

Base Prospectus



BANCA POPOLARE DELL'ALTO ADIGE VOLKSBANK S.p.A.

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

EUR 1,000,000,000

Euro Medium Term Note Programme

This document has been approved as a base prospectus (the "**Base Prospectus**") issued in compliance with Directive 2003/71/EC and amendments thereto (the "**Prospectus Directive**") by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the *Loi relative aux prospectus pour valeurs mobilières* dated 10 July 2005 which implements the Prospectus Directive in Luxembourg (the "**Luxembourg Prospectus Law**"). Application has been made by Banca Popolare dell'Alto Adige Volksbank S.p.A. ("**Banca Popolare dell'Alto Adige**" or the "**Issuer**" or the "**Company**") for notes ("**Notes**") issued under the EUR 1,000,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof to be listed on the official list and admitted to trading on the regulated market of the Luxembourg Stock Exchange, which is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC (each such regulated market being a "**Regulated Market**"). 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.

Investing in Notes issued under the Programme involves certain risks. Risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors", beginning on page 1.

As more fully set out in "*Taxation*", payments of interest, premium and other income on Notes qualifying as bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*) are subject in principle to a 26 per cent. substitutive tax referred to as the *imposta sostitutiva*, in certain circumstances. In order to obtain exemption from the *imposta sostitutiva* in respect of payments of interest, premium or other income relating to the Notes, each Noteholder not resident in the Republic of Italy is generally required to certify that such Noteholder is eligible for the exemption, as more fully set out in the section "*Taxation*".

Pursuant to the Programme, the Issuer may from time to time issue Notes in bearer form denominated in any currency agreed between the Issuer and Natixis and UniCredit Bank and any additional dealer appointed under the Programme from time to time (each a "**Dealer**" and together the "**Dealers**"). No Notes may be issued under the Programme which have a minimum denomination of less than EUR 100,000 (or equivalent in another currency). The aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR 1,000,000,000 (or its equivalent in other currencies calculated as described herein). The CSSF gives no undertaking as to the economic or financial opportuneness of the transaction or the quality and solvency of the Issuer in line with the provisions of article 7(7) of the Luxembourg Prospectus Law.

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable ratings will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**"), or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Arrangers and Dealers

NATIXIS

UNICREDIT BANK

20 June 2017

IMPORTANT NOTICES

Responsibility for this Base Prospectus

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

Final Terms/Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued either (i) pursuant to the Base Prospectus on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche describing the final terms of the relevant Tranche (the "**Final Terms**") or (ii) in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") which may be constituted either (a) by a single document or (b) by a registration document and a securities note which relates to the relevant Tranche.

Important – EEA Retail Investors

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

Other relevant information

This Base Prospectus must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Final Terms.

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

Unauthorised information

No person has been authorised 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 should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or, without prejudice to the Luxembourg Prospectus Law, that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Restrictions on distribution

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

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

Programme limit

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed EUR 1,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

Certain definitions

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

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

Stabilisation

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

Market Information and Statistics

Unless otherwise indicated, information and statistics presented in this Base Prospectus regarding the market share of the Issuer are either derived from, or are based upon, the Issuer's analysis of data obtained from public sources. Although these sources are believed by the Issuer to be reliable, the Issuer has not independently verified such information.

Alternative Performance Measures

This Base Prospectus contains certain financial measures (including the Issuer's profitability ratios and risk ratios, as well as certain other financial highlights and alternative performance indicators contained in information incorporated by reference in this Prospectus) that the Issuer considers as constituting alternative performance measures ("**APMs**").

APM	Definition/reconciliation
Cost to income ratio	Ratio between (i) operating expenses and (ii) net operating income (excluding profit (losses) on investments in associates and companies subject to joint control and including profit (losses) on disposal or

APM	Definition/reconciliation
	repurchase of receivables and investments held to maturity - taken from schedules to financial statements)
ROA (net profit / total assets)	Ratio between (i) net income and (ii) average total assets
Net non-performing loans / net loans to customers	Ratio between (i) net non-performing loans and (ii) net loans to customers (taken from schedules to financial statements)
Degree of non-performing loan hedging	Ratio between (i) specific adjustments on non-performing loans and (ii) gross amount of non-performing loans to customers

The Issuer believes that the above APMs provide useful information to investors regarding the financial position and performance, allowing for comparison with similar measures published by other banks as well as average industry standards and better illustrating specific aspects and trends of the Issuer's business activity.

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RISK FACTORS

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

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

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

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

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

The Notes may not be a suitable investment for all investors

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this 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 Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Competition in the Italian market

Competition is intense in all of the Issuer's primary business areas in Italy. The Issuer derives nearly all of its banking income from its banking activities in Italy and in particular in Alto Adige where approximately 33 per cent. of its branches as at the date of this Base Prospectus are based, a mature market where competitive pressures have been increasing quickly and which is currently going through a process of consolidation, with large banking groups undergoing mergers and acquisitions to achieve greater economies of scale. The banking sector has also seen the emergence in recent years of alternative distribution channels for many of the products that the Issuer offers. Other factors which may affect competition include consumer demand, technological changes and the regulatory framework. The implementation of the euro has also resulted in increased cross-border competition. Competitive pressures could result in increased pricing pressures on a number of the Issuer's products and services, particularly as competitors seek to win market share, and may harm its ability to maintain or increase profitability.

Changes in the Italian and European regulatory framework could adversely affect the Issuer's business

The Issuer is subject to extensive regulation and supervision by the Bank of Italy, CONSOB (the public authority responsible for regulating the Italian securities market), the European Central Bank, the European System of Central Banks and the CSSF in Luxembourg.

The banking laws to which the Issuer is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. Any changes in how such regulations are applied or the implementation of the Basel Capital Accord (Basel III and the proposed amendments thereto) on capital requirements for financial institutions or the implementation of the principles-based standard IFRS 9 on accounting for financial instruments and impairment of financial assets, may have a material effect on the Issuer's business and operations.

As some of the banking laws and regulations affecting the Issuer have been recently adopted or are undergoing review, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial conditions, each flows or operational results of the Issuer.

Evolving regulatory environment

Banca Popolare dell'Alto Adige's business is governed by Italian domestic and European Union legislation relating to the financial and banking sectors and is subject to extensive regulation and supervision by the Bank of Italy, CONSOB (the public authority responsible for regulating the Italian securities market), the European Central Bank and the European System of Central Banks.

Banca Popolare dell'Alto Adige has as its corporate object, the raising of funds for investment and the provision of credit in its various forms. The banking laws to which Banca Popolare dell'Alto Adige is subject govern the activities in which banks may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, Banca Popolare dell'Alto Adige must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing the national, the European and international financial markets has recently undergone significant changes, some of which are still ongoing, in response to the credit crisis, and new legislation and regulations have been, and are being, introduced in Italy and the European Union that affect, and will affect, the Issuer, including its capital requirements.

The Issuer is subject to the Capital Requirements Regulation (Regulation (EU) No 575/2013 or “**CRR**”) and the Capital Requirements Directive (Directive 2013/36/EU or “**CRD IV**”), through which the European Union, as of 1 January 2014, began the implementation of the Basel III capital reforms, with certain requirements phased in until 1 January 2019. The CRR, as complemented by several binding technical standards and guidelines issued by the European Banking Authority (“**EBA**”), is directly applicable in all EU Member States, without the need for national implementation measures either.

The CRD IV was implemented in Italy by the Legislative Decree No. 72 of 12 May 2015 (in force as of 27 June 2015) and the Bank of Italy supervisory regulations, which are constantly updated, (“**Circular No. 285**”), providing, *inter alia*, for additional national prudential rules governing matters not harmonised at the level of the European Union.

Following expiry of the transitional period Italian banks are now at all times required to satisfy the following own funds requirements: (i) a CET 1 capital ratio of 4.5 per cent.; (ii) a Tier 1 Capital ratio of 6 per cent.; and (iii) a Total Capital Ratio of 8 per cent. In addition to these minimum regulatory capital requirements, the CRD IV also introduced capital buffer requirements that must be met with CET1 capital, in particular:

- (a) capital conservation buffer for unexpected losses, requiring additional CET1 of (1) 1.25 per cent. from 1 January 2017 to 31 December 2017, (2) 1.875 per cent. from 1 January 2018 to 31 December 2018, and (3) 2.5 per cent. of total weighted exposures from 1 January 2019;
- (b) institution-specific counter-cyclical capital buffer, requiring additional CET1 of up to 2.5 per cent. of total weighted exposures, gradually introduced as of 1 January 2016 and applied in the periods of excessive credit growth. In its communication of 24 March 2017, the Bank of Italy set counter-cyclical capital buffer at 0 per cent. for the second quarter of 2017;
- (c) global systemically important institutions (“**G-SIIs**”) buffer of between 1 per cent. and 3.5 per cent. of CET1;
- (d) other systemically important institutions (“**O-SII**”) buffer, which may be as much as 2 per cent. of CET1; and
- (e) CET1 systemic risk buffer aimed at mitigating long term non-cyclical systemic or macro prudential risks. At this stage no provision is included on the systemic risk buffer under Article 133 of the CRD IV as the Italian level-1 rules for the CRD IV implementation on this point have not yet been enacted.

Article 104 of the CRD IV and Article 16 of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the “**SSM Regulation**”), also contemplate that in addition to the so-called Pillar 1 capital requirements, which are minimum capital requirements applicable to all banks (including, if applicable, any buffer capital requirements), supervisory authorities may impose further Pillar 2 capital requirements to cover other risks, including those not considered to be fully captured by the minimum capital requirements under the CRD IV or to address macro-prudential risks. This may result in the imposition of additional capital requirements on the Issuer pursuant to the Pillar 2 capital requirements. Any failure by the Issuer to maintain its Pillar 1 minimum regulatory capital ratios and any Pillar 2 additional capital requirements could result in administrative actions or sanctions, which, in turn, may have a material adverse impact on the Issuer’s results of operations.

In addition to the above, the EBA published on 19 December 2014 its final guidelines on common procedures and methodologies for the supervisory review and evaluation process (“**SREP**” and “**SREP Guidelines**”), including proposed guidelines for a common approach to determining the amount and composition of additional capital requirements implemented on 1 January 2016. Under these guidelines, national supervisory authorities must set a composition requirement for the additional capital requirements to cover certain specified risks of at least 56 per cent. CET1 capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional capital requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements; and, accordingly, the above combined buffer requirement is in addition to the minimum capital requirement and to the additional capital requirement. In this regard, under Article 141 of the CRD IV, Member States of the EU must require that an institution that fails to meet the combined buffer requirement or the Pillar 2 capital requirements described above, will be prohibited from paying any discretionary payments (which are defined broadly by the CRD IV as payments relating to CET1, variable remuneration and payments on Additional Tier 1 capital instruments), until it calculates its applicable restrictions and communicates them to the regulator and, once completed, such institution will be subject to restricted discretionary payments. The restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the profits of the institution since the last distribution of profits or discretionary payment. Such calculation will result in a “Maximum Distributable Amount” in each relevant period. In particular, the scaling is such that in the bottom quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid.

In compliance with CRD IV and EBA SREP Guidelines, the Bank of Italy, as Italian competent authority, may require Italian institutions to hold own funds in excess of the requirements set out in the CRR. On 13 April 2017, the Issuer received notification from the Bank of Italy of the final decision concerning the capital requirement Banca Popolare dell’Alto Adige has to meet, following the results of the 2016 SREP.

As of 30 September 2017, the Issuer will be required to comply with the following capital requirements:

- (i) a CET1 capital ratio of 6.30 per cent. comprising a binding requirement of 5.05 per cent. (of which 4.50 per cent. as a minimum regulatory capital requirement and 0.55 per cent. as additional capital requirement) and a capital conservation buffer;

- (ii) a Tier 1 capital ratio of 8 per cent. comprising a binding requirement of 6.75 per cent. (of which 6 per cent. as a minimum regulatory requirement and 0.75 per cent. as additional capital requirement) and capital conservation buffer; and
- (iii) a total capital ratio of 10.25 per cent., comprising a binding requirement of 9 per cent. (of which 8 per cent. as a minimum regulatory capital requirement and 1 per cent. as additional capital requirement) and capital conservation buffer.

Furthermore, the CRR includes a requirement for institutions to calculate the liquidity coverage ratio (the “**LCR**”) with the aim to promote the short-term resilience of the liquidity risk profile of banks by ensuring they have sufficient high quality liquid assets to survive a significant stress scenario lasting 30 calendar days. In January 2013 the Basel Committee on Banking Supervision 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 LCR as well as expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Commission Delegated Regulation (EU) 2015/61 of 10 October 2014, supplementing the CRR with regard to liquidity coverage requirement for credit institutions, became applicable from 1 October 2015, although under a phase-in approach and it becomes fully applicable from 1 January 2018. The net stable funding ratio (“**NSFR**”) supplements the LCR and has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities. In October 2014, the Basel Committee on Banking Supervision published the final NSFR rules. On 17 December 2015, EBA published its report recommending the introduction of the NSFR in the European Union to ensure stable funding structures and outlining its impact assessment and proposed calibration, with the aim of complying with a 100 per cent. target NSFR implementation in 2018 in accordance with the Basel rules.

The regulatory framework in which the Issuer operates is constantly evolving. In particular, on 23 November 2016, the European Commission proposed for the consideration of the European Parliament and Council a sweeping package of reforms aimed to further strengthen the resilience of EU banks (the “**Banking Reform**”). The proposals contained in the Banking Reform amend many of the existing provisions set forth in the CRD IV and the CRR, the BRRD (as defined below) and the SSM Regulation. As at the date of this prospectus, the decision of the European Parliament and Council on the Banking Reform is pending. Until such time as the proposals are formally approved, it is impossible to predict whether or when, or to what extent the proposed amendments will be adopted.

These and any additional legislative or regulatory actions in Italy, the European Union or other countries, and any required changes to the Issuer's regulatory capital requirements and business operations resulting from such legislation and regulations, could limit the ability of the Issuer to pursue business opportunities in which they might otherwise consider engaging, affect the value of assets that the Issuer holds, require the Issuer to increase its prices and thereby reducing demand for its products, impose additional costs and/or more stringent capital requirements on the Issuer or otherwise adversely affect its businesses. Accordingly, the Issuer cannot provide assurance that any such new legislation or regulations would not have an adverse effect on their respective businesses, results of operations or financial condition in the future.

The Issuer may also face increased compliance costs and limitations on its ability to pursue certain business opportunities. Changes in regulations, which are beyond its control, may have a material effect on its businesses and operations. As some of the banking laws and regulations

have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, no assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have material adverse effect on the Issuer's business.

The Issuer is subject to the provisions of the EU Bank Recovery and Resolution Directive

On 2 July 2014, the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the “**Bank Recovery and Resolution Directive**” or “**BRRD**”) entered into force and Member States were expected to implement the majority of its provisions.

The BRRD provides competent authorities with broad powers to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border banking failures. The BRRD sets out the rules for the resolution of banks and large investment firms in all EU Member States. Banks are required to prepare recovery plans to overcome financial distress. Authorities are also granted a set of powers to intervene in the operations of banks to avoid them failing. If banks do face failure, authorities are equipped with comprehensive powers and tools to restructure them, allocating losses to shareholders and creditors following a specified hierarchy. Resolution authorities have the powers to implement plans to resolve failing banks in a way that preserves their most critical functions and avoids taxpayer bail-outs.

Broadly, the BRRD contains four resolution tools and powers which may be used alone or in combination where 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: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) 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 (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims (including the Senior Notes and Subordinated Notes) into shares or other instruments of ownership (i.e. other instruments that confer 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**”). Such shares or other instruments of ownership could also be subject to any future application of the BRRD. For more details on the implementation in Italy please refer to the paragraphs below.

The BRRD requires all EU Member States to create a national, prefunded resolution fund, reaching a level of at least 1 per cent. of covered deposits by 31 December 2024. The national resolution fund for Italy was created in November 2015 and required both ordinary and extraordinary contributions to be made by Italian banks and investment firms, including the Issuer. In the Banking Union, the national resolution funds set up under the BRRD were replaced by the Single Resolution Fund (“**SRF**” or the “**Fund**”), set up under the control of the Single Resolution Board (“**SRB**” or the “**Board**”), as of 1 January 2016 and the national resolution funds will be pooled together gradually. The SRF is intended to ensure the

availability of funding support while a bank is resolved and will contribute to resolution if at least 8 per cent. of the total liabilities (including own funds) of the bank have been subject to bail-in. Therefore, as of 2016, the SRB will calculate, in line with a Council Implementing Regulation (EU) No 2015/81, the annual contributions of all institutions authorised in the Member States participating in the Single Supervisory Mechanism and the Single Resolution Mechanism (the “SRM”). The SRF is to be built up over eight years, beginning in 2016, to the target level of €5 billion (the basis being 1 per cent. of the covered deposits in the financial institutions of the Banking Union). Once this target level is reached, in principle, the banks will have to contribute only if the resources of the SRF are used up in order to deal with resolutions of other institutions. In 2016, the Issuer’s contributions to the Fund amounted to €4.1 million. See further paragraph headed “*Significant events during the year - Contribution to the National Resolution Fund*” contained in the “*Description of the Issuer*” section of this Base Prospectus.

Under the BRRD, the target level of the national resolution funds is set at national level and calculated on the basis of deposits covered by deposit guarantee schemes. Under the SRM, the target level of the SRF is European and is the sum of the covered deposits of all institutions established in the participating Member States. This results in significant variations in the contributions by the banks under the SRM as compared to the BRRD. With the aim of regulating the sudden changes for banks in some participating Member States when converting to the European target level, the European Council has reached a political agreement. An implementing regulation was agreed which provides for an adjustment mechanism during the initial eight year period when the SRF is in the process of being built up.

The BRRD also provides for a Member State as a last resort, after having assessed and exhausted 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 equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework and the BRRD.

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

In addition to the general bail-in tool and other resolution tools, the BRRD provides for resolution authorities to have the further power to permanently write-down, or convert into shares or other instruments of ownership, capital instruments such as Subordinated Notes at the point of non-viability and before any other resolution action is taken (“**non-viability loss absorption**”). Any shares issued to holders of the Notes upon any such conversion into equity may also be subject to any future application of the BRRD (including the general bail-in tool).

For the purposes of the application of any non-viability loss absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution or, in certain circumstances, its group, will no longer be viable unless the relevant capital instruments (such as the Subordinated Notes) are written-down/converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution and/or, as appropriate, its group, would no longer be viable.

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of certain debt instruments (such as the Subordinated Notes) issued by an institution under resolution or amend the amount of interest payable under such instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

On 23 November 2016, the European Commission published a proposal to amend certain provisions of the BRRD (the “**Banking Reform**”), which included, among others, the proposal to amend Article 108 of the BRRD. The proposed Article 108 amendment is aimed to partially harmonising bank insolvency creditor hierarchy as regards the priority ranking of holders of bank senior unsecured debt eligible to meet minimum requirement for liabilities eligible for bail-in. The new provision would maintain the existing class of senior debt, while creating a new class of “non-preferred” senior debt that would be subject to bail-in only after capital instruments, but before other senior liabilities. The envisaged amendments to the BRRD should not affect the existing stocks of bank debt and their statutory ranking in insolvency pursuant to the relevant laws of the Member State in which the bank is incorporated.

Implementation of BRRD in Italy

The BRRD has been implemented in Italy through adoption by the Italian Government of Legislative Decree No. 180/2015 and Legislative Decree No. 181/2015 (together, the “**BRRD Decrees**”). Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Italian Banking Act (Legislative Decree No. 385 of 1 September 1993, as amended) and deals principally with recovery plans, early intervention and changes to the creditor hierarchy.

The BRRD Decrees entered into force on 16 November 2015, save that: (i) the general bail-in tool is applicable from 1 January 2016; and (ii) a “depositor preference” granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME’s will apply from 1 January 2019.

Pursuant to Article 49 of Legislative Decree No. 180/2015, resolution authorities may not exercise the write down/conversion powers in relation to secured liabilities, including covered bonds or the related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledge, lien or collateral against which it is secured.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the general bail-in tool and (ii) Article 44(3) states that the resolution authority may in specified exceptional circumstances 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 the Senior Notes and Subordinated Notes may be subject to write-down/conversion upon an application of the general bail-in tool, while other series of the Senior Notes or Subordinated Notes issued by Banca Popolare dell’Alto Adige (or other *pari passu* ranking liabilities) are partially or fully excluded from the application of 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 the claims of other holders of junior or *pari passu* liabilities may be excluded from the application of the general bail-in tool and therefore the holders of such claims will receive a treatment which is more favourable than that received by holders of the Senior Notes or Subordinated 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.

Furthermore, in respect of Senior Notes, Article 108 of the BRRD requires that the Member States modify their national insolvency regimes so that deposits of natural persons and micro, small to medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to the Directive 2014/49/EU have a ranking in normal insolvency proceedings which is higher than the ranking that applies to claims of ordinary, unsecured, non-preferred creditors, such as holders of the Senior Notes. In addition, the BRRD does not prevent Member States from amending national insolvency regimes to provide other types of creditors, with ranking in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has varied the creditor hierarchy in the case of admission of Italian banks and investment firms to the liquidation proceedings (and therefore, the hierarchy that will apply in order to assess claims pursuant to Article 75 BRRD). As a result of such variation, as of 1 January 2019, all deposits save, for those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs, will benefit from priority over senior unsecured liabilities, albeit with ranking which is lower than that provided for individual and SME deposits exceeding the coverage limit of the deposit guarantee scheme. In light of the BRRD Reform, in particular a proposal to create a new asset class of “non-preferred” senior debt that should be bailed-in after capital instruments but before other senior liabilities, and the ECB opinion of 8 March 2017 on the BRRD Reform, it is likely that the creditor hierarchy will be subject of further changes.

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

As the BRRD has only recently been implemented in Italy and other Member States, there is material uncertainty as to the effects of any application of it in practice. 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 the Notes may be subject to write-down/conversion into shares or other instruments of ownership on any application of the general bail-in tool and non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Moreover, as from the end of 2016, the European banks have to comply with a minimum requirement for own funds and eligible liabilities (“**MREL**”) established by Article 45 of the BRRD. The MREL is to be calculated as the amount of own funds and eligible liabilities expressed as a percentage of total liabilities and own funds of the institution. The EBA was in charge of drafting regulatory technical standards on the criteria for determining MREL. On 3 July 2015, the EBA published the final draft MREL regulatory technical standards. In application of Article 45(2) of the BRRD, the current version of the MREL regulatory technical standards is set out in a Commission Delegated Regulation (EU) 2016/1450 that was adopted by the Commission on 23 May 2016.

The Banking Reform introduces a number of proposed amendments to the MREL framework, including, the proposal that the MREL (which should be expressed as a percentage of the total risk exposure amount and of the leverage ratio exposure measure of the relevant institution) should be determined by the resolution authorities at an amount to allow banks to absorb losses expected in resolution and recapitalise the bank post-resolution. The resolution authorities may also require institutions to meet higher levels of MREL to cover losses in resolution that are higher than those expected under a normal resolution scenario. Such higher levels will take the form of MREL guidance, and it is currently envisaged that institutions that fail to meet the MREL guidance shall not be subject to restrictions on the ability to make distributions by reference to Maximum Distributable Amount.

The ultimate objective of the BRRD is to enhance financial stability, reduce moral hazard, protect depositors and critical financial services, save public money and ensure the smooth functioning of the internal market for financial services. To that end, it provides for 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 resolution action, as well as the proposed amendments to the BRRD under the Banking Reform, could materially affect the value of the Notes.

Impact of events which are difficult to anticipate

The Issuer's earning and business are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and competitive factors, at a regional, national and international level. Each of these factors can change the level of demand for the Issuer's products and services, the credit quality of borrowers and counterparties, the interest rate margin of the Issuer between lending and borrowing costs and the value of the Issuer's investment and trading portfolios.

Changes in interest rates

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

Market declines and volatility

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

Credit and market risk

To the extent that any of the instruments and strategies used by the Issuer to hedge or otherwise manage its exposure to credit or market risk are not effective, the Issuer may not be able to mitigate effectively its risk exposure in particular market environments or against particular types of risk. The Issuer's trading revenues and interest rate risk are dependent upon its ability to identify properly, and mark to market, changes in the value of financial instruments caused by changes in market prices or interest rates. The Issuer's financial results also depend upon how effectively the Issuer determines and assesses the cost of credit and manages its own credit risk and market risk concentration.

Protracted market declines and reduced liquidity in the markets

In some of the Issuer's businesses, protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the Issuer cannot close out deteriorating positions in a timely way. This may especially be the case for assets that did not enjoy a very liquid market to begin with. The value of assets that are not traded on stock exchanges or other public trading markets, such as derivatives contracts between banks, may be calculated by the Issuer using models other than publicly quoted prices. Monitoring the deterioration of the prices of assets like these is difficult and failure to do so effectively could lead to unanticipated losses. This in turn could adversely affect the Issuer's operation, results and financial condition.

In addition, protracted or steep declines in the stock or bond markets in Italy and elsewhere may adversely affect the Issuer's securities trading activities and its asset management services, as well as the Issuer's investments in and sales of products linked to the performance of financial assets.

Risk management and exposure to unidentified or unanticipated risks

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

Operational risk

The Issuer, like all financial institutions, is exposed to many types of operational risk, including the risk of fraud by employees and outsiders, unauthorized transactions by employees or

operational errors, including errors resulting from faulty information technology or telecommunication systems, cyber-attacks on the Issuer's information systems and digital infrastructures. The Issuer's systems and processes are designed to ensure that the operational risks associated with the Issuer's activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the Issuer's financial performance and business activities.

Historical Information

The historical, financial and other information set out in the sections headed "Description of the Issuer" and "Overview Financial Information relating to the Issuer", and in the financial statements of the Issuer incorporated by reference in this Base Prospectus, represents the historical experience of Banca Popolare dell'Alto Adige. There can be no assurance that the future experience and performance of the Issuer will be similar to the past experience described in this Base Prospectus.

Risk arising from the sovereign debt crisis

The debt crisis in the Eurozone, first started in 2010, has had a significant impact on the economy of many countries, including Italy, resulting in declines in credit quality and downgrades of several countries in the Eurozone, including Italy. The large sovereign debts and fiscal deficits in European countries have negatively impacted the financial condition of Eurozone financial institutions owing to their exposure to such countries. Concerns as to a resurgence of the sovereign debt crisis, geopolitical tensions, deterioration or delay in the recovery of certain Eurozone economies could all have an impact on Eurozone banks funding.

In particular, the Issuer's credit ratings might be potentially exposed to the risk of reductions in the sovereign credit rating of Italy. On the basis of the methodologies used by rating agencies, further downgrades of Italy's credit rating may have a potential knock-on effect on the credit rating of Italian issuers such as the Issuer and make it more likely that the credit rating of Notes issued under the Programme are downgraded.

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption by the Issuer

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

Redemption for tax reasons

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

Redemption for regulatory reasons

In addition, the Issuer may also, at its option, redeem Subordinated Notes following a Regulatory Event in accordance with Condition 11(c) (*Redemption for regulatory reasons*). Any redemption of the Subordinated Notes shall be subject to the prior approval of the Relevant Authority, as further set out in Condition 11(f) (*Redemption of Subordinated Notes*).

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

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

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

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

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation will apply from 1 January 2018, except that the regime for 'critical' benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the Market Abuse Regulation) have applied from 3 July 2016. The Benchmarks Regulation would apply to "contributors", "administrators" and "users of" "benchmarks" in the EU, and would, among

other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of "benchmarks" and (ii) ban the use of "benchmarks" of unauthorised administrators. The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

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

(i) an index which is a "benchmark" could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular "benchmark" and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted, redeemed or otherwise impacted;

(ii) the methodology or other terms of the "benchmark" related to a series of Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing or increasing the rate or level of the "benchmark" or of affecting the volatility of the published rate or level, and could lead to adjustments to the terms of the Notes, including Calculation Agent determination of the rate or level in its discretion.

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

CMS Linked Interest Notes

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

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) the relevant factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

- (iv) if the relevant factor is applied to the Notes in conjunction with a multiplier greater than one or contains any other leverage factor, the effect of changes in the relevant factor on interest payable is likely to be magnified; and
- (v) the timing of changes in the relevant factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

Fixed Rate Notes

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

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

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

Notes issued at a substantial discount or premium

The market values of 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.

Reset Notes

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

Subordinated Notes

If the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured

creditors) in full before it can make any payments on the Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Subordinated Notes. Furthermore, repayment of principal on the Subordinated Notes, whether at the Maturity Date or otherwise, is subject to the approval of the Relevant Authority in accordance with the Applicable Banking Regulations.

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

For a full description of the subordination provisions relating to Subordinated Notes, see Condition 5 (*Status of Subordinated Notes*).

Modification or Substitution of Subordinated Notes

In relation to any series of Subordinated Notes, if the relevant Final Terms specify that Modification or Substitution of Subordinated Notes for Regulatory Event or Tax Event is applicable, then the Issuer may in certain circumstances modify the terms and conditions of such Subordinated Notes or substitute new notes for the Subordinated Notes, without any requirement for the consent or approval of the Noteholders to the extent that such modification or substitution is reasonably necessary to ensure that no Regulatory Event or Tax Event would exist after such modification.

Loss absorption of Senior Notes

The Senior Notes (including, for the avoidance of doubt, payments of principal and/or interest) may be subject to full or partial write-down of the principal or conversion into Common Equity Tier 1 instruments as required under the BRRD and/or the SRM, in accordance with the powers of the Relevant Authority if the Relevant Authority determines that application of the Loss Absorption Requirement to the Senior Notes is necessary pursuant to applicable law and/or regulation in force from time to time. See Condition 4 (*Status of Senior Notes*).

Loss absorption of Subordinated Notes

The Subordinated Notes (including, for the avoidance of doubt, payments of principal and/or interest) may be subject to the Loss Absorption Requirement in accordance with the powers of the Relevant Authority if the Relevant Authority determines that 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. See Condition 5 (*Status of Subordinated Notes*).

Waiver of set-off

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

Risks related to Notes generally

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

Taxation

The tax regime in Italy and in any other relevant jurisdiction (including, without limitation, the jurisdiction in which each Noteholder is resident for tax purposes) may be relevant to the acquiring, holding and disposing of Notes and the receiving of payments of interest, principal and/or other income under the Notes. Prospective investors in the Notes should consult their own tax advisers as to which countries' tax laws could be relevant and the consequences of such actions under the tax laws of those countries.

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

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs (see *Taxation – Foreign Account Tax Compliance Act*). 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) and 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. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has made payment to, or to the order of, the common depository or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "IGA") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Regulatory classification of the Subordinated Notes

If any Subordinated Notes are issued under the Programme, the Issuer's intention is that they should qualify on issue as Tier 2 Capital, for so long as this is permitted under Bank of Italy regulations. Current regulatory practice by the Bank of Italy does not require (or customarily provide for) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such. There can be no assurance that any such Subordinated Notes will continue to qualify as Tier 2 Capital during the life of the Notes. If there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion, in whole or, to the extent permitted by the Applicable Banking Regulations, in part, from Tier 2 Capital of the Issuer, the Issuer will (if so specified in the applicable Final Terms) have the right to redeem the Notes in accordance with Condition 11(c) (*Redemption and Purchase -*

Redemption for regulatory reasons), subject to the prior approval of the Relevant Authority. There can be no assurance that holders of such Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Notes, as the case may be.

Change of law

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

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

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

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 the Luxembourg Stock Exchange 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.

Denominations and restrictions on exchange for Definitive Notes

Notes may in certain circumstances be issued in denominations including (i) a minimum denomination of EUR 100,000 (or its equivalent in another currency) and (ii) an amount which is greater than EUR 100,000 (or its equivalent) but which is an integral multiple of a smaller

amount (such as EUR 1,000). Where this occurs, Notes may be traded in amounts in excess of EUR 100,000 (or its equivalent) that are not integral multiples of EUR 100,000 (or its equivalent). In such a case, a holder who as a result of trading such amounts, holds a principal amount of less than the minimum denomination of EUR 100,000 will not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to an integral multiple of EUR 100,000.

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.

Exchange rate risks and exchange controls

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

Interest rate risks

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

Credit ratings may not reflect all risks

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

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

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

Legal investment considerations may restrict certain investments

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

GENERAL DESCRIPTION OF THE PROGRAMME

This section is a general description of the Programme, as provided under Article 22.5(3) of Regulation (EC) 809/2004, as amended. This description does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in "Terms and Conditions of the Notes" or elsewhere in the Base Prospectus have the same meaning in this description.

- Issuer: Banca Popolare dell'Alto Adige Volksbank S.p.A.
- Joint Arrangers: Natixis and UniCredit Bank AG
- Dealers: Natixis, UniCredit Bank AG and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
- Fiscal Agent and Luxembourg BNP Paribas Securities Services, Luxembourg Branch.
Paying Agent:
- Luxembourg Listing Agent: BNP Paribas Securities Services, Luxembourg Branch.
- Listing, Approval and Admission to Trading: The CSSF has approved this Base Prospectus as a base prospectus in compliance with the Prospectus Directive. Application has also been made for Notes issued under the Programme to be listed on the official list of and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange. Notes may be listed or admitted to trading (as the case may be) on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to each Series. Notes may also be issued which are neither listed nor admitted to trading on any market.
- Clearing Systems: Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.
- Initial Programme Amount: Up to EUR 1,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
- Issuance in Series: Notes may be issued on a syndicated or non-syndicated basis and will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date, the issue price and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects, save that a Tranche may comprise Notes of different denominations.
- Final Terms: Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, completes the Terms and Conditions of the Notes and this Base Prospectus and must be read

in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes are the Terms and Conditions of the Notes as completed by the relevant Final Terms.

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

Forms of Notes:

Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is specified in the relevant Final Terms as a Classic Global Note (each a "**Classic Global Note**" or "**CGN**") will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is specified in the relevant Final Terms as a New Global Note (each a "**New Global Note**" or "**NGN**") will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. New Global Notes are intended to be held in a manner which would allow Eurosystem eligibility, such eligibility depending upon satisfaction of the Eurosystem eligibility criteria.

Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Currencies:

Notes may be denominated in euro, U.S. dollars or Sterling or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Status of the Notes:

Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.

(i) Status of the Senior Notes:

Senior Notes constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer which will

rank at all times *pari passu* among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for any such obligations as may be preferred by mandatory provisions of law. See Condition 4 (*Status of Senior Notes*).

(ii) Status of the Subordinated Notes:

Subject to the provisions of Condition 5 (*Status of Subordinated Notes*), Subordinated Notes constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves, all as described in Condition 5 (*Status of Subordinated Notes*) and the relevant Final Terms.

In the event of a winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer, the payment obligations of the Issuer in respect of principal and interest under Subordinated Notes and Coupons will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors and any holder of Senior Notes) of the Issuer (B) but at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to such Series of Subordinated Notes and (C) in priority to the claims of shareholders of the Issuer, all as described in Condition 5 (*Status of Subordinated Notes*).

Modification or Substitution of Subordinated Notes following a Regulatory Event or a Tax Event: If Modification or Substitution of Subordinated Notes for Regulatory Event or Tax Event is specified as applicable in the Final Terms, the Issuer may without the consent of the holders of Subordinated Notes substitute new notes for the Subordinated Notes whereby such new notes shall replace the Subordinated Notes, or vary the terms of the Subordinated Notes subject to Condition 18(c) (*Modification or Substitution of Subordinated Notes following a Regulatory Event or a Tax Event*).

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.

Maturity Period: Any Maturity Period, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

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

Issuer, Subordinated Notes must have a minimum maturity of five years.

Where Notes have a Maturity Period of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer.

Redemption:

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

The redemption at maturity of Subordinated Notes pursuant to Condition 11(a) (*Scheduled redemption*) and any early redemption pursuant to Condition 11(b) (*Redemption for tax reasons*), Condition 11(c) (*Redemption for regulatory reasons*) and Condition 11(d) (*Redemption at the option of the Issuer*) shall be subject to the prior approval of the Relevant Authority to the extent required by and in accordance with the Applicable Banking Regulations. If such approval is not given on or prior to the relevant redemption date, the Issuer will re-apply to the Relevant Authority for its consent to such redemption as soon as the conditions permit. The Issuer will use its best endeavours to maintain the required regulatory capital and to obtain such approval.

Optional Redemption:

Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or (where the Notes are Senior Notes) the Noteholders to the extent (if at all) specified in the relevant Final Terms and subject to all relevant legal and regulatory requirements. In the case of Subordinated Notes, early redemption may occur only with the prior approval of the Relevant Authority.

Tax or Regulatory Redemption:

Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons or, in the case of Subordinated Notes, for regulatory reasons, as described in Condition 11(b) (*Redemption for tax reasons*) and Condition 11(c) (*Redemption for regulatory reasons*).

- Interest:** Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate, or interest may initially accrue at a fixed rate and then switch to a floating rate, or interest may initially accrue at a floating rate and then switch to a fixed rate or otherwise. The method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
- Denominations:** Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements and save that the minimum denomination of each Note admitted to trading on a Regulated Market within the European Economic Area or offered to the public in a Member State of the Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be EUR 100,000 (or, where the Notes are denominated in a currency other than euro, the equivalent amount in such other currency). If the Final Terms so specify, and for so long as the Notes are represented by the Temporary Global Note or Permanent Global Note and the relevant clearing system(s) so permit, Notes may be issued in denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof up to and including EUR 199,000 (or, where the Notes are denominated in a currency other than euro, the equivalent amount in such other currency).
- Cross Default:** The Senior Notes will have the benefit of a cross default as described in Condition 14(a) (*Events of Default of Senior Notes*).
- Taxation:** All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will (subject as provided in Condition 13 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required.
- However, as more fully set out in Condition 13 (*Taxation*), the Issuer will not be liable to pay any additional amounts to Noteholders with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree 239**") on account of Italian substitute tax (*imposta sostitutiva*), as defined therein in relation to interest or premium payable on, or other income deriving from, any Notes. See "Taxation" below.
- Governing Law:** English law, except for Condition 5 (*Status of Subordinated Notes*), 11f) (*Redemption of Subordinated Notes*) and 14(b) (*Events of Default of Subordinated Notes*) and any non-contractual obligations arising from or connected with those Conditions,

which are governed by, and shall be construed in accordance with, Italian law.

Enforcement of Notes in Global Form:

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

Ratings:

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable ratings will be specified in the relevant Final Terms. **A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a CRA which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

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

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

Selling Restrictions:

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

Risk Factors:

There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These

are set out under "Risk Factors" above and include risks relating to competition and other operating and general banking risks, such as credit risk and interest rate risk. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and include risks related to the structure of a particular issue of Notes and risks common to the Notes generally.

DOCUMENTS INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the audited non-consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2016 and 2015 in the English language, prepared in accordance with international accounting standards IAS/IFRS (International Accounting Standards/International Financial Reporting Standards), together with the accompanying notes and auditors' report incorporated by reference, which form part of this Base Prospectus. Any statement contained in this Prospectus or in any of the information incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference by way of supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such statement.

The Issuer will, at the specified offices of the Paying Agent, provide, free of charge, upon oral or written request, a copy of this Base Prospectus (or any document incorporated by reference in this Base Prospectus). Written or oral requests for such documents should be directed to the specified office of any of the Paying Agents or to the specified office of the Listing Agent in Luxembourg. In addition such documents will be available, without charge, on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Cross-reference list

The following table shows where the information required under Annex IX, paragraph 11.1 of Commission Regulation (EC) No. 809/2004 (as amended) can be found in the above mentioned financial statements incorporated by reference in this Base Prospectus.

Audited Annual Financial Statements

	2016	2015
	<i>(pdf document page numbers)</i>	<i>(pdf document page numbers)</i>
<i>Non-consolidated</i>		
Balance sheet	113	109
Statement of income	114	110
Statement of changes in equity	115	111
Cash flow statement.....	116	112
Accounting policies and explanatory notes	119-340	115-342
Independent Auditors' reports	105-110	101-106

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 (EC) No. 809/2004 (as amended).

FURTHER PROSPECTUSES AND SUPPLEMENTS

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

The Issuer has given an undertaking to the Dealers that, if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to the information contained in this Base Prospectus which is capable of affecting the assessment of the Notes, it shall prepare and publish a supplement to this Base Prospectus in accordance with Article 13 of the Prospectus Directive or a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer any number of copies of such supplement as a Dealer may reasonably request.

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

FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (a "**Temporary Global Note**"), without Coupons, or a permanent global note (a "**Permanent Global Note**"), without Coupons, 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 depository or a common depository for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**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.

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

The 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 (as defined herein), interests in which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without Coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

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

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and

- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

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

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

- (i) on the expiry of such period of notice as may be specified in the 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 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

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

Temporary Global Note exchangeable for Definitive Notes

If the 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 45 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*) occurs.

Where interests in the Permanent Global Note are to be exchanged for Definitive Notes in the circumstances described in (i) and (ii) above, Notes may only be issued in denominations which are integral multiples of the minimum denomination and may only be traded in such amounts,

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

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 45 days of the bearer requesting such exchange. Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 20 (*Notices*).

Terms and Conditions applicable to the Notes

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

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

Legend concerning United States persons

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

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

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

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Overview of Provisions relating to the Notes while in Global Form" below. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

1. Introduction

- (a) *Programme:* Banca Popolare dell'Alto Adige S.p.A. (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to EUR 1,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 20 June 2017 (the "**Agency Agreement**") between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the other paying agents 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 during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.
- (e) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) and, where applicable, talons for further Coupons ("**Talons**") are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. 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;

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the Republic of Italy including, without limitation to the generality of the foregoing, the Prudential Regulations for Banks of the Bank of Italy and those other regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and including, for the avoidance of doubt, as at the Issue Date the rules contained in, or implementing, CRD IV);

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

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

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

"**Business Day**" means:

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

"**Business Day Convention**", in relation to any particular date, has the meaning given in the 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**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar

month in which case that date will be the first preceding day that is a Business Day;

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

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

"**Calculation Amount**" has the meaning given to it in the relevant Final Terms;

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

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

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

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

"**CRD IV**" means the CRD IV Directive, the CRR and any CRD IV Implementing Measures;

"**CRD IV Directive**" means Directive 2013/36 of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

"**CRD IV Implementing Measures**" means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Bank of Italy, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a standalone basis) or, if applicable, the Issuer together with its consolidated Subsidiaries (on a consolidated basis) and which prescribe the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Issuer (on a standalone or, if applicable, consolidated basis);

"**CRR**" means Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation No. 648/2012;

"**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:

- (a) if "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (i) 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
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of

(1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (c) If "**Actual/365 (Fixed)**" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 365;
- (d) If "**Actual/360**" is specified, the actual number of days in the Calculation Period in respect of which payment is being made divided by 360;
- (e) If "**30/360**", "**360/360**" or "**Bond Basis**" is specified, the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

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

Where

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

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

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

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

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

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

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

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

where:

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

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

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

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

"D1" is the first calendar day, expressed as a number, of the Calculation Period, unless 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.

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

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

where:

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

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

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

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

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

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

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

"Deed of Covenant" means the deed of covenant dated 20 June 2017 relating to the Notes executed by the Issuer;

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

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

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

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

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

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

"Final Redemption Amount" means, in respect of any Note, its principal amount;

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

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

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

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

- (iv) any other agreement to be responsible for such Indebtedness

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

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

"Initial Rate of Interest" has the meaning given in the relevant Final Terms;

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

"Interest Basis" has the meaning given in the relevant Final Terms;

"Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the 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 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in

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

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

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

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

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

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

"Material Subsidiary" means, with reference to a consolidated Subsidiary of the Issuer (if any), a Subsidiary:

- (i) whose net revenues or net assets (in each case, consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 3 per cent. of the consolidated net revenues or, as the case may be, the consolidated net assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest financial statements (consolidated or, as the case may be, non-consolidated) of the Subsidiary and the then last audited consolidated financial statements of the Issuer and its Subsidiaries, *provided that* where a Subsidiary is acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer relate, the reference to such financial statements shall be construed as if such Subsidiary had been shown in such financial statements by reference to the then latest relevant financial statements of such Subsidiary, adjusting the latest audited consolidated financial statements of the Issuer in accordance with provisions contained in CONSOB communication No. DEM/1052803 of 5 July 2001 for the preparation of pro forma financial information (as the same may be amended, supplemented or replaced from time to time); or
- (ii) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, *provided that*, on or after the date on which the financial statements are published in respect of the financial period during which such transfer occurred, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (i) above.

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

"Maturity Period" means the period from and including the Issue Date to but excluding the Maturity Date;

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

"Mid Swap Benchmark Rate" means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro.

"Mid Swap Maturity" has the meaning specified in the Final Terms.

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

"Minimum Capital" means the minimum amount of capital of the Issuer, as provided for by the Bank of Italy from time to time for the purposes of obtaining or maintaining the authorisation of the Bank of Italy to carry on banking activities, as determined by the external auditors of the Issuer and certified in writing by two directors of the Issuer;

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

"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;

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

"Payment Business Day" means:

- (i) if the currency of payment is euro, any day which is:

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

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

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

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

"Prudential Regulations for Banks" means the Bank of Italy's *Disposizioni di Vigilanza per le Banche*, as set out in Bank of Italy Circular No. 285 of 17 December 2013, as amended or supplemented from time to time, including any successor regulations;

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

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

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the 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 Early Redemption Amount (Regulatory Event), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount;

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

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

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

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

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

"Regular Period" means:

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

"Regulatory Event" is deemed to have occurred if there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion, in whole or, to the extent permitted by the Applicable Banking Regulations, in part, from Tier 2 Capital of the Issuer and, in case the Regulatory Event has occurred before

five years from the issue of the relevant Subordinated Notes, both of the following conditions are met: (i) the Relevant Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date;

"Relevant Authority" means the Bank of Italy or such other authority (including the European Central Bank) having primary responsibility for prudential oversight and supervision of the Issuer from time to time;

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

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

"Relevant Indebtedness" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, the Reuters Money 3000 Service) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"Relevant Swap Rate" means:

- (i) where the Reference Currency is Euro, the mid market annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed for floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR EURIBOR Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Calculation Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed for floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer

of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP LIBOR BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP LIBOR BBA with a designated maturity of three months;

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

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

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

"**Reset Date(s)**" means the date(s) specified in the Final Terms.

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

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

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

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

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

“**Reset Rate Screen Page**” has the meaning specified in the Final Terms;

“**Reset Rate Time**” has the meaning specified in the Final Terms;

“**Reset Reference Rate**” means either;

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

"**Security Interest**" means any mortgage, charge, pledge, lien or other form of encumbrance or security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Senior Note**" means a Note specified in the relevant Final Terms as being unsubordinated or not specified as being subordinated;

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

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

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

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

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

"**Subordinated Notes**" means Notes intended to qualify as Tier 2 Capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Prudential Regulations for Banks and Article 63 of the CRR;

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

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, or are required to be, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

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

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

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

"**Tier 2 Capital**" has the meaning given to it by (i) the Relevant Authority from time to time or (ii) any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union from time to time, as applicable;

"**Treaty**" means the Treaty establishing the European Union, as amended; 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 13 (*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 13 (*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; and
- (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.

3. **Form, Denomination and Title**

The Notes are in bearer form in the Specified Denomination(s) with Coupons and, if specified in the relevant Final Terms, Talons attached at the time of issue. In the case of a Series of Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its

absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder. No Person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. **Status of Senior Notes**

- (a) *Application:* This Condition 4 (*Status of Senior Notes*) is applicable only to Senior Notes.
- (b) *Status:* The Notes and any related Coupons constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without preference among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, (save for such obligations as may be preferred by provisions of law that are both mandatory and of general application).
- (c) *Waiver:* Each holder of a Senior Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note.
- (d) *Loss absorption:* The Senior Notes (including, for the avoidance of doubt, payments of principal and/or interest) may be subject to full or partial write-down of the principal or conversion into common equity Tier 1 instruments (the “**Loss Absorption Requirement**”), as required under the BRRD and/or the SRM, in accordance with the powers of the Relevant Authority if the Relevant Authority determines that application of the Loss Absorption Requirement to the Senior Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

5. **Status of Subordinated Notes**

- (a) *Application:* This Condition 5 (*Status of Subordinated Notes*) is applicable only to Subordinated Notes.
- (b) *Status of Subordinated Notes:* Subordinated Notes and any related Coupons constitute direct, unsecured and subordinated obligations of the Issuer and, subject to the provisions of this Condition 5, will at all times rank *pari passu* without any preference among themselves. In relation to each Series of Subordinated Notes, all Subordinated Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.
- (c) *Winding up, etc.:* In the event of the winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa* of the Issuer), the payment obligations of the Issuer under each Series of Subordinated Notes, and the relative Coupons as the case may be, will rank in right of payment (A) after unsubordinated unsecured creditors (including depositors and any holder of Senior Notes and their respective Coupons) of the Issuer but (B) at least *pari passu* with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank

junior or senior to such Series of Subordinated Notes and (C) in priority to the claims of shareholders of the Issuer.

- (d) *Waiver*: Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.
- (e) *Loss absorption*: The Subordinated Notes (including, for the avoidance of doubt, payments of principal and/or interest) may be subject to the Loss Absorption Requirement (as defined in Condition 4 (*Status of Senior Notes*)) in accordance with the powers of the Relevant Authority if the Relevant Authority determines that 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.

6. **Fixed Rate Note Provisions**

- (a) *Application*: This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if (a) the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable or (b) if a Change of Interest Basis is specified in the relevant Final Terms as being applicable, in respect of those periods for which the Fixed Rate Note Provisions are stated to apply.
- (b) *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount*: The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where the Specified Denomination of a Fixed Rate Note comprises more than one Calculation Amount, the Amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in

the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

7. Reset Rate Note Provisions

- (a) *Application:* This Condition 7 (*Reset Rate Note Provisions*) is applicable to the Notes only if the relevant Final Terms specifies the Interest Basis reset on Reset Date as being applicable.
- (b) *Interest Basis Reset Provisions:* The Notes will bear interest in respect of the Reset Period (or, if there is more than one Reset Period, each successive Reset Period thereafter) at the relevant Reset Rate (to be determined by the Calculation Agent on the relevant Reset Determination Date in accordance with this Condition 7) payable, subject as provided in Condition 12 (*Payments*), in arrear on the Interest Payment Date(s) specified in the Final Terms.
- (c) *Accrual of Interest:* The Notes bear interest from and including the Interest Commencement Date to but excluding the Reset Date (or, if there is more than one Reset Period, the first Reset Date occurring after the Issue Date), at the Initial Rate of Interest payable, subject as provided in Condition 12 (*Payments*), in arrear on the Interest Payment Date(s) specified in the Final Terms. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (both before and after judgment) until whichever is the earlier of (i) the day on which all 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).
- (d) *Reset Rate Screen Page:* if the Reset Rate Screen Page is not available, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reset Reference Rate at approximately the Reset Rate Time on the Reset Determination Date in question if two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Reset Rate for the relevant Reset Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the applicable Reset Margin (if any), all as determined by the Calculation Agent. If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the foregoing provisions of this Condition 7, the Reset Rate shall be determined as at the last preceding Reset Determination Date or, in the case of the first Reset Determination Date, the Reset Rate shall be the Initial Rate of Interest.
- (e) *Calculation of Interest Amount:* The Calculation Agent will calculate the Interest Amount payable on the Reset Notes for each relevant period (in the case of Interest Periods falling after the Reset Date, as soon as practicable after the time at which the Reset Reference Rate is to be determined in relation to such Reset Interest Period) by applying the Initial Rate of Interest or the applicable Reset Rate (as the case may be) to the Calculation Amount and multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified

Currency (half a sub-unit being rounded upwards). For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where the Specified Denomination of a Note comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

- (f) *Publication:* The Calculation Agent will cause each Reset Rate and each Interest Amount determined by it for each Reset Period, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Reset Rate, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (g) *Notifications, etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

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

- (a) *Application:* This Condition 8 (*Floating Rate and CMS Linked Interest Note Provisions*) is applicable to the Notes only if (a) the Floating Rate Note Provisions or CMS Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable or (b) if a Change of Interest Basis is specified in the relevant Final Terms as being applicable, in respect of those periods for which the Floating Rate Note Provisions or the CMS Linked Interest Note Provisions are stated to apply.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums

due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) *Screen Rate Determination for Floating Rate Notes other than CMS Linked Interest Notes:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined and "CMS Rate" is not specified as the Reference Rate in the Final Terms, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
 - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

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

CMS Rate plus Margin

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

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

- (e) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest

Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount during such Interest Period and multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent. Where the Specified Denomination of a Floating Rate Note or CMS Linked Interest Note comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

- (h) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (i) *Notifications, etc.:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

9. **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 6 (*Fixed Rate Note Provisions*) or Condition 8 (*Floating Rate and CMS Linked Interest Note Provisions*), each applicable only for the relevant periods specified in the applicable Final Terms.

If Change of Interest Basis is specified as applicable in the applicable Final Terms, and Issuer's Switch Option is also specified as applicable in the applicable Final Terms, the Issuer may, on one or more occasions, as specified in the applicable Final Terms, at its option (any such option, a "**Switch Option**"), having given notice to the Noteholders in accordance with Condition 20 (*Notices*) on or prior to the relevant Switch Option

Expiry Date, change the Interest Basis of the Notes from Fixed Rate to Floating Rate or Floating Rate to Fixed Rate or as otherwise specified in the applicable Final Terms with effect from (and including) the Switch Option Effective Date specified in the applicable Final Terms (including different Fixed Rates or Floating Rates in respect of Fixed Rate Notes or Floating Rate Notes respectively) to (but excluding) the Maturity Date (or, where more than one Switch Option Effective Date is specified in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date), provided that (A) the Switch Option may be exercised only in respect of all the outstanding Notes, (B) upon exercise of a Switch Option, the Interest Basis change will be effective from (and including) the relevant Switch Option Effective Date until the Maturity Date (or, where more than one Switch Option Effective Date is specified as applicable in the applicable Final Terms, up to and excluding the next following Switch Option Effective Date to the extent the related Switch Option is exercised), and (C) where a Switch Option has not been exercised prior to the relevant Switch Option Expiry Date, the Issuer shall no longer be entitled to exercise such Switch Option and the Interest Basis shall not change.

"Switch Option Expiry Date" and **"Switch Option Effective Date"** shall mean any date specified as such in the applicable Final Terms provided that any date specified in the applicable Final Terms as a Switch Option Effective Date shall be deemed as such subject to the exercise of the relevant Switch Option having been notified by the Issuer pursuant to this Condition and in accordance with Condition 20 (*Notices*) prior to the relevant Switch Option Expiry Date.

10. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 10 (*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).

11. **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 Conditions 11(f) (*Redemption of Subordinated Notes*) and 12 (*Payments*).

- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer (but subject, in the case of Subordinated Notes, to the prior approval of the Relevant Authority) in whole, but not in part:
- (i) at any time (if neither the Floating Rate Note Provisions nor CMS Linked Interest 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 CMS Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

in each case, 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:

- (A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) or (2) for Subordinated Notes only, deductibility of interest payable by the Issuer in respect of the Subordinated Notes is materially reduced for Italian income tax purposes, in each case, as a result of any change in, or amendment or clarification to, the laws, regulations or other rules of the Republic of Italy or of any political subdivision or any authority thereof or therein having power to tax, or as a result of any change in, or amendment or clarification to, the application or official interpretation (or application or interpretation made for the first time) of such laws, regulations or other rules (including the publication or pronouncement of any decision or interpretation by any court or authority of competent jurisdiction, providing for a position with respect to such laws, regulations or other rules that differs from the previously generally accepted position or otherwise differs from prior written confirmation given by a competent authority in respect of tax treatment of the Notes), which change, amendment or clarification becomes effective on or after the date of issue of the first Tranche of the Notes;
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, and
- (C) in the case of Subordinated Notes only if the circumstances under points (A) and (B) above have occurred before five years from the issue of the relevant Subordinated Notes, the Issuer has demonstrated to the satisfaction of the Relevant Authority that such change is material and was not reasonably foreseeable at the Issue Date,

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

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by a legal representative of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts or will be unable to deduct as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall – subject to Condition 11(f) (*Redemption of Subordinated Notes*) - be bound to redeem the Notes in accordance with this Condition 11(b).

(c) *Redemption for regulatory reasons:*

- (i) *Application:* This Condition 11(c) applies only to Notes specified in the applicable Final Terms as being Subordinated Notes.
- (ii) *Redemption:* If, at any time the Issuer determines that a Regulatory Event has occurred, the Notes may be redeemed at the option of the Issuer (subject to Condition 11(f) (*Redemption of Subordinated Notes*) below), in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor a CMS Linked Interest Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note or a CMS Linked Interest Note), on giving not less than 15 nor more than 30 days' notice to the Fiscal Agent and, in accordance with Condition 20 (*Notices*) to the Noteholders.

Prior to the publication of any notice of redemption pursuant to this Condition 11(c), the Issuer shall deliver or procure that there is delivered to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describe the facts leading thereto, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 11(c), the Issuer shall – subject to Condition 11(f) (*Redemption of Subordinated Notes*) - be bound to redeem the Notes in accordance with this Condition 11(c), at the Early Redemption Amount (Regulatory Event) described in the relevant Final Terms, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

- (d) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may (subject, in the case of Subordinated Notes, to prior approval of the Relevant Authority) 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's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall – subject to Condition 11(f) (*Redemption of Subordinated Notes*) - be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the

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

- (e) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 11(d) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 11(d) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or less than the minimum so specified.
- (f) *Redemption of Subordinated Notes:* Any redemption of the Subordinated Notes in accordance with Condition 11(a) (*Scheduled redemption*), Condition 11(b) (*Redemption for tax reasons*), Condition 11(c) (*Redemption for regulatory reasons*), Condition 11(d) (*Redemption at the option of the Issuer*), and any purchase in accordance with Condition 11(j) (*Purchase*) shall be subject to:
 - (a) Issuer giving notice to the Relevant Authority and such Relevant Authority granting prior permission to redeem or repurchase the relevant Subordinated Notes, in each case to the extent required by and in accordance with the Applicable Banking Regulations; and
 - (b) compliance by the Issuer with any alternative or additional requirements to redemption or repurchase, as applicable, set out in the Applicable Banking Regulations.

Amounts that would otherwise be payable on the due date will continue to bear interest until whichever is the earlier of (i) the day on which all sums due in respect of such Subordinated Notes up to that day are received by or on behalf of the Noteholders 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 such Subordinated Notes up to such seventh day.

- (g) *Redemption at the option of Noteholders:*
 - (i) *Application:* This Condition 11(g) (*Redemption at the option of Noteholders*) is applicable only to Senior Notes and if the Put Option is specified in the relevant Final Terms as being applicable.
 - (ii) *Put Options:* The Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11(g), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating

thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 11(g), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 11(g), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- (h) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 11(a) (*Scheduled redemption*) to (g) (*Redemption at the option of Noteholders*).
- (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 relevant Final Terms for the purposes of this Condition 11(i) or, if none is so specified, a Day Count Fraction of 30E/360.

- (j) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, *provided that:*
 - (i) all unmatured Coupons are purchased therewith; and
 - (ii) in the case of Subordinated Notes, the purchase of the relevant Subordinated Notes by the Issuer or any of its Subsidiaries shall take place subject as provided in Condition 11(f) (*Redemption of Subordinated Notes*).
- (k) *Cancellation:* All Notes which are so redeemed or purchased and subsequently surrendered for cancellation by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

12. **Payments**

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).
- (b) *Interest*: Payments of interest shall, subject to Condition 12(h)(*Payments other than in respect of matured coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in 12(a) (*Principal*) above.
- (c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 or otherwise imposed pursuant to Sections 1471 through 1474 of that Code, any regulations or agreements thereunder, 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 without all unmatured Coupons relating thereto:
 - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:

- (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

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

- (f) *Unmatured Coupons void*: If the relevant Final Terms specifies that this Condition 12(f) is applicable or that the Floating Rate Note Provisions or CMS Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 11(b) (*Redemption for tax reasons*), Condition 11(c) (*Redemption for regulatory reasons*), Condition 11(d) (*Redemption at the option of the Issuer*) Condition 11(g) (*Redemption at the option of Noteholders*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted under Condition 12(c) (*Payments in New York City*)).
- (i) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) attached to the Notes, the Talon attached to such Note may be exchanged at the Specified Office of the Fiscal Agent for further Coupons, as the case may be (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*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.

13. **Taxation**

- (a) *Gross up*: All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Italy or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:
- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Republic of Italy other than the mere holding of such Note or Coupon; or
 - (ii) by a non-Italian resident entity or individual which is resident for tax purposes in a country which does not allow for a satisfactory exchange of information with the Italian tax authorities; or
 - (iii) by an Italian resident, to the extent that interest is paid to an Italian individual or an Italian legal entity not carrying on a business (including, but not limited to (A) partnerships, de facto partnerships not carrying on a business and professional associations, (B) public and private resident entities, other than companies, not carrying on a business, and (C) certain other Persons exempt from corporate income tax) or to such other Italian resident entities which have been or may be identified by Legislative Decree 239 of 1 April 1996 and related regulations of implementation which have been or may subsequently be enacted ("**Decree 239**"); or
 - (iv) in all circumstances in which the requirements and procedures set forth in Decree 239 have not been met or complied with except where such requirements and procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or
 - (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EU implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
 - (vi) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
 - (vii) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note or Coupon on the last day of such period of 30 days; or

- (b) *Taxing jurisdiction:* If the Issuer becomes subject at any time to any taxing jurisdiction other than Italy, references in these Conditions to Italy shall be construed as references to Italy and/or such other jurisdiction. The Issuer or any Paying Agent shall be entitled to make any withholding or deduction but will have no obligation to pay additional amounts in respect of the Notes for any such withholding or deduction (a) imposed on or with respect to section 1471 through section 1474 of the U.S. Internal Revenue Code of 1986, as amended (“**FATCA**”), any treaty, intergovernmental agreement, law, regulation or other official guidance implementing FATCA, or any agreement between the Issuer or any Paying Agent and the United States, Italy or any authority of any of the foregoing implementing FATCA, and (b) imposed on or with respect to any “dividend equivalent” payment made pursuant to section 871 or 881 of the U.S. Internal Revenue Code of 1986, as amended, in respect of an Index Linked Interest Note.

14. **Events of Default**

- (a) *Events of Default of Senior Notes:* This Condition 14(a) is applicable only to Notes specified in the relevant Final Terms as Senior Notes. If any of the following events occurs:

- (i) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any interest in respect of the Notes within five Business Days of the due date for payment thereof;
- (ii) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Agency Agreement and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent;
- (iii) *Cross-default of Issuer or, if applicable, Material Subsidiary:*
- (A) any Indebtedness of the Issuer or, if applicable, any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
- (B) any Indebtedness of the Issuer or, if applicable, any of its Material Subsidiaries becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or such Subsidiary of the Issuer; or
- (C) the Issuer or, if applicable, any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (A) and/or sub-paragraph (B) above and/or the amount payable under any Guarantee referred to in sub-paragraph (C) above individually or in the aggregate exceeds EUR 5,000,000 (or its equivalent in any other currency or currencies);

- (iv) *Unsatisfied judgment:* one or more judgment(s) or order(s) for the payment of any amount exceeding EUR 5,000,000 is rendered against the Issuer or, if applicable, any of its Material Subsidiaries and continue(s) unsatisfied and

unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment;

- (v) *Security enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or, if applicable, any of its Material Subsidiaries over a material part of the property, undertaking, assets or revenues of the Issuer or, if applicable, any such Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar officer);
- (vi) *Enforcement proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, undertaking, assets or revenues of the Issuer or, *if applicable*, any of its Material Subsidiaries and is not discharged or stayed within 120 days;
- (vii) *Insolvency etc*: (A) the Issuer or, if applicable, any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (B) an administrator or liquidator of the Issuer or, if applicable, any of its Subsidiaries or the whole or any part of the undertaking, assets and revenues of the Issuer or, if applicable, any of its Material Subsidiaries is appointed (or application for any such appointment is made), (C) the Issuer or, if applicable, any of its Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (D) the Issuer or, if applicable, any of its Material Subsidiaries becomes subject to an order for *liquidazione coatta amministrativa* pursuant to Article 80 *et seq.* of the Consolidated Banking Law or *amministrazione straordinaria* pursuant to Article 70 *et seq.* of the Consolidated Banking Law (within the meaning ascribed to those expressions by the laws of the Republic of Italy) or similar proceedings in any other jurisdiction;
- (viii) *Winding-up etc*: (A) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or, if applicable, any of its Subsidiaries or (B) the Issuer or, if applicable, any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) whilst solvent or otherwise on terms approved by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and the assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries;
- (ix) *Analogous event*: any event occurs which under the laws of the Republic of Italy has an analogous effect to any of the events referred to in paragraphs (iv) to (viii) above;
- (x) *Failure to take action etc*: any action, condition or thing (including, without limitation, the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, or order, at any time required to be taken, fulfilled or done in order (A) to enable the Issuer lawfully to enter into,

exercise its rights and perform and comply with its obligations under and in respect of the Notes, the Agency Agreement and the Deed of Covenant (B) to ensure that those obligations are legal, valid, binding and enforceable and (C) to make the Notes, the Coupons, the Agency Agreement and the Deed of Covenant admissible in evidence in the courts of the Republic of Italy is not taken, fulfilled or done; or

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

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

- (b) *Events of Default of Subordinated Notes*: This Condition 14(b) is applicable only to Notes specified in the relevant Final Terms as Subordinated Notes. If any of the following events occurs:

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

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

15. **Prescription**

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

16. **Replacement of Notes and Coupons**

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

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

17. **Agents**

In acting under the Agency Agreement and in connection with Notes and 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 holder of any Note or Coupon.

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:*

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

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

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

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing one more than half of the aggregate

principal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

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

- (b) *Modification:* The Notes, the Deed of Covenant and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.
- (c) *Modification or Substitution of Subordinated Notes following a Regulatory Event or a Tax Event:* This Condition 18(c) applies to Subordinated Notes if Modification or Substitution of Subordinated Notes for Regulatory Event or Tax Event is specified in the Final Terms as being applicable. If at any time a Tax Event or a Regulatory Event occurs, then the Issuer may either: (a) substitute new notes for the Subordinated Notes whereby such new notes shall replace the Subordinated Notes, or (b) vary the terms of the Subordinated Notes, at any time without any requirement for consent of the holders of Subordinated Notes, so that the Subordinated Notes are substituted for, or as applicable, varied to, become or remain, the Qualifying Securities, subject to having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and the holders of Subordinated Notes and subject to receiving the prior consent from the Relevant Authority if and as required therefor under the Applicable Banking Regulations and in accordance with the Applicable Banking Regulations in force at the relevant time.

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

For the purposes of this Condition 18(c), “**Qualifying Securities**” means securities issued directly or indirectly by the Issuer that:

- (i) have the terms not less favourable to the holders of Subordinated Notes, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing, than the terms of

the Subordinated Notes, and they shall also (A) contain terms such that they comply with the minimum requirement under the Applicable Banking Regulations for inclusion in the Tier 2 Capital of the Issuer; (B) provide for a ranking at least equal to that of the Subordinated Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Subordinated Notes; (D) have the same redemption rights as the Subordinated Notes; (E) preserve any existing rights under the Subordinated Notes to any accrued interest which has not been paid in respect of the period from (and including) the Interest Payment Date last preceding the date of modification or substitution; and (F) are assigned (or maintain) the same credit ratings with the same outlook as were assigned to the Subordinated Notes (if rated) immediately prior to modification or substitution;

- (ii) are listed or admitted to trading on a recognised stock exchange if the Subordinated Notes were listed or admitted to trading immediately prior to such modification or substitution; and
- (iii) are not subject, at the time of, or immediately following, such modification or substitution, to any early redemption right for taxation reasons.

19. **Further Issues**

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

20. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes which are listed on the Luxembourg Stock Exchange and the rules of that exchange so require, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. 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.

21. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, 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.

22. **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.

23. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law, except for Conditions 5 (*Status of Subordinated Notes*), 11(f) (*Redemption of Subordinated Notes*) and 14(b) (*Events of Default of Subordinated Notes*) which are governed by and shall be construed in accordance with Italian law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity.
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Process agent:* The Issuer agrees that the documents which start any proceedings relating to a Dispute ("**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to DZ Bank AG London Branch at 150 Cheapside, London EC2V 6ET or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Parts 34 and 37 of the Companies Act 2006. If such Person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent, appoint a

further Person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a Person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

FORM OF FINAL TERMS

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

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended[, from 1 January 2018,]¹ to be offered, sold or otherwise made available to and[, with effect from such date,]² should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

Final Terms dated []

Banca Popolare dell'Alto Adige Volksbank S.p.A.

Issue of [*currency*] [*amount*] [*description*] Notes

under the EUR 1,000,000,000

Euro Medium Term Note Programme

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 20 June 2017 [and the supplement to the Base Prospectus dated [*insert date*] [*delete if not applicable*].] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [and the supplement to the Base Prospectus] [is/are] available for viewing at [*address*] and [*website*] and copies may be obtained from [*address*].] The Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the applicable

¹ This date reference should not be included in Final Terms for offers concluded on or after 1 January 2018.

² This date reference should not be included in Final Terms for offers concluded on or after 1 January 2018.

Final Terms will also be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

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

1. (i) [Series Number:] []
(ii) [Tranche Number:] []
(if fungible with existing series):
(iii) [Date on which the Notes become fungible] [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on [[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 19 below [which is expected to be on or about [•].]
2. Specified Currency or Currencies: []
(Condition 2(a) (Interpretation – "Specified Currency"))
3. Aggregate Nominal Amount: []
(i) [Series:] []
(ii) [Tranche:] []
4. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date]] *(in the case of fungible issues only, if applicable)*
5. (i) 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 [].]
(Condition 2(a) (Interpretation – "Specified Denomination(s)"))

(The minimum denomination of Notes admitted to trading on a regulated market within the European Economic Area in circumstances which require the publication of a prospectus under the

Prospectus Directive will be EUR 100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount of such currency))

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

- (ii) Calculation Amount:
(Condition 2(a) (*Interpretation – "Calculation Amount"*))
6. [(i)] Issue Date: []
(Condition 2(a) (*Interpretation – "Issue Date"*))
- [(ii)] Interest Commencement Date (if different from the Issue Date): [Specify/Issue Date/Not Applicable]
(Condition 2(a) (*Interpretation – "Interest Commencement Date"*))
7. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]
(Condition 2(a) (*Interpretation – "Maturity Date"*))

[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another

applicable exemption from section 19 of the FSMA must be available.]

8. Interest Basis: [[] per cent. Fixed Rate]
- (Condition 6 (*Fixed Rate Note Provisions*) / Condition 7 (*Reset Rate Note Provisions*)/ Condition 8 (*Floating Rate and CMS Linked Interest Note Provisions*) and Condition 10 (*Zero Coupon Note Provisions*)) [[•] per cent. Fixed Rate from [•] to [•], then [•] per cent. Fixed Rate from [•] to [•]]
[[EURIBOR]/[LIBOR] +/- [] per cent. per annum Floating Rate]
[CMS Linked Interest]
[Zero Coupon]
(further particulars specified below)
9. Change of Interest Basis Provisions: [Applicable / Not Applicable]
- (If applicable, specify the date when any fixed to floating rate or floating to fixed rate change occurs or when any fixed to fixed or floating to floating rate change occurs or cross refer to items 12 and 13 (as appropriate) below and identify there)*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (N.B. To be completed in addition to items 12, 13 and 14 (as appropriate) if any fixed to floating or fixed reset rate change occurs)*
- (i) Reset Date(s) [•]
- (ii) 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)*
- (iii) Switch Option Expiry Date: [•]
- (iv) Switch Option Effective Date: [•]
10. Put/Call Options: [Investor Put]

(Condition 11(g) (*Redemption and Purchase – Redemption at the option of Noteholders*) or (Condition 11(d) (*Redemption and Purchase – Redemption at the option of the Issuer*) and Condition 11(e) (*Redemption and Purchase – Partial redemption*))

[Issuer Call]
 [(further particulars specified below)]

11. Status of the Notes: [Senior Notes [Subordinated Notes]]

(Condition 4 (*Status of Senior Notes*) or Condition 5 (*Status of Subordinated Notes*))

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12. **Fixed Rate Note Provisions:** [Applicable/Not Applicable / (*if a Change of Interest Basis applies*): Applicable for the period starting from [and including] [•] ending on [but excluding] [•]]

(Condition 6 (*Fixed Rate Note Provisions*)) (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]

(Condition 6(b) (*Fixed Rate Note Provisions – Accrual of Interest*))

(ii) Interest Payment Date(s): [] in each year up to and including the Maturity Date

(Condition 2(a) (*Interpretation – "Interest Payment Date"*))

(iii) Fixed Coupon Amount(s): [] per Calculation Amount

(Condition 2(a) (*Interpretation – "Fixed Coupon Amount"*)) (Specify different Fixed Coupon Amounts if different Rates of Interest are specified as being applicable in respect of different Interest Periods)

(iv) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []

(Condition 2(a) (*Interpretation – "Broken Amount"*))

(v) Day Count Fraction: [Actual/Actual]/[Actual/Actual (ICMA)]/[Actual/Actual (ISDA)]/[Actual/365 (Fixed)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[30E/360]

(Condition 2(a) (*Interpretation – "Day Count Fraction"*))

	(ISDA)]/ [Eurobond basis]
13. Reset Rate Note Provisions:	[Applicable/Not Applicable]
(Condition 7(c) (<i>Reset Rate Note Provisions – Accrual of Interest</i>))	(If not applicable, delete the remaining sub-paragraph of this paragraph)
(i) Initial Rate of Interest: (Condition 7(c) (<i>Reset Rate Note Provisions – Accrual of Interest</i>))	[] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
(ii) Interest Payment Date(s): (Condition 2(a) (<i>Interpretation – "Interest Payment Date"</i>))	[] in each year up to and including the Maturity Date
(iii) Day Count Fraction: (Condition 2(a) (<i>Interpretation – "Day Count Fraction"</i>))	[Actual/Actual]/[Actual/Actual (ICMA)]/[Actual/Actual (ISDA)]/[Actual/365 (Fixed)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[30E/360 (ISDA)]/ [Eurobond basis]
(iv) Reset Date(s): (Condition 2(a) (<i>Interpretation – "Reset Rate"</i>))	[]
(v) Reset Reference Rate(s) and Relevant Financial Centre: (Condition 2(a) (<i>Interpretation – "Reset Reference Rate"</i>)) (Condition 2(a) (<i>Interpretation – "Relevant Financial Centre"</i>))	Reset Reference Rate: [Mid Swaps/Reference Bond]
(vi) Reset Margin: (Condition 2(a) (<i>Interpretation – "Reset Margin"</i>))	[+/-][] per cent. per annum
(vii) Reset Rate Screen Page: (Condition 2(a) (<i>Interpretation – "Reset Rate Screen Page"</i>))	[]
(viii) Mid Swap Maturity:	[]

- (Condition 2(a) (*Interpretation – "Mid Swap Maturity"*))
- (ix) Reset Determination Date: []
- (Condition 2(a) (*Interpretation – "Reset Determination Date"*))
- (x) Reset Rate Time []
- (Condition 2(a) (*Interpretation – "Reset Rate Time"*))
14. **Floating Rate Note Provisions:** [Applicable/Not Applicable (*if a Change of Interest Basis applies*): Applicable for the period starting from [and including] [•] ending on [but excluding] [•]]
- (Condition 8 (*Floating Rate and CMS Linked Interest Note Provisions*)) (*If not applicable, delete the remaining sub-paragraphs of this paragraph.*)
- (i) Interest Payment Dates: []
- (Condition 2(a) (*Interpretation – "Interest Payment Date"*))
- (ii) Business Day Convention: [Floating Rate Convention/
Following Business Day Convention/
Modified Following Business Day
Convention/
Preceding Business Day Convention]
- (Condition 2(a) (*Interpretation – "Business Day Convention"*))
- (iii) Specified Period: [Not Applicable]/[]
- (Condition 2(a) (*Interpretation – "Specified Period"*))
- (iv) Additional Business Centre(s): [Not Applicable]/[]
- (Condition 2(a) (*Interpretation – "Additional Business Centre(s)"*))
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (Condition 8 (*Floating Rate and CMS Linked Interest Note Provisions*))

- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent):

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

(Condition 2(a) (*Interpretation – "Calculation Agent"*))

- (vii) Screen Rate Determination:

(Condition 8 (*Floating Rate and CMS Linked Interest Note Provisions*))

- Reference Rate: [EURIBOR/LIBOR/CMS Rate/[]]

(Condition 2(a) (*Interpretation – "Reference Rate"*))

- Reference Banks [Not Applicable]/[]

(Condition 2(a) (*Interpretation – "Reference Banks"*))

- Interest Determination Date(s): []

(Condition 2(a) (*Interpretation – "Interest Determination Date"*)) (*in the case of a CMS Rate where the Reference Currency is euro*):[Second day on which the TARGET2 System is open prior to the start of each Interest Period]

(*in the case of a CMS Rate where the Reference Currency is other than euro*):[Second [specify type of day] prior to the start of each Interest Period]

- Relevant Screen Page: [For example, Reuters page EURIBOR01]

(Condition 2(a) (*Interpretation – "Relevant Screen Page"*)) (*In the case of CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions*)

- Relevant Time: [For example, 11.00 a.m.[London/Brussels] time]

(Condition 2(a) (*Interpretation – "Relevant 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*)]

(Condition 2(a) (*Interpretation – "Relevant Financial Centre"*))

- [Reference Currency:] []
(only relevant where the CMS Rate is the Reference Rate)

(Condition 2(a) (*Interpretation – "Reference Currency"*))

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

Condition 8(d) (*Floating Rate and CMS Linked Interest Note Provisions - Screen Rate Determination for Floating Rate Notes which are CMS Linked Interest Notes*))

(viii) ISDA Determination:

Condition 8(e) (*Floating Rate and CMS Linked Interest Note Provisions – ISDA Determination*))

- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []

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

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

(Condition 2(a) (*Interpretation – "Margin"*))

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

Condition 8(f) (*Floating Rate and CMS Linked Interest Note Provisions – Maximum or Minimum Rate of Interest*))

- (xi) Maximum Rate of Interest: [Not Applicable/[] per cent. per annum]
- Condition 8(f) (*Floating Rate and CMS Linked Interest Note Provisions – Maximum or Minimum Rate of Interest*))
- (xii) Day Count Fraction: [Actual/Actual (ICMA)]/
[Actual/365]/
[Actual/Actual (ISDA)]/
[Actual/365 (Fixed)]/
[Actual/360]/[30/360]/[30E/360]/
[Eurobond basis]
15. **Zero Coupon Note Provisions:** [Applicable/Not Applicable]
Condition 10 (*Zero Coupon Note Provisions*) (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Accrual Yield: [] per cent. per annum
(Condition 2(a) (*Interpretation – "Accrual Yield"*))
- (ii) Reference Price: []
(Condition 2(a) (*Interpretation – "Reference Price"*))

PROVISIONS RELATING TO REDEMPTION

16. **Call Option:** [Applicable/Not Applicable]
Condition 11(d) (*Redemption and Purchase – Redemption at the option of the Issuer*) and Condition 11(e) (*Redemption and Purchase – Partial Redemption*) (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Optional Redemption Date(s) (Call): []
(Condition 2(a) (*Interpretation – "Optional Redemption Date (Call)"*))
- (ii) Optional Redemption Amount(s) (Call): [] per Calculation Amount
(Condition 2(a) (*Interpretation – "Optional Redemption Amount (Call)"*))

(iii) If redeemable in part:

(a) Minimum Redemption Amount: []

(Condition 2(a)
(*Interpretation – "Minimum Redemption Amount"*))

(b) Maximum Redemption Amount: []

(Condition 2(a)
(*Interpretation – "Maximum Redemption Amount"*))

(iv) Notice period (if other than as set out in the Conditions): []

Condition 11(d) (*Redemption and Purchase – Redemption at the option of the Issuer*) and Condition 11(e) (*Redemption and Purchase – Partial Redemption*)

17. **Regulatory Call:** [Condition 11(c) is applicable/Not Applicable]

Condition 11(c) (*Redemption and Purchase – Redemption for regulatory reasons*))

(*Only applicable for Subordinated Notes. If not applicable, delete the remaining sub-paragraphs of this paragraph*)

18. **Put Options:** [Applicable/Not Applicable]

Condition 11(g) (*Redemption and Purchase – Redemption at the option of Noteholders*))

(*Applicable only to Senior Notes/if not applicable, delete the remaining sub-paragraphs of this paragraph*)

(i) Optional Redemption Date(s) (Put): []

(Condition 2(a) (*Interpretation – "Optional Redemption Date (Put)"*))

(ii) Optional Redemption Amount(s) (Put): [] per Calculation Amount

(Condition 2(a) (*Interpretation – "Optional Redemption Amount (Put)"*))

- (iii) Notice period (if other than as set out in the Conditions): []

Condition 11(g) (*Redemption and Purchase – Redemption at the option of Noteholders*))

19. Early Redemption Amount:

Early Redemption Amount(s) payable on redemption for taxation or regulatory reasons or on event of default: [Not Applicable (*if Early Redemption Amount (Tax), Early Redemption Amount (Regulatory Event) and Early Termination Amount are the principal amount of the Notes*)/ specify [•] per Calculation Amount]

(Condition 2(a) (*Interpretation – "Early Redemption Amount (Tax)" and "Early Redemption Amount (Regulatory Event)"*))

GENERAL PROVISIONS APPLICABLE TO THE NOTES

20. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
- [Temporary Global Note exchangeable for Definitive Notes on [] days' notice.]
- [Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].
- [*In relation to any Notes issued with a denomination of EUR 100,000 (or equivalent) and integral multiples of EUR 1,000 (or equivalent), the Permanent Global Note representing such Notes shall only be exchangeable to Definitive Notes in the limited circumstances of (1) closure of the ICSDs; and (2) default of the Issuer.*]
21. New Global Note Form: [Applicable/Not Applicable]

22. Additional Financial Centre(s) or other special provisions relating to Payment Business Days: [Not Applicable/*give details. Note that this paragraph relates to the place of payment*]
23. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, insert as follows:*
- One Talon in the event that more than 27 Coupons need to be attached to each Definitive Note. On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Paying Agent in exchange for a further Coupon sheet. Each Talon shall be deemed to mature in the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.]
24. Modification or Substitution of Subordinated Notes for Regulatory Event/Tax Event: [Applicable]/[Not Applicable] in relation to [Regulatory Event/Tax Event]
- Condition 18(c) (*Modification or Substitution of Subordinated Notes following a Regulatory Event or a Tax Event*)

Signed on behalf of the Issuer:

By:

Duly authorised

PART B — OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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

2. RATINGS

- Ratings: [The Notes to be issued have been rated:
- [DBRS: []]
[[Standard & Poor's]: []]
[[Other]: []]]
- (*Insert where the issue has been specifically rated*)
- (*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.*)
- [The following ratings reflect the ratings allocated to the Notes of the type being issued under the Programme generally:
- [[DBRS]: []]
[[Standard & Poor's]: []]
[[Other]: []]]
- (*Insert where the issue has not been specifically rated*)
- (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)
- (*Insert the following where the relevant credit rating agency is established in the EEA:*)
- [[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and [is included in the list of registered credit rating

agencies published on the website of the European Securities and Markets Authority at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>]/[has applied for registration although notification of the corresponding registration decision has not yet been provided by the relevant competent authority]/[is neither registered nor has it applied for registration] under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").]

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

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

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

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

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

[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 [[Joint Lead] 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].

4. **YIELD** **[Fixed Rate Notes only]**

[Indication of yield: []/[Not Applicable]

5. **HISTORIC INTEREST RATES** **[Floating Rate Notes and CMS Index Linked Interest Notes only]**

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

6. **THIRD PARTY INFORMATION**

The Issuer accepts responsibility for [(*Relevant third party information*)] which has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [(*specify source*)], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

7. **OPERATIONAL INFORMATION**

(i) ISIN: []

(ii) Common Code: []

(iii) New Global Note [Yes] [No].

intended to be held in a manner which would allow Eurosystem eligibility

[Yes. Note that the designation “yes” means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra

day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

- (iv) Any clearing system(s) [Not applicable/give name(s), number(s) and other than Euroclear Bank address(es)]
S.A./N.V. and
Clearstream Banking,
société anonyme,
Luxembourg and the
relevant identification
number(s):
- (v) Delivery: Delivery [against/free of] payment
- (vi) Names and addresses of []
additional Paying
Agent(s) (if any):

DISTRIBUTION

8. Method of distribution: [Syndicated/Non-syndicated]
9. (i) If syndicated, names of [Not Applicable/give names, addresses and
Managers: *underwriting commitments*]

(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.)
- (ii) Date of Subscription []
Agreement:
- (iii) Stabilising Manager(s) (if [Not Applicable/give name]
any):
10. If non-syndicated, name of [Not Applicable/give name and address]
Dealer:
11. US Selling Restrictions: [Reg. S Compliance Category 2 / TEFRA [C/D] Not
Applicable]

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

12. Prohibition of sales To EEA [Applicable] / [Not Applicable]
Retail Investors:

(If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

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

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

Exchange of Temporary Global Notes

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

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

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

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 45 days of the bearer requesting such exchange.

If:

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

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (Luxembourg time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (Luxembourg time) on such forty-fifth day (in the case of (b) above) or at 5.00 p.m. (Luxembourg time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 20 June 2017 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

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

Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 20 (*Notices*).

Exchange of Permanent Global Notes

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and, where applicable, with Coupons and Talons attached (if so specified in the 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 at the Specified Office of the Fiscal Agent within 45 days of the bearer requesting such exchange.

If:

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

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

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

Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 20 (*Notices*).

Conditions applicable to Global Notes

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

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

Exercise of put option: In order to exercise the option contained in Condition 10(g) (*Redemption at the option of Noteholders*), the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and Put Option Notice, give written notice (which, for the avoidance of doubt, may be sent in electronic form)

of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn. The exercise of the put option shall be effected via Euroclear and Clearstream, Luxembourg.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 11(d) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg, at their discretion, as either a pool factor or a reduction in principal amount).

Notices: Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system; except that for so long as such Notes are admitted to trading on the Luxembourg Stock Exchange and it is also a requirement of applicable laws or regulations, such notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

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

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

DESCRIPTION OF THE ISSUER

OVERVIEW

Banca Popolare dell'Alto Adige *società per azioni* (joint stock company) (the "**Issuer**" or the "**Company**" or "**Banca Popolare dell'Alto Adige**") is an Italian commercial bank domiciled in Bolzano which carries out lending and funding transactions and offers a wide range of retail and commercial banking and other financial services to customers in Italy and abroad. The shares of Banca Popolare dell'Alto Adige are not listed on any regulated market.

The Issuer provides a wide range of services both to individual and corporate customers, including current and savings accounts, call and time deposits, short- and medium- term loans, the handling of documentary credit and collection, mutual funds and mortgage credit and advice in relation to securities and foreign exchange.

The Issuer's lending to private clients is concentrated on mortgages and personal loans; corporate lending is primarily geared toward small/medium size manufacturing companies located in the north-east regions of Italy, in the provinces of Bolzano, Trento, Belluno, Treviso, Venice, Vicenza, Padova and Pordenone.

INCORPORATION, DURATION AND REGISTERED OFFICE

The Issuer is incorporated under Italian law as a joint stock company (*società per azioni*) with limited liability based on its issued corporate shares.

Banca Popolare dell'Alto Adige was established in 1992 following the merger of Banca Popolare di Bolzano (founded in 1902) and Banca Popolare di Bressanone (founded in 1889) according to Italian law No. 218/1990 (*Legge Amato*). In 1995, the Issuer acquired Banca Popolare di Merano (operating since 1886). On 1 April 2015, Banca Popolare di Marostica was merged into Banca Popolare dell'Alto Adige.

The duration of Banca Popolare dell'Alto Adige has been established until 31 December 2100, and may be extended thereafter.

The Issuer is registered with the Companies Register of Bolzano (*Registro imprese di Bolzano*) under the number 00129730214. It is also registered on the National Register of Banks held by the Bank of Italy (*Albo delle banche*) under the number 3630.1.0 and with the Italian Banking Association (*Associazione Bancaria Italiana*) under the number 05856.0.

Banca Popolare dell'Alto Adige's registered office and principal place of business is located in Bolzano, Via del Macello 55, Italy, telephone number +39 0471 996 111.

OBJECT

Under its by-laws, the corporate purpose of Banca Popolare dell'Alto Adige is deposit-taking and provision of all forms of lending services. To that end, the Company is focused on expanding its territorial presence through its branch network.

The Company may also, in compliance with all laws and regulations applicable from time to time and subject to obtaining the required authorisations, provide all banking and financial services (including issuing of bonds) and security brokerage and transactions, including

activities of mutual benefit, and perform all other transactions instrumental to or in any way related to the achievement by the Company of its corporate purpose, including transactions that may benefit from the recently introduced "European passport" regime.

In order to pursue its banking objects, the Company may take up membership with associations and consortiums and stipulate agreements both in Italy and abroad.

SHARE CAPITAL

As at 31 December 2016, the Issuer's issued and fully paid share capital amounted to Euro 199,439,716 divided into 49,859,929 ordinary shares.

The shares are issued in dematerialised form on the central depository system in accordance with the laws currently in force.

The shares of Banca Popolare dell'Alto Adige are not listed on any regulated market.

Voting rights and limits

Each share gives the right to one vote.

The right to vote is not limited to the number of shares held by a shareholder.

At a shareholders' meeting, each shareholder who is entitled to vote, and not just member of the Board of Directors or the Board of Statutory Auditors, employee of Banca Popolare dell'Alto Adige or a subsidiary company, may represent by proxy up to 200 other shareholders.

MANAGEMENT

The management of the Issuer comprises the Board of Directors, the Board of Statutory Auditors and the General Manager.

Board of Directors

The Board of Directors (*Consiglio di amministrazione*) of Banca Popolare dell'Alto Adige comprises twelve members. The Board of Directors in office at the date of this Prospectus was appointed at an ordinary shareholders' meeting of the Issuer held on 1 April 2017 for a term of three years expiring on the approval of the financial statements for the year ending 31 December 2019. Unless the office of any member of the Board of Directors is terminated prior to the expiration of the three year term, all the members of the Board of Directors will remain in office until the approval by the shareholders' meeting of Banca Popolare dell'Alto Adige's financial statements for the financial year ending 31 December 2019. Until the financial statements as at and for the year ending 31 December 2019 are approved, as a consequence of a broader integration agreement of the merger with Banca Popolare di Marostica, at least three offices in the Board of Directors are reserved to candidates who have been residents of the Veneto Region for at least three years.

The Board of Directors is vested with ordinary and extraordinary powers regarding the administration of Banca Popolare dell'Alto Adige, except for those powers reserved specifically for the shareholders of the Issuer by Italian laws and the by-laws of Banca Popolare dell'Alto Adige.

At the date of this Prospectus, the members of the Board of Directors of the Issuer are as follows:

Name	Principal Position	Main positions held outside Banca Popolare dell'Alto Adige
Otmar Michaeler	Chairman	<p>Deputy-chairman (Board of Directors) of FMTG Holding srl -Varna, BZ (I) and Executive Director of subsidiary companies as follows:</p> <ul style="list-style-type: none"> · FMTG AG – Wien (A): CEO · MF Beteiligung-GmbH – Wien (A): CEO · Tourismusregion Katschberg GmbH – Rennweg (A): CEO · Punta Skala doo – Zadar (HR): Member of Supervisory Board · Hoteli Punat dd – Punat (HR): Member of Supervisory Board · Borik dd – Zadar (HR): Member of Supervisory Board · Michaeler & Partner srl-Varna, BZ (I): Chairman Board of Directors <p>Sole Director of Michaeler Management & Investments srl-Varna, BZ (I) and Executive Director of controlled companies as follows:</p> <ul style="list-style-type: none"> · RE.Project & M srl-Varna, BZ (I): Sole Director · Stegen Living srl-Bolzano, BZ (I): CEO · DOMM Management & Investment GmbH (A): CEO · Felis Domm Nekretnine doo (HR): CEO · FFM GmbH-Wien (A): CEO

		<ul style="list-style-type: none"> · Emoldo GmbH-Wien (A): CEO · Emoska GmbH-(A): CEO · Hotel am Schottenfeld Betriebs-GmbH-Wien (A): CEO · Hotel Cristallo Besitz-GmbH-Wien (A): CEO
		Chairman Board of Directors of Golframa spa-Brunico, BZ (I)
Maria Giovanna Cabion	Vice-chairman	Standing Auditor of Ialc Serramenti srl
Lorenzo Salvà	Vice-chairman	Senior Partner of Law firm Studio legale Salvà Mellarini De Carlo – Merano, BZ
Marcello Alberti	Director	Senior Partner of Certified public accountants firm Studio Alberti Dottori commercialisti – Bolzano, BZ
		Standing Auditor of Consorzio Triveneto spa
		Standing Auditor of Eurostandard spa
		Standing Auditor of Sec Servizi, soc.consortile pa
		Chairman Board of Statutory Auditors of Galileo Network spa
Lorenzo Bertacco	Non-executive, Independent Director	Chairman Board of Directors and Controlling interest of Salus srl and Executive Director of subsidiary company:
		· Asi srl unipersonale: CEO
David Covi	Non-executive, Independent Director	Partner of Law firm Studio Legale Gostner & Partner – Bolzano, BZ
		Chairman Board of Statutory Auditors of Villa Eden Gardone spa
Philip Froschmayr	Non-executive Director	CEO and jointly Controlling interest of Progress Invest spa and Executive

Director of subsidiary companies as follows:

- Progress Holding spa: CEO
- Top Haus spa: CEO
- Tecnocom spa: Deputy-chairman
- Proservice srl: CEO
- Dedeco srl: Deputy-chairman

High Tech Industries srl: CEO

· Echo Precast Engineering N.V. (B): CEO

· Immoheho N.V. (B): CEO

Sole Shareholder of VT Holding srl

Managing partner of Sonnbichl società agricola semplice

Padovan Giuseppe Director

Senior Partner of Law firm Studio legale Padovan – Bassano, VI

Lukas Ladurner Director

Sole shareholder of LL International spa and Executive Director of subsidiary companies as follows:

- SA Lagro srl: Sole Director
- Ladurner Group spa: Sole Director
- Bautechnik srl: CEO
- LOEX srl: CEO
- Ladurner Finance srl: Chairman
- Biokomp Kommerz srl: Sole Director
- Ladurner Capital Partners spa: Chairman
- Ladurner Ambiente spa: Chairman
- Enerfarm srl: Chairman

- SA Enersab srl: Sole Director
- SA Poggio Energia srl: Sole Director
- SA Sant'Elena Energia srl: CEO
- SA Martinelle Energia srl: Sole Director
- SA San Daniele Energia srl: CEO
- LG Immobilien srl: Chairman
- LMC Immobilien srl: Chairman
- Alps Finance srl: Chairman
- Enerfarm srl: Chairman

Holder of Ladurner Lukas impresa individuale

Alessandro Marzola	Non-executive Director	<p>Director and jointly Controlling interest of Givada Finanziaria e immobiliare Srl and Executive Director of subsidiary companies as follows:</p> <ul style="list-style-type: none"> · Grado Laguna srl: CEO <p>Director and jointly Controlling interest of Marzola snc di Ivan Marzola & Co. and Executive Director of subsidiary companies as follows:</p> <ul style="list-style-type: none"> · Plose Ski spa: CEO
Margit Tauber	Non-executive, Independent Director	none
Gregor Wierer	Non-executive Director	<p>Deputy-chairman of Quartiere Brizzi srl</p> <p>Legal representative of Baugut srl</p>

The business address of the each member of the Board of Directors is at the Issuer's registered office in via del Macello 55, I-39100 Bolzano, Italy.

General Manager

Pursuant to the by-laws of the Issuer, the General Manager, as the head of the operating structure, oversees the implementation of the resolutions of the Board of Directors, conducts

day-to-day operations and affairs of the Issuer and exercises any other powers conferred on him by the Board of Directors.

As at the date of this Prospectus, the General Manager of the Issuer is Mr. Johannes Schneebacher, who joined the Company in 2001. His business address is at the registered office of the Issuer in via del Macello 55, I-39100, Bolzano, Italy.

Board of Statutory Auditors

Under Italian law, the shareholders must appoint a Board of Statutory Auditors (*Collegio sindacale*), to be composed of three standing auditors and two alternate auditors. The Board of Statutory Auditors in charge was appointed at the ordinary and extraordinary shareholders' meeting of the Issuer held on 9 April 2016 for a term of three years, ending on the date of the shareholders' meeting called to approve the Issuer's financial statements for the year ending 31 December 2018.

The Board of Statutory Auditors is responsible for overseeing the management of the Issuer and verifying compliance of the Issuer with applicable Italian laws and Banca Popolare dell'Alto Adige's by-laws. It is also responsible for ensuring that Banca Popolare dell'Alto Adige's organization, internal auditing and accounting system are adequate and reliable. The Board of Statutory Auditors is required to meet at least on a quarterly basis and are required by law to attend the Board of Directors' meetings and the shareholders' meetings.

As at the date of this Base Prospectus, the Board of Statutory Auditors is made up of the following members:

Name	Office held	Main positions held outside Banca Popolare dell'Alto Adige
Heinz Peter Hager	Chairman	Senior Partner of Certified public accountants firm Studio Hager & Partner srl – Bolzano, Milano, Roma Standing Auditor of Fri-el spa Chairman Board of Statutory Auditors of Alois Lageder spa Chairman Board of Statutory Auditors of Alto Adige Finance spa Chairman Board of Statutory Auditors of Berofin spa Standing Auditor of Compagnia Italiana Finanziaria srl Chairman Board of Statutory Auditors of EOS cooperativa sociale

Standing Auditor of GKN Driveline
Brunico spa

Standing Auditor of GKN Italia spa

Chairman Board of Statutory Auditors
of GKN Sinter Metals spa

Standing Auditor of Iniziative
Logistiche srl

Chairman Board of Statutory Auditors
of Lanificio Moessmer spa

Standing Auditor of Oberrauch Holding
srl

Roehling Automotive italia srl

Standing Auditor of Technoalpin
Holding spa

Standing Auditor of Technoalpin spa

Managing partner and Controlling
interest of Herzog snc

Legal representative and Controlling
interest of Herzog Re snc

Chairman Board of Directors of KHB
srl

Managing partner and Controlling
interest of Marmont sas

Managing partner of Marmont ss

Managing partner and Controlling
interest of Michetta snc

Managing partner and Controlling
interest of Museum sas

Sole Director and Controlling interest of
P. Finance srl

Sole Director of Pro Strategy srl

Sole Director and Controlling interest of
MW 6 srl

		Legal representative of RE.Invest sas
		Chairman Board of Directors of Rovim srl
		Chairman Board of Directors and Controlling interest of VR 101214 srl
		Director of RB International Development Fund I sca SICAR (L)
		Director of RB International Development Fund I srl (L)
		Member of Supervisory Board of FMTG AG (A)
		Chairman of the private Fondation Laura (A)
		Member of Supervisory Board of Karstadt Warenhaus Gesellschaft srl (DE)
		Chairman Supervisory Board of Landhouse Uzavreny Investicni Fond as (CZ)
		Controlling interest of Palais Kaiserkron srl
		Controlling interest of Allgest srl
		Controlling interest of Palais Menz srl
		Jointly Controlling interest of Revi.i@s. srl
Georg Hesse	Standing Auditor	Senior Partner of Certified public accountants firm Studio Hesse & Baldessarelli – Merano BZ
		Standing Auditor of Biopower Sardegna srl
		Standing Auditor of Botzen Invest spa
		Standing Auditor of Eisackwerk Rio Pusteria srl
		Sole Auditor of Foppa srl

		Sole Auditor of Haas I&S Srl
		Sole Auditor of Haas Srl
		Standing Auditor of Roner spa
		Sole Director and Controlling interest of Saelen srl
		Managing Partner Risberg sas
		Qualifying holding of Peletteria Hesse sas
Joachim Knoll	Standing Auditor	Senior Partner of Certified public accountants firm Studio Palla Knoll & Partner – Bolzano, BZ
		Standing Auditor of A.Rieper spa
		Qualifying holding of MJ Service srl
Emilio Lorenzon	Alternate Auditor	Partner of Certified public accountants firm Studio Pichler, Dejori, Comploj – Bolzano, BZ
		Standing Auditor of Arrow ECS spa
		Standing Auditor of Bolzano Energia srl
		Auditor of Computerlinks spa
		Sole Auditor of CTM Soc.coop.
		Standing Auditor of Delmo spa
		Chairman Board of Statutory Auditors of JOY TOY spa
		Satutory Auditor of Liebherr Emtec Italia spa
		Auditor of Pramstrahler srl
		Auditor of VIEGA ITALIA srl
		Qualifying holding of PDC Consult srl
Markus Wisthaler	Alternate Auditor	Partner of Certified public accountants firm Studio Peintener, Seidner & Partner – Bressanone, BZ

Standing Auditor of ACS Data System
spa

Standing Auditor of Centrale Prati
s.cons.arl

Standing Auditor of Nuova
Montecavallo srl

Standing Auditor of Hotel Gitschberg
srl

Chairman Board of Statutory Auditors
of Infominds spa

Chairman Board of Statutory Auditors
of Bürgstaller & Partner srl

Managing Partner of OWM srl

The business address of the members of the Board of Statutory Auditors is at the Issuer's registered office in via del Macello 55, I-39100 Bolzano, Italy.

Conflicts of interest

Transactions with related parties are governed by the CONSOB (*Commissione Nazionale per le Società e la Borsa*) Regulation No. 17221 dated 12 March 2010 (as recently amended by the CONSOB's Decision No. 19974 of 17 April 2017) ("**CONSOB Regulation 17221**") and Regulation No. 17389 dated 23 June 2010 and the Bank of Italy's Provisions dated 12 December 2011 ("**Bank of Italy Provisions**") on a new oversight framework on risk and conflicts of interest with related parties. The regulatory provisions provide that any transactions, whether or not made for payment, a bank enters into with a related party (as defined by CONSOB in accordance with IAS 24) or with any associated party (which, according to the Bank of Italy, includes related parties and parties having connection to related parties) should be:

- identified;
- monitored in accordance with specific indices and the Bank of Italy's prudent ratios);
- where appropriate, subject to a special decision making process, and
- notified in compliance with requirements under transparency and accounting rules.

The special conditions of procedure, transparency and quantity established by the Bank of Italy are applicable to related parties transactions and aim to create a system of oversight for transactions with related parties that can potentially influence the decision-making process when granting financing and when conducting financial negotiations concerning the Issuer which may potentially cause damage to the stability of a bank's capital at the expense of the deposit holders and its shareholders. Under the regulatory framework, company representatives are listed among the parties that could influence the bank's operations. Furthermore, the conflict of interest could also arise in the situations where the Issuer has a significant exposure to one party or when the Issuer holds a substantial interest in any given company.

The regulatory framework requires the banks to adopt appropriate procedures designed to ensure the oversight of transactions with related or associated parties in accordance with their connection with the bank's decision-makers and their relations with each other.

By the resolutions of 25 October 2010 and 22 June 2012, as amended, the Board of Directors of the Issuer adopted the procedures necessary to ensure compliance with Article 2391-*bis* of the Italian Civil Code, the CONSOB Regulation 17221 and the Bank of Italy Provisions. As of 1 January 2011, any transactions, services or obligations which are or may be deemed risky, regardless of whether such transactions, services or obligations are entered into or performed for payment or a company directly or indirectly controlled by Banca Popolare dell'Alto Adige, with related parties or associated parties will have to be monitored and will be subject to a special decision making and reporting procedure. When the related or associated parties transactions are deemed to be substantial in light of the regulatory provisions, such transactions must be accounted for in relation to the relevant related party and a connection between the related party and associated parties must be assessed.

As of 1 January 2012, any financing granted to related parties and parties having connection to related parties must not exceed the prudential threshold set forth by the Bank of Italy.

In light of the Issuer's organisation structure as at the date of this Prospectus, the following are considered to be the parties related to Banca Popolare dell'Alto Adige:

- a) members of the Board of Directors, members of the Board of Statutory Auditors, the General Manager and his substitute;
- b) companies controlled by the Issuer or companies over which the Issuer exercises considerable influence or companies under control by a company belonging to the banking group of the Issuer, if and when such banking group is established.

As at the date of this Prospectus, the following are considered to be parties connected to the related parties of Banca Popolare dell'Alto Adige:

- c) companies controlled by a party related to Banca Popolare dell'Alto Adige;
- d) relatives of up to the 2 degree, spouse (not legally separated) or common-law spouse and children of a spouse/common-law spouse of any related party indicated under letter (a);
- e) companies, including without legal personality, where parties under letters (a) and (d) hold direct or indirect control or considerable influence.

In 2016, the Issuer did not enter into any atypical transactions with the members of its Board of Directors, where such transactions could have caused concern over protection of the Issuer's assets. All transactions with the members of the Board of Directors were related to the ordinary activities of the Issuer. Such transactions are regulated in accordance with market standards and with the applicable supervisory authority and company regulations.

The Issuer is not aware of any conflict of interest that exists or may exist between the duties owed to it by its directors and their other principal activities and there are no activities performed by the directors of the Issuer outside the Issuer that could be considered significant with respect to the Issuer.

INDEPENDENT AUDITORS

In accordance with applicable Italian laws and regulations, the financial statements of the Issuer must be audited by external auditors appointed by a resolution of the Issuer's ordinary shareholders' meeting and that such appointment must be approved by the Board of Statutory Auditors.

The independent auditors of the Issuer are BDO Italia S.p.A. ("BDO"), with a registered office at Viale Abruzzi, 94, 20131 Milan, Italy. BDO is registered on the special register of accounting firms held by CONSOB.

Pursuant to Italian Legislative Decree No. 38 of 28 February 2005, Italian banks are required to prepare, starting from annual financial statements as at and for the year ended 31 December 2010, their non-consolidated annual financial statements in accordance with International Financial Reporting Standards issued by the IASB (International Accounting Standards Board) ("IFRS"). Financial statements of the Issuer prepared before such date were prepared in accordance with generally accepted accounting principles in Italy issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli esperti contabili* ("Italian GAAP").

The statutory financial statements of the Issuer as at and for the years ended 31 December 2015 and 31 December 2016 were audited by BDO, in accordance with the generally accepted auditing standards and legal requirements in Italy. The auditors have issued unqualified auditors' reports related to such financial statements.

ORDINARY SHAREHOLDERS' MEETINGS

Pursuant to the Issuer's by-laws, the ordinary shareholders' meeting of Banca Popolare dell'Alto Adige is called at least once a year within 120 days of the end of the Issuer's fiscal year.

The shareholders' meeting is held in general on a single call.

The publication of a notice of shareholders' meeting has to comply with the requirements established by law and regulations applicable from time to time.

The notice of call is published in the Official Journal of the Republic of Italy (*Gazzetta Ufficiale*) or in one of the two national daily newspapers "*Il Sole 24 Ore*" or "*Milano Finanza*" at least 20 days prior to the date proposed for the shareholders' meeting.

When held in a single call, the ordinary shareholders' meeting is deemed to be duly constituted irrespective of the portion of the share capital represented and the resolutions are passed with the favourable vote of the absolute majority of the share capital represented at the meeting.

Multiple calls are defined by Article 16, paragraph 2 and Article 17, paragraph 2 of the Issuer's by-laws.

The resolutions of the shareholders' meeting are adopted by an open vote.

FISCAL YEAR

The fiscal year of the Issuer is the calendar year.

BRANCHES

As at 31 December 2016, the Issuer had a network of 184 branches located in the Italian north-east provinces of Bolzano, Trento, Belluno, Treviso, Vicenza, Padua, Pordenone and Venice.

EQUITY INVESTMENTS

As at the date of this Prospectus, Banca Popolare dell'Alto Adige does not belong to a banking group.

COMPANIES CONTROLLED BY THE ISSUER

Company name	Registered Office	Activity	Total assets	Stake
			31/12/16 (euro thousands)	
Voba Invest srl (in liquidazione)	Bolzano	Real estate company	3,895	100,00
Valpolicella Alta Società Agricola S.r.l.	Bolzano	Winery company	4,331	100,00
Casa di cura Villa S, Anna(*)	Merano	Private Hospital	7,572	35,00
Quartiere Brizzi S.r.l. (*)	Chienes	Real estate company	7,489	48,50
Tre S.r.l. (*)	Trento	Real estate company	0,367	30,00

(*) the figures for the equity investments are derived from the Issuer's financial statements as at and for the year ended 31 December 2016.

RATING

The rating agencies Standard & Poor's ("S&P") and DBRS Ratings Limited ("DBRS") currently assign ratings to the Issuer.

On 23 May 2016, S&P revised the outlook on Banca Popolare dell'Alto Adige to "positive" from "stable" and affirmed the Issuer's BB/B long- and short-term counterparty credit ratings.

The outlook revision reflected S&P's view that the Issuer's asset quality - after the merger with Banca Popolare di Marostica Group - was likely to perform better than previously expected, and was, therefore, likely to recover faster than the Italian system average.

The new forecasts are driven by the view of more supportive economic and operating conditions for Italy's banking sector over the next couple of years. In addition, S&P believes that the Issuer can benefit from the increasingly favourable operating environment that characterizes the north-eastern regions of Italy, in particular, the wealthy Trentino Alto Adige, traditionally displaying higher than average GDP per capita values and lower unemployment rates.

S&P view was also based on the understanding that the Issuer had successfully completed the review of all positions in Banca Popolare di Marostica customer loans portfolio as a part of the acquisition process. Therefore, in the context of a more positive economic environment, S&P expects Issuer's credit losses to remain below the level that was expected for the Italian system average over the next two years.

S&P estimated a decreasing trend for the Issuer's gross non-performing assets as a percentage of its customer loans. The agency thinks that the Issuer's stronger-than-peers risk management practices, in addition to higher growth in customer loans than the industry average, could contribute to an improving asset quality trend.

The agency believed that the Issuer would be able to consolidate its market share in the Veneto region - ex-Marostica's historical market - thanks to the ongoing advantageous competitive situation, created by the progressive franchise loss by other peers operating in the region.

S&P anticipated that the Issuer would be able to support its asset growth, thanks to the €6 million capital increase successfully completed in February 2016, while keeping its projected risk-adjusted capital ratios.

For S&P Issuer's profitability were to remain positive but modest. In particular, the agency believed that the Issuer was likely to support a slightly increasing net interest margin through assets growth on one side and cost-of-funding reduction on the other.

On 20 June 2016, S&P made a communication that the additional reclassification of customer loan exposures, in accordance with the requests of the Bank of Italy during the regulatory inspection in the first half of 2016, from performing to non-performing, do not affect rating and outlook assigned by the agency to the Issuer in May 2016. S&P still expected the Issuer's net non-performing asset ratio to improve, however, supported by the particularly favourable economic and operating conditions that prevail in the Trentino Alto Adige region, and Issuer's historically good track record in managing down non-performing assets through recoveries and write-offs. Furthermore the reclassification would have a limited negative impact on the risk-adjusted capital ratio for the Issuer.

On 12 April 2017, S&P affirmed its 'BB/B' long- and short-term counterparty credit ratings on the Issuer. As at 23 May 2017, the outlook remained positive. The affirmation reflected S&P's view that, although improving, Issuer's capital and risk profile combination was still close to the Italian banking system. Issuer's non-performing asset ratio was reducing but did not improve as much as previously projected, mainly due to the negative effects of the Bank of Italy's request to proceed with additional reclassifications in 2016. In the second half of 2016, Issuer showed a moderate improvement in its asset quality metrics. This resulted in a decrease in the stock of gross non-performing assets, backed by a combination of lower non-performing asset inflows and asset write-offs. The positive trend has continued into 2017. This underpins agency's projection that Issuer's asset quality will continue to improve, and is likely to recover faster than the Italian system average. These assumptions are further supported by both the more favourable economic and operating conditions in the Trentino Alto Adige region, and the Issuer's good track record in managing down its stock of non-performing assets. The Italian north-eastern area - especially the Trentino Alto Adige region - has historically been characterized by more positive economic conditions than the agency expected at the national level, both in terms of GDP per capita and unemployment. Furthermore, foreclosure procedures are much more efficient than elsewhere in Italy; it takes less time to recover assets held as

collateral, compared with the average at the national level. In addition, S&P viewed the Issuer's focus on working out its non-performing assets - both internally and through outsourcing - as positive for a fast reduction of the accumulated stock.

On 7 September 2016, after the publication by the Issuer of its half-yearly report as at and for the period ended 30 June 2016, DBRS emphasized that Issuer's total revenues increased, supported by higher net interest income and commissions and benefitting from lower funding costs and increasing lending volumes. As at such date, liquidity and funding positions remained stable and rating and outlook of the Issuer remained unchanged.

On 15 June 2017, DBRS confirmed its ratings on Banca Popolare dell'Alto Adige. The ratings included the Senior Long-Term Debt and Deposit rating of BBB (low), as well as the Short-Term Debt & Deposit rating of R-2 (middle). The ratings Trend remained Negative. Concurrently, DBRS maintained the Issuer's Intrinsic Assessment at BBB (low) and support designation at SA3.

The confirmation of the ratings reflected the Issuer's transformation into a joint-stock company and progress in the integration of the former Banca Popolare di Marostica Group. In confirming the ratings, DBRS took into account the steps currently being undertaken by the Issuer to strengthen its risk management and improve profitability. The Negative trend, however, reflected the ongoing asset quality challenges which affected the Issuer's profitability.

The ratings agency noted that the Issuer's profitability weakened in 2016, linked to the acquisition of Banca Popolare di Marostica, and asset quality deteriorated for the same reason, while the total stock of non-performing loans (NPLs) increased.

DBRS emphasized that the Issuer increased provisioning levels and coverage for bad debts (or "sofferenze") and that, as part of its business plan for 2017-2021, the Issuer is taking steps to improve its profitability and risk profile through, inter alia, increased focus on corporate clients, SMEs and private banking, cost rationalisation, investments in IT as well as the creation of a workout unit to manage NPLs.

In terms of outlook, DBRS noted that a reduction in the stock of NPLs supported by adequate capital levels could contribute to change the Trend to Stable. Negative rating implications could result from any failure to improve the Issuer's asset quality, as well as material deterioration in capital and liquidity, or should the bank face challenges in achieving its business plan goals.

LITIGATION

In the ordinary course of its business activities as a financial institution, the Issuer is involved in various legal proceedings both as claimant and as defendant. Such proceedings are managed in accordance with principles of ordinary diligence and care.

CAPITAL ADEQUACY

The Bank of Italy has adopted risk-based capital ratios pursuant to the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institution and investment firms ("CRD IV") and 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 ("CRR" and together the "Capital Adequacy Directives"), Italy's current requirements are

similar to the requirements imposed by the international framework for capital measurement and capital standards of banking institutions of the Basel Committee on Banking Supervision . The capital ratios consist of core (Tier 1), which consists of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT1), and supplemental (Tier 2) capital requirements relating to Banca Popolare dell'Alto Adige's assets and certain off-balance sheet items weighted according to risks ("**risk-weighted assets**").

Under the Bank of Italy's regulations, Banca Popolare dell'Alto Adige is required to maintain a total capital ratio (the ratio of total capital to total risk-weighted assets) of a least 8.00 per cent, on a non-consolidated basis.

The following table sets out the composition of the Banca Popolare dell'Alto Adige's regulatory capital (as established by the Bank of Italy's rules) on a non-consolidated basis as at 31 December 2015 and 31 December 2016:

	31/12/2016	31/12/2015
	(Audited)	(Audited)
	<i>(euro thousands)</i>	
Tier 1 Capital (CET1)	724,068	641,949
Tier 2 Capital	0	0
Items for deduction	0	0
Total own funds	724,068	641,949
Capital to cover market risk	1,174	764
Capital to cover credit risk	461,401	426,566
Capital to cover other risks	0	0
Capital to cover operational risk	33,077	33,129
Total prudential requirements	495,652	460,459
Free capital ⁽¹⁾	228,416	181,490
Weighted risk assets	6,176,347	5,755,746
Tier 1 risk/Weighted risk assets	11.72%	11.15%
Equity for supervisory purposes/Weighted risk assets	11.72%	11.15%

(1) Free capital represents the capital available for investment in fixed assets or equity investments.

FUNDING

The following table provides a breakdown of the Issuer's non-consolidated loan portfolio as at 31 December 2016 and 31 December 2015 according to category of debtor and type of loan:

	31/12/2016		31/12/2015	
	<i>(Audited)</i>		<i>(Audited)</i>	
	Value	%	Value	%
	<i>(euro thousands)</i>		<i>(euro thousands)</i>	
Loans to Banks				
Due to central banks	31,045	0.46	36,717	0.57
Repurchase agreements	0	0.00	0	0.00
Current accounts	8,822	0.13	3,072	0.05
Deposits	50	0.00	50	0.00
Financing	2,000	0.03	4,965	0.08
Other	0	0.00	0	0.00
Total loans to banks	41,917	0.62	44,804	0.69
Loans to customers				
Current accounts	1,452,954	21.46	1,562,486	24.07
Repurchase agreements	0	0.00	3,288	0.05
Mortgages	4,446,475	65.69	4,067,604	62.65
Credit card and personal loans	115,111	1.70	110,862	1.71
Leasing	0	0.00	0	0.00
Factoring	0	0.00	0	0.00
Other	547,994	8.10	553,181	8.52
Securities	164,689	2.43	150,450	2.32
Total loans to customers	6,727,223	99.38	6,447,871	99.31
Total loans	6,769,140	100.00	6,492,675	100.00

NON-PERFORMING LOANS

The following table sets out non-consolidated information on the Issuer's non-performing loans (where the borrower is insolvent or in a comparable position, regardless of any forecast or actual losses, excluding off-balance sheet exposure) as at 31 December 2016 and 31 December 2015:

		31/12/2016		31/12/2015	
		<i>(Audited)</i>		<i>(Audited)</i>	
		Value	%	Value	%
		<i>(euro thousands)</i>		<i>(euro thousands)</i>	
Non-performing nominal loans,		1,163,436	17.19	1,048,407	16.15
Provisions		494,511	7.31	420,765	6.48
Non-performing loans, net		668,925	9.88	627,644	9.65

LOAN LOSSES AND PROVISIONS

The following table sets out non-consolidated information on the Issuer's loan losses and provisions as at 31 December 2016 and 31 December 2015 (excluding off-balance sheet exposure):

	31/12/2016	31/12/2015
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>(euro thousands)</i>	
Total loans to customers, net exposure	6,727,223	6,447,871
Write-downs effected against loans and allocations for guarantees and commitments	47,057	37,869
Total provision for loan losses	541,534	458,079
Write-downs as percentage of loans to customers(*)	0.70%	0.59%
Total provision for loan losses as percentage of loans to customers (*)	8.050%	7.11%

(*) For the purpose of calculating the ratio, loans to customers include the total provision for loan losses.

OFF BALANCE SHEET EXPOSURE

The following table sets out non-consolidated information regarding the Issuer's off balance sheet exposure as at 31 December 2016 and 31 December 2015:

31/12/2016	31/12/2015
-------------------	-------------------

	<i>(Audited)</i>	<i>(Audited)</i>
	Value	Value
	<i>(euro thousands)</i>	<i>(euro thousands)</i>
Impaired off balance sheet exposure, nominal	10,156	13,171
Other off balance sheet exposure, nominal	735,011	699,259
Portfolio adjustments	0	0
Impaired off balance sheet exposure, net	8,980	12,436
Other off balance sheet exposure, net	735,011	699,259

STRATEGY

The new 2017-2021 business plan was approved by the Board Directors of the Issuer in December 2016.

The Board of Directors set the strategic guidelines with the aim to achieve further improvements in productivity, efficiency and profitability of the Issuer with the focus on organic value creation both in the region of newly acquired network of ex-Banca Popolare di Marostica as well as in the historical regions of the Issuer operations. The guidelines include the following:

- focus on growth and build on the strong integration performance in Veneto region, year-over-year (YoY) growth above national average of more than 2 per cent;
- maintain net interest margin (NIM) levels and increase share of commission income with a focus on wealth management solutions;
- strengthen credit quality of the Issuer's portfolio by introducing a department dedicated to reduction of cost of risk and non-performing exposures (NPE) ratios significantly;
- improve cost / income ratio with measures both aimed at optimising business mix in the business lines, increasing the Banking Book Investment portfolio in a diversified way and reducing the cost basis – primarily via third party costs as well as full time equivalent (FTE) reduction measures through process improvements;
- *channel strategy*: introduce new channels within the Issuer such as Contact Center and on-location advisory hubs aimed at bringing more value-added services to the Issuer's customers and reduction of cost-to-produce at lower valued adding activities;
- *Corporate*: strengthen the Corporate Business Line in terms of know-how in specific sectors (for example, tourism);
- *liquidity and capital*: achieve sustainable growth in retail deposit base and broaden diversification by adding Covered Bonds along ABS to the funding mix. Actively seek alignment of the Total Capital Ratio to the industry standards while managing a MIFID compliant investor base and issuance of subordinated Tier 2 instruments.

CREDIT RISK MANAGEMENT AND RECOVERY POLICIES

Organisational issues

Credit risk is the risk of incurring losses due to a default by counterparty or the risk that a debtor or counterparty fails to meet its financial obligations (more in particular, failure to make a full repayment of loans). This is one of the main risks that the Issuer faces. The risk affects all financial activities of the Issuer, in particular loans, securities, and all committed facilities in relation to guarantees issued or funding for distribution commitments. The analysis and assessment of credit risk mainly involves the quality and reliability of debtors and risk concentration.

Under the Issuer's internal rules and procedures on credit management, risk assessment is based on the principles of prudence. The full documentation that is required for an appropriate assessment of a debtor's creditworthiness is obtained at the time when a loan application is made. The documentation obtained must permit an assessment of the appropriate level of the amount and type of the loan as well as the project for which the loans is required. It must also permit a determination of the debtor's characteristics and qualities, taking into consideration of the dealings the debtor has and/or had with Banca Popolare dell'Alto Adige in the past, taken as a whole.

Pursuant to Title IV, Chapter 5 of the Supervisory Instructions (*Istruzioni di Vigilanza*) of the Bank of Italy, where there are connections of a legal or financial nature between customers of the Issuer, such customers are to be grouped together in terms of the risk they represent as a group (an economic group or a risk group).

At the time a loan is granted or renewed, there is an obligation to examine the current risks the applicant represents to the Issuer, and that of any group with which such applicant is connected.

When customer risk increases, the aim of credit management is to contain the Issuer's risk by promptly implementing all such measures that may be necessary or required.

In order to maintain correct and prudent credit management, in accordance with the Supervisory Instructions (Title IV, Chapter 11, Section II), Banca Popolare dell'Alto Adige has introduced appropriate systems for the identification, measurement and control of risks.

These controls form an integral part of the Issuer's daily activities and can be divided into the following three categories:

- *line controls*: carried out by the management of the organisational unit of the retail network (in particular, through limit excess and unpaid instalment verification performed by branches by means of special procedures and periodic progress report analysis) and by services functionally dependent on the credit management department (offices responsible for credit assessment and the anomalous loans analysis department);
- *special monitoring*: carried out by the 2 level independent audit offices, i.e. risk management and compliance. The risk management office is in charge of carefully monitoring credit risk by seeking to establish methods for measuring risk, ensuring that limits imposed are strictly complied with and that transactions are carried out consistently;

- *audits*: performed by the internal auditing service as part of their direct and remote auditing duties, for the purpose of verifying credit quality, the accuracy of procedures, and well informed decision-making by the relevant departments responsible for allocating and managing credit.

Management, measurement and monitoring systems

The lending process has the following structure:

- granting of a loan, which comprises: application, review, approval, completion of loan and any security to be provided;
- credit management, which comprises: drawings, monitoring, loan reviews, irregular loan management; and
- management of non-performing loans and credit recovery.

The first and most important stage in measuring and managing credit risk takes place at the time the loan is granted and in particular during initial application process, when the persons involved are identified, the documentation is gathered and reviewed, the various databases consulted and the offer drawn up.

The application procedure is supported by different forms of information technology and different skilled personnel structures depending on the kind of customer involved (private individuals, small businesses or corporate clients). In any case, the decision whether to grant the loan is made by the branch or local area if the sums do not exceed certain thresholds and by the Issuer's central bodies when amounts of the loan exceed the predefined thresholds; information technology is used to make an assessment of creditworthiness of the applicant at the time new loans are granted using both internal and external information sources.

Notwithstanding the above, the Board of Directors retains full discretion with regard to the risks that may be accepted; the Chairman has certain powers reserved to him by the Issuer's by-laws and the Executive Committee is vested with certain powers to address the urgent matters. The maximum credit limit for an economic group or individual counterparty that is not a bank or belonging to a banking group is calculated as 10 per cent. of the Own Funds ("*Fondi Propri*") (€724.1 million as at 31 December 2016).

Among the credit risk monitoring and management tasks, the internal rating system is particularly important as it allows credit managers to verify developments in customer credit ratings and identify positions under their control that show a reduction in the rating. This system, which has been operative for approximately ten years, is based on a scoring system which gives the customer a ranking based on a sliding scale of credit quality. Its calculation is based on performance indicators regarding the loan and various information from the Issuer's computer systems which enable any variation in the level of risk associated with the counterparty to be detected. The data management by the internal rating system is subject to constant analysis and verification by the Risk Management function, particularly to measure and verify the system's predictive capacity for all customer types by means of appropriate statistical approaches.

The process to monitor credit is also guaranteed over the long-term by an automatic classification system for irregular positions (GDC, Credit Management), which uses an early warning engine to detect any substandard situations, starting from the performance rating and

a series of daily indicators. In addition to the usual risk classes for impaired credit established by the supervisory body (past-due, unlikely-to-pay, forbore and doubtful loans), the system also provides two classes for performing customers:

- loans under observation are those that show minor and/or repeated irregularities. Network managers are charge of managing and monitoring them;
- high risk loans are loans that continuously and repeatedly show performance-type irregularities (credit limit exceeded, instalments in arrears, high percentage of overdue bills, etc.), in the risk centre (reduction in notifying banks, short-term loan consolidation) or in the financial statements and for which payment is expected within 12 months after qualitative and quantitative processing of the loan.

Deteriorated financial activities

Loans exhibiting particularly serious negative signals or events are classified as impaired, and in turn allocated to one of the following categories according to level of impairment:

- doubtful loans: payments due from bankrupt entities, even if bankruptcy has not yet been officially confirmed, or those entities that are in essentially equivalent position, are classified as doubtful; as a result of such classification legal or other action is taken to settle or recover the exposure;
- unlikely-to-pay loans: loans which demonstrate ongoing irregularities in performance (persistent exceeding of limits, instalments in arrears, zero movement, etc.), system-related/ Bank of Italy Central Credit Bureau (doubtful loans reported by the banking system without adequate justification), negative information (property actions, injunction orders, seizure, mortgage foreclosure, etc.), drastic deterioration in the financial and/or profitability or financial statements position, lack of funds for reimbursement, from which it could be presumed that the debtor is in real difficulty, also with the risk of insolvency, that could however be recovered in a reasonable period of time. Also under this category are all the positions which the Issuer considers it recommendable to allocate funds to a provision for risks (loss forecast);
- forbore: loans due from borrowers experiencing financial difficulty in meeting their financial commitments and for which the Issuer, in accordance with the regulatory provisions, grants concessions (such as rescheduling the dates of payments, extending the loan term, reducing the interest rate or relevant fees payable on the loan, granting new or additional period of no payments, etc.). This category may cover exposures of performing (performing exposures with forbearance measures) and non-performing (non-performing exposures with forbearance measures) status;
- past due: positions the payment on which , in accordance with the Bank of Italy's Circular No. 285 dated 17 December 2013 (as amended) remains due and payable for more than 90 days and where the exposure is higher than 5 per cent. of the overall exposure in the observation period;

Alongside the sales network impaired credit not classified as a bad debt is also monitored by the Anomalous Loans Analysis Service with the aim of insolvency prevention.

Specifically, the steps to be taken for positions included in the watch list are as follows:

- immediate review of the position and any related positions (guarantor, affiliated, partner, associated companies), updating the relevant documentation and any estimates on guarantees granted;
- review of the relevant terms in order to assess the debtor's deteriorated risk profile;
- verification of the quality and total amount of guarantees issued;
- setting-up of a restructuring plan with the aim of turning around the position and improving guarantees through the definition of a detailed recovery plan submitted to the appropriate internal body for decision.

The Issuer's management of doubtful loans and credit collection is handled by the Service for Doubtful Loans, a department which for the purpose of taking legal actions resorts to specialist internal department and a dedicated IT procedure for accounting procedures.

Debt collection activity is a proactive process and aims to optimize legal proceedings and maximize the financial end result. In particular, with regard to assessment of the initiatives to be taken, in-house legal advisors give preference to out-of-court procedures, often with recourse to settlement agreements, which have a positive impact on collection times and the level of costs. Where out-of-court settlements cannot be carried out in a reasonable timeframe, especially for more significant positions and positions in which a higher level of collection can be expected, external legal advisors are appointed to commence legal actions which always constitutes a valid and fundamental coercive means to the debtor and a tool to resolve litigation. Credit that is minimal, irrecoverable or difficult to collect is generally treated en-masse and become subject of disposal transactions without recourse, given that legal action would be considered uneconomic in cost-benefit terms, or is assigned to a specialist credit collection company.

For the financial statements the value adjustments for performing and impaired loans are calculated according to current regulatory provisions and in such a way so as to obtain a valuation that is as prudent and as conservative as possible. In particular, doubtful loans and unlikely-to-pay positions with exposures above Euro 25,000 are subject to analytical assessment that is aimed to define provisions for expected losses. For each position, and for each relationship within the position, the extent of the expected loss is analytically calculated on the basis of debtor solvency, the type of guarantee, the current status of proceedings taken and, above all, on the value of the guarantees. The estimates are always calculated using maximum prudence criteria and performed or validated by qualified internal personnel, organizationally independent of the credit disbursement/assessment/collection processes. In addition, these always take into account the need to sell the asset immediately and, according to IAS 39, are subject to cash discounting criteria.

The correct implementation of doubtful loans management and assessment activity is furthermore ensured by periodic audits performed through the internal auditing processes, and externally by the Board of Statutory Auditors and independent auditors.

FINANCIAL RISK MANAGEMENT

Market risk is defined as the risk of loss on owned financial instruments from possible fluctuations in financial market variables (rates, volatility, exchange rates, share prices), considering that each individual financial instrument may be exposed to one or more of these risks. Banca Popolare dell'Alto Adige, therefore, defines market risk as changes in the value of instruments due to market fluctuations.

The internal market-risk control and management processes (interest rate and pricing) are contained in the Risk Policy of the Finance Department, and in the document headed “*Limits and operating powers for the finance department and liquidity*”, with both being subject to periodic review and consideration by the Board of Directors of the Issuer.

The policy formalizes the performance of risk management activities concerning market risks, defines the tasks and responsibilities assigned to the various organizational units having expertise on the matter and specifies, among other things, the main operating processes, the methods of measurement, the exposure limits, the information flows, and corrective measures.

The investments and trading activity is, therefore, performed in conformity with the internal policy and is carried out within a structured internal regulatory system of delegations of management powers which provides for operational limitations defined in terms of negotiable financial instruments, amounts, duration, investment markets, issue and issuer-types, sector, and rating.

Risk monitoring is carried out by the Risk Management Function that produces daily and monthly reports subject to scrutiny by the Internal Finance Committee on a weekly basis and the Finance Committee on a monthly basis. The latter sets the risk management policy in the context of the strategy contained in the annual Operating Plan.

With regard to the processes and methods of market risk monitoring and management, the indicators monitored and their related limits are provided below, together with the first and second level internal audit processes on overall trading portfolio transactions. In general, the limits are classified according to the various types of market risk (interest rate, price and pricing), but are in any event managed within a single framework based on similar logic.

The authorization structure for finance operations is based on the four levels:

- operating limits;
- position limits: credit risk and concentration;
- stop-loss limits; and
- Value-at-Risk (VaR) limits.

The above represent the thresholds at which the limits are set at the beginning of each financial year by a resolution of the Issuer’s Board of Directors.

The finance division determines, by agreement with the risk management division, the terms and limits for the assumption of risks in operating terms, for all those units that incur market risks.

Responsibility for daily checks on operating, position and stop-loss limits rests with the risk management function.

VaR represents an estimate of the maximum potential loss of a portfolio of securities in unfavourable market conditions. The compliance of risk profiles with the limits set in terms of VaR is ensured by the daily monitoring performed by the risk management office.

OPERATIONAL RISK

In line with the supervisory provisions, operational risk is defined as the risk of incurring losses due to errors, violations, interruptions, exogenous events or damages deriving from malfunctions in the internal processes or the unsuitability of people and/or systems. Operational risks include, among other things, the ensuing losses from theft and fraud, human errors, interruptions of operations, the unavailability of systems, executions of transactions, breaches of contract, data processing, damage to real property, and natural catastrophes.

These risks are monitored, within the scope of the Internal Audit System, by all internal control departments of the Issuer (Internal Audit, Compliance and Risk Management) in accordance with the following guidelines:

- prevention of occurrence or reduction of the probability of events occurring that could potentially generate operating losses, through the appropriate legal, organisational, procedural and training measures;
- reduction of expected effects of such events;
- enhancement of the overall operational efficiency;
- protection of the bank's reputation and image.

Monitoring and management of operational risk are not only aimed at obtaining theoretical benefits in respect of asset requirements, but also at achieving an effective understanding at all levels of the potential risks inherent in the Issuer's daily activities and to take all necessary steps to effectively mitigate and reduce such risks.

Within the Internal Audit System, the monitoring of operational risks is guaranteed by adoption of an integrated control model, which, along with the supervisory provisions, is organized into three levels, with each level governing the specific aspects related to its role, the business functions in charge of line control (or first level control) and the Issuer's control departments in charge of second level control (Risk management and Compliance) and the third level (Internal Audit).

The results of the monitoring and control are discussed on a regular basis and evaluated within the scope of the Internal Control Committee, comprising all Issuer's departments, and which - among other things - is in charge of establishing priorities and coordinating the control activities.

In addition, monitoring of the operating risks uses the results from the monitoring and analyses of operating losses contained in the periodic report drawn up by the risk management department and related discussions by the Internal Control Committee.

Since 2003, the Issuer has used a system for detecting and measuring operational losses with the purpose of improving management of potential sources of risk that could undermine Issuer stability. This system, employed by the Issuer, follows a similar initiative applied on a national scale by the Italian Banking Association (ABI). With the DIPO project (Italian database of operational losses) ABI is attempting to inform banks on how to implement these procedures and create a national databank that would allow banks to obtain more extensive and meaningful statistical data.

Notwithstanding the above-mentioned processes and procedures, monitoring and control, it is not possible from the outset to prevent the occurrence of events that may cause unforeseeable losses.

SIGNIFICANT EVENTS DURING THE YEAR

Share capital increase

On 27 November 2015, the Issuer submitted to CONSOB (*Commissione Nazionale per le Società e la Borsa*) prospectus for share capital increase, divisible and against payment, through the issue of maximum of 4,987,123 ordinary shares at a price of Euro 19.20 per share, of which Euro 4.00 nominal value and Euro 15.20 share premium, for a maximum total value Euro 95,752,761.60.

The offer closed on 22 January 2016 with all shares having been subscribed. The share capital increase involved the issue of 4,987,103 shares for a total value of Euro 95,752,377.60, of which Euro 19,948,412 as share capital and Euro 75,803,965.60 as share premium. As a result, the Issuer's share capital increased from Euro 179,535,732 to Euro 199,484,144, divided into 49,871,036 shares with nominal value of Euro 4.00 each.

In the course of 2016, the share capital was reduced for a total of Euro 44,428 due to redemption of shares *causa mortis* and cancellation of vested shares owned by former employees of Banca Popolare di Marostica. As at 12 December 2016 (the date of Issuer's transformation into joint stock company), the share capital of the Issuer amounted to Euro 199,439,716, divided into 49,859,929 ordinary shares.

Legislative reforms for popular banks

Italian Law Decree No. 3 of 24 January 2015, converted into Law No. 33 of 24 March 2015 (the "**Law No. 33**"), which amended certain provisions of Italian Legislative Decree No. 385 of 1 September 1993 (the "**Consolidated Banking Law**"), introduced provisions implementing the reform of cooperative banks.

Law No. 33 provided that cooperative banks that, as at 25 January 2015, had assets exceeding a threshold of Euro 8 billion had to ensure compliance with requirements of Article 29, paragraphs 2-*bis* and 2-*ter* of the Consolidated Banking Law, no later than 18 months from the date on which the Bank of Italy's implementation measures enter into force, or, alternatively: (i) reduce their assets below such threshold, (ii) transform into a joint-stock company, or (iii) commence voluntary liquidation.

Cooperative banks that exceed the Euro 8 billion threshold upon approval of financial statements must implement relevant changes within 12 months of the reporting date for the year. If, within one year of the threshold being exceeded, a cooperative bank fails to do any of the following: (a) reduce its assets below such threshold, (b) pass a resolution approving transformation of the bank into a joint-stock company or (c) commence voluntary liquidation, the Bank of Italy, taking into consideration circumstances and amount by which the bank exceeds the threshold, may either (i) prohibit such bank from entering into new transactions or implement measures envisaged by applicable law; or (ii) propose to the ECB that the bank's authorisation to engage in banking activities be revoked and to the Italian Ministry of Economy and Finance (MEF) that compulsory liquidation of the bank be commenced.

On 11 June 2015, the Bank of Italy issued secondary implementing rules on the reform of cooperative bank (the "**Implementing Rules**"). The Implementing Rules were published with the view to completing regulatory framework introduced by the reform, and commencing transformation process for cooperative banks.

In order to ensure stability of the Issuer and as part of its prudent management, the Issuer's Board of Directors resolved to implement the reform. Based on the Issuer's financial statements as at and for the year ended 31 December 2015, the assets of Banca Popolare dell'Alto Adige exceeded the Euro 8 billion threshold, and in accordance with the Implementing Rules, the Issuer commenced a process of its transformation into a joint-stock company with the corresponding amendments to its by-laws. On 26 November 2016, the shareholders' meeting of the Issuer resolved on the transformation with a favourable vote of 97.5 per cent. of the constituted voting rights. On 12 December 2016, the shareholders' resolution was registered with the Companies Register of Bolzano and the transformation of the Issuer became effective as of 26 December 2016.

Transformation of the Issuer into a joint-stock company allowed those shareholders who did not vote in favour of the Issuer's transformation to exercise their withdrawal rights as a result of combined provisions of Article 2437, paragraph 1, letter b), Article 2519, paragraph 1, and Article 2532 of the Italian Civil Code. More in particular, Article 2437, paragraph 2 provides that the liquidation value of shares shall be determined by the bank's directors, following opinions of the board of statutory auditors and accounting auditor, and taking into consideration the amount of the bank's assets and its profit estimates, as well as market value of its shares.

In the process of determination of withdrawal price, the Issuer's Board of Directors was advised by two independent experts, who possessed appropriate professional skills. The independent experts were requested to provide opinions on the range of values within which it would be reasonable for the Issuer to set the withdrawal price of its shares.

The reference value adopted in the valuation process is an intrinsic value that expresses the current value of shares held by relevant shareholders. The intrinsic value refers to business in its actual state, and does not reflect benefits expected to accrue as a result of transformation that gave rise to withdrawal rights. Therefore, the estimate of valuation was developed that aimed to capture all the value that the shareholders exercising their rights of withdrawal contributed to create, retaining at the same time all future benefits that transformation into a joint stock company could generate for the non-withdrawing shareholder. Thus, the intrinsic value tends to express the operating conditions of the business in its actual state. On the other hand, the intrinsic value does not express the sale price at which the withdrawing shareholders could sell their investment.

Therefore, withdrawal value was identified with reference to the value that aims to replicate the fundamental, long-term value of the Issuer, assuming full implementation of the business plan and considering capital levels potentially greater than minimum regulatory levels, as well as, at least partially, market dynamics in the banking sector. This methodology is based, and relies, on the soundness of assumptions and business forecasts of the banking activities incorporated in the Issuer's business plan.

In particular, dividend discount model with excess capital variant (DDM) was the methodology adopted for the purposes of withdrawal price determination. The DDM represents valuation methodology most commonly used in professional practices to estimate the value of banks and financial intermediaries in extraordinary transactions. It expresses the value of the bank as its ability to generate expected future cash flows resulting from implementation of plans and programmes defined by the management. The adoption of DDM implies that, withdrawal value estimation takes into account creation of value in the long term, where such value is a result of

implementation of the business plan, whose results are not directly and immediately reflected in the market prices.

Considering the specifics of withdrawal value estimation process and Issuer's securities trading post-transformation, the Issuer's Board of Directors made a comparison of the results of fundamental method with the market data for banks considered comparable to the Issuer or those that relate to transactions that transform cooperative banks into joint-stock companies. In particular, the valuation analyses based on market position of banks that were most comparable to Banca Popolare dell'Alto Adige assumed a value that would verify the results of estimates based on DDM, as such method could not be adopted for the estimation criterion.

The withdrawal value was set at Euro 12.10 per share and differed from the then current market prices in transactions involving transformations of cooperative banks into joint-stock companies due to the fact that, in other transactions, the withdrawal value, in compliance with the provisions of Article 2437-ter of the Italian Civil Code, was set based on the average price of the trend in share prices observed in the six months preceding the transaction date.

Finally, the withdrawal value differs from the value in use by the Issuer, as the withdrawal value is a result of the valuation procedure where expected cash flows and discount factor take into account, among others, a target capital coefficient greater than the minimum level established by the relevant regulations.

Order of the Italian Council of State of 2 December 2016

The Italian Council of State (legal-administrative consultative body that ensures legality of public administration in Italy), with its Order of 2 December 2016, in relation to a petition made by several shareholders of Banco Popolare, Banca Popolare di Sondrio, Banca Popolare di Milano and UBI – Unione Banche Italiane, against the measures of the Bank of Italy on the cooperative banks reform implementation, found that legitimacy and interests of petition were valid, as the measures challenged and regulations at the basis of such measures directly affect the status of shareholder of cooperative banks, therefore representing cases of immediate damage.

The Council of State also raised the question of constitutional legitimacy of Article 1 of Italian Law Decree No. 3 of 24 January 2015, converted with amendments into Law No. 33 of 24 March 2015, for the following profiles: (a) to the extent the withdrawal right of withdrawing shareholders may be limited (including with possibility to exclude them *tout court*), and not only deferred within established time limits and with interest payment; (b) to the extent that, in any case, attributes to the Bank of Italy the power to govern the methods of exclusion, where such power is attributed "including in derogation by law", with the resulting attribution to the supervisory authority of a power of blanket de-legalisation, without the prior and accurate indication by the legislature of the legislative norms that may be waived and, in addition, in cases presumably reserved for law.

In addition, the Council of State determined that as it was not immediately clear that such profiles were groundless as regards their legitimacy, the Bank of Italy Circular No. 285 of 17 December 2013 - 9th Update of 9 June 2015 ("**Circular No. 285**"), appeared to be flawed in relation to the part governing exclusion of reimbursement right, prescribing statutory amendments aimed at introducing into by-laws of the bank an article that attributes to the body responsible for strategic direction, following proposal of management body and opinion of control body, the right to limit or postpone, in whole or in part, and without time restrictions,

reimbursement to the withdrawing shareholders for shares and other equity instruments included in CET 1 capital, including in waiver of provisions of the Italian Civil Code and other legislative provisions.

Finally, the Council of State determined that the Circular No. 285, appeared to be flawed, at least at the level of *fumus boni iuris*, where it:

- a) attributes to bodies of the bank whose shareholders exercise their rights of withdrawal (and, therefore, the same party from which reimbursement is due to withdrawing shareholders) the power to decide whether to exclude such reimbursement, thereby creating a situation of conflict of interest, in which the debtor is paradoxically made the arbiter of the outcome of reimbursement to the creditor shareholder, who wishes to withdraw, as a result of the resolution to transform a bank into a joint-stock company;
- b) attributes (exercising a sub-delegation of the power of de-legalisation) to the statutory independence of a bank the power to introduce waivers to provisions of the Italian Civil Code and other legal provisions, thereby giving rise to an unprecedented form of de-legalisation of negotiation sources;
- c) provides that transactions that give rise to ownership by the holding company deriving from the former cooperative bank, of full or majority shareholding in the banking joint-stock company or, in any case, such as to render it possible to exercise significant influence, will not be considered in line with the reform, given that this limitation has no legal basis and appears, not only unnecessary for achieving the objectives of the reform, but also indicative of an unreasonable disparity between the treatment of shareholders of former cooperative banks (deprived of the possibility of exercising control) and any other party that participates in share capital (to whom, instead, this possibility remains recognised).

Therefore, pending decision on the question of constitutional legitimacy, the Council of State provisionally granted, in part, the interim relief and partially suspended the effective date of Circular No. 285, as regards the following: (i) paragraph 2 (*First Application Regime*), limited to the last two sub-paragraphs (from “*Relevant Transactions*” to “*Under Significant Influence*”); (ii) paragraph 3 (*Statutory Amendments in Cooperative Banks*), fifth sub-paragraph, first sentence, limited to the words: “*limit or*”; “*and without time limits*”; (iii) “*including in waiver of Italian Civil Code provisions and other legislative norms and*”; “*and to the extent of the limit*”; (iv) in Part III, Chapter 4, Section III (*Reimbursement of Equity Instruments*), “*1. Limits to Reimbursement of Equity Instruments*”, for all the relative text, but in the limits in which Section III applied to the events resulting from the transformation of cooperative banks into joint-stock companies consequent to the aforementioned norms of Italian Legislative Decree No. 3 of 24 January 2015, converted into Law No. 33 of 24 March 2015.

The next hearing of the Council of State will be scheduled following the judgment of the Italian Constitutional Court on the questions of constitutional legitimacy raised with a separate order.

Exercise by the shareholders of the rights to withdraw

The adoption by the shareholders’ meeting of the Issuer, on 26 November 2016, of the resolution to transform Banca Popolare dell’Alto Adige into a joint-stock company gave rise

to the rights of withdrawal, pursuant to Article 2437, paragraph 1, letter b) of the Italian Civil Code, for all or part of the shares held by entitled parties who either voted against the resolution, were absent from the meeting or abstained from voting.

The resolution became effective upon registration, on 12 December 2016, of the minutes of the shareholders' meeting with the Companies Register of Bolzano. The period for exercising the withdrawal rights ended on 27 December 2016.

Article 2437-*quater*, paragraphs 2 and 3, of the Italian Civil Code provides that, non-withdrawing shareholders, who exercise their option rights over shares in respect of which withdrawing shareholders exercised rights of withdrawal, have the right of pre-emption over shares that remain un-opted by other non-withdrawing shareholders, provided that the request to exercise pre-emption rights is made concurrently with the exercise of option rights by such shareholders. Paragraph 4 of Article 2437-*quater* provides that, if the shares in respect of which withdrawing shareholders have exercised their rights of withdrawal are not purchased, in whole or in part, by non-withdrawing shareholders, they may be offered to third parties.

If the shares in respect of which withdrawing shareholders exercised their withdrawal rights are not placed as part of option and pre-emption offer or through third-party placement, Article 2437-*quater* of the Italian Civil Code provides that such shares may be purchased by the Issuer. Any purchase of own shares by the Issuer remains subject to limitations and restrictions envisaged by applicable regulations.

As at the date of this Prospectus, given uncertainty following the decision of the Council of State as well as possible changes resulting from the judgment of Constitutional Court and subsequent decision of the Council of State, no conditions exist that would allow a valuation of the number and amount of reimbursement (if any) to withdrawing shareholders and consequences of such reimbursement on the capital structure and regulatory position of the Issuer. See "*Recent Events – Completion of option/pre-emption rights exercise period*" section below.

Contribution to the Deposit Guarantee Scheme (Mandatory Programme of the Inter-Bank Deposit Protection Fund)

In line with the provisions of Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (the "**DGS Directive**"), Article 24, paragraph 1 of the Articles of Association of the Inter-Bank Deposit Protection Fund (the "**IBDPF**") envisages that the IBDPF will collect ordinary contributions from member banks until the total of all contributions reach the level of 0.8 per cent. of total deposits by 3 July 2024.

On 21 November 2016, the IBDPF's Board established that the total contribution from member banks for the year 2016 amounted to Euro 449.2 million, divided as follows: (a) an ordinary contributions of Euro 348.8 million; and (b) allocation to the IBDPF of Euro 100 million.

In particular, pursuant to Article 10 of the appendix to the IBDPF's Articles of Association, the IBDPF's member banks must make ordinary annual contributions as at 30 September of each year. The contributions amounts are calculated with reference to the contributing base recognised as at 30 September of the then current year and are risk adjusted on the basis of operating indicators for the most recent six-month period report available.

The amount due from Banca Popolare dell'Alto Adige for the 2016 was Euro 2.4 million, divided as follows: (a) ordinary contribution of Euro 1.9 million; and (b) contribution to the IBDPF of Euro 551 thousand. The amount was fully recognised in the financial statements of the Issuer as at and for the year ended 2016.

Contribution to the National Resolution Fund

Regulation (EU) 2014/806 of the European Parliament and of the Council of 15 July 2014 (in effect from January 2016) established uniform rules and procedures for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism, which supplements the Single Supervisory Mechanism (SSM), with the objective of preserving the financial stability of Eurozone through centralised management of resolution procedures. It is also envisaged that the Single Resolution Fund for financing resolution programmes will be funded by contributions from the intermediaries in Eurozone countries with a contribution plan distributed over 8 years, without the use of public funds.

The system consists of the National Resolution Authorities (“**NRA**”) and the Single Resolution Board (“**SRB**”), a European agency whose role is to perform the function of resolution supervisor and whose board includes representatives from the national authorities.

The NRAs are responsible for managing crises of smaller institutions, acting within the scope and guidelines established by the SRB that, in exceptional cases, may exercise replacement powers, ensuring the effective implementation of the mechanism. Both the SRB and the NRAs use crisis management tools introduced by the BRRD. See risk factor “*The Issuer is subject to the provisions of the EU Bank Recovery and Resolution Directive*” and “*Implementation of BRRD in Italy*”.

Italian Legislative Decree No. 72 of 12 May 2015 and the 2014 European Delegation Law approved on 2 July 2015, conferred the NRA’s functions upon the Bank of Italy. The Bank of Italy, acting as the NRA, established a Resolution and Crisis Management Unit that performs the audit and operational duties of the SRM, collaborates with the offices of the SRB, and manages liquidation procedures for the banks and financial intermediaries in Italy. Furthermore, pursuant to Article 78 of Legislative Decree No. 180, the Bank of Italy established the National Resolution Fund (“**NRF**”). The NRF allows the Bank of Italy, in its capacity as the NRA, to carry out its resolution objectives in accordance with Article 21 of Legislative Decree No. 180, consistent with the principles established in Article 22 of Legislative Decree No. 180. The NRF creates an independent asset, which is distinct for all effects from the assets of the Bank of Italy, and any other assets it manages, as well as those of each bank that provided the resources to the NRF.

Italian Law No. 208 of 28 December 2015 (the “**2016 Stability Law**”) envisages that, in the event in which the financial resources of the NRF are not sufficient to support the interventions carried out at any given time, the banks must make:

- a) additional contributions to the NRF, the amount of which is calculated by the Bank of Italy, and within an overall limit provided for in Articles 70 and 71 of Regulation EU/2014/806, including contributions to the SRF;
- b) for 2016 only, 2 additional annual contributions calculated in compliance with Article 70 of Regulation 806/2014/EU and Delegated Regulation 63/2015/ EU and Execution Regulation 81/2015/EU.

By its measures of 21 November 2015, approved by the Ministry of Economy and Finance (MEF) on 22 November 2015, the Bank of Italy established a resolution programme for Banca delle Marche, Banca Popolare dell'Etruria e del Lazio, Cassa di Risparmio di Ferrara, and Cassa di Risparmio della Provincia di Chieti, all of which were in extraordinary administration. Considering the impending financial requirements of the NRF, with its letter of 29 December 2016, the Bank of Italy required double the amount of annual contributions stated in point b) above. The contribution of the Issuer therefore amounted to Euro 4.1 million. The contribution was fully recognised in the financial statements of the Issuer as at and for the year ended 2016.

Additional contributions were calculated based on the amounts paid by the institutions for 2016. Moreover, the Bank of Italy communicated that, in relation to changes in the regulatory framework and, in particular, to Italian Law Decree No. 237 of 23 December 2016 (converted into law, with amendments, by Law No. 15 of 17 February 2017) which envisages the possibility of requiring contributions as per the aforementioned 2016 Stability Law in years following the 2016, it reserves the right to set out in a subsequent measure terms and modalities for making such contributions and, in any case, to reconsider the decision made.

RECENT DEVELOPMENTS

Completion of option/pre-emption rights exercise period

On 27 January 2017, the Issuer announced that following the resolution of its Board of Directors on 26 November 2016 approving the transformation of the Issuer into joint-stock company, the withdrawal rights were validly exercised by withdrawing shareholders for a total number of 2,645,288 shares equal to 5.31 per cent. of the Issuer's share capital. Given that the value of shares in respect of which the rights of withdrawal were exercised had previously been determined by the Issuer as being equal to €12.10 - in compliance with the then current regulations - the total value of shares over which withdrawal rights were exercised amounted to €32,007,984.80.

The shareholders of the Issuer who did not exercise their rights of withdrawal, were offered to exercise their option rights at a price of €12.10 per share and in proportion of 1 share to each 17.848582 shares held by such shareholders, with such rights to be exercised in the period between 13 February 2017 and 17 March 2017 (the "**Option Period**"). On 13 March 2017, the Board of Directors of the Issuer resolved to extend the Option Period until 21 April 2017 in order to allow its shareholders to better evaluate the exercise of option rights in light of the shareholders' meeting called to approve, among others, the Issuer's financial statements as at and for the year ended 31 December 2016. Furthermore, the shareholders of the Issuer exercising the option rights had the right of pre-emption over the shares which remained un-opted.

On 26 April 2017, the Board of Directors of the Issuer announced that approximately 4,600 shareholders of the Issuer exercised their option/pre-emption rights, a total of 823,077 shares over which withdrawal rights were exercised were acquired for a total of approximately €10 million (31.1 per cent. of total number of shares over which shareholders exercised withdrawal rights).

Shares that remained un-opted and over which no pre-emption rights were exercised were placed with third parties.

The Issuers Board of Directors further resolved, in implementation of the shareholders' resolution of 1 April 2017, to acquire 1,822,111 outstanding shares. As at the date of this Prospectus, the approval by the Bank of Italy is pending. See paragraph “*Exercise by the shareholders of the rights to withdraw*” above.

Expert report on the withdrawal value of Issuer's shares

Following an action brought by 89 withdrawing shareholders of the Issuer challenging withdrawal value of shares (which value was set by Banca Popolare dell'Alto Adige at Euro 12.10 per share), on 12 June 2017, Mr. Giorgio Zanetti filed with the Court of Bolzano an expert report on the withdrawal value of Banca Popolare dell'Alto Adige's shares. As stated in the report, in the opinion of Mr. Giorgio Zanetti, the withdrawal value of the Issuer's shares amounts to Euro 14.69 per share.

The withdrawal value of shares in respect of which withdrawing shareholders exercised their rights of withdrawal was determined by the Issuer's Board of Directors in compliance with criteria established by applicable law, and taking into account, *inter alia*, interests of the Issuer's non-withdrawing shareholders.

Pending authorisation by the Bank of Italy necessary for completion of purchase by the Issuer of own shares, the Issuer reserved the right to take further actions if deemed appropriate.

OVERVIEW FINANCIAL INFORMATION RELATING TO THE ISSUER

Set out in this section is an overview of financial information of Banca Popolare dell'Alto Adige which is derived from the audited non-consolidated annual financial statements of Banca Popolare dell'Alto Adige as at and for the years ended 31 December 2016 and 2015, in each case together with the accompanying notes and audit reports. Such financial statements, together with the accompanying note and audit reports, are incorporated by reference into this Base Prospectus. The financial information contained in the section should be read in conjunction with such financial statements, notes and reports thereto. See also "*Documents incorporated by reference*".

Since 2006, the Issuer has prepared its annual financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and as implemented under the Bank of Italy's instructions contained in Circular 262 of 22 December 2005 and related transitional regulations in Italy ("**IFRS**"), Accordingly, all of the following financial information of the Issuer incorporated by reference in this Base Prospectus has been prepared in accordance with IFRS.

The annual financial statements of the Issuer as at and for the years ended 31 December 2016 and 2015 have been audited by BDO Italia S.p.A, which has been appointed to audit the Issuer's financial statements of the Issuer for the 9-year period from 2010 to 2018.

The Issuer will, at the specified offices of the Paying Agents, provide, free of charge, upon oral or written request, the above-mentioned annual financial statements incorporated by reference in this Base Prospectus. Written or oral requests for such documents should be directed to the specified office of any Paying Agent or to the specified office of the Listing Agent in Luxembourg. In addition such documents will be available, without charge, on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The following tables present annual balance sheet and income statement information of the Issuer as at and for the years ended 31 December 2016 and 2015.

ANNUAL BALANCE SHEETS

ASSETS	As at 31 December	
	2016	2015
	(EURO)	
CASH HIGHLY LIQUID DEPOSITS.....,	59,170,988	62.622.180
FINANCIAL ASSETS HELD FOR TRADING	14,394,347	39.093.738
FINANCIAL ASSETS AVAILABLE FOR SALE.....	1,625,719,283	1.387.185.925
FINANCIAL ASSETS HELD TO MATURITY	260,923,680	170.425.794
DUE FROM BANKS.....,	41,916,636	44.803.704
LOANS TO CUSTOMERS.....,	6,727,222,564	6.447.870.911
EQUITY INVESTMENTS.....,	6,913,336	4.769.334
TANGIBLE ASSETS.....	142,475,976	145.591.338
INTANGIBLE ASSETS.....,	120,370,270	121.936.848
including:		
<i>Goodwill</i>	<i>99,601,776</i>	<i>99.601.776</i>
TAX ASSETS.....,	183,995,804	164.480.147
<i>a) currents</i>,	<i>59,943,447</i>	<i>65.970.087</i>
<i>b) anticipated</i>	<i>124,052,357</i>	<i>98.510.060</i>
NON-CURRENT ASSETS AND GROUPS OF ASSETS BEING DISPOSED OF.....,	0	0
OTHER ASSETS.....,	132,982,832	126.544.475
TOTAL ASSETS	9,316,085,716	8,715,324,394

ANNUAL BALANCE SHEETS

LIABILITIES

As at 31 December

	2016	2015
	(EURO)	
AMOUNTS OWED TO BANKS.....	1,085,006,401	838.462.663
AMOUNTS OWED TO CUSTOMERS.....	6,001,785,846	5.207.990.000
DEPT SECURITIES IN ISSUE.....,,	1,099,040,171	1.570.686.783
FINANCIAL LIABILITIES HELD FOR TRADING.....	2,269,549	3.129.718
FINANCIAL LIABILITIES DESIGNED AT FAIR VALUE.....,	9,720,698	9.692.320
TAX LIABILITIES.....,,	31,850,865	51.475.184
<i>a) current.....,</i>	<i>1,844,721</i>	<i>15.335.514</i>
<i>b) differed.....</i>	<i>30,006,144</i>	<i>36.139.670</i>
OTHER LIABILITIES.....	187,328,133	214.845.363
RESERVES FOR TERMINAL INDEMNITIES.....,	20,523,562	21.260.432
RESERVES FOR RISKS AND CHARGES.....,,	17,139,791	20.628.487
<i>a) reserves for pensions and similar commitments.....</i>	<i>0</i>	<i>0</i>
<i>b) other reserves.....</i>	<i>17,139,791</i>	<i>20.628.487</i>
REVALUATION RESERVES.....,,	(5,543,206)	(15.302)
RESERVES.....	276,644,070	267.738.225
ADDITIONAL PAID-IN CAPITAL.....,,	383,158,533	307.527.281
CAPITAL STOCK.....,,	199,439,716	179.535.732
INCOME (LOSS) FOR THE PERIOD (+/-).....,,	7,721,587	22.367.508
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	9,316,085,716	8,715,324,394

ANNUAL INCOME STATEMENTS

For the year ended 31 December

	2016	2015 (*)
	(EURO)	
INTEREST INCOME AND SIMILAR REVENUES.....	176,930,136	197,878,147
INTEREST EXPENSE AND SIMILAR CHARGES.....	(38,031,970)	(65,400,300)
NET INTEREST INCOME.....	138,898,166	132,477,847
COMMISSION INCOME.....	90,620,801	86,154,885
COMMISSION EXPENSE.....	(8,526,675)	(8,612,504)
NET COMMISSIONS.....	82,094,126	77,542,381
DIVIDENDS AND OTHER SIMILAR REVENUES.....	6,453,969	7,996,901
INCOME (LOSS) ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING (NET).....	2,213,643	2,025,039
INCOME (LOSS) ON DISPOSAL OF.....	13,699,432	22,124,216
<i>a) loans.....</i>	(258,114)	(2,190,918)
<i>b) financial assets available for sale.....</i>	13,633,780	24,097,779
<i>c) financial assets held to maturity</i>	(8)	161
<i>d) financial liabilities.....</i>	323,774	217,194
NET VALUES ADJUSTMENT ON FINANCIAL ASSETS DESIGNATED AT FAIR VALUE.....	152	114,180
GROSS OPERATING INCOME.....	243,359,488	242,280,564
NET VALUE ADJUSTMENT ON.....	(91,891,075)	(46,485,762)
a) loans.....	(89,205,421)	(43,661,500)
b) financial assets available for sale.....	(2,260,305)	(2,403,672)
c) financial assets held to maturity		
d) other financial assets.....	(425,349)	(420,590)
NET INCOME FROM FINANCIAL MANAGEMENT.....	151,468,413	195,794,802
ADMINISTRATIVE COSTS.....	(181,564,617)	(184,764,382)
<i>a) staff costs.....</i>	(99,090,206)	(97,953,754)
<i>b) other administrative costs.....</i>	(82,474,411)	(86,810,628)
NET PROVISIONS FOR RISKS AND CHARGES.....	(671,851)	(6,186,708)
AMORTIZATION AND DEPRECIATION OF TANGIBLE FIXED ASSETS.....	(7,368,327)	(6,583,809)
AMORTIZATION AND DEPRECIATION OF INTANGIBLE FIXED ASSETS.....	(1,848,253)	(1,882,549)
OTHER OPERATING EXPENSES AND REVENUES.....	20,950,554	26,820,734
OPERATING COSTS.....	(170,502,494)	(172,596,714)
INCOME (LOSS) FROM EQUITY INVESTMENTS.....	2,438,900	143,568

INCOME (LOSS) FROM DISPOSAL OF INVESTMENTS.....	2,554,000	71,979
OPERATING INCOME (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXES.....	(14,041,181)	23,413,635
TAX EXPENSES (INCOME) RELATED TO PROFIT OR LOSS FROM ORDINARY ACTIVITIES.....,	21,762,768	(1,046,127)
OPERATING INCOME (LOSS) FROM ORDINARY ACTIVITIES AFTER TAXES.....,	7,721,587	22,367,508
NET INCOME (LOSS) FOR THE PERIOD.....	7,721,587	22,367,508

(*)Transactions related to Banca Popolare di Marostica Group are accounted for as of 1 April 2015.

TAXATION

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

Republic of Italy

Tax treatment of Notes issued by the Issuer

Decree 239 sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian banks. The provisions of Decree 239 only apply to those notes which qualify as *obbligazioni* (bonds) or as *titoli similari alle obbligazioni* (securities similar to bonds) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree 917**"). For these purposes, *titoli similari alle obbligazioni* are defined as notes that incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value (with or without internal payments) and that do not give any right to directly or indirectly participate in the management of the issuer or to the business in relation to which the securities are issued nor any type of control on the management. The tax regime set forth by Decree 239 also applies pursuant to article 2, paragraph 22, of Law Decree No. 138 of 13 August 2011 ("**Decree No. 138**") to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

Italian resident Noteholders

Pursuant to Decree No. 239 and Decree No. 138, where the Italian resident holder of the Notes, who is the beneficial owner of such Notes, is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so called "regime del risparmio gestito" (the "**Asset Management Regime**") according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997, as amended ("**Decree No. 461**"); or
- (b) a partnership (other than a *societa' in nome collettivo* or *societa' in accomandita semplice* or similar partnership), or a *de facto* partnership not carrying out commercial activities or professional association; or

- (c) private or public institutions, other than companies, trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
- (d) an investor exempt from Italian corporate income taxation,

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

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

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1, paragraph 100-114 of Law No. 232 of 11 December 2016 ("**Law No. 232**").

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

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

Payments of Interest in respect of Notes are not subject to the 26 per cent. *imposta sostitutiva* if made to beneficial owners who are:

- (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;
- (ii) Italian resident partnerships carrying out commercial activities (*'società in nome collettivo'* or *'società in accomandita semplice'*);
- (iii) Italian resident open-ended or closed-ended collective investment funds (together the "Funds" and each a "Fund"), SICAVs, SICAFs, Italian resident pension funds referred to in Legislative Decree No. 252 of 5 December 2005 ("**Decree No. 252**"), Italian

resident real estate investment funds subject to the regime provided for by Law Decree No. 351 of 25 September 2001; and

- (iv) Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial Intermediary and have opted for the Asset Management Regime.

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

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

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

Italian resident individuals holding the Notes not in connection with entrepreneurial activity who have opted for the Asset Management Regime are subject to a 26 per cent. annual substitute tax (the "**Asset Management Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised Intermediary.

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

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

of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided by Article 17 of Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an Italian resident intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of each tax period, to be subject to the to a 20 per cent. annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

Non Italian resident Noteholders

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

- (a) such beneficial owners are resident for tax purposes in a state or territory which allows an adequate exchange of information with the Italian tax authorities included in the Ministerial Decree of 4 September 1996, as amended and supplemented from time to time (the "**White List**"). According to Article 11, par. 4, let. c) of Decree no. 239, the White List will be updated every six months period. In absence of the issuance of the new White List, reference has to be made to the Italian Ministerial Decree dated 4th September, 1996 as amended from time to time; and
- (b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time.

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

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

- (a) be the beneficial owners of payments of Interest on the Notes;
- (b) deposit the Notes in due time together with the coupons relating to such Notes, directly or indirectly, with an resident bank or SIM, or a permanent establishment in Italy of a non Italian resident bank or SIM, or with a non Italian resident operator participating in a centralised securities management system which is in contact via computer with the Ministry of Economy and Finance; and
- (c) file with the relevant depository a statement (autocertificazione) in due time stating, inter alia, that he or she is resident, for tax purposes, in one of the above mentioned

White List states. Such statement (autocertificazione), which must comply with the requirements set forth by Ministerial Decree of 12 December 2001 (as amended and supplemented), shall be valid until withdrawn or revoked and need not be submitted where a certificate, declaration or other similar document meant for equivalent uses was previously submitted to the same depository. The statement (autocertificazione) is not required for non Italian resident investors that are international entities or organisations established in accordance with international agreements ratified in Italy, and Central Banks or entities which manage, inter alia, the official reserves of a foreign state.

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

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

Fungible issues

Pursuant to Article 11, paragraph 2 of Decree 239, where the relevant Issuer issues a new Tranche forming part of a single series with a previous Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva*, the issue price of the new Tranche will be deemed to be the same as the issue price of the original Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the previous Tranche, and (b) the difference between the issue price of the new Tranche and that of the original Tranche does not exceed 1 per cent. of the nominal value of the Notes multiplied by the number of years of the duration of the Notes.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) but qualify as atypical securities (*titoli atipici*) for Italian tax purposes, may be subject to a withholding tax, levied at the rate of 26 per cent.

In the case of Notes issued by an Italian resident issuer, where 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 the Republic of 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. Double tax treaty entered into by Italy may apply, allowing for a lower (or, in certain cases, nil) rate of

withholding tax in case of payment to non Italian resident Noteholders, subject to proper compliance with relevant subjective and procedural requirements.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity may be exempt from any income taxation, including the withholding tax, on interest, premium and other income relating to the Notes if such Notes are included in a long term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

Capital gains tax

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

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

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

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

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

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

may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Notes under the so called "*regime del risparmio amministrato*" (the

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

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

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

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

Where a Noteholder is an Italian resident real estate investment fund or an Italian real estate SICAF, to which the provisions of Law Decree No. 351 of 25 September 2001, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010, and Legislative Decree No. 44 of 4 March 2014, all as amended, apply, capital gains realised will be subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the real estate SICAF. The income of the real estate investment fund or of the real estate

SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

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

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

However, pursuant to Article 23 of Presidential Decree No. 917 of 22 December 1986, any capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of the Notes are exempt from taxation in Italy to the extent that the Notes are listed on a regulated market in Italy or abroad, and in certain cases subject to timely filing of required documentation (in the form of a declaration (*autocertificazione*) of non-residence in Italy) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

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

- (a) pursuant to the provisions of Decree No. 461, non-Italian resident beneficial owners of the Notes with no permanent establishment in Italy to which the Notes are effectively connected are exempt from *imposta sostitutiva* in the Republic of Italy on any capital gains realised upon sale for consideration or redemption of the Notes if they are resident, for tax purposes: (a) in a state or territory which allows an adequate exchange of information with the Italian tax authorities included in the White List and updated every six months according to Article 11, para. 4, letter c) of Decree No. 239 and (b) all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the Asset Management Regime or are subject to the Administrative Savings Regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate self-declaration (*autocertificazione*) stating that they meet the requirement indicated above. The same exemption applies where the beneficial owners of the Notes are (i) international entities or organisations established in accordance with international agreements ratified by Italy; (ii) certain foreign institutional investors established in countries which allow for an adequate exchange of information with Italy; or (iii) Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State; and
- (b) in any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively connected that may benefit from a double taxation treaty with Italy, providing that capital gains realised upon sale

or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon sale for consideration or redemption of Notes.

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

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

Inheritance and gift taxes

Transfers of any valuable asset (including shares, Notes or other securities) as a result of death or donation are taxed as follows:

- (a) 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 entire value of the inheritance or gift exceeding Euro 1,000,000;
- (b) 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 gift exceeding Euro 100,000; and
- (c) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

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

Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

Tax Monitoring Obligations

Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions are required to report in their yearly income tax return, according to Law Decree No. 167 of 28 June 1990 converted into law by Law Decree No. 227 of 4 August 1990, as

amended from time to time, for tax monitoring purposes the amount of Notes held abroad during each tax year.

The requirement applies also where the persons above, being not the direct holders of the financial instruments, are the actual owners of the instrument.

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

Stamp duty

Pursuant to Article 13, para. 2-*ter* of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to its clients in respect of any financial product and instrument (including the Notes), which may be deposited with such financial intermediary in Italy. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed €14,000 for taxpayers which are not individuals. This stamp duty is determined on the basis of the market value or, if no market value figure is available, on the basis of face value or redemption value, or in the case the face or redemption values cannot be determined, on the basis of purchase value of the financial assets (including banking bonds, *obbligazioni* and capital adequacy financial instruments) held.

The statement is deemed to be sent at least once a year, 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.

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

Wealth tax on financial assets deposited abroad

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

The Proposed Financial Transaction Tax ("FTT")

On 14 February 2013, the European Commission published a 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).

The proposed FTT has very broad scope. If introduced in the form proposed on 14 February 2013, it could 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 14 February 2013 proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. Additional EU Member States may decide to participate, although certain other Member States have expressed strong objections to the proposal. The FTT proposal may therefore be altered prior to any implementation, the timing of which remains unclear. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions, including the Republic of Italy, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019.

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V., Clearstream Banking société anonyme or any other clearing system as may be specified in the relevant Final Terms (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, common depositary or common safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an "IGA" will be unlikely to affect the Notes. 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 issuance documentation of the Notes 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. Noteholders 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 depository or common safekeeper 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

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

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

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

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

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

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

Public offer selling restriction under the Prospectus Directive

Prior to 1 January 2018, and from that date if the relevant Final Terms (or, as the case may be, Drawdown Prospectus) in respect of the Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Dealer has represented and agreed, and each further Dealer appointed under the Programme

will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

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

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

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC as amended.

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 and, 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 offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

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

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, Legislative Decree No. 58 of 24 February 1998 and, CONSOB Regulation No. 16190 of 29 October 2007 (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, the Bank of Italy or any other Italian authority.

United Kingdom

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

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

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (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 any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

France

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

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) and, accordingly, each Dealer has represented and undertaken that it has not and will not offer or sell, and each further Dealer appointed under the Programme will be required to represent and undertake that it has not and will not offer or sell, any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Prohibition of Sales to EEA Retail Investors

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

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

General

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

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

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in a supplement to this Base Prospectus.

GENERAL INFORMATION

Listing, approval and admission to trading

This Base Prospectus has been approved as a base prospectus issued in compliance with the Prospectus Directive by the CSSF in its capacity as competent authority in Luxembourg for the purposes of the Prospectus Directive. Application has been made for Notes issued under the Programme to be listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange.

However, Notes may be issued pursuant to the Programme which will not be listed on the official list of the Luxembourg Stock Exchange or admitted to trading on the Luxembourg Stock Exchange or any other stock exchange or which will be listed on or admitted to trading on such stock exchange as the Issuer and the relevant Dealer(s) may agree.

The CSSF may, at the request of the Issuer, send to the competent authority of another Member State of the European Economic Area: (i) a copy of this Base Prospectus; (ii) a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Directive; and (iii) if so required by the competent authority of such Member State, a translation into the official language(s) of such Member State of the Summary of this Base Prospectus.

Authorisations

The update of the Programme was authorised by the Board of Directors of the Issuer on 26 April 2017. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Use of proceeds

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

Clearing of the Notes

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

The address of Euroclear is 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.

Litigation

The Issuer is not and has not been involved in any governmental, legal, arbitration or administrative proceedings in the 12 months preceding the date of this document relating to claims or amounts which may have, or have had in the recent past, a significant effect on the Issuer's financial position or profitability and, so far as the Issuer is aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

For further information on the pending litigation in which the Issuer is involved, please see "*Description of the Issuer – Litigation*".

No material adverse change

Since 31 December 2016 (being the last day of the financial period in respect of which the most recent published financial statements of the Issuer have been prepared), there has been no material adverse change in the prospects of the Issuer.

No significant change

Since 31 December 2016 (being the last day of the financial period in respect of which the most recent published financial statements of the Issuer have been prepared), there has been no significant change in the financial or trading position of the Issuer.

Auditors

The financial statements of the Issuer have been audited without qualification for the years ended 2015 and 2016 by BDO Italia S.p.A., Viale Abruzzi, 94, 20131 Milan, Italy, independent accountants.

Material Contracts

The Issuer has not entered into any contracts in the last two years outside the ordinary course of business that have been or may be reasonably expected to be material to their ability to meet their obligations to Noteholders.

Trend information

Since 31 December 2016 (being the last day of the financial period in respect of which the most recent audited financial statements of the Issuer have been published) there has been no material adverse change, nor any development reasonably likely to involve an adverse change, in the prospects or general affairs of the Issuer that is material in the context of the Programme or the issue of the Notes.

Minimum denomination

Where Notes issued under the Programme are admitted to trading on a Regulated Market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, such Notes will not have a denomination of less than EUR 100,000 (or, where the Notes are issued in a currency other than euro, the equivalent amount in such other currency).

Rating Agencies

Each of DBRS Ratings Limited and Standard & Poor's is established in the EEA and registered under the CRA Regulation, 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/page/List-registered-and-certified-CRAs>.

Documents on display

For so long as the Programme remains in effect or any Notes are outstanding, electronic copies of the following documents may be inspected (and, in the case of (e) and (f) below, are available for collection) during normal business hours at the specified office of the Fiscal Agent, namely:

- (a) the Agency Agreement;
- (b) the Deed of Covenant;
- (c) the Programme Manual (being a manual signed for the purposes of identification by the Issuer and the Fiscal Agent, containing suggested forms and operating procedures for the Programme, including the forms of the Notes in global and definitive form);
- (d) any Final Terms relating to Notes which are listed on any stock exchange (save that Final Terms relating to Notes which are neither admitted to trading on a Regulated Market in the European Economic Area or offered in the European Economic Area in circumstances where a base prospectus is required to be published under the Prospectus Directive will only be available for inspection by the relevant Noteholders and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity);
- (e) this Base Prospectus and any supplement to this Base Prospectus and any other document incorporated by reference herein or therein;
- (f) the By-laws of the Issuer; and
- (g) the most recent publicly available audited annual non-consolidated financial statements of the Issuer beginning with such financial statements as at and for the years ended 31 December 2016 and 2015.

The Issuer does not currently publish any consolidated financial statements.

Interests of natural and legal persons involved in the issue/offer

Certain of the Dealers and their affiliates (including parent companies) have engaged, and may in the future engage, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates (including parent companies) may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates (including parent companies) that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with

their customary risk management policies. Typically, such Dealers and their affiliates (including parent companies) would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates (including parent companies) may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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

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