicable), where the conditions set out in Article 29(3) of the Delegated Regulation are met and in particular with respect to the predetermined amount defined by the Relevant Authority, which according to Article 29(3)(b) of the Delegated Regulation may not exceed the lower of: (i) 10% of the amount of the relevant issuance; and (ii) 3% of the total amount of Tier 2 Instruments of the Issuer from time to time outstanding, or such other amount permitted to be purchased for market making purposes under the Applicable Banking Regulations. Also the repurchases referred to in this Condition 10(j) (*Purchase*) shall be subject to Condition 10(m) (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*) and Condition 10(n) (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*).

(k) *Cancellation*: All Notes so redeemed by the Issuer and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

(l) *Redemption Amount*: For the avoidance of doubt, in no event will the Redemption Amount of any Notes issued by the Issuer be lower than the principal amount of the Notes.

(m) *Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*: In the case of Subordinated Notes, any call, redemption, repayment or repurchase of such Notes in accordance with Condition 8(a)(iv) (*Inflation Index Delay And Disruption Provisions*), Condition 10(b) (*Redemption for tax reasons*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(f) (*Redemption of Subordinated Notes for regulatory purposes (Regulatory Call)*), or Condition 10(j) (*Purchase*) is subject to compliance with the then Applicable Banking Regulations, including:

(i) the Issuer has obtained the prior permission of the Relevant Authority in accordance with Articles 77 and 78 of the CRR, where either:

(A) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(B) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds would, following such call, redemption, repayment or repurchase, exceed the capital requirements laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; and

(ii) in respect of a call, redemption repayment or repurchase prior to the fifth anniversary of the Issue Date of the relevant Notes, if and to the extent required under Article 78(4) of the CRR or the Capital Instruments Regulation:

(A) in the case of redemption pursuant to Condition 10(b) (*Redemption for tax reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as of the Issue Date; or

(B) in case of redemption pursuant to Condition 10(f) (*Redemption of Subordinated Notes for regulatory reasons (Regulatory Call)*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as of the Issue Date; or

(C) on or before the relevant call, redemption, repayment or repurchase, the Issuer replaces the Notes with Own Funds instruments of equal or higher quality at terms that are sustainable for its income capacity and the Relevant Authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances; or

(D) the Subordinated Notes are repurchased for market making purposes,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations

The Relevant Authority may grant a general prior permission, for a specified period which shall not exceed one year, to redeem or purchase (including for market making purposes) the Subordinated Notes, in the limit of a predetermined amount, which shall not exceed the lower of (i) 10 per cent. (or any other threshold as may be requested or required by the Relevant Authority from time to time) of the aggregate nominal amount of the relevant Subordinated Notes and (ii) 3 per cent. (or any other threshold as may be requested or required by the Relevant Authority from time to time) of the outstanding aggregate nominal amount of the Tier 2 Instruments of the Issuer at the relevant time, subject to criteria that ensure that any such redemption or purchase will be in accordance with the conditions set out at letters (A) and (B) of sub-paragraph (i) of the preceding paragraph.

For the avoidance of doubt, any refusal of the Relevant Authority to grant its permission in accordance with Article 78 of the CRR shall not constitute a default of the Issuer for any purposes.

(n) *Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes and Senior Non-Preferred Notes*: Any call, redemption, repayment or repurchase in accordance with Condition 8(a)(iv) (*Inflation Index Delay And Disruption Provisions*), Condition 10(b) (*Redemption due to taxation*), Condition 10(c) (*Redemption at the option of the Issuer*), Condition 10(j) (*Purchase*), or Condition 10(g) (*Redemption at the option of the Issuer of Senior Notes and Senior Non-Preferred Notes due to a MREL Disqualification Event*) of Senior Notes or Senior Non-Preferred Notes is subject, to the extent such Senior Notes or Senior Non-Preferred Notes qualify at such time as liabilities that are eligible to meet the MREL Requirements or, in case of a redemption pursuant to Condition 10(g) (*Redemption at the option of the Issuer of Senior Notes and Senior Non-Preferred Notes due to a MREL Disqualification Event*), qualified as liabilities that are eligible to meet the MREL Requirements before the occurrence of the MREL Disqualification Event, to compliance with the then Applicable Banking Regulations, including the condition that the Issuer has obtained the prior permission of the Relevant Authority in accordance with Article 78a of the CRR, where one of the following conditions is met:

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Senior Notes with Own Funds Instruments or Eligible Liabilities Instruments of equal or higher quality at terms that are sustainable for its income capacity; or

(ii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that its Own Funds and Eligible Liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements for Own Funds and Eligible Liabilities laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary; or

(iii) the Issuer has demonstrated to the satisfaction of the Relevant Authority that the partial or full replacement of the Eligible Liabilities with Own Funds Instruments is necessary to ensure compliance with the Own Funds requirements laid down in the Applicable Banking Regulations for continuing authorization,

subject in any event to any different conditions or requirements as may be provided from time to time under the Applicable Banking Regulations.

The Relevant Authority may grant a general prior permission, for a specified period which shall not exceed one year, to redeem or purchase (including for market making purposes) Senior Notes or Senior Non-Preferred Notes, in the limit of a predetermined amount, instruments, subject to criteria that ensure that any such redemption or purchase will be in accordance with the conditions set out in subparagraphs (i) and (ii) of the preceding paragraph.

For the avoidance of doubt, any refusal of the Relevant Authority to grant its permission in accordance with Article 78a of the CRR shall not constitute a default of the Issuer for any purposes.

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.

(b) *Interest*: Payments of interest shall, subject to Condition 10(h) (*Payments other than in respect of matured Coupons*) be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.

(c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 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 (the Code) or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Deductions for unmatured Coupons*: If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented for payment on redemption 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 such missing Coupons shall become void.

Each sum of principal deducted pursuant to (i) above 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 the Floating Rate Note Provisions or the Inflation Linked 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 at the option of the Issuer*), Condition 10(e) (*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 Agent outside the United States (or in New York City if permitted by Condition 10(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 of 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 (if any) by the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any taxes, 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 (if relevant) after such withholding or deduction shall be equal to the amounts of principal, in case of Senior Notes and Senior Non-Preferred Notes not qualifying at such time as liabilities that are eligible to meet the MREL Requirements only, and interest, in case of any Notes, and which would otherwise have been receivable by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any payment of any interest or principal either:

(i) for or on account of *Imposta Sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1 April 1996 (as amended), the "**Legislative Decree No. 239**" or, for the avoidance of doubt, Italian Legislative Decree No. 461 of 21 November 1997 (as amended by Italian Legislative Decree No. 201 of 16 June 1998) (as any of the same may be amended or supplemented) or any related implementing regulations and in all circumstances in which the procedures set forth in Legislative Decree No. 239 in order to benefit from a tax exemption have not been met or complied with except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or

(ii) with respect to any Notes or Coupons presented for payment:

(A) in the Republic of Italy; or

(B) by or on behalf of a holder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Republic of Italy other than the mere holding of such Note or Coupon; or

(C) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Note or Coupon by making, or procuring, a declaration of non-residence or other similar claim for exemption but has failed to do so; or

(D) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to an additional amount on presenting such Note or Coupon for payment on such thirtieth day assuming that day to have been a Business Day; or

(E) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information for the purposes of Article 6 of Italian Legislative Decree No. 239 of 1 April, 1996 not included in the list of Ministerial Decree of 4 September 1996 as amended and supplemented from time to time in respect of the beneficiary of the payments made from Italy; or

(F) in respect of Notes classified as of ypical securities where such withholding or deduction is required under Law Decree No. 512 of 30 September 1983, as amended and supplemented from time to time.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of Sections 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto ("**FATCA Withholding**") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA Withholding. The Issuer will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA Withholding deducted or withheld by the Issuer, the paying agent or any other party.

(b) *Taxing jurisdiction*: If payments made by the Issuer becomes subject to withholding tax as a result of the Issuer becoming resident, whether for tax purposes or otherwise, in any taxing jurisdiction other than the Republic of Italy, references in these Conditions to the Republic of Italy shall be construed as references to such other jurisdiction instead of the Republic of Italy.

13. **Events of Default**

In the event of compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer pursuant to Articles 80 and following of the Consolidated Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with Article 96-*quinquies* of the Consolidated Banking Act, 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 outstanding principal amount together with accrued interest (if any) without further action or formality.

No remedy (including any remedy under the Italian Civil Code) against the Issuer other than as specifically provided by this Condition 13 (*Events of Default*) shall be available to the Fiscal Agent or to the holders of the Notes and the related Coupons, whether for the recovery of amounts owing in respect of the Notes and the related Coupons or in respect of any breach by the Issuer of any of its obligations under the Notes and the related Coupons or otherwise.

For the avoidance of doubt, the non-payment by the Issuer of any amount due and payable under these Notes, or the taking of any crisis prevention measure or crisis management measure in relation to the Issuer in accordance with the BRRD, is not an event of default.

14. **Prescription**

Claims against the Issuer for payment of principal and interest in respect of the Notes will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the 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 listed on any stock exchange 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 stock exchange), subject to all applicable laws and stock exchange 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. **Paying 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;

(b) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent;

(c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system; and

Notice of any change in the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 19 (*Notices*).

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

(a) *Meetings of Noteholders*: The Conditions may not be amended without the prior approval of the Relevant Authority (if applicable). The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

(b) *Modification*: The Notes, these Conditions and the Deed of Covenant 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.

(c) This Condition 17(c) applies to Subordinated Notes. If at any time a Tax Event or a Regulatory Event occurs and/or in order to ensure the effectiveness and enforceability of Condition 23 (*Acknowledgment of Bail-in Power*), then the Issuer may, subject to giving any notice required to, and receiving any consent

required from, the Relevant Authority, if so required, (without any requirement for the consent or approval of the holders of Subordinated Notes of that Series) and having given not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Fiscal Agent and the Holders of Subordinated Notes of that Series (which notice shall be irrevocable), at any time vary the terms of such Subordinated Notes so that they remain or, as appropriate, become, Qualifying Subordinated Securities, *provided that* such variation does not itself give rise to any right of the Issuer to redeem the varied securities that would otherwise provide the Issuer with a right of redemption pursuant to the provisions of Subordinated Notes.

For the avoidance of doubt, no consent of the Noteholders shall be required for a variation of the Notes in accordance with this Condition 17(c) and the Fiscal Agent shall be obliged to effect such matters.

(d) This Condition 17(d) applies to Senior Notes and Senior Non-Preferred Notes. If at any time a MREL Disqualification Event occurs and/or in order to ensure the effectiveness and enforceability of Condition 23 (*Acknowledgment of Bail-in Power*) with respect to Senior Notes then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Relevant Authority (without any requirement for the consent or approval of the holders of the Senior Notes or Senior Non-Preferred Notes of that Series) and having given not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Fiscal Agent and the Holders of the Senior Notes or Senior Non-Preferred Notes of that Series, which notice shall be irrevocable, at any time vary the terms of such Senior Notes or Senior Non-Preferred Notes so that they remain or, as appropriate, become Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes, *provided that* such variation does not itself give rise to any right of the Issuer to redeem the varied securities.

For the avoidance of doubt, no consent of the Noteholders shall be required for a variation of the Notes in accordance with this Condition 17(d) and the Fiscal Agent shall be obliged to effect such matters.

(e) Any variation of the Conditions to give effect to the Benchmark Amendments in accordance with Condition 6(g) (*Benchmark Replacement*) shall not require the consent or approval of 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 other than the Issue Date, Issue Price and/or Interest Commencement Date and/or the first payment of interest) so as to form a single series with the Notes.

19. **Notices**

To holders of Notes

Notices to the olders of Notes shall be valid if published (i) in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*), (ii) if and for so long as the Notes are admitted to trading on, and listed on the to the Official List and/or admitted to trading on the regulated market of Euronext Dublin, if filed within the Companies Announcement Office of Euronext Dublin or published in a leading English language daily newspaper of general circulation in the Republic of Ireland and approved by Euronext Dublin (which is expected to be the *Irish Times*) and/or the Euronext Dublin's website (http://www.ise.ie/). 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.

To Holders of Notes held in a clearing system

While all the Notes are represented by a Global Note and the Global Note is deposited with a depositary or a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system or a common safekeeper for Euroclear and/or Clearstream, Luxembourg, as the case may be, notices to Noteholders may (to the extent permitted by the rules of the Luxembourg Stock Exchange or any other exchange on which the Notes are then listed or admitted to trading) be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Any such notices

shall be deemed to have been given to the Noteholders on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

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 Agency Agreement and the rights and obligations in respect of the Notes and the Coupons, and any non-contractual obligations arising out of or in connection with each of the foregoing, are governed by, and shall be construed in accordance with, Italian law.

(b) *Jurisdiction*: In the Agency Agreement the Issuer has irrevocably agreed, for the benefit of the Noteholders and the Couponholders, that the courts of Milan are to have exclusive jurisdiction to hear and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons (including any non contractual obligations arising out of or in connection with the Notes and/or the Coupons) (respectively "**Proceedings**" and "**Disputes**") and accordingly submits to the exclusive jurisdiction of such courts. Nothing contained in this Condition 22 (b) (*Jurisdiction*) shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

(c) *Appropriate forum*: In the Agency Agreement the Issuer has irrevocably waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and has agreed not to claim that any such court is not a convenient or appropriate forum.

(d) *Consent to enforcement etc*: In the Agency Agreement the Issuer has consented generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

23. **Acknowledgement of Bail-in Power**

Notwithstanding any provision of these Conditions or any other agreements, arrangements, or understandings between the Issuer and any holder of the Notes and without prejudice to Article 55(1) of the BRRD, each Noteholder, by virtue of its acquisition of the Notes (whether on issuance or in the secondary market), and the Fiscal Agent acknowledges and accepts the existence of, agrees to be bound by and consents to:

(a) the effects of the exercise of the Bail-In Power by the Relevant Authority, which exercise may include and result in any of the following, or some combination thereof:

(i) the reduction of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto;

(ii) the conversion of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto, into ordinary shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of these Conditions;

(iii) the cancellation of the Notes or the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; and

(iv) the amendment or alteration of the maturity of the Notes or amendment of the amount of interest payable on the Notes, or the date on which the interest become payable, including by suspending payment for a temporary period; and

(b) the variation of these Conditions, as deemed necessary by the Relevant Authority, to give effect to the exercise of the Bail-In Power by the Relevant Authority.

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 Authority.

24. Upon the Issuer becoming aware of the exercise of the Bail-In Power by the Relevant Authority with respect to the Notes, the Issuer shall provide a notice to the holders of the Notes in accordance with Condition 19 (*Notices*) as soon as reasonably practicable. The Issuer shall also deliver a copy of such notice to the Fiscal Agent for information purposes. 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 Condition 23 (*Acknowledgement of Bail-in Power*).

The exercise of the Bail-In Power by the Relevant 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 to the outstanding principal amount of the Notes subject to any modification of the amount of interest payments to reflect the reduction of the outstanding principal amount, and any further modification of the terms that the Relevant Authority may decide in accordance with applicable laws and regulations, including in particular the BRRD and the SRM Regulation, and any other relevant provisions under the Applicable Banking Regulations.

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 the Bail-In Power.

FORM OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (a "**Temporary Global Note**"), without Coupons (as defined herein), or a permanent global note (a "**Permanent Global Note**"), without 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 a 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 depositary or a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the 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.

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

The 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 §1.163- 5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the 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 without Coupons, interests in which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without Coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. 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,

(iii) within 7 days of the bearer requesting such exchange.

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

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

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) at any time, if so specified in the relevant Final Terms; or

(iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear 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 and enforcement*) occurs.

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

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (1) a minimum denomination of €100,000 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 without Coupons, interests in which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the 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 without Coupons, interests in which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons (as defined herein) attached (if so specified in the 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 the minimum denomination and may only be traded in such amounts, whether in global or definitive form.

Permanent Global Note exchangeable for Definitive Notes

If the 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 without Coupons, interests in which will be exchangeable in whole, but not in part, for Definitive Notes:

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) at any time, if so specified in the relevant Final Terms; or

(iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear 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 and enforcement*) occurs.

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) or (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts, whether in global or definitive form. As an exception to the above rule, where the Permanent Global Note may only be exchanged in the limited circumstances described in (iii) above, Notes may be issued in denominations which represent the aggregate of (1) a minimum denomination of €100,000 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. Where the Notes are listed on the Euronext Dublin and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 19 (*Notices*).

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*" above 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.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be in the following form, 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 to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as def ined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended and superseded, the " **Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, 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.][2]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000 (the "**FSMA**") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently no key inf ormation document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

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

[UK MiFIR product governance / Professional investors and ECPS only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the [Notes] has led to the conclusion that: (i) the target market for the [Notes] is eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"), only; and (ii) all channels for distribution of the [Notes] to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the [Notes] (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the [Notes] (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[2] *Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".*

[**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore** (the "**SFA**") - Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

Final Terms dated [●]

illimity Bank S.p.A.
[incorporated with limited liability in the Republic of Italy with its registered office at [●]]
Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the €3,000,000,000
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 [Terms and Conditions of the English Law Notes] [Terms and Conditions of the Italian Law Notes] set forth in the Base Prospectus dated 4 November 2021 [and the supplement to the Base Prospectus dated [●]][, which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), to the extent such amendments have been implemented in a relevant Member State. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with the Prospectus [as so supplemented].][3] 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 [and the supplement dated [●]]. The Prospectus [and the supplement] [is/are] available for viewing at the registered office[s] of the Issuer at [●]. The Prospectus [and the supplement] and, in the case of Notes admitted to trading on the regulated market of the Ireland Stock Exchange, the applicable Final Terms will also be published on the website of the Euronext Dublin (*www.ise.ie*).]

*(Include whichever of the following apply or specify as "**Not Applicable**" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.)*

1.	Series Number:		[●]
	Tranche Number:		[●]
	Date on which the Notes become fungible		Not Applicable / The Notes will be consolidated, form a single Series and be interchangeable for trading purposes with (*identify earlier Tranches*) on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [26] below, which is expected to occur on or about [*date*]]
2.	Specified Currency or Currencies:		[●]
3.	Aggregate Nominal Amount:		
	(i)	Series:	[●]
	(ii)	Tranche:	[●]

[3] In case of unlisted notes, references to requirements under the Prospectus Regulation must be deleted.

4.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ] (*insert date, if applicable*)]
5.	Specified Denominations:		[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Notes in definitive form will be issued with a denomination above [●].] (*Unless paragraph 27 (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 minimum denomination and may only be traded in such amounts, whether in global or definitive form. Where paragraph 27 (Form of Notes) does so specify, Notes may be issued in denominations of €100,000 and higher integral multiples of €1,000 up to a maximum of €199,000, as applicable*) *(In the case of Senior Non-Preferred Notes, Notes must have a minimum denomination of €250,000 (or equivalent)* or such other minimum denomination provided by applicable law from time to time*)*
	(i)	Specified Minimum Amounts:	[●]
	(ii)	Specified Increments:	[●]
	(iii)	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.	Issue Date:		[●]
	(i)	Interest Commencement Date (if different from the Issue Date):	[●]/[Issue Date]/[Not Applicable]
7.	Maturity Date:		[●] (*specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year*)
8.	Interest Basis:		[[●]% Fixed Rate] [Floating Rate] [Zero Coupon] [Inflation Linked] [Floating Rate: Eonia Linked Interest] [Floating Rate: CMS Linked Interest] [Fixed-Floating Rate]

		[Floating-Fixed Rate] (further particulars specified below under items [10/13/14/15/16/17/18/19/20/21])
9.	Redemption/Payment Basis:	[Redemption at par] [Inflation Linked]
10.	Change of Interest or Redemption/Payment Basis:	(*Specify the date when any fixed or floating rate change occurs or cross refer to paragraphs 13 and 14 below and identify there*) [●]/[Not Applicable] [(further particulars specified in paragraph 19 below)]
11.	Put/Call Options:	[Not Applicable] [Put Option] [Call Option] [Regulatory Call] [Issuer Call due to a MREL Disqualification Event] [Not Applicable] [(further particulars specified below)]
12.	Status of the Notes:	[Senior Notes//Senior Non-Preferred Notes/Subordinated Notes]
	[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*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	**Fixed Rate Note Provisions**	[Applicable/Not Applicable] (*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]
	(ii) Interest Payment Date(s):	[●] in each year up to and including the Maturity Date [adjusted in accordance with (*specify Business Day Convention and any applicable Additional Business Centre(s) for the definition of "Business Day"*)/[not adjusted]] (*N.B. This will need to be amended in the case of any long or short coupons.*)

	(iii)	Fixed Coupon Amount[(s)]:	[[●] per Calculation Amount] [Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.05 being rounded upwards.]
	(iv)	Day Count Fraction:	[30/360] / [Actual/Actual (ICMA/ISDA)] / [Actual/365 (Fixed)]
	(v)	Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date [in/on] [●] / [Not Applicable]
14.	**Floating Rate Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO, BBA, EURIBOR, EONIA or CMS is the appropriate reference rate*)
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(ii)	First Interest Payment Date	[●]
	(iii)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable] (*Note that this item adjusts the end date of each Interest Period (and consequently, also adjusts the length of the Interest Period and the amount of interest due)). In relation to the actual date on which Noteholders are entitled to receive payment of interest, see also Condition 11(g) (Payments on business days) and the defined term "Payment Business Day".*
	(iv)	Additional Business Centre(s):	[Not Applicable/[●]]
	(v)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vi)	Name and address of party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent)	[[*Name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)] [Not Applicable]
	(vii)	Screen Rate Determination:	
		• Reference Rate:	(*For example, EURIBOR*)/[EONIA Reference Rate] / [CMS Reference Rate/Leveraged CMS Reference Rate/Steepener CMS Reference Rate: [Unleveraged/Leveraged]/Call CMS Reference Rate] Reference Currency: [●] Designated Maturity: [●]/[The CMS Rate having a Designated Maturity of [●] shall be CMS Rate 1 and

the CMS Rate having a Designated Maturity of [●] shall be CMS Rate 2]
(*Where more than one CMS Rate, specify the Designated Maturity for each relevant CMS Rate*)

- Relevant Screen Page: (*For example, Reuters EURIBOR 01*)

  (*In the case of a CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions*)

  (*In the case of a EONIA 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: (*For example, 11.00 a.m. London time/Brussels time*)

- Relevant Financial Centre: (*For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the Euro)*)

- Reference Banks: [●]

- CMS Rate definitions: [Cap means [●] per cent. per annum]

  [Floor means [●] per cent. per annum]

  [Leverage means [●] per cent.]

- Provisions relating to the occurrence of a Regulatory Event in case of Benchmark Replacement: [Applicable/Not Applicable]/[TBC]

(viii) ISDA Determination:

- Floating Rate Option: [●]

- Designated Maturity: [●]

- Reset Date: [●]

  (*In the case of a EURIBOR based option, the first day of the Interest Period. In the case of a CMS Linked Interest Note, if based on Euro then the first day of each Interest Period and if otherwise to be checked*)

	(ix)	Margin(s):	[+/-][●] per cent. per annum [/ Not Applicable]
	(x)	Minimum Rate of Interest:	[●] per cent. per annum
	(xi)	Maximum Rate of Interest:	[●] per cent. per annum
	(xii)	Multiplier:	[●] / [Not Applicable]
	(xiii)	Reference Rate Multiplier:	[●] / [Not Applicable]
	(xiv)	Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)] [Actual/365] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [30E/360 – or Eurobond Basis] [30E/360 (ISDA)]
15.	**Fixed-Floating Rate Note Provisions**		[Applicable/Not Applicable] [[●] per cent. Fixed Rate in respect of the Fixed Interest Period(s) ending on (but excluding) [●], then calculated in accordance with paragraph 14 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 13 above.]
17.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Accrual Yield:	[●] per cent. per annum
	(ii)	Reference Price:	[●]
	(iii)	Any other formula/basis of determining amount payable:	(*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 10(i) (Early redemption of Zero Coupon Notes))*
18.	**Inflation Linked Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)

(i)	Inflation Index:	[[CPI/RPI/HICP]]
(ii)	Index Sponsor	[●] (*Specify the relevant Index Sponsor*)
(iii)	Index Factor	[●] (*Specify the relevant Index Factor*) [Not Applicable]
(iv)	Name and address of party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[*name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)
(v)	Determination Date(s):	[●]
(vi)	Interest or calculation period(s):	[●]
(vii)	Specified Period(s)/Specified Interest Payment Dates:	[●]
(viii)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] (*Note that this item adjusts the end date of each Interest Period (and, consequently, also adjusts the length of the Interest Period and the amount of interest due). In relation to the actual date on which Noteholders are entitled to receive payment of interest, see also Condition 10(g) and (n)(Payments on business days) and the defined term "Payment Business Day"*.)
(ix)	Additional Business Centre(s):	[●]
(x)	Minimum Rate of Interest:	[●] per cent. per annum
(xi)	Maximum Rate of Interest:	[●] per cent. per annum
(xii)	Margin	[●] [*insert Margin* per cent. per annum] [Not Applicable]
(xiii)	Day Count Fraction:	[●]
(xiv)	Commencement Date of the Index:	[●] *(indicate the relevant commencement month of the retail price index)*
(xv)	Reference Month (final reference date):	[●]
(xvi)	Reference Bond:	[●]
(xvii)	Related Bond:	[Applicable/Not Applicable] The Related Bond is: [●] [Fallback Bond] The issuer of the Related Bond is: [●]
(xviii)	Fallback Bond:	[Applicable]/[Not Applicable]

	(xix)	Cut-Off Date:	[As per Condition 8]/[*specify other*]
	(xx)	End Date:	[●] (This is necessary whenever Fallback Bond is applicable)
	(xxi)	Trade Date:	[●]
	(xxii)	Early Redemption Amount payable on redemption for Additional Disruption Event:	[Not Applicable] / [[●] per Calculation Amount]
	(xxiii)	Where information about the index can be obtained, including an indication of where information about the past and the future performance of that underlying and its volatility can be obtained by electronic means, and whether or not it can be obtained free of charge:	[●][This information can be obtained free of charge]
19.	Change of Interest Basis Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) (*N.B. To be completed in addition to paragraphs 13 and 14 (as appropriate) if any fixed to floating or fixed reset rate change occurs*)
	(i)	Switch Options:	[Applicable] – [*specify details of the change(s) in Interest Basis and the relevant Interest Periods to which the change(s) in Interest Basis applies*]/[Not Applicable] (N.*B. The Issuer must give notice of the exercise of the Switch Option to Noteholders in accordance with Condition 19 on or prior to the relevant Switch Option Expiry Date*)
	(ii)	Switch Option Expiry Date:	[●]
	(iii)	Switch Option Effective Date:	[●]
21.	**Reset Note Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Initial Rate of Interest:	[●] per cent. per annum payable in arrear [on each Interest Payment 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 [until and excluding [●]]
(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 the Interest Payment Date falling [in/on] [●]][Not Applicable]
(vii)	First Reset Date:	[●]
(viii)	Second Reset Date:	[●]/[Not Applicable]
(ix)	Subsequent Reset Date(s):	[●] [and [●]]
(x)	Relevant Screen Page:	[ISDAFIX1]/[ISDAFIX2]/[ISDAFIX3]/ [ISDAFIX4]/[ISDAFIX5]/[ISDAFIX6]/[●]/[Not Applicable]
(xi)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
(xii)	Mid-Swap Maturity:	[●]
(xiii)	Reset Reference Rate Conversion:	[Applicable/Not Applicable]
(xiv)	Original Reset Reference Rate Payment Basis:	[Annual/Semi-annual/Quarterly/Monthly/Not Applicable]
(xv)	Day Count Fraction:	[Actual/Actual / Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360/360/360/Bond Basis] [30E/360/Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual ICMA]
(xvi)	Determination Dates:	[●] in each year
(xvii)	Business Centre(s):	[●]
(xviii)	Calculation Agent:	[●]
(xix)	Reference Rate Replacement:	[Applicable][Not Applicable]

PROVISIONS RELATING TO REDEMPTION

22.	**Call Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

	(i) Optional Redemption Date(s) (Call):	[●]
	(ii) Optional Redemption Amount(s) (Call) and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●] (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent.*)
23.	**[Put Option**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s):	[●] per Calculation Amount
	(iii) Notice period:	Minimum period: [●] days Maximum period: [●] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Fiscal Agent.*)]
24.	**Regulatory Call**	[Applicable]/[Not Applicable]
25.	**Issuer Call due to a MREL Disqualification Event**	[Applicable]/[Not Applicable]
26.	**Final Redemption Amount**	[[●] per Calculation Amount]/[Inflation Linked Note] (*for Inflation Linked Notes, to be determined in accordance with Condition 8 (a) (Inflation Linked Note Provisions))*
27.	**Early Redemption Amount**	
	(i) Early Redemption Amount(s) payable on redemption for Tax Event or	[Not Applicable] / [[●] per Calculation Amount]/[As

	Regulatory Event or MREL Disqualification Event:	per Condition 10(b)] [See also paragraph 23 (*Regulatory Call*)] (*Delete this cross-reference unless the Notes are Subordinated Notes and the Regulatory Call is applicable*) [See also paragraph 24 (*Issuer Call due to a MREL Disqualification Event*)] (*Delete this cross-reference unless the Notes are Senior Notes or Senior Non-Preferred Notes and the Issuer Call due to a MREL Disqualification Event is applicable*)
28.	**Early Redemption Amount (Tax)**	[Not Applicable] / [[●] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

29.	**Form of Notes**:	**[Bearer Notes]** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on 60 days' notice at any time/in the limited circumstances specified in the Permanent Global Note.] [Temporary Global Note exchangeable for Definitive Notes on 60 days' notice.] [Permanent Global Note exchangeable for Definitive Notes on 60 days' notice at any time/in the limited circumstances specified in the Permanent Global Note]. (*In relation to any issue of Notes which are "exchangeable to Definitive Notes" in circumstances other than "in the limited circumstances specified in the Global Note", such Notes may only be issued in denominations equal to or greater than, €100,000 or, at the option of the Issuer.*)
30.	New Global Note Form:	[Yes/No]
31.	Additional Financial Centre(s):	[[●]/Not Applicable]
32.	Talons for future Coupons to be attached to Definitive Notes:	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
33.	Governing law of the Notes:	[English law]/[Italian law]

Signed on behalf of the Issuer:

By:……..
Duly authorised

PART B – OTHER INFORMATION

LISTING AND ADMISSION TO TRADING

1.	(i)	Listing:	[Application [has been/is expected to be] made for the Notes to be admitted to listing on [the regulated market of the Euronext Dublin] with effect from [●].] /[Not Applicable.]
	(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 Euronext Dublin] with effect from [●].]/[Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.*)
	(iii)	Estimate of total expenses related to admission for trading	[●]]

2. **RATINGS**

Ratings: The Notes to be issued [[have been]/[are expected]/[are not expected]] to be rated:

[S & P's: [●]]

[Moody's: [●]]

[Fitch: [●]]

[DBRS: [●]]

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

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

(Insert the following where the relevant credit rating agency is established in the EEA:)

[[(*Insert legal name of particular credit rating agency entity providing rating*)] is established in the EEA and [is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at http://www.esma.europa.eu/supervision/credit-rating-agencies/risk as being registered] / [is neither registered nor has it applied f or registration] under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). [The rating [*Insert legal name of particular credit rating agency entity providing rating*] has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the UK and registered under

Regulation (EU) No. 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**").] / [[*Insert legal name of particular credit rating agency entity providing rating*] has been certified under Regulation (EU) No. 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**").] / [[*Insert legal name of particular credit rating agency entity providing rating*] has not been certified under Regulation (EU) No. 1060/2009, as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.]]

(Insert the following where the relevant credit rating agency is established in the United Kingdom:)

[[*Insert legal name of particular credit rating agency entity providing rating*] is established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**"). [*Insert legal name of particular credit rating agency entity providing rating*] appears on the latest update of the list of registered credit rating agencies (as of [*insert date of most recent list*]) on [FCA]. [The rating [*Insert legal name of particular credit rating agency entity providing rating*] has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the EEA and [is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at http://www.esma.europa.eu/supervision/credit-rating-agencies/risk as being registered] / [is neither registered nor has it applied f or registration] under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**").] / [[*Insert legal name of particular credit rating agency entity providing rating*] has been certified under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").] / [[*Insert legal name of particular credit rating agency entity providing rating*] has not been certified under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.]]

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

[[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA or the UK [but the rating it has given to the Notes to be issued under the Programme is endorsed by [[*insert legal name of credit rating agency*], which is established in the EEA and registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**")][and][[*insert legal name of credit rating agency*], which is established in the UK and registered under Regulation (EU) No. 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**")]]. / [but is certified under [Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**")][and][Regulation (EU) No. 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**")] / [and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") or Regulation (EU) No. 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in either the EEA and registered under the CRA Regulation or in the UK and registered under the UK CRA Regulation.]]

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

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

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

Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. (*Amend as appropriate if there are other interests*)

(*When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.*)

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i)	Reasons for the offer:	[●] *See "Use of Proceeds" wording in Prospectus.*] (*If use of proceeds is different from what is disclosed in the Base Prospectus, will need to include those use of proceeds here.*)
(ii)	Estimated net proceeds:	[●] (*If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)

5. ***Fixed Rate Notes only* YIELD**

Indication of yield:	[●]/[Not Applicable] Calculated as (*include details of method of calculation in summary form*) on the Issue Date.]

6. ***Floating Rate Notes, EONIA Linked Interest Notes and CMS Linked Interest Notes only* HISTORIC INTEREST RATES**

Details of historic [EURIBOR/CMS Rate] rates can be obtained from [Reuters].

[Benchmarks	Amounts payable under the Notes will be calculated by reference to [*EURIBOR/CMS Rate/EONIA*] which is provided by [*ICE Benchmark Administration. European Money Markets Institute/specify other*]. As of [*ICE Benchmark Administration. European Money Markets Institute/specify other*], [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) No. 2016/1011) (the "**BMR**").

	[As far as the Issuer is aware, [●] does/do] not fall within the scope of the BMR by virtus of Article 2 of that regulation] / [the transitional provisions in Article 51 of the Benchmark Regulation apply], such that [●] is not currently required to obtain authorisation or registration.]]

7. **OPERATIONAL INFORMATION**

ISIN Code:	[●]
Common Code:	[●]
CFI	[[●] See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable]
FISN	[[●]See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of Euroclear Bank SA/NV and/or Clearstream Banking, S.A. Luxembourg (the "**ICSD**s") as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.] / [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] (*Include this text if "Yes" selected, in which case the Notes must be issued in New Global Notes form*)
Any clearing system(s) other than Euroclear Bank SA/NV [,/and] Clearstream Banking, société anonyme and the relevant identification numbers:	[Not Applicable/(*give name(s) and number(s)*)]

Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s)(if any):	[●]/[Not applicable]
Deemed delivery of clearing system notices for the purposes of Condition 19:	Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.

8. **DISTRIBUTION**

(i)	Method of distribution:	[Syndicated]/[Non-syndicated]
(ii)	If syndicated:	
	(A) Names of Managers	[Not Applicable/(*give names and addresses*)] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)
	(B) Date of Subscription Agreement	[Not Applicable/(*give names and addresses*)]
	(C) Stabilising Manager(s) (if any):	[Not Applicable/(*give name and addresses*)]
	[(D) Names and addresses of entities which have a firm commitment to act as intermediaries in secondary trading providing liquidity through bid and offer rates and description of the main terms of their commitment:]	[Not Applicable/(*give names and addresses*)]
(iii)	If non-syndicated, name and address of Dealer:	[Not Applicable/(*give names and addresses*)]
(iv)	U.S. Selling Restrictions:	Reg. S compliance category: [●] [TEFRA D] [TEFRA C] [TEFRA Not Applicable]
(v)	Prohibition of Sales to EEA Retail Investors:	[Applicable /Not Applicable] (If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)
(vi)	Prohibition of Sales to UK Retail Investors:	[Applicable /Not Applicable]

(If the Notes clearly do not constitute "packaged" products, or the Notes do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged" products, "Applicable" should be specified.)

USE OF PROCEEDS

Unless otherwise specified in the applicable Final Terms, the net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

SELECTED CONSOLIDATED FINANCIAL DATA

The information set out in this Base Prospectus in relation to the Issuer has been derived from, and should be read in conjunction with, and is qualified by reference to:

(a) the audited consolidated financial statements of illimity Bank S.p.A. as of and for the year ended 31 December 2019 prepared in accordance with IFRS as adopted by EU and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and together with the accompanying notes and auditors' report (the "**illimity Bank 2019 Consolidated Financial Statements**"), which can be found on the website of Euronext Dublin https://www.ise.ie/debt_documents/illimity_ENG%20Financial%20Statements%20and%20Report%202019_5fd0bf7a-6de1-4ebd-a0a9-fd11c689c13f.pdf;

(b) the audited consolidated financial statements of illimity Bank S.p.A. as of and for the year ended 31 December 2020 prepared in accordance with IFRS as adopted by EU and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and together with the accompanying notes and auditors' report (the "**illimity Bank 2020 Consolidated Financial Statements**"), which can be found on the website of Euronext Dublin https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202106/1196ad01-df8f-489d-ad3e-a8ffddaa6b22.pdf;

(c) the consolidated Interim Financial Statements of illimity Bank as of and for the six months ended 30 June 2021, prepared in accordance with IAS 34 and together with the accompanying notes and auditors' review reports (the "**illimity Bank 1H Interim Financial Statements**") which can be found on the Issuer's website at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202110/654ce0b9-ab58-4c60-9616-5e57efbda113.pdf;

(d) the by-laws (*statuto*) of the Issuer (incorporated for information purposes and in force from 30 September 2021), which can be found on the Issuer's website at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202110/2e4ab6ca-ab87-4a8d-bbca-4d9ca71ab043.pdf.

So long as any of the Notes remain outstanding copies of the above-mentioned consolidated financial statements will be made available at the office of the Fiscal Agent and at the registered office of the Issuer, in each case free of charge.

The statistical information presented herein may differ from information included in the historical consolidated financial statements and interim financial reports. In certain cases, the financial and statistical information is derived from financial and statistical information reported to the Bank of Italy or from internal management.

PRESENTATION OF FINANCIAL INFORMATION

illimity Bank S.p.A ("**illimity**" or the "**Bank**") is the banking start-up born in 2019, headed by Corrado Passera, with a strongly innovative and high-tech business model, specialised in lending to small and medium-sized enterprises ("**SMEs**"). illimity grants loans to high-potential SMEs that have a low credit rating or are unrated, as well as to businesses in the non-performing (Unlikely-To-Pay) sector; in addition, it is active in the acquisition and servicing of unsecured and secured Corporate NPLs and lending to non-bank NPL investors. illimity also provides cutting-edge direct digital banking services for retail and corporate clients.

The story of illimity began in January 2018 with the launch of SPAXS S.p.A. ("**SPAXS**") —the first Italian SPAC (special purpose acquisition company) with the mission to acquire and capitalise an entity operating in the banking industry—which raised Euro 600 million. Only two months after its launch, SPAXS announced the acquisition of Banca Interprovinciale S.p.A. ("**BIP**"), whose business combination was finalised in September 2018 after obtaining the approval of the Shareholders' Meeting of SPAXS held in August 2018. The merger between SPAXS and BIP became effective on 5 March 2019 and gave rise to illimity Bank S.p.A., which began trading on Borsa Italiana S.p.A.'s MTA market effective the same day.

The selected financial data set forth in this Base Prospectus include the following:

- selected financial data of illimity as of and for the year ended 31 December 2019, extracted or derived from the consolidated audited financial statements of illimity as of and for the year ended 31 December 2019 (the "**illimity Bank 2019 Consolidated Financial Statements**"), prepared in accordance with International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative Decree no. 38/05 and article 43 of Legislative Decree no. 136/15;
- selected financial data of illimity as of and for the year ended 31 December 2020, extracted or derived from the consolidated audited financial statements of illimity as of and for the year ended 31 December 2020 (the "**illimity Bank 2020 Consolidated Financial Statements**"), prepared in accordance with International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative Decree no. 38/05 and article 43 of Legislative Decree no. 136/15; and
- selected consolidated financial data of illimity as of and for the six months period ended 30 June 2021, extracted or derived from the interim consolidated financial statements of illimity as of and for the six months period ended 30 June 2021 prepared in accordance with IAS 34 (the "**illimity Bank 1H Interim Financial Statements**").

DESCRIPTION OF THE ISSUER

Introduction and history

illimity Bank S.p.A. ("**illimity**" or the "**Issuer**" and prior to the Merger described below, Banca Interprovinciale S.p.A. ("**BIP**")) is a joint stock company (*società per azioni*) incorporated under Italian law. Its registered office is at Via Soperga 9, 20124 Milan, Italy and its telephone number is +390282849000. illimity is registered with the register of companies of Milan under number 03192350365 and with the register of banks held by the Bank of Italy under number 5710. Its fiscal code and VAT number is 03192350365 and its LEI code is 815600A029117B20DD63.

Starting from 24 June 2019 illimity is the parent company of the illimity banking group (the "**illimity Group**"), registered with the register of banking groups held by the Bank of Italy under number 245, and with ABI code 3395.

The website of the Issuer is https://illimity.com/en. The information on the website of the issuer does not form part of this Base Prospectus, unless expressly incorporated by reference into this Base Prospectus.

illimity was born by the reverse merger of SPAXS S.p.A. ("**SPAXS**") by incorporation into BIP with legal effect from 5 March 2019 and with tax and accounting effect from 1 January 2019.

BIP was incorporated in March 2008 and began its operations in July 2009. In July 2016, BIP acquired 54.50% of the share capital of Banca Emilveneta S.p.A. that was subsequently merged by incorporation into BIP with legal effect from 1 October 2017.

SPAXS was incorporated on 20 December 2017 as a special purpose acquisition company (SPAC) to pursue an investment project aimed at creating a new player in the Italian banking sector. In February 2018, SPAXS raised Euro 600 million in a placement of its ordinary shares to institutional investors. SPAXS commenced trading on the AIM (Alternative Investment Market) organized and managed by Borsa Italiana on 1 February 2018.

The corporate purpose of SPAXS was to realize a business combination with an unlisted medium-sized Italian company authorised to operate in the Italian banking and/or financial services market. SPAXS identified BIP as the target company and entered into an agreement for the acquisition of the majority share capital of BIP on 12 April 2018 (the "**Business Combination**"). The Business Combination was approved on 3 August 2018 by the European Central Bank and, on 8 August 2018, by the shareholders' meeting of SPAXS, with a large majority accounting for 72% of SPAXS share capital.

On 20 September 2018, the process for the Business Combination was completed with SPAXS acquiring 99.2% of BIP's share capital, settled in cash for Euro 44.7 million (equivalent to 79.9% of BIP's share capital) and, for the remainder, through a contribution of BIP's shares to a reserved share capital increase of SPAXS for Euro 10.8 million (equivalent to 19.3% of BIP's share capital).

On 15 February 2019, BIP and SPAXS entered into a merger deed (following approval by the Bank of Italy on 11 December 2018 and by their respective shareholders on 18 January 2019) for the reverse merger of SPAXS with, and its incorporation into, BIP in accordance with Article 2501-ter of the Italian Civil Code (the "**Merger**"). On 25 February 2019, illimity was admitted to trading on the MTA (*Mercato Telematico Azionario*) by Borsa Italiana. On 28 February 2019, CONSOB authorised the publication of the Prospectus filed with CONSOB on 1 March 2019.

Due to the Merger and the resulting dissolution of SPAXS, SPAXS and BIP are fully integrated and the funds raised by SPAXS in its initial private placement are thus available to the Issuer to fund its business objectives. The Merger took legal effect as of 5 March 2019 ("**Merger Effective Date**") and accounting and fiscal effects as of 1 January 2019. On the Merger Effective Date, BIP changed its legal name to illimity Bank S.p.A. and adopted new By-Laws. Pursuant to Article 3 of its By-Laws, the Issuer's duration will expire on 31 December 2100. Since the Merger Effective Date the Bank is listed on the MTA (*Mercato Telematico Azionario*) by Borsa Italiana. On 3 September 2020 illimity announced that by order of Borsa Italiana no. 8688 of 2 September 2020 it had been granted admission of its ordinary shares to trading on the STAR Segment (High Requirements Securities Segment) of the MTA (*Mercato Telematico Azionario*) of Borsa Italiana. illimity ordinary shares – which had been admitted to trading on Borsa Italiana's MTA since 5 March 2019 – began to trade on the STAR Segment of Borsa Italiana's

MTA, dedicated to companies meeting requirements of excellence in terms of transparency, communication, liquidity and corporate governance, on 10 September 2020.

The banking group

On 24 June 2019 illimity Group was registered in the Register of Banking Groups with no. 245, ABI code 3395, composed by the Issuer (which is the parent company) and its subsidiaries Soperga RE, Friuli LeaseCo, River LeaseCo, Doria LeaseCo and neprix (as defined below). On 17 July 2019 illimity received a communication by the Bank of Italy concerning the "Enrollment in the Register of Banking Groups and amendments to the articles of association". The Bank of Italy informed that it has registered in the Register of Banking Groups, with effect from 24 June 2019, the illimity banking group composed by the Issuer (which is the parent company) and its subsidiaries Soperga RE, Friuli LeaseCo, River LeaseCo and Doria LeaseCo. The Bank of Italy also stated that there were no impediments to the acquisition of neprix and to the related outsourcing.

On 25 February 2020 the Supervisory Authority authorised illimity SGR S.p.A., a wholly owned subsidiary of illimity, to provide collective asset management services pursuant to article 34 of the Consolidated Law on Finance. This provision confirms the effective start of operations by illimity SGR S.p.A. The first fund managed by illimity SGR, whose first closing became effective on 1 Aprile 2021, that at the date of this Base Prospectus is dedicated to unlikely-to-pay (UTP) loans with restructuring prospects and opportunities to return to performing status, through contributions made by the banks and financial operators originating these loans and/or acquisitions made by the fund itself, and, where functional to the restructuring strategy and returning to performing status, will also invest in the capital of companies involved in turnaround projects. Consistent with the implementation of illlimity's strategic plan, this initiative enables the Bank to complement its direct investment activities in distressed loans with asset management activities carried out on behalf of third parties, thereby achieving a diversification of its revenues towards a commission-based revenue stream and generating further business opportunities.

At the date of the present update of the Base Prospectus, the Issuer has the following wholly owned subsidiaries: Friuli LeaseCo, River LeaseCo, Doria LeaseCo, Soperga RE, Pitti LeaseCo S.r.l., each of them operating pursuant to Article 7.1 of Italian Law No. 130 of 30 April 1999 on securitisation (the "Italian Securitisation Law") in the context of a different securitisation of receivables with real estate and/or leasing collateral. The Issuer also has the wholly owned subsidiaries: neprix, Neprix Agency, illimity SGR and River Immobiliare S.r.l.. NPL servicing activities are centralized in neprix, while illimity SGR manages the assets of closed-ended alternative collective investment schemes with initial focus on investing in UTP exposures.

Moreover, the Issuer owns 100% of the quotas of Doria SPV S.r.l., Friuli SPV S.r.l., Pitti SPV S.r.l. and River SPV S.r.l., and 66.67% of the quotas of Aporti S.r.l..

The following entities are consolidated, in accordance with IFRS 10, in the financial statements of illimity at 30 June 2021:

- Aporti S.r.l. ("**Aporti**"), a subsidiary of the Bank, established to undertake the securitisation of Non-Performing Loans (hereinafter "**NPL**"), through the subscription by the Bank of the notes issued by the SPV established in accordance with Italian Securitisation Law;

- Friuli SPV S.r.l. ("**Friuli SPV**"), a wholly-owned subsidiary of the Bank, established to undertake the securitisation of NPL leases, through the subscription by the Bank of the notes issued by the SPV established in accordance with Italian Securitisation Law;

- Friuli LeaseCo S.r.l. ("**Friuli LeaseCo**"), a wholly owned subsidiary of the Bank, established to service the leasing transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Securitisation Law;

- Soperga RE S.r.l. (REOCO) ("**Soperga RE**"), a wholly owned subsidiary of the Bank, established to manage the real estate assets associated with the portfolios of acquired NPLs pursuant to Article 7.1 of Italian Securitisation Law;

- Doria SPV S.r.l. ("**Doria SPV**"), a wholly-owned subsidiary of the Bank, established to undertake the securitisation of NPL leases, through the subscription by the Bank of the notes issued by the SPV established in accordance with Italian Securitisation Law;

- Doria LeaseCo S.r.l. ("**Doria LeaseCo**") a wholly owned subsidiary of the Bank, established to service the leasing transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Securitisation Law;

- River SPV S.r.l. ("**River SPV**"), a wholly owned subsidiary of the Bank, established to undertake the securitisation of NPL leases, through the subscription by the Bank of the notes issued by the SPV established in accordance with Italian Securitisation Law;

- River LeaseCo S.r.l. ("**River LeaseCo**"), a wholly owned subsidiary of the Bank, established to service the leasing transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Securitisation Law;

- Pitti SPV S.r.l. ("**Pitti SPV**"), a wholly owned subsidiary of the Bank, established to undertake the securitisation of NPL leases, through the subscription by the Bank of the notes issued by the SPV established in accordance with Italian Securitisation Law;

- Pitti LeaseCo S.r.l. ("**Pitti LeaseCo**"), a wholly-owned subsidiary of the Bank, established to service the leasing transactions included in the portfolios of acquired NPLs, operating in accordance with Article 7.1 of Italian Securitisation Law;

- neprix S.r.l. ("**neprix**"), a wholly-owned subsidiary of the Bank mainly operating in the non-performing loan sector, relying on the services of professionals with specific experience and know how in assessing and managing NPL;

- illimity SGR S.p.A. ("**illimity SGR**"), wholly owned by the Bank, which manages the assets of closed-end alternative investment funds (AIFs), established with own funds and the funds of third-party institutional investors;

- Neprix Agency S.r.l. ("**Neprix Agency**"), whose entire share capital is held by neprix, a company of mediation in the field of sales, leases and certification of value of properties and companies on behalf of third parties;

- River Immobiliare S.r.l. ("**River Immobiliare**"), a wholly owned subsidiary of the Bank, set up for the purchase, the sale and management - aimed at the disposal - of the properties owned by the Bank;

- HYPE S.p.A. ("**HYPE**"), whose 50% is held by illimity through a joint venture with Fabrick (a company of the Sella group), that operates with an electronic money institution licence and is the digital solution for simple, efficient day-to-day money management. On the market since 2015, HYPE has anticipated the response to the growing need of the public to access banking services in an entirely new way, offering other added value services;

- SpicyCo S.r.l. ("**SpicyCo**"), of which illimity holds 49% of the share capital, which is responsible for the acquisition, management and sale of equity investments.

Corporate objects

The Issuer's corporate objects, as set out in Article 4 of its current By-Laws, is "*the collection of savings and provision of credit in its various forms, in Italy and abroad. It may, in compliance with relevant applicable regulations, carry out all permitted banking and financial transactions and services, including the provision of investment service and related ancillary services, as well as all other activities or operations that are useful or anyway related to the achievement of the Company's purpose. In accordance with and within the limits of applicable pro tempore regulations, the Company may take stakes and financial instruments in other companies and enterprises, both Italian and foreign ones, both directly and through subsidiaries, even in the context of securitisation operations*."

Business Overview

The Strategic Plan calls for the development of a new bank focused on three synergistic, integrated lines of business as follows:

(i) Growth Credit Division (previously named SME Division): lending to SME businesses with high potential but with a non-optimal financial structure and/or with a low or no rating, including the segment of non-performing SME loans classified as UTP that require a specialist approach to aid business development and in some cases relaunch industrial activities; financing of the supply chain of the operators of Italian chains and industrial districts through the activity of recourse and non-recourse purchasing of customers' trade receivables, via a dedicated digital channel; capital markets advisory services, including hedging products, to SMEs;

(ii) Distressed Credit Division (previously named Distressed Credit Investment & Servicing Division): purchase and servicing of secured and unsecured corporate distressed credit, provision of financing solutions to other distressed credit investors as well as management of corporate distressed credit portfolios and underlying assets using specialised servicing platforms;

(iii) Direct Banking Division: digital direct banking for retail and corporate customers, offering a range of specific direct banking products.

There is also the Asset Management Company ("**illimity SGR**"), which manages the assets of closed-end alternative investment funds, established with own funds and the funds of third-party institutional investors.

Strategy

illimity is a new paradigm bank designed specifically for the ever growing, highly attractive Italian SME market; credit skills and technological innovation are the two main enablers of its strategy. Since its launch, in just over two years illimity has laid solid foundations which now form part of a structured business that is ramping up.

The key pillars of its strategy are the following:

- **Markets**: illimity only focuses on a few, large, attractive and underserved segments of the Italian SME market where it holds a significant market position thanks to sustainable competitive advantages.

- **People**: illimity enjoys a passionate and cohesive management team and a proven ability to attract talent from over 200 different organisations 70% of which are from non-banking sectors.

- **Technology**: illimity is also a fully digital bank and its innovative business model relies on a unique IT architecture that is fully digital, fully modular and fully in-cloud.

- **Sustainability**: illimity is ESG native and acts with responsibility. ESG principles are natively integrated into its business model and all its activities.

Grounded on those solid foundations, on 22 June 2021 the Board of Directors of illimity approved the Group's 2021-25 Strategic Plan (the "**Strategic Plan**"), which replaces the former 2018-2023 business plan approved on 30 November 2018.

The Strategic Plan confirms the prominence of technology and in this context illimity announced a strategic alliance with the ION Group that will consist of:

(i) a licence agreement for the use of information systems developed by illimity and

(ii) long-term cooperation agreements in crucial sectors and services, such as, *inter alia*, data analytics, credit scoring and market intelligence.

In order to consolidate the strategic alliance, the ION Group will subscribe no. 5.75 million newly-issued illimity ordinary shares by way of a reserved capital increase, with the exclusion of the pre-emptive rights pursuant to article 2441, paragraph 4, second part, of the Italian civil code, equal to around 7.3% of the new share capital, at a price of Euro 10 per share, for a total value of approximately Euro 57.5 million. Together with such capital increase warrants will be issued and assigned free of charge to ION Group, giving it the right to subscribe an additional no. 2.4 million ordinary shares (between March and July 2022) at a price of Euro 12.5 per share, so as to reach a total holding of 9.99% of the new share capital for a consideration – as a result of exercise – of additional Euro 30 million. On 29 July 2021, the Shareholders' Meeting, in extraordinary session and following the relevant

authorizations issued by the Supervisory Authority, approved with unanimous vote of the participating shareholders the share capital increase reserved to ION Group, which forms part of the wide-ranging collaboration agreement between the two Groups.

The Strategic Plan also envisages that all divisions will contribute to achieving the targets and the significant additional growth in the Group's results over the duration of the Strategic Plan, including through further development of the recently launched initiatives and the start-up of new strategic projects.

In particular, the Strategic Plan assigns to the "Growth Credit Division" (previously named "SME Division") the following objectives: (i) to achieve further growth in lending to support corporates Turnaround, (ii) to develop the Cross-Over and Acquisition Finance lending activity to companies with potential by leveraging the ability to provide complex financing solutions, (iii) to develop factoring activities by strengthening the sales team and focusing on reverse factoring transactions capable of providing a strong boost to the increase in customer base and (iv) to develop debt and equity capital markets advisory services.

The "Distressed Credit Division" (previously named "DCIS Division") will continue (i) to develop its investment activity by purchasing NPL and UTP loans, (ii) to develop its senior financing activity by granting new loans to other NPE investors with a focus on high margin medium-sized transactions, (iii) to develop its servicing activity through a gradual increase in managed assets and third-party mandates and by strengthening its competitive positioning on the judicial market and gradually entering the free market.

The Strategic Plan assigns to the "Direct Banking Division" the following strategic priorities: (i) to launch by the end of the year 2021 the first direct bank for small corporates (which will be named "B-ILTY"), (ii) to contribute to the further consolidation of HYPE, the joint venture with Sella Group, current leader in the sector of digital platforms for retail financial services, (iii) to ensure, through illimitybank.com and the HYPE and Raisin channels, direct funding by retail customers as support for the rise in the Group's lending, with a simultaneous reduction in the cost.

Lastly, illimity SGR aims at completing the range of illimity's operations in the corporate loan segment and will enhance its ability to generate business beyond the Bank's direct investment opportunities.

Growth Credit Division (previously named SME Division)

The Growth Credit Division focuses on certain specific business lines of the SME market segment that present attractive characteristics in terms of their size and dynamism and have historically been underserved by traditional banking operators:

- *factoring*: financing of the supply chains of the operators of Italian chains and industrial districts through the activity of recourse and nonrecourse purchasing of customers' trade receivables, through a dedicated digital platform, developed in collaboration with a leader supplier in the factoring sector;

- *crossover and acquisition finance*: financing to high-potential businesses with a suboptimal financial structure and/or with a low rating or no rating; the crossover segment also includes financing solutions dedicated to acquisition activities (so-called acquisition finance);

- *turnaround*: the purchase of loans classified as unlikely-to-pay (UTP), with the aim of recovering and restoring them to performing status by identifying optimal financial solutions, which may include granting new loans or the purchase of existing loans or portfolios of loans;

- *capital markets*: equity and debt capital markets advisory services, also leveraging on illimity's NOMAD appointment and supporting customers in placing mini bonds both on the EXTRA-MOT market and by way of private placements, and ensuring support in the search for risk mitigation solutions.

The Growth Credit Division operates according to an innovative business model based on the following key pillars:

- 'Tutors': professionals with consolidated experience in specific businesses as well as financial skills and knowledge of the local area who will contribute to the analysis of prospective deals based on their knowledge of the sectors and of the companies involved in the various transactions, across all business

lines. The network of Tutors is organised in a flexible manner according to the Tutors' specific industrial and geographic competences;

- use of the most advanced data analysis technologies based on big data and artificial intelligence applications within the credit assessment process (the so called 'Credit Machine'). From 1 January 2021 the Credit Machine Area reports to Chief Lending Officer (CLO).

The Growth Credit Division is organised by specialised business areas, on the basis of the segments and products defined above, each of which is responsible for managing activities for its own customers. Each lending area is tasked with analysing the customers and sector within its portfolio to design the optimal financing solution, assess the risk level of each position, define product pricing and transaction specifications, interface with customers to monitor the risk profiles of counterparties and intervene promptly, where necessary, in the event of problems, in coordination with the unit responsible for monitoring loans.

These areas, specialised by Business segment, are flanked by dedicated units, supporting business activities: the Legal Growth Credit area supports the business areas regarding legal and contractual aspects; the Business Operations & Credit Support area manages the annual reporting of the Division, monitors relations with tutors, manages the Modena branch and oversees the portfolio of the former Banca Interprovinciale regarding progressive divestment.

As of 30 June 2021 the net customer loans in the SME portfolio totalled Euro 1,076 million, broken down as follows: (i) former BIP non-core portfolio, amounting to Euro 70 million; (ii) Turnaround amounting to Euro 303 million; (iii) Crossover and Acquisition Finance[4] amounting to Euro 517 million; and (iv) Factoring amounting to Euro 186 million.

The Growth Credit Division reported a profit before taxes of Euro 7.7 million in the first half of 2021, a net increase compared to the annual profit for 2020, which amounted to Euro 5.5 million. This result benefits from a significant contribution made by factoring fees and commissions, from new lending and from the new initiatives started during the period, such as the tax credit discounting segment (so-called "Ecobonus") activities and the provision of capital markets services to SMEs.

During the first half of 2021 the Turnaround and Cross-over & Acquisition Finance businesses generated new volumes respectively amounting to Euro 57 million and to Euro 142 million. A relevant part of the new volumes generated in both segments arose from loans with public guarantees, highly-profitable lending for the Bank due to its low risk profile and limited absorption of capital.

Factoring generated a turnover of Euro 300 million in 2019 and Euro 736 million in 2020. The positive trend continued in the first half of 2021 leading to a total Turnover of Euro 432 million (Euro 232 million in the second half of 2021, up 17% compared to the previous quarter). The GBV as of 30 June 2021 is Euro 188 million, the highest value achieved so far. Growth was supported by the continuing increase in the number of customers – clients and debtors – by 150 and 700 respectively.

The main business transactions conducted in 2020 and in 2021 by the Growth Credit Division are reported below:

- on 3 February 2020 the purchase of loans for approximately Euro 26 million relating to a leading group active in the processing, bottling and sale of olive and vegetable oils, in order to assist the group in a structured recovery and relaunch process, also providing support for current operations, with a commercial line of Euro 3 million;

- on 25 June 2020, Euro 17 million loan to co-fund a corporate-on-corporate acquisition of a leading business in the banking industry, organising complex measures in a pool with two other lenders;

- on 1 July 2020, Euro 15 million loan backed by SACE related to a group manufacturing components for the automotive sector; a transaction for approximately Euro 15 million with public SACE guarantee for

[4] This figure includes part of the net loans to existing customers of Banca Interprovinciale, which due to their features are considered consistent with illimity's Crossover & Acquisition Finance segment

an iron and steel works - a European leader in the manufacture of brass bars and rolled copper and other alloys, to support its business plan investments, concluding a turnaround process;

- on 1 October 2020: Euro 14 million loan for an important hi-tech player operating in electric mobility, energy trading and demand response, structured partly through a SACE guarantee and partly through a guarantee from the Central Guarantee Fund for SMEs;

- on 25 November 2020: Euro 10 million loan supporting the development plan of a leading company in the plastic processing machinery sector, specialised in environmentally friendly innovative solutions;

- on 30 November 2020, a deal for Euro 15 million with public SACE guarantee aimed at financing a company leader in Europe in iron and steel works sector, concluding a turnaround process;

- on 30 December 2020, Euro 17 million loan with SACE guarantee, to support the relaunch of an important group active in the ceramics industry, assisting in its relaunch following recently ended restructuring operations;

- on 4 February 2021: a 6-years Euro 12 million loan for an important Italian player in textile production of luxury linens for the home, guaranteed by a SACE Italy guarantee;

- on 31 May 2021: illimity and Kerakoll Group, world leader in the green building sector, entered into a partnership designed to provide companies and professionals with a complete assistance service for taking advantage of the benefits available under the Italian government's 110% Superbonus scheme;

- on 25 June 2021, Euro 15 million loan backed by SACE with a leading Italian shipping operator to finance a ship purchase for the expansion of the company fleet.

- on 28 June 2021: illimity worked as Nomad, Global Coordinator and Sole Bookrunner as part of the process for listing MeglioQuesto S.p.A., a business specialising in the multi-channel customer experience sector, on the Italian Alternative Market ("AIM Italia");

- on 14 July 2021: a reverse factoring agreement for Euro 21 million with a leading Italian pharmaceutical ingredients (APIs) producer to support for the liquidity of the businesses in the company's supplier network.

Distressed Credit Division ("DCD") (previously named Distressed Credit Investment & Servicing Division)

illimity is a leading player in the corporate distressed credit sector through three main areas of operations:

- purchase of secured and unsecured distressed credits through participations in competitive tender procedures and off-market purchases both on the primary and secondary markets;

- the servicing of its own corporate distressed credit portfolios and single names and those belonging to third parties, on the basis of specialised skills developed in-house or through business agreements with specialised operators, including remarketing services on real estate and capital goods;

- provision of financing solutions, primarily through senior debt, to non-bank distressed credit investors.

To optimise and streamline activities in the Distressed Credit Division, in addition to the changes already implemented in 2019 and 2020, the organisational structure was further enriched, as a result of which the Distressed Credit Division is now structured as follows:

1. the *Portfolios, Senior Financing, Special Situations – Real Estate and Special Situations – Energy Areas*, responsible for the origination of the investment opportunities in distressed credit portfolios or single names and Senior Financing, as well as the coordination of the entire negotiation and bidding process, until the final closing phase;

2. the *Servicing Area*, responsible for adapting, implementing and monitoring recovery strategies through the coordination of the internal Servicing Unit (neprix) and external servicers. This Area is also

responsible for remarketing activities of credits' underlying assets throughout neprix Sales area. The Servicing Unit Neprix, tasked with debt recovery, reports to the structure;

3. the *Pricing Area*, responsible for performing due diligence procedures and, under the supervision of the Risk Management Function, for the development, implementation and maintenance of the pricing models of portfolios, single names (special situations) and senior financing and the capital structure of all investments;

4. the *Portfolio Optimization Area*, responsible for optimising portfolio and single name management by identifying market opportunities for their sale, in accordance with the thresholds set by the Bank, while coordinating the entire process, from the initial analysis phase, including all activities resulting from post-sales;

5. the *Business Operations Area*, tasked with coordinating and monitoring the Division's activities, overseeing relations with other Bank units and decision-making bodies, providing legal advice related to individual investment opportunities and initiatives, monitoring the Division's performance;

6. the *DCIS Data Architecture & Analytics Area*, responsible for the government and management of all the processes related to data acquisition and origination, data transformation and the use of such data in the business processes and for the development of Research and Development initiatives.

The Distressed Credit Division uses a proprietary pricing model to perform analytical price estimations for each distressed credit portfolio, an innovative servicing business model that provides for internalisation of the entire value chain in the management of distressed credits in conjunction with business agreements with external servicers selected on a case-by-case basis in function of the specific characteristics of the relevant assets, as well as a significant investment capacity thanks to the Issuer's robust capital base and low direct funding cost. All the activities of the Distressed Credit Division are supported by advanced data analysis technologies based on big data and artificial intelligence applications.

Net loans to customers of the Distressed Credit Division stood at Euro 1,254 million as of 30 June 2021, of which Euro 943 million in terms of carrying value of the acquired distressed credit portfolios and single names and Euro 311 million of senior financing to non-bank distressed credit operators.

During the first half of 2021, the Bank completed, both on its own account and through securitization vehicles established pursuant to and for the purposes of Italian Securitisation Law, several agreements for the purchase of distressed loans for a total gross book value of Euro 530 million.

In terms of GBV declared by the assigning parties and also considering investments made during 2018, 2019 and 2020, the total volume acquired by the Bank as at 30 June 2021 amounted to Euro 8.0 billion, against a consideration of Euro 1.2 billion.

As of 31 December 2020, the net customer loans from senior financing transactions to non-bank distressed credit operators totalled Euro 336 million.

During the first half of 2021, illimity finalised senior financing transactions worth Euro 14 million secured by real estate assets.

As of 30 June 2021, the net customer loans from senior financing transactions to non-bank distressed credit operators totalled Euro 311 million.

The Distressed Credit Division reported Euro 54.3 million of net interest income in the first half of 2021, and a net operating income of Euro 101.5 million (80.08% of the Group's net operating income). Profits before taxes amounted to Euro 66.2 million for the first half of 2021.

The main business transactions conducted in 2020 and in 2021 by the Distressed Credit Division are reported below.

On 9 April 2020 illimity announced that it had finalised the purchase of distressed single name loans for a total GBV of approximately Euro 73 million. These transactions, signed with a leading bank and with a company specialised in non-performing loans management, consist mainly of corporate secured loans. The Bank also

completed a transaction in the Senior Financing segment, by way of providing financing to third-party investors to purchase distressed loans, for an amount of Euro 11 million. The financing is guaranteed by corporate secured unlikely-to-pay loans.

On 20 May 2020, illimity announced it had signed a mortgage and equity instrument purchase agreement with a total GBV of Euro 130 million, owed to a pool of 13 Italian and international financial institutions by TRE Holding S.p.A. – a management company for mainly logistics and production assets leased to a leading luxury goods operator. illimity entered into a medium-to-long-term mortgage debt restructuring agreement, thereby becoming TRE Holding's sole banking counterparty.

On 29 May 2020, illimity and VEI Green II S.p.A. embarked on a joint venture to set up a securitisation vehicle especially for distressed loans with underlying assets for the production of electricity from renewable sources. The partnership's first transaction was on the Italian secondary energy market. This deal involved the purchase of a portfolio of receivables with underlying assets of photovoltaic facilities for a GBV of Euro 14 million, expiring between 2027 and 2031 and guaranteed by the state-owned energy company Gestore dei Servizi Elettrici (GSE).

On 21 July 2020, illimity announced that it had finalised a non-performing loan transaction with a major credit institution for a total GBV of Euro 477 million. The portfolio comprises unsecured loans to corporate borrowers. The Bank also finalised a Senior Financing transaction for a total amount of Euro 11 million. The financing is guaranteed by a portfolio of non-performing loans, mainly corporate secured.

On 7 August 2020, Banca Ifis and illimity Bank announced that they had concluded a sale transaction involving non-performing loans with a total value of Euro 266 million (GBV) attributable to approximately 4,000 borrowers. In particular, the portfolio sold by illimity to Ifis NPL, a company controlled by the Banca Ifis Group, is composed of unsecured loans, relating to granular retail and corporate positions acquired by illimity, primarily in 2019, within the framework of investment transactions involving large portfolios on the primary market.

On 28 September 2020 illimity announced that it had finalised two new transactions in the Senior Financing segment for a total amount of Euro 12 million. The first transaction amounted to approximately Euro 4 million and was in addition to the financing of Euro 5 million previously closed in support of Borgosesia S.p.A. The second loan, disbursed to a Luxembourg vehicle attributable to Zetland Capital and amounting to Euro 8 million, has as its underlying corporate loans with a GBV of Euro 20 million, acquired in 2019 by Zetland and secured by a primarily residential real-estate complex in a well-known tourist destination in Veneto.

On 21 October 2020, illimity announced that it had closed a transaction involving the purchase from a leading bank of a portfolio of non-performing loans with a GBV of Euro 692 million. In line with illimity's strategy in terms of type of borrowers, the new portfolio is composed exclusively of loans to corporate borrowers secured by real-estate collateral.

On 11 November 2020, illimity announced that it had closed a transaction involving the purchase from a leading bank of a portfolio of unlikely to pay loans with a gross book value ("GBV") of Euro 153 million. The purchase is the second tranche of an overall transaction with a GBV equal to Euro 600 million, and mainly comprising medium-sized UTP loans for Euro 1.3 million held by around 450 corporate counterparties - from the Italian SME segment - active in various sectors, and mainly food & beverage, energy & utilities, real estate and the construction industry.

On 23 December 2020, illimity signed an agreement for the purchase of loans with an overall GBV of Euro 21 million, of a leading bank with the construction and property development company Franco Barberis S.p.A.. The credit lines acquired include UTP positions.

On 5 January 2021 illimity announced to have finalized a sale transaction to Phinance Partners S.p.a. and SOREC S.r.l. involving non-performing loans for a total GBV of Euro 129 million and related to around 4,500 debtors. Specifically, the portfolio sold by illimity consists of unsecured loans, related to granular exposures and mainly retail, acquired by illimity during 2019 as part of an investment transaction in a large portfolio on the primary market.

On 8 January 2021 illimity announced it had finalized two new deals in the Senior Financing segment for a total amount of Euro 33 million.

On 11 June 2021, illimity signed an agreement for the purchase of a portfolio of distressed loans with a nominal value of Euro 83 million, consisting of lease contracts and medium to long-term loans to corporate debtors operating in the renewable energy sector (specifically in the photovoltaic sector). The purchase was completed using a securitisation vehicle pursuant to Italian Securitisation Law, owned by the Bank and by VEI Green II S.p.A., a specialist in the renewables sector. The GBV portion of the portfolio attributable to the illimity shareholding is Euro 71 million.

On 17 June 2021 illimity announced the entry into a binding head of terms to form a 50:50 joint venture (the "**JV**") with certain funds managed by Apollo Global Management Inc (NYSE: APO) ("**Apollo**") aimed at investing Euro 500 million in single-name distressed credit exposure secured by real estate assets in Italy. The JV, which will have an initial investment period of 2 years, with an option to extend, will pursue investments in NPL and UTP loans mainly secured by real estate assets and with a single price of Euro 50 million. The JV, which will have illimity and Apollo as 50:50 investors and with equal governance rights, also provides for the contribution by illimity of Euro 231 million of GBV of loans previously purchased by illimity, which is representative of part of the current special situation real estate investment portfolio of the Bank. The JV has selected neprix as sole special servicer for the management of the investments.

On 22 July 2021 illimity announced the sale of granular non-performing loans having a GBV of Euro 122 million and the purchase of non-performing loans having a GBV of Euro 179 million. The sale transaction, the fourth of its kind, fulfils the strategy set out in the Bank's Strategic Plan, which envisages the strengthening of its positioning in the larger-scale corporate distressed credit segment. More specifically, the sale impacted a portfolio of Euro 122 million related to around 1,200 small corporate positions, which illimity has sold to Banca Finint. Further, in line with its strategic objectives, during the second quarter of 2021 illimity completed the purchase of three different portfolios of non-performing loans, mostly secured, having a GBV of Euro 179 million.

illimity's Business model envisages an end-to-end, fully integrated operator, covering the entire value chain of distressed credit, from investment to financing, servicing and remarketing and specialising in distressed corporate loans.

On 30 October 2018, the Board of Directors approved the purchase of the entire share capital of neprix, the illimity Group's platform specialising in servicing distressed corporate loans. Following notification of the approval from the Bank of Italy the acquisition of neprix was concluded and on 29 July 2019, neprix became part of the illimity Group.

During 2019, neprix undertook a strategic development journey with the aim of positioning itself as the first integrated end-to-end operator in the management of distressed corporate loans, from onboarding to servicing and remarketing services. To this purpose, in June 2019 neprix signed an agreement for the purchase of a 70% stake in the capital of IT Auction, a company specialising in the management and remarketing of capital goods and real estate assets by way of online auctions on its portals network. This agreement was finalised in January 2020. On 27 May 2020, the deed was signed for the contribution of the remaining 30% of IT Auction to neprix, by way of a capital increase reserved for IT Auction's minority shareholders.

As of 30 June 2021, neprix had assets under management, in terms of gross nominal value of loans, real estate and capital goods under management, amounting to Euro 8.7 billion, down from the Euro 9.1 billion reported in December 2020.

Direct Banking Division

The Direct Banking Division offers digital banking products and services to Retail and Corporate customers. The Division has developed a range of products and services that can fulfil the needs of the market and delivered via online and app channels. It adopts a platform supported by the most innovative technologies available and compliant with the new regulations (e.g. PSD2).

The Direct Banking value proposition extends to the following product categories:

1. Deposits accounts with competitive rates and a simple, customisable product structure;

2. Current accounts offered according to an innovative, digital user experience;

3. Payment services provided through a platform that combines the most innovative tools available on the market with household budget management services;

4. Full range of other banking products for families (such as personal loans and insurance), made available to customers through partnerships with selected operators;

5. Account aggregator, *i.e.* a function which makes it possible to aggregate all accounts held with other banks in the customer's home banking area, enabling an overview of the customer's financial situation on a single screen and allowing customers to make payments from accounts of other banks consolidated on illimity platform;

6. illimity Hubs, *i.e.* innovative collaboration models enabling the Customer to use the functionalities offered by the Bank's partners - so far Mimoto and Fitbit – via integration into the illimitybank.com platform, and to activate complementary banking services. illimity Hubs allows customers to use the functionalities provided by the partners by integrating these into illimitybank.com's platform and to activate services synergic with banking operations;

7. Amazon vouchers on instalment plans, to enable the purchase of products on Amazon through interest-free financing without any additional charges (annual nominal rate of 0% and annual percent rate of 0%), with custom amounts and terms.

8. With the new strategic project "B-ILTY", that will be launched in December 2021, the direct banking offer will be enriched with banking and credit services designed for Small Corporates (Factoring, Mid-term lending, Short term lending, etc.) with a digital user experience and the human touch of the illimity Relations Managers. Starting from July 2021, Digital Factoring has been released in a pilot version.

Since its launch in September 2019, the digital direct bank illimitybank.com has made a significant and continuously increasing contribution to direct funding: as of 30 June 2021 the direct funding generated by this channel's customers amounted to Euro 1.2 billion, divided between current accounts and deposits, of which around 50% of the incremental funding with an average maturity of 24 months.

On the funding front, in addition to setting up the new direct bank it is also recalled that in May 2019 illimity entered a partnership with Raisin, open banking pan-European fintech platform for the collection of deposits from retail customers. By way of this partnership, by the end of June 2021 deposits gathered via Raisin amount to Euro 511 million.

Taken overall, as of 30 June 2021 direct deposits made by illimity through its direct digital bank, illimitybank.com, those arising from the partnership with Raisin and those made by retail and corporate customers acquired offline amount to Euro 2.5 billion.

As of 30 June 2021, the Direct Banking Division reported an operating loss of Euro 6.3 million, including the recognition of a capital gain of Euro 2.3 million arising from the valuation of the part of illimity's Open Banking assets contributed to HYPE in accordance with the partnership agreement. Moreover, the Division posted a loss before tax equal to Euro 10.3 million in the first half of 2021, of which Euro 4.0 million loss are related to the pro-rata consolidation of HYPE, which is accounted for using the equity method and as planned does not yet benefit from the new initiatives that will be launched during the second half of the year.

Relevant facts in 2020 and 2021 that concerned Direct Banking Division are reported below:

On 23 January 2020, illimity announced its partnership with two leading insurance market operators, the Aon Group (leading group in Italy and worldwide in risk management services and human resources consultancy, in insurance and reinsurance brokerage) and the Helvetia Group (leading Swiss insurance company present in Italy for over 70 years). The partnership is aimed at expanding the services offered by the digital bank, illimitybank.com, providing added value services and non-life insurance products for its customers. In particular, Tsunami, the digital platform of Aon, was integrated into illimitybank.com. Tsunami provides bank customers with insurance agreements and solutions based on their needs. Moreover, since the integration of Tsunami, some of the products provided by Helvetia Group are also available on the Tsunami platform, which illimity has chosen as a priority partner for the digital distribution of non-life insurance products to its customers.

Subsequently, on 20 April 2020, thanks to the partnership with Aon, illimity expanded the range available to customers to include a wide array of telemedicine services. The aim is to ensure the widest possible access to the provision of medical services to protect people's health, especially during the COVID-19 health emergency, limiting movement and the need to use health facilities already under significant pressure. This new access complements the services already offered by illimity with Aon with the aim of making top quality products and services available to the Bank's customers, including these in an ecosystem of selected partners using an open banking and open business approach.

On 11 May 2020, the illimity Group's digital direct bank illimitybank.com, introduced the Payment Initiation Service ("**PIS**") in Italy for the first time, a system which enables customers to make payments from accounts of other banks consolidated on its platform. The account aggregation service (Account Information Service, "**AIS**"), envisaged by the European Directive on payment services (PSD2), was actually introduced in Italy for the first time in September 2019 by illimitybank.com when starting up operations. Since 12 May 2020 illimity customers are able to make standard bank transfers from the illimity platform operating on one of their aggregated accounts. The operations available through the PIS service will be gradually extended, making it possible, for example, for customers to fund their spending plans or add to their illimitybank.com deposit accounts using their aggregated current accounts. With this initiative illimity is aiming to establish itself as the leading integrated management platform for the finances of its customers, to whom they will continue to provide an increasingly advanced range of functionalities and services. The new solution is the result of the open banking collaboration with Fabrick S.p.A. ("**Fabrick**") and enriches the offer of account aggregation, which Fabrick has created for illimity as the first implementation of a project based on the potential of PSD2 in Italy.

On 16 June 2020, illimity's digital direct bank launched an absolute first for the sector, illimity Hubs, an innovative collaboration model fully in line with both an open banking and open platform approach. The Hubs made their debut with two partners: (i) MiMoto, the first electric scooter sharing mover which has revolutionised the concept of urban and sustainable mobility; and (ii) Fitbit, the company which helps people lead healthier, more active lives by empowering them with data, inspiration and guidance to reach their health and fitness goals. With illimity Hubs, the Issuer is endeavouring to go beyond the traditional partnership model in a cross-industry perspective aiming to anticipate and respond to customer needs in an increasingly effective way through a unique and integrated user experience, which for the first time begins and ends on an illimitybank.com platform.

On 22 September 2020, the Boards of Directors of illimity, Banca Sella Holding S.p.A. ("**Banca Sella Holding**"), Fabrick and HYPE approved the agreement for investment by illimity in HYPE, giving rise to a 50-50 joint venture between illimity and Fabrick (until then 100% owner of HYPE, and in turn owned by Banca Sella Holding S.p.A.). The purpose of the industrial transaction is to increase illimity Direct Banking Division's ambitions and also to accelerate the growth of HYPE. HYPE is a company that provides "light banking" services, the objective of which is to establish itself as a leading operator on the Italian market in the segment of innovative financial services provided by non-banking operators. The agreement provides for the incorporation into HYPE of the new Open Banking solutions developed by illimity, strongly accelerating its development in terms of execution, volume growth, cross-selling and profitability.

On 22 December 2020, the Shareholders' Meeting of illimity, in an extraordinary session and following the relative authorisations issued by the Supervisory Authorities, approved with unanimous vote of the participating shareholders the share capital increase in execution of the agreement with the Sella Group concerning the set-up of a Joint Venture in HYPE S.p.A.. The increase in share capital serves the agreements made with the Sella Group for the establishment of a joint venture in HYPE, resulting in illimity holding 50% of HYPE with effect from 1 January 2021. On 5 January 2021 illimity informs of the new composition of its share capital following: (i) the execution of the share capital increase reserved to Fabrick for a total of Euro 44,670,596.42 (of which Euro 3,491,882.89 allocated to share capital), paid by means of the contribution in kind of shares representing 37.66% of the share capital of HYPE (completed on 29 December 2020, with effect as of 1 January 2021), of the registration with the Companies' Register of the Directors statement set forth under article 2343-*quater* of the Italian Civil Code (on 5 January 2021) and of the subsequent issuance of no. 5,358,114 new ordinary shares for the purpose of such share capital increase, as well as (ii) the execution of the share capital increase reserved to Banca Sella Holding S.p.A. for a total of Euro 16,544,676.46 (of which Euro 1,293,290.83 allocated to share capital), underwritten on 29 December 2020 with effect as of 1 January 2021 (and settled on 5 January 2021), and of the subsequent issuance of no. 1,984,488 new ordinary shares for the purpose of such share capital increase.

On 7 April 2021, illimitybank.com, leveraging the open platform approach as part of its strategy, announced a partnership with viafintech (former Cash Payment Solutions – a fintech offering digital financial and value-added services) enabling customers of illimitybank.com to deposit cash in a smart and efficient way, while they shop at

over 1,000 point of sales in Italy. The feature enables the creation of a transaction in a simple and fast process: the customer generates a barcode directly in the app using the feature, the barcode is scanned at the checkout of the retail partner, and the credit is automatically visible in the client's account.

On 25 May 2021, illimity announced a partnership with Flee, a brand owned by Aon, to offer illimitybank.com customers and all bank employees a new idea of mobility thanks to exclusive rental services. Flee is the first mileage-based long-term car rental – pay per use that combines the savings, security and convenience of an all-digital service. Innovation, smart attitude and digital approach are the values that unite illimity and Flee and that have led to this partnership. Customers and employees thus have access to Flee's long-term rental service with a series of benefits in terms of savings and service, available vehicles (green and ecological choices), free advice on reservations and many others. The service is accessible through a simple, fast and intuitive process.

Asset Management Company (illimity SGR S.p.A.)

illimity SGR S.p.A. is the Asset Management Company ("**SGR**") of the illimity Bank Group which manages the assets of closed-end alternative investment funds, established with own funds and the funds of third-party institutional investors. The SGR was set up with the aim of operating and developing activities in the strategic areas indicated by its parent company illimity Bank S.p.A. and the banking group of which the latter is the parent, and is a professional operator for establishing, administering, managing, organising, promoting and selling alternative investment funds.

To pursue its business objectives in an effective and consistent manner, the SGR has adopted a "traditional" governance model, which has a structure comprising a Board of Directors and a Board of Statutory Auditors. The structure, described below, has been set up for the best management possible of the operational model defined for the Company in line with regulatory principles and guidelines and also with guidance from the Parent Company. In accordance with the characteristics of its own operations, with future planned developments and with the guidelines of the long-term business plan of the SGR and the Group it belongs to, the SGR has the following organisation:

- two "Business Areas" comprising:
    - the UTP & Turnaround Funds Area, with the activities previously managed by the former "Investments Area" of the original organisation. The UTP & Turnaround Funds Area, is focussed on setting up and managing AIFs with investment strategies and policies centred on the turnaround market and on businesses in financial difficulty with prospects for relaunch;
    - the Private Capital Funds Area, newly established, with the aim of setting up and managing AIFs with investment strategies and policies targeting asset classes with underlying financial instruments issued by performing companies;
- two "Support Areas" comprising:
    - the Sales & Business Development Area, set up with the aim of steering, coordinating and monitoring the commercial promotion and distribution of all products and services provided by the SGR for its own customers, and organising and promoting new business activities within the SGR;
    - the Operations & Administration Area, which groups the activities of the pre-existing Administration, Finance and Control Area, with a focus on operating areas and providing support for the Business Areas.

On 1 April, 2020 illimity SGR has completed the first closing of "illimity Credit &Corporate Turnaround", contribution fund dedicated to investments in Unlikely To Pay ("UTP") loans to SMEs with revival and relaunch prospects. The initial portfolio consists of loans for a gross total of over Euro 200 million granted to 33 companies operating in highly diversified sectors. These loans have been sold by 7 banks and banking groups which have then become unit holders in the Fund.

illimity's remuneration policies

During the first half of 2019, the illimity Group adopted a remuneration policy for the management and all employees strongly oriented towards achieving the objectives contained in the then current Business Plan, on the assumption that the remuneration represents one of the most important factors for attracting and retaining professional people in the company. Remuneration policy approved by the Shareholders' Meeting of illimity provides for the payment of the following incentive plans:

- the "Stock Option Plan" ("**SOP**"), concerning illimity ordinary shares reserved for employees of illimity and companies directly and/or indirectly controlled by it, aims to align the interests of the Management and of the employees with those of the shareholders in the long term, as well as rewarding the achievement of the objective as set out in the context of the listing of the group's financial instruments on the MTA. The SOP regulation provides that the Option Rights are assigned to each addressee, at the end of a period of so-called vesting between the starting date of the negotiations on MTA and the date of the 2024 Shareholders' Meeting and subject to the conditions envisaged in the SOP regulation. To service this Plan, the Shareholders' Meeting approved a share capital increase for cash, in separable form, up to a maximum nominal amount of Euro 1,496,671.34, excluding of the option right pursuant to article 2441, paragraph 8, of the Italian Civil Code, by issuing maximums of 2,100,000 new illimity ordinary shares to be reserved for illimity employees to subscribe to and of companies directly and/or indirectly controlled by it as beneficiaries of the SOP;

- the "Employee Stock Ownership Plan" ("**ESOP**"), which is reserved for all employees of the illimity Group, who have an open-ended contract or a fixed-term contract which has been in existence for at least 6 months and which has a residual duration of at least 6 months, has the objective of involving all employees in the success of the listing on the MTA and to motivate and engage all employees by giving them the opportunity to become shareholders of illimity. The ESOP provides for the assignment, for each cycle, of a maximum number of shares equal to the value of Euro 2,000 for each non-executive employee and Euro 100 for executive employees. In service of this plan, the BIP shareholders' meeting approved a free capital increase of the share capital, in separable form up to a maximum nominal value of Euro 498,890.45, through the issue of maximum numbers 700,000 new illimity ordinary shares, pursuant to article 2349 of the Italian Civil Code, to be assigned free of charge, through annual assignments, to the employees of illimity and of companies directly and/or indirectly controlled by it. On 7 June 2019, illimity had announced the new composition of the share capital, following registration in the Companies Register of Milan, of the resolution of the Board of Directors of 10 May 2019, concerning an increase in the share capital of Euro 30,661.81 by means of the issue of 43,022 new ordinary shares;

- annual incentive system for the 2019 financial year of the "Management by objectives" ("**MBO Plan 2019**" or "**MBO**"), which is intended for all employees, with the exception of top management, which is not the recipient of any incentive system. This plan envisages, in part, the allocation of ordinary shares of illimity. The shareholders' meeting therefore granted to the Board of Directors, pursuant to Article 2443 of the Italian Civil Code the power to make a free capital increase of the share capital, in separable form up to a maximum nominal amount of Euro 85,524.08, through the issue of a maximum number of 120,000 new illimity ordinary shares, pursuant to article 2349 of the Italian Civil Code, to be assigned free of charge to employees of illimity and of companies directly and/or indirectly controlled by it as beneficiaries (i) of the annual incentive scheme for the year 2019, (ii) of any remuneration recognised on the occasion of early termination of the employment relationship and (iii) of the remuneration policies from time to time approved by illimity Bank S.p.A. during the maximum period of the mandate taking into account the relevant pro tempore regulatory provisions in force.

On 22 April 2020, the ordinary shareholders' meeting of the Issuer approved the remuneration and bonus policy of the Issuer for 2020. This contains, among other things, rules on early terminations of contract/resignations (the "**2020 Remuneration Policy**"), in line with the applicable regulatory provisions. The 2020 Remuneration Policy governs bonus schemes for members of bodies with strategic supervision, management and control functions and for the rest of the employees of the Bank and of its subsidiaries.

As to the variable component, the 2020 Remuneration Policy provides – *inter alia* - that this can be serviced by:

- the SOP, already approved by the 2019 Shareholders meeting, with the aim of aligning the interests of management and of employees with those of the long-term shareholders, to be served by a capital increase resolved upon by the Shareholders' meeting of 18 January 2019, for a maximum amount of Euro

1,496,671.34 via the issuance of maximum no. 2,100,000 new ordinary shares of illimity, to be carried out within 31 December 2027. At the date of this Base Prospectus such capital increase has not been subscribed and paid-up, not even in part;

- the ESOP, approved by the 2019 Shareholders meeting, which is intended to encourage all staff towards building value, by allowing them to participate in the Issuer's growth throughout the plan period, and intended for all the employees of the Issuer and its subsidiaries, to be served by a delegated capital increase resolved upon by the Shareholders' meeting of 18 January 2019 within 5 years of the effective date of such Shareholders' meeting resolution, for a maximum amount of Euro 498,890.45, via the issuance of maximum no. 700,000 new ordinary shares of illimity, to be carried out via the allocation of profits or reserves pursuant to article 2349 of the Italian Civil Code. On 15 June 2020, illimity announced the new composition of the share capital following registration of the resolution of the Board of Directors of 15 June 2020 relating to the increase in share capital of Euro 96.016,40 by means of the issuance of 147.327 new ordinary shares, in the Companies Register of Milan;

- a bonus scheme based on "management by objectives" criteria (MBO) which is based on assessments of individual performance and performance of the Issuer and/or its subsidiaries, intended for: (i) the material risk takers of the Issuer or of companies controlled by it, apart from Top Management and (ii) other managers, and (iii) the rest of the Issuer's employees, to be served, *inter alia*, by a delegated capital increase resolved upon by the Shareholders' meeting of 18 January 2019 within 5 years of the effective date of such Shareholders' meeting resolution, for a maximum amount of Euro 85,524.08, via the issuance of maximum no. 120,000 new ordinary shares of illimity, to be carried out via the allocation of profits or reserves pursuant to article 2349 of the Italian Civil Code;

- a "Long Term Incentive Plan – 2020-23" with the aim of aligning the interests of CEO and the Top Management with those of the long-term shareholders, to be served by purchase of own shares approved by the Shareholders' meeting of 22 April 2020, pursuant to article 2357 and 2357-ter of the Italian Civil Code, for a maximum amount of no. 87.951 ordinary shares of illimity, to be carried out within 18 months.

On 15 June 2020 the Board of Directors approved a share capital increase for the ESOP for the year 2020 for a total of Euro 96,016.40, corresponding to 147,327 ordinary shares, thereby partially implementing the powers under article 5, paragraph 5, of the company's bylaws granting it mandate for such purpose. On 17 June 2020, illimity announced the new composition of the share capital, following registration in the Companies Register of Milan of the resolution of the Board of Directors.

The economic scenario created by the COVID-19 epidemic and the business continuity of the illimity Group

After the spread of COVID-19 in 2020, and the consequent impacts at a systemic and local level, and in the framework of Bank of Italy rulings (allocation of profits to consolidate own funds, extensions for ICAAP, ILAAP regulatory obligations, recovery plan, flexibility in meeting asset and liquidity requirements), illimity studied and promptly adopted a number of actions to deal with the critical context and mitigate the related risks at operational level in terms of credit strategy and policy and credit risk management, the strategic management of the financial assets portfolio, as well as customer relationship management and the management of their own business models. In general terms, the increase in demand for remote financial services during the year, promptly and effectively steered by illimity's commercial and technological proposals, along with the Bank's highly conservative approach to pricing investments and providing funding and its limited exposure to economic sectors or asset classes most affected by the pandemic, are all factors that demonstrate the resilience of the business model in a reference scenario characterised by considerable risks. At a governance level, the specific CV19 Committee was established, comprising the Chairman of the Board of Directors, CEO and top management of the Bank and subsidiaries, which conducted ongoing assessments, at least weekly, throughout 2020, on the actual and potential economic, financial and operational impacts of the pandemic. For further details on the objectives and strategies of individual risks in the new context of the epidemiological crisis, reference is made to the specific section in Part A – Risks, uncertainties and impacts of the COVID-19 epidemic.

Within the framework of the COVID-19 emergency, motivated by an awareness of its role in Italy's economy and society, the illimity Group has implemented a number of initiatives to support the efforts of the institutions committed to combating the virus.

In the light of the severity of the epidemic that has swept through the Italian population, illimity has sought to emphasise the value of timely support measures, identifying the following healthcare facilities as beneficiaries of total donations of Euro 270 thousand: Ospedale Maggiore Policlinico Milano; Ospedale San Paolo; Ospedale San Giuseppe; and Fondazione Istituto Sacra Famiglia ONLUS.

In response to the epidemiological emergency, the Italian government enacted two laws, the provisions of which include two general interventions designed to provide liquidity to companies affected by the crisis through the banking system:

- Italian Legislative Decree no. 18/2020 ("**Decreto Cura Italia**", converted into Italian Law no. 27/2020) introduced a legal suspension, initially until 30 September 2020, subsequently extended to 31 January 2021 (and then to 30 June 2021), for maturing loans and lines of credit contracted by SMEs, as an urgent measure to contain the effects of the business shutdowns ordered in response to the emergency – similar measures have been implemented at a private level, with the renewal of the agreements between the Italian Banking Association and trade associations;

- Italian Legislative Decree no. 23/2020 ("**Decreto Liquidità**", converted into Italian Law no. 40/2020) modified the rules governing public guarantees, expanding the scope of application of the traditional subsidies provided through the SME Central Guarantee Fund (CGF) and introducing the government guarantee issued by SACE (the "**Italy Guarantee**"), intended to secure loans of more than Euro 5 million or loans to companies too large to be eligible for the Central Guarantee Fund.

illimity acted promptly to implement the measures introduced by lawmakers, immediately designing a streamlined, simplified process for granting the suspensions provided for in the Decreto Cura Italia and the Italian Banking Association moratorium programmes. In 2020, suspensions and moratoria were finalised for nearly 200 positions, for a total amount of approximately Euro 86 million; 52% of initial exposures in a moratorium was attributable to suspensions for companies provided for in Article 56 of the Decreto Cura Italia, with a further 44% referring to bilateral interventions, since the conditions required by law to activate legal suspensions had not been met; the remainder (3%) were ABI moratoria and those with individuals pursuant to Article 54 of the Decreto Cura Italia. Around half the restructuring interventions (48% of loan volumes) affected concerned the former Banca Interprovinciale (BIP) portfolio, with the remainder represented by the Crossover and Turnaround Areas (37%) plus one Senior Financing position. Specific contact activity was overseen for the aggregate, targeting customers affected by the suspension or moratoria measures to verify whether, in future, there could be problems with resuming payments, so as to take prompt management measures (e.g., the preparation of forbearance measures, classification as higher risk, etc.). These control activities extend to all moratoria implemented, whether legislative or bilateral. As of 31 December 2020, the outstanding aggregate amounted to Euro 65 million, further decreasing in January 2021.

The economic scenario created by the COVID-19 epidemic and the business continuity of the illimity Group in the first half of 2021

In the current context, which is still influenced – both at economic and operational levels – by the evolution of the COVID-19 epidemic, the illimity Group continues to maintain the primary measures for mitigating the related risks, including the use of teleworking for employees and the factoring in of the framework of reference (macro forecasts, fiscal and monetary policy choices, regulatory developments, etc.), the management of credit strategies and policies and credit risk, the portfolio of financial assets, customer relations and the governance of its own business models.

The effectiveness of illimity's commercial and technological proposal has been a strength in understanding and meeting the increased demand for remote financial services, related to the logistics limitations that have still marked the first half of the year.

The Group's highly conservative approach to pricing investments and providing funding, its continuous monitoring and its limited exposure to economic sectors or asset classes most affected by the pandemic, are all factors that demonstrate the resilience of the business model in a reference scenario still characterised by considerable risks. At the end of June 2021, loans with moratorium requests totalled Euro 47 million, down to approximately Euro 22 million at the end of July 2021 (and significantly down compared to the peak amount of Euro 86 million requested during 2020), and equal to around 2% of the loan portfolio of the Growth Credit Division.

The managerial committees and the governing boards of the Group carry out assessments at regular intervals on the actual and potential economic, financial and operational impacts of the pandemic on the strategic and operational choices of the various business lines.

Finally, the macro scenarios that also consider the evolution of the epidemiological context and the responses of the Authorities, markets, companies and consumers, were used to guide the prospective capital adequacy (ICAAP) and liquidity (ILAAP) assessments and the preparation of the Recovery Plan, as required by the prudential supervisory regulations, for the update of the Risk Appetite Framework and the sustainability assessment of the new Strategic Plan.

Other significant information

On 16 January 2020, illimity signed its first supplementary agreement. The agreement reflects the values on which the mission of the newly established bank is based, a bank founded with the aim of enhancing the potential of businesses and individuals. In defining its welfare policies, illimity aimed at creating an ecosystem, which enabled all illimiters to express their potential by customizing, according to their needs and interests, the measures set forth by an extremely flexible system.

On 23 January 2020, illimity was recognised as a quality working environment, obtaining the Great Place to Work® certification, an organisational consulting company in the HR field, leader in Italy in the study and analysis of the business climate. This recognition was awarded following a survey, the Trust Index©, which was carried out among all the bank's employees with the aim of measuring their perception of the workplace environment on the basis of a variety of criteria. In January 2021, the illimity Banking Group, was awarded Great Place to Work® certification for the second year running.

On 19 March 2020, the Bank of Italy, in conclusion of the Supervisory Review and Evaluation Process (SREP) involving the illimity Banking Group, informed the Bank of the prudential requirements to be observed at the consolidated level with effect from 31 March 2020.

On 25 May 2020, the Issuer established the illimity academy, the corporate business school whose objective is to create high-level economic and financial educational paths for new professionals in the credit sector through teaching programmes and training in the field. The illimity academy's first master is dedicated to credit management and its structure has been developed together with the MIP Politecnico di Milano Graduate School of Business, which also has responsibility for scientific guidance. The aim of the course, which will start in September 2020, is to develop new generation Credit Managers with the characteristics sought by neprix, the servicer specialising in managing illimity's corporate distressed loans. The course, which combines a paid internship with direct tuition by a team of lecturers with a background in the academic and consultancy world as well as members of illimity management, will have a duration of six months and accommodate 25 students who are about to graduate in the humanities or science or have just graduated in those areas and been awarded a degree (bachelor's or master's) not more than one year earlier. At the end of the course students who stand out for ability, motivation and potential will be offered a permanent position as Junior Asset Manager.

On 8 June 2020, illimity presented its first Sustainability Profile – available on the Bank's website at https:/ /www. illimity.com/it/chi-siamo/sostenibilita – after its first year of business.

On 9 July 2020, illimity launched "**illimitHER**", the Diversity & Inclusion programme created with the digital innovation spirit of STEM in the City to foster a STEM culture and encourage young people, and especially young women, to take courageous and alternative directions in both their studies and their work.

On 25 June 2020, illimitybank.com was awarded by ABI (Associazione Bancaria Italiana) as best bank for families and young people thanks to its innovative Personal Financial Management and Analysis tools.

On 3 December 2020, illimity has successfully completed the inaugural issue of a senior preferred bond with a maturity of 3 years for a total amount of Euro 300 million. The bond, reserved to institutional investors and covered by the Euro Medium Term Notes Program (EMTN), was set at 3.375%.

On 13 January 2021, a deed was signed by which Core S.r.l., IT Auction S.r.l. and Mado S.r.l. were merged into neprix. The merger became effective on 1 February 2021. The accounting and fiscal effects of the merger started from 1 January 2021. Following the merger, neprix holds 100% of the shares in the company Neprix Agency S.r.l., previously held by IT Auction S.r.l. This merger has no effects on the consolidated financial statements, as

these companies were already controlled by the Group and included in the consolidated financial statements on a line-by-line basis.

On 29 January 2021, for the second consecutive year, illimity has been awarded the certification by "Great Place to Work", the leading HR consultancy institute in Italy for the study and analysis of the workplace environment.

On 25 February 2021, illimity confirms itself as a new paradigm bank winning three awards at the "Financial Innovation – Italian Award" promoted by AIFIn:

- one Gold award in the Operation & IT category for "illimity: Cloud Tech-Banking Applied" project;
- two Bronze awards in the New Services and Payments category for "illimity hubs" and "illimity connect" projects.

On 10 March 2021, illimity was qualified by the Bank of Italy as a Nomad (Nominated Adviser), for companies that, through listing on the AIM Italy market, wish to raise capital to consolidate their competitive position and accelerate their growth.

On 22 April 2021, the Ordinary Shareholders' Meeting of illimity was held, which among other things approved the financial statements as of 31 December 2020 and appointed the new Board of Directors of the Bank.

On 28 April 2021, illimity presents its first voluntary Non-Financial statement and announces that is already achieved carbon neutral in 2020

On 9 June 2021, the illimity Board of Directors approved the capital increase servicing the 2021 "Employee Stock Ownership Plan - ESOP" for a total of Euro 78,542.13, corresponding to 120,515 ordinary shares.

On 15 June 2021, illimity established **Fondazione illimity**, set up with the aim of creating new spaces of inclusion, cohesion and shared well-being through the regeneration of real estate assets to be allocated to socially useful projects, with specific emphasis on sustainability issues (ESG).

On 17 June 2021, illimity announced that it had signed a binding letter of intent to form a joint venture (50/50) ("**JV**") with some funds managed by Apollo Global Management Inc (NYSE: APO) ("**Apollo**") aimed at investing up to Euro 500 million in non-performing single name loans related to real estate in Italy.

On 22 June 2021, illimity Board of Directors approved the new 2021-25 Strategic Plan. Grounded on the solid foundations laid in the past few years, the Plan sets out the Bank's future developments and financials and non-financials targets for the years to come.

On 30 June 2021, illimity successfully completed the placement of its first subordinated Tier 2 bond with a 10-year maturity and a 5-year call option for a total amount of Euro 200 million. The bond, reserved to institutional investors, was set at 4.375%.

Ratings

Fitch Ratings published illimity Bank S.p.A.'s Long-Term Issuer Default Rating (IDR) of 'B+' with Stable Outlook on 27 November 2020. The Ficth Ratings debt rating classes are reported below:

Debt Rating Classes	
Rating Level	**Rating**
Long-term deposits	B+
Short-term deposits	B
Long-term senior preferred	B

Internal Control System and Risk Management

The Issuer's internal control system is structured at different levels. First level controls are performed directly by the operating structures, with controls built into the IT procedures where feasible. Internal regulations set out the

list of controls that each office must perform. In addition, operating structures are required to identify, assess, monitor and report risks arising from ordinary business activities in accordance with the 'Risk Management Process' and to comply with operating limits assigned to them consistent with the risk objectives.

Second level controls have the objective of ensuring, inter alia, that the risk management process is properly implemented and that business and operations activities and processes are performed in accordance with relevant laws and regulations. Third level controls are responsible for detecting breaches of procedures and regulations as well as for carrying out regular assessments of the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and the IT system with predetermined frequencies based on the nature and intensity of the risks. Second and third level controls are performed by the following functions.

The ***Compliance & AML Function*** is responsible for identifying, measuring controlling, and assessing any non-compliance risks relevant to the Issuer. More in detail, the function's tasks are:

- detecting and monitoring of the applicable regulatory frameworks;

- providing guidance on non-compliance risks, including issuance of Policies and internal regulations;

- releasing opinions and interpretative notes regarding compliance of new products, processes, procedures, contracts, etc.;

- performing compliance risk assessment aimed at measuring the actual exposure to compliance risks of relevant operating/business functions;

- carrying out independent controls to check whether any conducts may give rise to breach of laws and regulations, operating standards and ethical principles as a result of the activities of the Issuer and the adequacy and effectiveness of the measures and procedures of a structural nature adopted by the Issuer in prevention of the foregoing;

- evaluating adequacy and effectiveness of the measures and procedures envisaged to remedy any non-compliance with both internal and external provisions.

Compliance & AML mission is to ensure that applicable laws and regulations are correctly applied to pre-empt inadequate procedures or conduct that could result in administrative and/or criminal liabilities. The function furthermore provides consultancy and assistance to relevant operating/business functions, also on issues of an investment nature, to enable financial decisions to be taken on an informed basis with all available information.

The ***Chief Risk Officer*** division oversees the process by which risks are measured or estimated, and strategies for their management/mitigation are developed. This division performs, *inter alia*, the following tasks:

- supports the Chief Executive Officer and top management in corporate governance to ensure an integrated approach is taken in the process of identifying, assuming, controlling, reporting and managing risks, consistent with the Issuer's business model, strategy, business plan, budgets and established risk policies, all in compliance with applicable internal and external laws and regulations;

- determines the underlying process and proposes the quantitative and qualitative parameters for the definition of the Risk Appetite Framework, under normal and stressed conditions, ensuring its suitability over time in relation to internal and external changes;

- proposes policies to manage risks that do not fall within the competence of other control functions and collaborates in the implementation of these policies, ensuring that the different phases of the Risk Management Process are consistent with the Risk Appetite Framework;

- develops and/or adopts and validates methodologies, processes and tools needed for measuring, monitoring and managing risks and, in conjunction with the business units, for estimating the pricing of portfolios and operations, leveraging the use of advanced data analysis techniques based on big data and artificial intelligence algorithms;

- develops and maintains the internal risk management system, ensuring compliance with applicable regulations and consistency with operating requirements and evolution of the banking sector;

- monitors the assumption of risks in relation to the risk objectives defined in the Risk Appetite Framework, establishes operating limits and mitigation actions, verifies their adequacy and reports any breaches thereof;

- supports the Chief Executive Officer in the implementation of the Internal Capital Adequacy Assessment Process (ICAAP) the Internal Liquidity Adequacy Assessment Process (ILAAP) and other regulatory assessment and planning requirements (e.g. Recovery Plan, Contingency Funding Plan, Stress testing processes) and prepares reports for the competent authorities; and

- verifies the adequacy and effectiveness of measures adopted to remedy weaknesses encountered in the Risk Management Process.

The activities of the ***Internal Audit*** function are designed to control operational regularity and to assess the functionality of the internal control system as well as to inform the corporate bodies and top management of any improvements that can be made to the risk management policies, measurement tools and procedures. In particular, through on site and remote procedures, the function: (i) performs analyses and tests on the functioning of the operating and internal control procedures; (ii) checks the reliability of the IT systems; (iii) verifies the management of the outsourced activities; (iv) verifies the compliance with the delegation limits; (v) verifies the adequacy of the organisation structure and the segregation of duties in relation to the internal process; and (vi) ascertains that anomalies found in operations and the functioning of controls are removed.

The Risk Management Process itself – which is followed by all operating units involved in assuming and managing risks – is characterised by five different phases that underlie the general organisational structure of the framework for the assumption and management of risks by the Issuer. These phases provide for the identification of the risks; the assessment/measurement of the risks identified; risk prevention and attenuation; the monitoring/reporting of risks; and the management/mitigation of risks. The Risk Management Process is put to practice by the Issuer through the implementation of internal regulations, policies, procedures and manuals and establishment of the relevant infrastructure (organisational, information technology and methodologies) to support execution of the Risk Management Process by the competent internal bodies and functions.

In view of the new business model of the Issuer, that was already envisaged in the Business Plan, the Bank of Italy has informed the Issuer of the importance for the corporate bodies to be promptly informed of the results of the activities conducted by the internal control functions and any dysfunctions identified. In particular, the Bank of Italy has requested that the competent internal control functions prepare quarterly reports on the results of their assessments and analyses for the Board of Directors and the Board of Statutory Auditors, which are then to be submitted to the Bank of Italy after having been reviewed by the Board of Directors and Board of Statutory Auditors. See further risk factor headed "Risk factors – Risks related to oversight by the Bank of Italy".

Board of Directors

Pursuant to Article 16 of the By-Laws, the management of the Issuer is entrusted to a Board of Directors consisting of seven to eleven directors appointed by the shareholders' meeting. From time to time the shareholders' meeting shall determine the number of directors before proceeding with the appointment.

On 10 September 2019, illimity announces that its ordinary and extraordinary meeting of the shareholders approved the replenishment of the Board of Directors through the appointment of a director, adopted a Regulation on the Proceedings of Shareholders' Meetings and also made a number of amendments to the Bank's current bylaws. Moreover, in line with the market best practice, the ordinary shareholders' meeting unanimously approved the adoption of a Shareholders' Meetings Regulation governing the procedures and conduct required to ensure that the proceedings of the Bank's shareholders' meetings are carried out in an orderly, disciplined and functional manner and that such meetings are run in an efficient way, while at the same time safeguarding the right of every shareholder to speak on the items under discussion and, more generally, ensuring that those entitled to vote may exercise their rights. Finally, in extraordinary session, the shareholders' meeting unanimously approved a number of amendments to the Bank's corporate bylaws designed to acknowledge that illimity has assumed the role of parent company of the illimity Bank S.p.A. Banking Group pursuant to article 61, paragraph 4, of Legislative Decree no. 385 of 1993, and that as a result it has been granted the powers required to exercise its role as manager and coordinator of the Banking Group in the interest and stability of the Group. The amendments also specify the

competence of illimity's Board of Directors concerning the management and coordination of Group companies. In addition to the above, the shareholders' meeting also approved further amendments that envisage changes to the provisions of the bylaws on the composition of the lists for appointing the members of the managing body and the election of such body in line with the orientation recently expressed by Consob and with market best practice, designed to make it easier to submit lists for the appointment of "minority" directors. More specifically, the approved changes will allow shareholders to submit "short" lists, meaning without the obligation to express a minimum number of candidates for the position as director (even one single candidate, in this case without the need to comply with independence and/or gender balance requirements).

On 10 March 2021, the Board of Directors of illimity resolved to amend the Bank's Bylaws in order to align it with the legislative and regulatory changes relating to the change in the criteria for compliance with the gender balance in the composition of the corporate bodies of listed issuers (Law no. 160 of 27 December 2019, Article 1, paragraphs 302 and 303, which amended Articles 147-ter and 148 of Legislative Decree no. 58 of 24 February 1998).

On 22 April 2021, the Ordinary Shareholders' Meeting of illimity was held and, among other things, approved the financial statements as of 31 December 2020 and appointed the new Board of Directors of the Bank.

The members of the Board of Directors appointed on 22 April 2021 are listed in the table below.

Name	**Position**	**Principal activities performed by the Directors outside the Issuer**
Rosalba Casiraghi	Chairperson	Chairperson of the Board of Statutory Auditors of ENI S.p.A.; Director of Luisa Spagnoli S.p.A., SPA.PI S.p.A., SPA.IM S.p.A., AUTOGRILL S.p.A.; independent auditor of Fondazione Sacra Famiglia and Fondazione TIM; member of the Supervisory Body (*Organismo di vigilanza*) of Università Bocconi.
Corrado Passera	Chief Executive Officer	Sole Administrator of Metis S.p.A., Chief Executive Officer of Tetis S.p.A., Director of Ca' Zampa S.r.l., Partner of: Metis S.p.A., Lariohotels Società benefit S.p.A., Como Venture S.r.l., Ediglobe S.r.l., Mediaglobe S.r.l., EM Publishers S.S., Club Italia Investimenti 2 S.p.A., Just knock S.r.l., Icando S.r.l., Weroad S.r.l., C&G Holdings S.r.l. and Collection S.r.l.
Massimo Brambilla	Director	Chairman of the Board of Directors of Tetis S.p.A., Director of Ca' Zampa S.r.l., Managing Director Europe of Fredericks Michael & Co., Partner of Metis S.p.A., and Hexagon Group S.r.l.
Patrizia Canziani (since 22 April 2021)	Director	Chairperson of the Board of Directors of Kexim Bank UK Limited, Director of Sogefi S.p.A.
Elena Cialliè	Director	Chairperson Audit and Control Committee of Willow; Corporate Finance and Corporate Governance Advisory Services fo UK Government Investments LTD
Paola Elisabetta Galbiati (since 10 February 2021)	Director	Independent Director of illimity SGR, Unieuro S.p.A. and Arnoldo Mondadori Editore S.p.A.; Corporate Finance professor at Università Bocconi; Director of Invefin S.r.l.; Partner of: Invefin S.r.l., Taze Mechatronics S.r.l., Gek S.r.l., BP4 S.r.l.,
Giovanni Majnoni d'Intignano	Director	Partner of Castello di Torre in Pietra S.r.l.

Martin Ngombwa (since 10 September 2019)*	Director	Vice President in the European Private Equity investment team of Atlas Merchant Capital, Non-Executive Director of Panmure Gordon Group Limited
Marcello Valenti (since 10 February 2021)	Director	Director of Octagon Capital S.r.l., Octagon Capital Società di Intermediazione Mobiliare S.p.A., Kon tiki S.r.l., Xenia S.p.A.; Statutory auditor of Demenego S.r.l., Vam Bidco S.p.A.; Partner of: Kon tiki consulting S.r.l., Ener G S.r.l. in liquidazione, ENALG S.r.l. in liquidazione, Octagon Capital S.r.l.

All members of the Board of Directors meet the requirements of professionalism, integrity and independence as well as propriety and expertise, time commitment for the effective performance of office, compliance with the limit for the number of offices held and the absence of causes for ineligibility or disqualifying situation established by the provisions of Article 26 of the Legislative Decree no. 385 of 1 September 1993 (the "**Consolidated Banking Law**") and by the recent Italian Ministry's Decree no. 169/2020. The rules relating to gender requirements as well as the regulations regarding voting lists for listed companies are applicable to the Issuer.

All members of the Board of Directors are domiciled at the registered office of the Issuer for the purpose of their office.

The Directors of illimity may, from time to time, hold directorships or have other significant interests with companies outside the Issuer, which may have business relationships with the Issuer. The Issuer has in place procedures, in accordance with CONSOB Regulation No. 17221 of 12 March 2010 as amended and Bank of Italy Circular no. 285 of 17 December 2013 as amended, aimed at identifying and managing potential conflicts of interests to ensure, where possible, that no actual or potential conflicts of interest will arise and to guarantee that related party transactions are performed in compliance with all relevant requirements of law.

As far as the Issuer is aware, as of the date of the Base Prospectus, no member of the Board of Directors has any private interest in conflict with his or her obligations deriving from the office held in the Issuer.

Board of Statutory Auditors

Pursuant to Article 28 of the By-Laws, the Board of Statutory Auditors is composed of three standing auditors and two alternate auditors who remain in office for three financial years and may be re-elected.

The current Board of Statutory Auditors has been appointed by the shareholders' meeting of 18 January 2019, and will remain in office until the date of approval of the financial statements as of and for the year ending 31 December 2021.

The members of the Board of Statutory Auditors are listed in the table below.

Name	**Position**
Ernesto Riva	Chairman of the Board of Statutory Auditors
Stefano Caringi	Standing Auditor
Nadia Fontana	Standing Auditor
Riccardo Foglia Taverna	Alternate Auditor
Michela Zeme	Alternate Auditor

All members of the Board of Statutory Auditors are domiciled at the Issuer's registered office for the purpose of their office.

Senior Executives

The following table sets forth the members of illimity's senior executives, members of the so called "Comitato di Direzione" (Management Committee) and their current position.

Name	**Position**
Corrado Passera	Chief Executive Officer
Carlo Panella	Head of Direct Banking Division
Andrea Clamer	Head of Distressed Credit Division
Enrico Fagioli Marzocchi	Head of Growth Credit Division
Francesco Mele	Chief Financial Officer & Central Functions
Massimo Di Carlo	Chief Lending Officer
Claudio Nordio	Chief Risk Officer
Filipe Teixeira	Chief Information Officer
Francesco Martiniello	Head of Compliance & AML
Isabella Falautano	Head of Communication & Stakeholder Engagement
Giovanni Lombardi	General Counsel
Marco Russomando	Head of Human Resources & Organization
Silvia Benzi	Head of IR & Strategic Planning
Fabiano Lionetti	Head of Finance
Andrea Battisti	neprix S.r.l. Chief Executive Officer
Fabio Marchesi	Head of Internal Audit

Information Technology infrastructure

In 2019, illimity has completed the migration of its IT services from Consorzio Servizi Bancari "CSE" to new "Core Banking" outsourcer Sella Technology Solutions fully integrated with full Cloud illimity IT Systems thanks to a global partnership with Microsoft. These strategic achievements confirm the IT architecture completion.

This achievements means that illimity has a modern technological platform to enable additional and faster business opportunities on its 3 target markets: Direct Banking, Growth Credit and Distressed Credit. Significant investments have been made in order to leverage fully the Cloud capabilities (Infrastructure and State-of-the-art technologies) and to be integrated with 3rd parties solutions (i.e: Fintechs) enabling illimity to deliver new products and services planned in its business model focusing on user experience and relying on a solid data architecture.

illimity's innovative business model relies on the development of a completely digital IT platform with a modular approach based on a flexible architecture (API and Micro Services) that can be integrated with diverse components

– including fintech solutions purchased or in partnership with third parties – tailored to meet the different requirements of each division. This new platform is data-driven and big data native enabling high performance and agility of analysis through advanced tools based on artificial intelligence and machine learning.

On 31 May 2021 illimity evolved its organisational structure and on that occasion the "Information Technology area" was deleted and it was created the Chief Information Officer (as CEO reporting line).

Employees

The Bank had 348 employees as of 31 December 2019, 587 employees as of 31 December 2020 and 675 as of 30 June 2021.

illimity's shares and shareholders

As of 30 June 2021 the Bank's share capital amounted to Euro 50,366,953.62 of which Euro 48,870,282.28 had been subscribed and paid up, divided into 73,546,534 ordinary shares and 1,440,000 special shares, without par value. The ordinary shares are admitted to trading on MTA while the special shares are not traded on any market. By order of the Bank of Italy no. 8688 of 2 September 2020, the ordinary shares were admitted to trading on the STAR (Securities with High Requirements) segment of the MTA market.

The principal shareholders of illimity as of 30 June 2021 were Gruppo Sella (10.10%), LR Trust - Fidim S.r.l. (8.76%), Tensile Capital Management LLC (7.56%), and Atlas Merchant Capital LLC (7.07%)].

On 29 July 2021, the Shareholders' Meeting, in extraordinary session and following the relevant authorizations issued by the Supervisory Authority, approved with unanimous vote of the participating shareholders the share capital increase reserved to ION Group, which forms part of the wide ranging collaboration agreement between the two Groups as announced on 22 June 2021. The share capital increase approved by the Shareholders' Meeting following the relevant authorizations issued by the Supervisory Authority envisages:

- to increase the Company's share capital, against payment, in separable and divisible form, without entitlement to the option right pursuant to article 2441, par. 4, second part, of the Italian Civil Code, for a maximum total amount of Euro 57,535,660.00 (including share premium), through the issue of maximum no. 5,753,566 illimity ordinary shares, with no par value, to be settled in cash and reserved to ION Investment Corporation S.à r.l. and/or to its subsidiaries; and

- to issue warrants to be assigned, free of charge, in combination with the shares under point 1) above, and to increase the Company's share capital for the conversion of such warrants, against payment, in separable and divisible form and without entitlement to the option right pursuant to article 2441, par. 4, second part, of the Italian Civil Code, for a maximum total amount of Euro 30,114,900.00 (including share premium), through the issue of maximum no. 2,409,192 illimity ordinary shares, with no par value, to be settled in cash following the conversion of warrants (to be completed between March and July 2022) and reserved to ION Investment Corporation S.à r.l. and/or to its subsidiaries.

As of the date of this Base Prospectus no entity is controlling the Issuer.

Italian corporate governance rules are designed to prevent the risk of abusive exercise of control of controlling shareholders.

Litigation

As part of the ordinary course of business, in addition to being the plaintiff to various debt recovery proceedings, illimity and its subsidiaries are party to litigation, arbitration, administrative, civil and tax proceedings relating to their activities (including proceedings concerning BIP prior to the Merger and in respect of which illimity is the successor-in-title). illimity reviews these proceedings on an ongoing basis and makes what it considers to be appropriate provisions in its financial statements to cover potential liabilities, in accordance with applicable accounting principles. As of 31 December 2020, provisions set aside by illimity at a consolidated level for litigation amount to Euro 14 thousand. Notwithstanding the foregoing, it cannot be excluded that the occurrence of new developments that, as of the date of the Base Prospectus, are not predictable may result in such provisions being inadequate.

illimity's financial assets

As of 31 December 2020, illimity securities portfolio stood at Euro 91 million, entirely classified as "hold to collect and sell" (Euro 126 million as of 31 December 2019). At the same date, senior corporate bonds represented 69% of the total portfolio, while subordinated bonds represented the complementary 31% part.

As of 30 June 2021, illimity's securities portfolio stood at Euro 299 million. At the same date, Italian government bonds represented 58% of the total portfolio, with the remaining portfolio consisting of senior corporate bonds (35%) and subordinated bonds (7%).

Alternative performance measures

The table below sets out certain alternative performance measures ("**APMs**") of illimity, as defined by the European Securities and Markets Authority's Guidelines on Alternative Performance Measures (ESMA/2015/1415) (the "**ESMA Guidelines**"). The following should be noted to ensure a proper interpretation of these APMs:

(i) these indicators have been calculated solely for historical data of illimity and are not indicative of the future performance of the bank;

(ii) the APMs are not envisaged by International Financial Reporting Standards ("IFRSs") (they are non-GAAP financial measures) and have not been audited;

(iii) the APMs should not be considered as replacements for the measures envisaged by IFRSs;

(iv) the APMs should be read together with financial information contained in the illimity 2019 and 2020 Financial Statements and the company presentation incorporated by reference in the Base Prospectus;

(v) as they are not envisaged by IFRSs, the definitions of these APMs may not be consistent with those adopted by other companies/groups and may therefore not be comparable;

(vi) the definition and calculation of the APMs included herein are consistent for the financial periods covered by this Base Prospectus.

The Issuer has selected and represented the APMs set out below as it believes that they are a useful means to obtain a better understanding of the economic and financial performance illimity, because they facilitate the identification of important operating trends and financial parameters peculiar to the areas of illimity's business activities:

- the Cost/Income ratio, calculated as the ratio between operating expenses and total revenues extracted from the reclassified income statement, is one of the main indicators of the Issuer's operational efficiency; the lower the ratio, the greater the efficiency;

- the Organic Cost of Risk, calculated as the ratio between organic loan loss provisions and net organic loans for the segments Factoring, Cross-over, Acquisition Finance, performing Turnaround (including those loans returns to a performing status), the loan portfolio of the former Banca Interprovinciale and Senior Financing to non-financial investors in distressed loans – thus excluding UTP loans purchased or originated as part of the Turnaround and the investments in Distressed Credit portfolios;

- the Gross Organic NPE Ratio, ratio of gross organic NPE to total gross organic loans to customers from Factoring, Cross-over, Acquisition Finance, Turnaround performing (including UTP exposures returned to a performing status), BIP legacy book and Senior Financing to non-bank Distressed Credit investors - thus excluding UTP loans purchased or originated as part of the Turnaround and the investments in Distressed Credit portfolios;

- the Liquidity Coverage Ratio (LCR), computed as the ratio between high-quality liquid assets and total net cash flow amount over a 30-day stress period;

- the Common Equity Tier 1 Ratio (the CET 1 Ratio), calculated as the ratio between Common Equity Tier 1 Capital and total Risk-Weighted Assets;

- the Total capital ratio, calculated as the ratio between the Total Capital Ratio and Total Risk-Weighted Assets.

	FY 2019	FY 2020	1H 2021
Cost-Income	116%	76%	62%
Organic Cost of Risk (bps) annualized	86bps	52bps	13bps
Gross Organic NPE ratio	4.2%	3.2%	3.0%
LCR	>1,000%	>700%	~700%

Capital Adequacy

The tables below set forth the own funds and regulatory capital ratio(s) of illimity (on consolidated basis) as of 31 December 2019, 31 December 2020 and 30 June 2021.

	As at 31 December 2019	As at 31 December 2020	As at 30 June 2021
CET1 ratio	21.4%	17.9%	17.2%
Total capital ratio	21.4%	17.9%	17.2%
Own Funds	461,699	509,127	543,387
Risk-weighted assets	2,162,485	2,850,572	3,167,529

On 19 March 2020, upon the conclusion of the periodic prudential review process (SREP), the Bank of Italy announced the new additional capital requirements based on the findings of the SREP. Following the change in the capital conservation buffer, the target thresholds (the most recent currently available) in effect are a Common Equity Tier 1 ratio of 9.20% and a Total Capital Ratio of 13.70% and Tier 1 ratio of 11.10%.

The supervisory authority also indicated a need without prejudice to the additional supervisory requirements set out in the notification sent for observance of the commitment to keep the CET1 ratio over 15% on an ongoing basis.

On 29 March 2021, the Bank of Italy, considering the complex evaluation aspects available to the regulatory authorities concerning the corporate situation of the illimity Group, confirmed the outcome of the SREP 2020.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes. This summary will not be updated to reflect changes in laws and if such a change occurs the information in this summary could become invalid.

TAXATION IN THE REPUBLIC OF ITALY

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, (**Decree 239**) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from Notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), issued, *inter alia*, by Italian banks.

Pursuant to Article 44 of Decree No. 917 of 22 December 1986, for securities to qualify as titoli similari alle obbligazioni (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not lower than their nominal value or principal amount ("*valore nominale*") and (ii) attribute to the Noteholders no direct or indirect right to control or participate to the management of the Issuer.

The tax regime set forth by Decree 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory laws and regulations in effect since the Issue Date, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments, as set out by Article 2, paragraph 22, of Law Decree No. 138 of 13 August 2011, as converted with amendments by Law No. 148 of 14 September 2011, and as further amended and clarified by Law No. 147 of 27 December 2013, and by Article 9 of Law Decree No. 34 of 30 April 2019.Italian resident Noteholders

Italian resident Noteholders

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected; (b) a non-commercial partnership; (c) a non-commercial private or public institution (other than UCIs as defined below); or (d) an investor exempt from Italian corporate income taxation (unless the Noteholders has opted for the application of the *risparmio gestito* regime – see "*Capital gains tax*" below), interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a substitute 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).

In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity to which the Notes are connected or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest relating to the Notes if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(88-114) of Law No. 232 of 11 December 2016, as subsequently amended (the **Finance Act 2017**), Article 1(210-215) of Law No. 145 of 30 December 2018 (the **Finance Act 2019**) and Article 136 of Law Decree No. 34 of 19 May 2020.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are in due time, together with the coupons relating to such Notes, with an Intermediary (as defined below), interest, premium and other

income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian income taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities (**IRAP**)).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (**Decree 351**), and Article 9, par. 1, Legislative Decree No. 44 of 4 March 2014, payments of interestin respect of the Notes made to Italian resident real estate investment funds (**Real Estate Funds)** established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (the **Financial Services Act**) or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, and Italian real estate investment companies with fixed capital (the **Real Estate SICAFs** and, together with the Italian resident real estate investment funds, the **Real Estate UCIs**) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate UCIs is subject to taxation in the hands of the unitholder or shareholder regardless of distribution.

If the Noteholder is resident in Italy and is an open-ended or closed-ended investment fund (other than Real Estate Fund), a SICAF (an investment company with fixed capital other than a Real Estate SICAF) or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the **UCI**), and the relevant Notes are deposited in due time, together with the coupons relating to such Notes, with an Intermediary (as defined below), interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva* nor to any other income tax in the hands of the UCI, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent. (the **Collective Investment Fund Withholding Tax**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited in due time, together with the coupons relating to such Notes, with an Intermediary (as defined below), 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. Subject to certain conditions (including minimum holding period requirement) and limitations, interest relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax 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 (88-114) of Finance Act 2017, in Article 1(210-215) of Finance Act 2019 and Article 136 of Law Decree No. 34 of 19 May 2020.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, Italian investment companies (*società di intermediazione mobiliare*) (**SIM**s), fiduciary companies, Italian asset management companies (*società di gestione del risparmio*) (**SGR**s), stockbrokers and other entities identified by decree of the Ministry of Finance (each an **Intermediary**).

An Intermediary (a) must (i) be resident in Italy or (ii) be a permanent establishment in Italy of a non-Italian resident bank, financial intermediary (iii) an entity or company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Italian Revenue Agency having appointed an Italian representative for the purposes of Decree 239; and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the imposta sostitutiva, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary or deposit account wherewith which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld:

(a) by any intermediary paying Interest to the Noteholder; or

(b) by the Issuer,

and Noteholders that are Italian resident corporations or permanent establishments in Italy of foreign companies to which the Notes are effectively connected are entitled to deduct any imposta sostitutiva suffered from income taxes due.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy in the tax sector as listed in Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 March 2017 and possibly further amended according to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No.147 of 14 September 2015) (the **White List**); or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is established in a country which allows for a satisfactory exchange of information with Italy, as listed in the White List, even if it does not possess the status of taxpayer therein.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any, subject to timely filing of required documentation provided by Decree of the Director of Italian Revenue Agency No. 2013/84404 of 10 July 2013) to interest, paid to Noteholders who are resident, for tax purposes, in countries not included in the White List.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or an institutional investor and (a) deposit in due time, directly or indirectly, the Notes, together with the coupons relating to such Notes, with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a central securities depository system having appointed an Italian representative for the purposes of Decree 239, which is in contact, via computer, with the Italian Revenue Agency and (b) file with the relevant depository, in due time (prior any interest payment), a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

Failure of a non-resident Notesholder to comply in due time with the procedures set forth in Decree 239 and in the relevant implementation rules will result in the application of imposta sostitutiva on Interest payments to a non-resident Noteholder.

Further Issues

Pursuant to Article 11, paragraph 2 of Decree 239, where the relevant Issuer issues a new tranche forming part of a single series with a previous tranche of notes, for the purposes of calculating the amount of Interest subject to imposta sostitutiva, the issue price of the new tranche of notes will be deemed to be the same amount as the issue price of the original tranche of notes. This rule applies where (a) the new tranche of notes is issued within twelve months from the issue date of the previous tranche of notes and (b) the difference between the issue price of the new tranche of notes and that of the original tranche of notes does not exceed 1% multiplied by the number of years of the duration of the Notes.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within neither the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) nor in the category of regulatory capital financial instruments complying with EU and Italian regulatory laws and regulations issued by Italian banks, other than shares and assimilated instruments, as described under the caption "Tax treatment of the Notes, would qualify as atypical securities and, as a consequence thereof such Notes fall out of the scope of Decree 239 and may be subject to a withholding tax, levied at the rate of 26 per cent pursuant to Law Decree No. 512 of 30 September 1983. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree

No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 or a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) may be exempt from the withholding tax on interest, premium and other income relating to the Notes not falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) and issued by an Italian resident issuer, if such Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(88-114) of the Finance Act 2017, in Article 1(211-215) of Finance Act 2019 and Article 136 of Law Decree No. 34 of 19 May 2020.

For non-Italian resident Noteholders, Interest from Notes may be subject to the reduced withholding tax rate provided for by the applicable tax treaty with Italy, subject to the fulfilment of certain procedural requirements.

In the case of Notes issued by an Italian resident, issuerwhere the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected; (b) an Italian company or a similar Italian commercial entity; (c) a permanent establishment in Italy of a foreign entity; (d) an Italian commercial partnership; or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes, both whether they fall within the category of bonds (obbligazioni) or debentures similar to bonds (titoli similari alle obbligazioni) or in the category of atypical securities, would be subject to the taxation regime described below.

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an imposta sostitutiva, levied at the current rate of 26 per cent. Noteholders may set off losses with gains.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes, issued by an Italian resident or White List resident Issuer, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(88-114) of Finance Act 2017, in Article 1(210-215) of Finance Act 2019 and Article 136 of Law Decree No. 34 of 19 May 2020.

In respect of the application of *imposta sostitutiva*, taxpayers may choose one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian Noteholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the investor in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. The relevant Noteholder must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. As an alternative to the tax declaration regime, Italian resident Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository

intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident Noteholders under (i) to (iii) above who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included, together with Interest relating to such Notes, in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a substitute tax at a rate of 26 per cent, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets 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. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return. Any capital gains realised by a Noteholder who is a Real Estate UCI will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate UCI, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate UCI is subject to taxation in the hands of the unitholder or the shareholder regardless of distribution.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*. Such result will not be taxed with the UCI, but subsequent distributions in favour of unitholders of shareholders may be subject to the Collective Investment Fund Withholding Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains relating to the Notes issued by an Italian resident or White List resident Issuer may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (88-114) of Finance Act 2017, in Article 1(211-215) of Finance Act 2019 and Article 136 of Law Decree No. 34 of 19 May 2020.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets, or not held in Italy, are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Where the Notes are held in Italy, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy in the tax sector, as listed in the White List; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is established in a countrywhich allows for a satisfactory exchange of information with Italy, as listed in the White List even if it does not possess the status of taxpayer therein.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer not traded on regulated markets, and held in Italy, are subject to the *imposta sostitutiva* at the current rate of 26 per cent., under *risparmio amministrato* regime rules, which is the default regime for non-Italian resident investor, unless the latter has opted for the tax declaration regime or, alternatively, for *risparmio gestito* regime.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes issued by an Italian resident issuer are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the 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 the sale or redemption of Notes issued by an Italian resident issuer.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

(i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;

(ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and

(iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in paragraphs (i), (ii) and (iii) on the value exceeding, for each beneficiary, €1,500,000.

Pursuant to article 6 Law no. 112/2016 ("Legge sul Dopo di Noi") as amended by article 89, paragraph 8, Legislative Decree 3 July 2017, no.117, asset or other rights (a) contributed to a trust, or (b) subject to a scope restriction ex article 2645-ter Italian Civil Code, or (c) contributed to a special fund ruled by c*ontratto di affidamento fiduciario*, in favor of persons with severe disabilities, are exempt from inheritance and gift tax. Upon the death of the person with severe disabilities, inheritance and gift tax will be due by the last beneficiary of the transfer, to be specifically identified within the deed.

Transfer tax

Following the repeal of the Italian 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 €200.00; (ii) private deeds are subject to registration tax only in the case of use or voluntary registration or occurrence of the so called cross-reference (*enunciazione)*.

Italian financial transaction tax (so-called "Tobin Tax")

Article 1, paragraphs from 491 to 500, of Law No. 228 of 24 December 2012, as implemented by Ministerial Decree 21 February 2013 (the "IFTT Decree"), introduced a tax on financial transactions that applies to (i) the transfer of ownership in shares issued by companies having their registered office ("sede legale") located in Italy (the "Chargeable Equity"); and (ii) transactions in derivative financial instruments over Chargeable Equity, and (iii) transactions in transferable securities giving the right to acquire or sell mainly one or more Chargeable Equity, or giving rise to a cash settlement determined mainly by reference to one or more Chargeable Equity, and (iv) high frequency trading transactions relating to shares or equity securitised or un-securitised derivatives, effected on the Italian financial market.

Transactions related to financial instruments (other than shares and assimilated instruments pursuant to Article 44 of Decree No. 917), issued by Italian supervised banks, that qualify as bonds or are eligible as Additional Tier 1 Capital at the level of the issuer, under EU and Italian regulatory laws and regulations in effect, since the Issue Date, such as the Notes, are excluded from IFTT pursuant to art. 15(1)(b-bis) of the IFTT Decree.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (**Decree 201**), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.20 per cent.; and cannot exceed €14,000 for taxpayers other than individuals; this stamp duty is determined on the basis of the market value or, if no market

value figure is available, the nominal value or redemption amount or in the case the nominal or redemption values cannot be determined, on the purchase value of the Notes held.

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

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

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent (**IVAFE**) and cannot exceed €14,000 for taxpayers other than individuals.
This tax is calculated on the market value of the Notes at the end of the relevant year or, if no market value figure is available, the nominal value or the redemption value or in the case the nominal or redemption values cannot be determined, on the purchase value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Tax Monitoring Obligations

Pursuant to Italian Law Decree No. 167 of 28 June 1990, converted by Italian Law No. 227 of 4 August 1990, as amended by Italian Law No. 97 of 6 August 2013 and subsequently amended by Italian Law No. 50 of 28 March 2014 and Italian Law No. 225 of 1 December 2016, individuals, non-profit entities and certain partnerships (società semplici or similar partnerships) resident in Italy who hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument under the Italian money-laundering law.

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.

OECD automatic exchange of information in Italy

The EU Savings Directive adopted on 3 June 2003, by the EU Council of Economic and Finance Ministers (as subsequently amended) on taxation of savings income in the form of interest payments has been repealed from 1 January 2016 to prevent overlap between the Savings Directive and the new automatic exchange of information regime implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU).

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("CRS") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges are expected to begin in 2017.

Italy has enacted Italian Law No. 95 of 18 June 2015 ("Law 95/2015"), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated 28 December 2015, which has

entered into force on 1 January 2016, implemented Law 95/2015 and provides for the exchange of information in relation to the calendar year 2016 and later.

In the event that the Noteholder holds the Notes through an Italian financial institution (as meant in the Italian Ministerial Decree of 28 December 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

Finally, on 25 May 2018 the EU Council Directive 2018/822 (the "DAC 6") has been adopted. Under the DAC 6 intermediaries which meet certain EU nexus criteria and taxpayers are required to disclose to the relevant Tax Authorities certain cross-border arrangements, which contain one or more of a prescribed list of hallmarks, performed from 25 June 2018 onwards. In specific cases this obligation will shift to the taxpayer. Information with regard to reported arrangements will be automatically exchanged by the competent authority of each EU jurisdiction every 3 months. Under the DAC 6, a cross-border arrangement has to be reported if it referes to any (i) cross-border arrangement (ii) which bears one or more of the hallmarks listed in the DAC 6, (iii) where in certain instaces the main or expected benefit of the arrangement is a tax advantage and (iv) concerns at least on EU jurisdiction.

illimity Bank or its intermediaries involved may be legally obliged to notify to tax authorities of certain types of cross-border arrangements and of proposals of implement such arrangements.

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

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation. 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 ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" ("FFI") may be required to withhold on certain payments it makes ("foreign pass-through payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions, including the Republic of Italy, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. In particular, with the Law 18 July 2015 No. 95, the Republic of Italy ratified and enacted the IGA with the United States of America signed on 10 January 2014. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. On 13 December 2018, the Treasury and the Internal Revenue Service (IRS) issued

Proposed Regulations (REG-132881-17) under FATCA, eliminating withholding on the payments of gross proceeds and deferring withholding on foreign passthru payments. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published into U.S. Federal Register and notes issued on or prior to the date that is six months after the date on which final regulations defining foreign pass-through payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the issuer). However, if additional Notes (as described under Condition 16 (Further Issues)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

While the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "ICSDs") in all but the most remote circumstances it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent, the depositary, or to the order of the common depositary or common safe keeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an "IGA" will be unlikely to affect the Notes. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. In addition, the Programme documentation expressly contemplates the possibility that the Notes may be exchanged into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA withholding. However, definitive notes will only be issued in remote circumstances. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. The Issuer's obligations under the Notes are discharged once it has paid to the order of the common depositary or common safe keeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The original Dealer has, in an amended and restated dealer agreement dated 4 November 2021 (the "**Dealer Agreement**"), agreed with the Issuer a basis upon which it or any other Dealer may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*" above. In the Dealer Agreement, the Issuer has agreed to reimburse the relevant Dealer for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the relevant Dealer against certain liabilities incurred by them in connection therewith. The Dealer Agreement makes provision for the resignation or termination of appointment of the existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes. For the purposes of this section, references in this section to "Dealer" and "Dealers" also refers to any Dealer or Dealers appointed subsequently. The Dealers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States

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 under the Securities Act.

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. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations thereunder.

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 has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche, (a) as part of their distribution at any time or (b) otherwise until 40 days after completion of the distribution of such Tranche as determined and certified to the Issuer by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period 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. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act, if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

If the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has 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 Base 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, "EU **MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

Public Offer Selling Restriction Under the Prospectus Regulation

If the Final Terms in respect of any Notes does not include a legend entitled "Prohibition of Sales to EEA Retail Investors", in relation to each Member State of the European Economic Area, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Member State except that it may make an offer of such Notes in that Member State:

(a) ***Qualified investors***: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(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 Regulation), 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 1(4) of the Prospectus Regulation.

provided that no such offer of Notes referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

Prohibition of sales to UK Retail Investors

Unless the Final Terms (or Drawdown Prospectus, as the case may be) in respect of any Notes incudes the legend "Prohibition of Sales to UK 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 Base 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 any retail investor in the United Kingdom. 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 (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

If the Final Terms in respect of any Notes does not incude the legend "Prohibition of Sales to UK Retail Investors", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(A) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a **Public Offer**), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii)

is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(B) at any time to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA;

(C) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(D) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (B) to (D) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA.

For the purposes of this provision, the expression **an offer of Notes to the public** in relation to any Notes 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 for the Notes and the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA.

United Kingdom

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

(a) **no deposit-taking**: in relation to any Notes which have 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 whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) **financial promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(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.

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

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

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time) and any other applicable laws and regulations; and

(b) 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 it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of 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, the Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in the Republic of 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, the 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 it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of 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 above.

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

GENERAL INFORMATION

Name and Legal Form of the Issuer

The Issuer is incorporated as a joint stock company (*società per azioni*) in the Republic of Italy, is registered with number 03192350365 in the companies' register of Milan and operates in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended) (the "**Italian Banking Act**").

Corporate Purpose

The Issuer's corporate purpose, as set out in Article 4 of its current By-Laws, is "*the collection of savings and provision of credit in its various forms, in Italy and abroad. It may, in compliance with relevant applicable regulations, carry out all permitted banking and financial transactions and services, including the provision of investment service and related ancillary services, as well as all other activities or operations that are useful or anyway related to the achievement of the Company's purpose. In accordance with and within the limits of applicable pro tempore regulations, the Company may take stakes and financial instruments in other companies and enterprises, both Italian and foreign ones, both directly and through subsidiaries, even in the context of securitisation operations.*"

Share Capital of the Issuer

Pursuant to Article 5 of the By-laws, the fully subscribed and paid-up share capital of the Issuer is Euro 52,619,881.24 divided into 79,300,100 ordinary shares and 1,440,000 special shares, without par value.

Authorisation

The establishment of the Programme was duly authorised by resolutions of the management board of the Issuer dated 9 September 2021.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of illimity is 815600A029117B20DD63.

Approval, Listing of Notes and Admission to Trading

The CBI has approved this document as a base prospectus. Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to trading on the regulated market of the Euronext Dublin and to be listed on the Official List. Euronext Dublin's regulated market is a regulated market for the purposes of MiFID II.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Listing Agent

BNP Paribas Securities Services is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Regulation.

Documents Available

For as long as this Base Prospectus remains valid, copies of the following documents will, when published, be available for inspection in physical form from the registered office of the Issuer and from the specified offices of the Fiscal Agent for the time being in London and on the relevant website indicated below:

(a) the by-laws (with an English translation thereof) of the Issuer which is available in the website of Euronext Dublin at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202110/2e4ab6ca-ab87-4a8d-bbca-4d9ca71ab043.pdf;

(b) the audited consolidated financial statements of illimity Bank S.p.A. as of and for the year ended 31 December 2019, prepared in accordance with IFRS as adopted by EU and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and together with the accompanying notes and auditors' report, which can be found on the website of Euronext Dublin at https://www.ise.ie/debt_documents/illimity_ENG%20Financial%20Statements%20and%20Report%202019_5fd0bf7a-6de1-4ebd-a0a9-fd11c689c13f.pdf;

(c) the audited consolidated financial statements of illimity Bank S.p.A. as of and for the year ended 31 December 2020, prepared in accordance with IFRS as adopted by EU and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and together with the accompanying notes and auditors' report, which can be found on the website of Euronext Dublin at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202106/1196ad01-df8f-489d-ad3e-a8ffddaa6b22.pdf;

(d) the consolidated Interim Report of illimity Bank S.p.A. as of and for the six months ended 30 June 2021, prepared in accordance with IAS 34 and together with the accompanying notes and auditors' review report which can be found on the website of Euronext Dublin at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/202110/654ce0b9-ab58-4c60-9616-5e57efbda113.pdf.

In addition copies of this Base Prospectus, any supplements thereto, each Final Terms relating to Notes which are admitted to trading on Euronext Dublin's regulated market and each document incorporated by reference are available on Euronext Dublin's website (http://www.ise.ie/).

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 relevant Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant 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.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial position of the illimity Group and no significant change in the financial performance of the illimity Group since 30 June 2021 and there has been no material adverse change in the prospects of the Issuer since 31 December 2020.

Litigation

The Issuer is not nor has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

Independent Auditors

KPMG was appointed by the shareholders' meetings of Banca Interprovinciale S.p.A. (currently illimity Bank) held on 17 December 2018 in the context of 2018-2026 statutory financial statements and by the shareholders' meeting of Spaxs S.p.A. held on 12 January 2018.

KPMG is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010 as implemented by the MEF (Decree No. 144 of 20 June 2012). The registered office of KPMG is Via Vittor Pisani 27/31, 20124 Milan, Italy.

Interests of natural and legal persons involved in the issue/offer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in financing, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions, which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. The relevant Final Terms will specify any other interests of natural and legal persons involved in each issue/offer of Notes under the Programme. For the avoidance of doubt, for the purpose of this paragraph the term "**affiliates**" also includes a parent company.

THE ISSUER

illimity Bank S.p.A.
Via Soperga, 9
20124 Milan
Italy

FISCAL AGENT AND PAYING AGENT

BNP Paribas Securities Services
60 avenue J.F. Kennedy
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Luxembourg

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To the Issuer as to English law and Italian law

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To the Arranger and Sole Dealer as to English and Italian law

Clifford Chance Studio Legale Associato
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AUDITOR

KPMG
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ARRANGER AND SOLE DEALER

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France

IRISH LISTING AGENT

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