

## 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approved as a base prospectus (the "**Base Prospectus**") issued in compliance with Directive 2003/71/EC, as amended or superseded, (the "**Prospectus Directive**") by the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") in its capacity as competent authority under the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 2014/65/EU, as amended ("**MiFID II**") (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.

Under the Programme described in this Base Prospectus, the Issuer may from time to time issue senior preferred notes ("**Senior Notes**"), senior non-preferred notes ("**Senior Non-Preferred Notes**") and subordinated notes ("**Subordinated Notes**"), subject, in each case, to compliance with all applicable laws, regulations and directives.

Amounts payable under the Notes may be calculated by reference to EURIBOR, which is provided by the European Money Markets Institute, to LIBOR, which is provided by ICE Benchmark Administration, and to the CMS Rate, which may be provided by, among others, the administrator of LIBOR, in each case as specified in the relevant Final Terms. As at the date of this Base Prospectus, the European Money Markets Institute does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). As at the date of this Base Prospectus, the ICE Benchmark Administration is included in the register of administrators and benchmarks established and maintained by ESMA under the Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the European Money Markets Institute is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence). The registration status of any administrator under the Benchmarks Regulation is a matter of public record and save where required by applicable law the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of administrator.

**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 8.**

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 Banca Popolare dell'Alto Adige Volksbank S.p.A., 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 Senior Non-Preferred Notes that may be issued under the Programme will have a denomination of at least EUR 250,000 (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), subject to increase 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 credit rating agency 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*

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

**NATIXIS**

**UNICREDIT BANK**

25 April 2019

## 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 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 to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

### *MiFID Product Governance / Target Market*

The Final Terms in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending such Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made at the time of issue about whether, for the purpose of the product governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for a Tranche of Notes is a manufacturer in respect of that Tranche, but otherwise neither the Joint Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

### ***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 a currency other than euro 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 as defined under "*Subscription and Sale*"). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement 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").

<b>APM</b>	<b>Definition/reconciliation</b>
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 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.

### ***Hyperlinks***

Any website or hyperlinks included in the Base Prospectus are for information purposes only and do not form part of the Base Prospectus.

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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 34 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 and the European System of Central Banks.

The banking laws to which the Issuer is subject govern the activities in which banks and foundations may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. Any changes in how such regulations are applied or the implementation of the Basel Capital Accord (Basel III and the proposed amendments thereto, including the package of changes to Basel III informally known as Basel IV) 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, cash 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, 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 and some minor transitional provisions until 2024. 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 (calculated as a percentage of risk weighted assets): (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 22 March 2019, the Bank of Italy set the counter-cyclical capital buffer at 0 per cent. for the second quarter of 2019;
- (c) global systemically important institutions ("**G-SIBs**") 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 ("**Pillar 1 requirement**"), which is a minimum capital requirement applicable to all banks (including, if applicable, any buffer capital requirements), supervisory authorities may impose further Pillar 2 capital requirements ("**Pillar 2 requirement**") 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 requirement. 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. The 2016 SREP (as defined below) introduced the so-called Pillar 2 guidance ("**Pillar 2 guidance**"). As a result, the capital demand resulting from the SREP now consists of two elements, namely (a) Pillar 2 requirement, which is intended to cover risks underestimated or not covered by Pillar 1 requirement, and (b) Pillar 2 guidance, which indicates to the banks the adequate level of capital to be maintained in order to have sufficient capital as a buffer to withstand stress situations. While Pillar 2 requirement is binding and breaches can have direct legal consequences for banks, Pillar 2 guidance is not. However, ECB expects banks to comply with Pillar 2 guidance.

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 requirement 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 ("**MDA**") 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. The Banking Reform (as defined below) proposes to legislate the distinction between Pillar 2 requirement and Pillar 2 guidance. In particular, Pillar 2 requirement constitutes mandatory requirement imposed by competent authorities aimed at addressing risks not covered or not sufficiently covered by Pillar 1 and buffer capital

requirements, and Pillar 2 guidance permits the competent authorities to set institution specific capital in excess of its Pillar 1, Pillar 2 and combined buffer requirements in order to address the forward-looking and remote situations. According to the proposal contained in the Banking Reform (as defined below) only Pillar 2 requirement will be used for the purposes of establishing whether an institution complies with its combined buffer requirement for the purposes of the MDA restriction. Furthermore, the Banking Reform (as defined below) extends the scope of MDA to also cover (i) the minimum leverage ratio requirement, so that any failure by an institution to meet the leverage ratio buffer requirement will result in the restrictions on distributions (“**L-MDA**”), and (ii) the MREL (as defined below) requirement. See “*The Issuer is subject to the provisions of the EU Bank Recovery and Resolution Directive*” below.

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 28 June 2018, the Issuer received notification from the Bank of Italy of the final decision concerning the capital requirements Banca Popolare dell'Alto Adige has to meet, following the results of the 2017 SREP.

As of 1 January 2019, the Issuer is required to comply with the following capital requirements:

- (i) a CET1 capital ratio of 7.7 per cent. comprising a binding requirement of 5.20 per cent. (of which 4.50 per cent. as a minimum regulatory capital requirement and 0.70 per cent. as additional capital requirement determined by the SREP outcome) and a capital conservation buffer;
- (ii) a Tier 1 capital ratio of 9.438 per cent. comprising a binding requirement of 6.938 per cent. (of which 6 per cent. as a minimum regulatory requirement and 0.938 per cent. as additional capital requirement determined by the SREP outcome) and capital conservation buffer; and
- (iii) a total capital ratio of 11.75 per cent., comprising a binding requirement of 9.25 per cent. (of which 8 per cent. as a minimum regulatory capital requirement and 1.25 per cent. as additional capital requirement determined by the SREP outcome) and capital conservation buffer.

The above capital requirements correspond to the overall capital requirements (OCR) ratio (as defined by the SREP Guidelines) and are the sum of the binding measures – corresponding to the total SREP capital requirements (TSCR) ratio (as defined by the SREP Guidelines) – and of the 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 became fully applicable from 1 January 2018. On 30 October 2018, Delegated Regulation (EU) 2018/1620 amending Commission Delegated Regulation

(EU) 2015/61 on LCR ("**Delegated Regulation 2018/1620**") was published in the Official Journal of the European Union. The Delegated Regulation 2018/1620, which supplements the CRR, sets out detailed requirements relating to the LCR, including the specification of those assets that should be considered high quality liquid assets ("**HQLA**") and the calculation of expected cash outflows and inflows over a 30-day stressed period. In particular, the Delegated Regulation 2018/1620 specifies that (i) the third country assets held by a subsidiary undertaking in a third country may be recognised as HQLA for consolidation purposes where they qualify as liquid assets under that third country's national law setting out the liquidity coverage requirement, and (ii) only simple, transparent and standardised ("**STS**") securitisations will qualify HQLA for the purposes of LCR. The Delegated Regulation 2018/1620 entered into force in November 2018 and is set to apply as of 30 April 2020.

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 CRR does not currently contain any binding requirements relating to the NSFR, although Article 413 establishes a general requirement that firms should ensure that long-term obligations are adequately met with a diversity of stable funding requirements under both normal and stressed conditions. The Banking Reform (as defined below) contains measures introducing a binding NSFR that will require credit institutions and systemic investment firms to finance their long-term activities with stable sources of funding. The NSFR is defined as the amount of stable funding available to an institution (ASF) relative to the required stable funding (RSF).

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 the 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. Following the agreement reached by the European Parliament, the Council and the Commission in October 2017, selected aspects of the Banking Reform have been fast tracked, including amendments to Article 108 of the BRRD (as defined below) and the CRR provisions regarding transitional arrangements for mitigating the impact of the introduction of IFRS 9 on banks' capital as the new arrangements proposed in the Banking Reform should have entered into force before the start of the mandatory application of IFRS 9 (1 January 2018).

On 28 December 2017, Directive (EU) 2017/2399, amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy (the "**BRRD Amending Directive**") and Regulation (EU) 2017/2395, amending the CRR as regards transitional arrangements for mitigating the introduction of IFRS 9 (the "**CRR Amending Regulation**") entered into force. The CRR Amending Regulation became directly applicable in the Member States as of 1 January 2018. The BRRD Amending Directive requires Member States to create a new asset class of non-preferred senior debt instruments with a lower rank than ordinary senior unsecured debt instruments in insolvency and had to be implemented by the Member States by 29 December 2018. The amendments provide an additional means for credit institutions and certain other institutions to comply with, among others, a minimum requirement for own funds

and eligible liabilities (MREL) requirements and improve their resolvability, without constraining their respective funding strategies. In Italy, Italian law No. 205 of 27 December 2017 (the "**2018 Budget Law**") (in force as of 1 January 2018), contains the implementing provisions pertaining to non-preferred senior debt instruments. See "*The Issuer is subject to the provisions of the EU Bank Recovery and Resolution Directive*" and "*Senior Notes and Senior Non-Preferred Notes - Italian law applicable to the Senior Non-Preferred Notes was recently enacted*" below.

Furthermore, following the hearings of the Committee on Economic and Monetary Affairs (ECON) of the European Parliament, discussions between the ECB, EBA and the European Commission and the conclusion of dialogues between the European Parliament, the Council and the European Commission, a provisional agreement on the Banking Reform was found. In its meeting of 4 December 2018, the Council endorsed the result of negotiations with the European Parliament on the whole of the Banking Reform and, on 15 February 2019, EU ambassadors endorsed the final agreement on the Banking Reform reached between the Council and the European Parliament. The European Parliament and the Council are expected to adopt the proposed regulation in the first half of 2019. 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 (including, among others, the Senior Notes, the Senior Non-Preferred Notes and the Subordinated Notes) of a failing institution and to convert certain unsecured debt claims (including, among others, the Senior Notes, the Senior Non-Preferred 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 2018, the Issuer's contributions to the Fund amounted to €4.9 million.

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 the 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 Subordinated 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 BRRD Amending Directive that entered into force on 28 December 2017 requires Member States to create a new class of the so-called "senior non-preferred" debt instruments, which would rank just below the most senior debt and other senior liabilities for purposes of liquidation, while still being part of the senior



unsecured debt category, only as a lower tier of such category. The new creditor hierarchy will not have a retroactive effect and will only apply to the new issuances of bank debt.

On 1 January 2018, the 2018 Budget Law introduced certain amendments to the Consolidated Banking Law, including the possibility for banks and companies belonging to the banking group to issue senior non-preferred debt instruments (*strumenti di debito chirografario di secondo livello*), which rank junior to all other unsecured claims (including operational liabilities and liabilities arising from derivatives of structured notes), but senior to subordinated liabilities in a bank insolvency (*liquidazione coatta amministrativa*), and therefore, in resolution. These new senior non-preferred debt instruments will have a unitary nominal value of at least Euro 250,000 and may only be sold to qualified investors (as defined in the Italian Finance Act and CONSOB (*Commissione nazionale per le società e la Borsa*) Regulation No. 20307 of 15 February 2018 (as amended from time to time)).

### *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 Consolidated Banking Law, 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.

The resolution authorities have the power to amend or alter the maturity of debt instruments and other eligible liabilities issued by an institution under resolution or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest becomes payable, including suspending payments for a temporary period, save for the securities set forth in Article 44(2) of the BRRD.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the general bail-in tool and (ii) 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, Senior Non-Preferred Notes and Subordinated Notes of a series may be subject to write-down/conversion upon an application of the general bail-in tool, while other series of the Senior Notes, Senior Non-Preferred 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, Senior Non-Preferred 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 (SMEs) 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, including Italy, 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. This means that as of 1 January 2019 significant amounts of liabilities in the form of large corporate and interbank deposits, which under the national insolvency regime currently in force in Italy rank *pari passu* with Senior Notes, will rank, in normal insolvency proceedings, higher than Senior Notes and, therefore, that on the application of the general bail-in tool such creditors will be written/down/converted into equity capital instruments only after Senior Notes. Therefore, the safeguard contained in Article 75 of the BRRD would not provide any protection to specific Italian bank's counterparties since Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

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 the Subordinated Notes, Senior Non-Preferred Notes and Senior 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 Senior Notes, Senior Non-Preferred Notes or Subordinated 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. Once the BRRD has been fully implemented, the holders of the Senior Notes, Senior Non-Preferred Notes and Subordinated 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, in the case of Subordinated Notes, to 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, at all times, with a minimum requirement for own funds and eligible liabilities ("**MREL**") established by Article 45 of the BRRD. The MREL represents one of the key tools aimed at improving the resolvability of the banks, allowing the resolution authorities to maintain critical functions and restore a bank's capital position after resolution, and 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 BRRD does not provide for an absolute minimum, but gives the competence to set a minimum amount for each bank to the Single Resolution Board (the "**SRB**"), for the banks that are part of the Banking Union, and to the national resolution authorities, for those banks that do not form part of the Banking Union. The EBA has published the final draft MREL regulatory technical standards, which further define the way in which resolution authorities or the SRB, as applicable, shall calculate MREL. 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 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. Moreover, according to the Banking Reform, when an institution fails to meet the combined buffer requirement when considered together with the MREL requirement, the resolution authorities shall have the power to prohibit an institution from distributing more than a maximum distributable amount related to MREL ("**M-MDA**"). The Banking Reform provides for a potential nine months grace period, during which the resolution authorities shall, on a monthly basis, assess whether to prohibit an institution from distributing more than M-MDA.

The Banking Reform also introduces an external MREL (issued by resolution entity) requirement and an internal MREL requirement to apply to entities belonging to a banking group that are not themselves resolution entities. For the banks which are not included in the list of global systemically important banks (G-SIBs), liabilities that satisfy the requirements set forth in the Banking Reform, and do not qualify as CET1, Tier 1 or Tier 2 instruments, shall qualify as eligible liabilities for the purposes of MREL, unless they fall into any of the categories of excluded liabilities.

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.

### *ECB guidance on NPL provisioning*

On 15 March 2018, the ECB published an addendum to its guidance to banks on non-performing loans (NPLs) (“**ECB Addendum**”). The ECB published its original guidance to banks on NPLs in March 2017 (“**NPL Guidance**”). The aim of NPL Guidance is to clarify supervisory expectations relating to the identification, management, measurement and write-off of NPLs in the context of existing regulations, directives and guidelines. It stresses the importance of timely provisioning and write-off practices related to NPLs as these help to strengthen banks’ balance sheets, enabling them to focus on their core business. The NPL Guidance calls on banks to implement realistic and ambitious strategies aimed at achieving a holistic approach to NPLs, which includes areas such as governance and risk management.

The ECB Addendum supplements the NPL Guidance by setting out the ECB’s supervisory expectations when assessing a bank’s levels of prudential provisions for non-performing exposures (NPEs). The ECB will take into account, among other things, the length of time a loan has been non-performing as well as any collateral held and will adopt a gradual path towards the supervisory expectations. Therefore, the ECB will assess secured exposures in the context of the supervisory dialogue, taking into account a linear path starting from the third year after an exposure was classified as non-performing (when at least 40 per cent. provisioning will be expected). As regards new unsecured NPEs, the ECB Addendum states that the ECB’s supervisory expectation is that such NPEs will be fully covered after two years of NPEs life. Taking into account the specificities of the supervisory expectations, banks will thus be asked to inform the ECB of any differences between their practices and the prudential provisioning expectations, as part of the SREP supervisory dialogue, from early 2021 onwards.

The ECB’s supervisory expectations set out what the ECB considers to be a prudent treatment of NPEs. Its aim is to avoid an excessive build-up of non-covered aged NPEs on banks’ balance sheets in the future, which would require supervisory measures. Therefore, the ECB considers that prudent provisioning implies the continuation of booking accounting provisions in line with banks’ assessments and existing accounting principles. Only in the event that the accounting treatment applied is considered not prudent from a supervisory perspective may supervisors determine adequate measures on a case-by-case basis.

The ECB Addendum is not binding on banks (but serves as a basis for supervisory dialogue), does not substitute or supersede any applicable regulatory or accounting requirements and is complimentary to any future EU legislation. In particular, on 14 March 2018, the European Commission published a legislative proposal for the Regulation containing amendments to the CRR as regards minimum loss coverage for NPEs (“**NPE Regulation**”). The proposed NPE Regulation provides for the introduction of prudential minimum treatment (Pillar 1) acting as a statutory backstop for the exposures originated after the date of its entry into force that subsequently turn non-performing. The backstop would complement the application of accounting standards (including IFRS 9) with regard to loan-loss provisioning for NPEs and the use of existing Pillar 2 supervisory powers following case-by-case assessment by the competent authority. Hence, institutions will have to continue to recognise provisions in line with their assessment and applicable accounting standards. The prudential backstop will consist of two main elements: (i) a requirement for institutions to cover up to common minimum coverage levels the incurred and expected losses on newly originated loans once such loans become non-performing (“**minimum coverage requirement**”), and (ii) where the minimum

coverage requirement is not met, a deduction of the difference between the level of actual coverage and the minimum coverage requirement from CET1 items. Where competent authorities ascertain on a case-by-case basis that, despite the application of the prudential backstop, the NPEs of an institution are not sufficiently covered, they may make use of their supervisory powers under Pillar 2 by influencing an institution's provisioning policy and requiring specific adjustments to own funds calculations.

On 18 December 2018, the European Parliament and the Council reached a political agreement on the final compromise text of NPE Regulation. In particular the following elements were agreed: (i) the introduction of a uniform calendar that will apply irrespective of the trigger of the non-performance, notably, a calendar of three years will apply to unsecured NPLs and a progressive calendar of seven to nine years will apply to secured NPLs, depending on a collateral type (other assets or immovable property, respectively); (ii) the minimum coverage requirement will apply to each exposure considered individually; thus, deductions for insufficient provision cover will be made to banks' CET1 on an exposure-by-exposure basis, and (iii) the introduction of a "prudentially sound approach" for purchased NPEs which means that such NPEs should be subject to a calendar that starts to run from the date on which NPE has originally been classified as non-performing, and not from the date of its purchase. The final compromise text of NPE Regulation will be submitted for endorsement to the EU ambassadors, with the adoption and publication expected in the second quarter of 2019.

#### *IFRS 9: new accounting standard on financial instruments*

Banca Popolare dell'Alto Adige is subject to the effects of entry into force of the new international accounting standard (IFRS 9) issued by the International Accounting Standard Board ("**IASB**") in July 2014 and approved by the European Commission with Regulation No. 2067/2016. As of 1 January 2018, IFRS 9 has replaced IAS 39, which until 31 December 2017 governed the classification and measurement of the financial instruments.

IFRS 9 includes three different areas of classification and measurement of financial instruments, impairment and hedge accounting. According to IFRS 9, the classification and measurement of financial instruments is guided, on one hand, by the characteristics of contractual cash flows on the instrument and, on the other hand, by the business model applicable to such instruments. According to IFRS 9, the financial assets are classified – based on the aforementioned criteria – into three categories:

- (i) Financial assets measured at amortised cost;
- (ii) Financial assets designated at fair value through other comprehensive income - for debt instruments the reserve is transferred to profit or loss in the event of sale of the instrument, and
- (iii) Financial assets designated at fair value through profit or loss.

The financial assets may also be recognised in the first two categories and, therefore, measured at their amortised cost or at fair value under equity, only if it is demonstrated that they generate cash flows consisting solely of payments of principal and interest – SPPI Test. Equity instruments are normally recognised in the third category and designated at fair value through profit or loss, unless the entity chooses (irrevocably, upon initial recording), for the shares not held for trading purposes, to show the changes in value in an equity reserve, which will never be transferred to the income statement, not even in the case of sale of the financial instrument

(financial assets designated at fair value through other comprehensive income without being recognised in the income statement).

As for financial liabilities, no substantial changes were introduced with respect to the current standard, regarding their classification and measurement. The only change relates to the accounting treatment of the credit risk of the Issuer: the changes in fair value attributable to the change in the credit risk of the liabilities designated at fair value (known as fair value option liabilities) are recognised in shareholders' equity, unless this treatment creates or enlarges the accounting mismatch in the profit for the period, while the residual amount from the changes in the fair value of the liabilities is recognised in the income statement.

The impairment of instruments measured at amortised cost and at fair value, with an entry in shareholders' equity and different from the equity instruments, is calculated according to a model based on the concept of "expected loss", instead of the current "incurred loss", so as to also recognise the losses expected from the changes in the economic cycle. IFRS 9 requires that entities recognise expected losses in the following 12 months (stage 1) starting from initial recognition of the financial instrument.

The time horizon for the calculation of the expected loss becomes, on the other hand, the entire residual life of the asset subject to valuation, if the credit quality of the financial instrument has been subject to a "significant" impairment versus the initial measurement (stage 2) or if it is "impaired" (stage 3). More specifically, the introduction of the new impairment rules involves:

- the assignment of performing financial assets to different stages of the credit risk (staging), with corresponding value adjustments based on the losses expected in the following 12 months ("Stage 1"), or over the lifetime, i.e. for the entire duration of the instrument ("Stage 2"), in the presence of a significant increase in the credit risk (SICR) determined through a comparison between the Probabilities of Default at the initial recognition date and at the reporting date;
- the assignment of impaired financial assets to "Stage 3", also with value adjustments based on the expected lifetime losses;
- the inclusion, in the calculation of the "Expected Credit Losses" (ECL), of forward-looking information related, inter alia, to the development of the macro-economic scenario.

Given the significant impact of the changes introduced by IFRS 9, both in business terms and from an organisational and reporting perspectives, in 2016, Banca Popolare dell'Alto Adige launched a project aimed at analysing different areas that could be affected by IFRS 9, defining its qualitative and quantitative impacts, as well as identifying and implementing the application and organisational measures that are necessary for a consistent, organic and effective adoption of the accounting standard.

The expected impacts on shareholders' equity, following the first time adoption (FTA) of IFRS 9 as at 1 January 2018, have not yet been identified with sufficient accuracy. The nature of these impacts, broken down by type of financial instruments, and taking into consideration both the amount and the composition of shareholders' equity, is as follows:

- redetermination of value adjustments on the financial assets of the portfolio (both performing and impaired) using the "expected credit losses" model – inclusive of the

above mentioned forward looking components – replacing the pre-existing model of "incurred credit losses". In particular, as regards performing exposures, an increase in value adjustments is expected, attributable to (i) the assignment of a portion of the performing portfolio to Stage 2, based on the defined assignment criteria, with the consequent need to calculate the expected loss for the entire residual duration of the financial assets and (ii) the inclusion in the calculation of the expected losses based on forward looking parameters deriving from future macro-economic scenarios. As regards impaired loans, the impact is essentially due to the inclusion of the sale scenario set forth in the corporate objectives for the reduction of the non-performing assets of a portion of the doubtful loan portfolio with transferability characteristics;

- the requirement to reclassify some financial assets in the portfolio on the basis of the combined result of the two classification drivers, as set forth in the standard: the business model based on which these instruments are managed and the contractual characteristics of the related cash flows (SPPI test).

As regards the capital ratios, the negative impact of the first-time adoption of IFRS 9 on the CET 1 can be estimated only upon completion of the estimation process. In order to mitigate the above effect on the CET 1, the Issuer has chosen to adopt the so-called "dynamic approach". This will represent the basis on which to apply the decreasing factors during the transitional period in order to determine the portions to neutralise in CET 1 (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022). For further information on the implementation of IFRS 9, please refer to the "*Notes to the accounts – IFRS 9: new accounting standard on financial instruments*" of the Audited Annual Financial Statements of the Issuer as at and for the year ended 31 December 2018.

#### *Impact of events which are difficult to anticipate*

The Issuer's earnings and business are affected by general economic conditions, the performance of financial markets, interest rate levels, currency exchange rates, changes in laws and regulation, changes in the policies of central banks, particularly the Bank of Italy and the European Central Bank, and 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*

Operational risk is the risk of losses arising from errors or inadequate internal processes, human resources and systems or from external events. 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.

#### *Concentration risk*

Concentration risk is a risk deriving from credit exposure to the counterparties, groups of related counterparties, counterparties that operate in the same economic sector or which exercise the same activities. Concentration risk is measured in compliance with the provisions of Bank of Italy Circular No. 285 (Title III – Chapter 1 – Annex B) by the Granularity Adjustment (GA) method. Specific procedures were defined under the Internal Capital Adequacy Assessment Process (ICAAP) in compliance with applicable regulatory provisions in order to calculate geo-sector concentration risk, namely, the risk deriving from counterparties operating in the same sector or geographical area. Banca Popolare dell'Alto Adige has also established a defined system of limits that controls and steers the guidelines in order to limit exposure to concentration risk in the Issuer's loan portfolio. The various forms of concentration risk are also monitored in the quarterly credit report, and discussed at the quarterly meetings of the internal credit committee of the Issuer.

#### *Liquidity risk*

Liquidity risk is the risk that the Issuer might be unable to meet its payment obligations when due or to fund increases in its assets. This risk is inherent in any retail and commercial banking business and can be heightened by a number of bank-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. Liquidity risk mainly takes the form of inability of the Issuer to:

- obtain funds on the market (funding liquidity risk);
- obtain funds by selling assets on the market (asset liquidity risk).

While the Issuer implements liquidity management processes in accordance with the instructions and operational guidelines contained in the liquidity and funding policy (which is continuously updated) and seeks to mitigate and control these risks, unforeseen systemic market factors make it difficult to eliminate completely these risks. Continued constraints in the supply of liquidity, including in inter-bank lending, have affected and may materially and adversely affect the cost of funding of the Issuer's business, and extreme liquidity constraints may affect its current operations and its ability to fulfil regulatory liquidity requirements, as well as limit growth possibilities.

#### *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 difficult market and economic conditions, instability in the European Union and potential deterioration of the sovereign debt crisis*

The performance of Banca Popolare dell'Alto Adige is influenced by the economic situation generally, the Eurozone and Italy, as well as by the dynamics of financial markets, in particular, by the stability and growth prospects of the geographical areas in which the Issuer operates. The capacity of the Issuer to generate income and the its solvency depend on such factors as investor expectations and confidence, levels and volatility of short and long-term interest rates, exchange rates and liquidity of financial markets, availability and cost of capital, sustainability of sovereign debt, household income and consumer spending, levels of unemployment, inflation and housing prices. Adverse changes in these factors, especially in the periods of economic and financial crisis, could result in losses for the Issuer as well as increases in financing costs and reductions in the value of assets held, all of which could have a negative effect on liquidity and capital solidity of Banca Popolare dell'Alto Adige.

The current macroeconomic situation is characterised by significant uncertainties that relate to:

- (a) developments related to the UK national referendum held on 23 June 2016 where the UK voted to leave the European Union (the "**Brexit**"). Due to unprecedented nature of Brexit, the consequences of it are unknown and will depend, *inter alia*, on any relevant agreement the United Kingdom will manage to make in order to maintain access to the European Union markets. Brexit could cause an increase in volatility in financial markets, a deterioration in the terms of financing, especially in the countries like Italy, and consequently a possible economic slowdown;
- (b) trends of the real economy as regard to the prospects of recovery, dynamics of national economic growth and the stability of the economies in those countries (United States and China), which have shown a substantial growth in recent years;
- (c) future developments in the monetary policy of the ECB in the Eurozone and of the FED area in the dollar area, and in the policies implemented by various countries aimed at encouraging competitive devaluations of their currencies;
- (d) sustainability of sovereign debts in some countries and the tensions on financial markets;
- (e) recent developments in the sovereign debt crisis in Greece, which have brought significant uncertainties as to the future of Greece in the euro area, and in the worst case scenario, a possible contagion effect in the sovereign debt markets of different euro area countries, and
- (f) recent turmoil on the main Asian financial markets, including, in particular, the Chinese market.

Negative developments in all or some only of the above factors may have an adverse effect on the Issuer's financial condition and results of operations.

*Risk related to the United Kingdom becoming a third country for the purposes of application of the EU regulatory framework*

Article 55 of the BRRD requires EU Member States to implement legislation which requires EU financial institutions to include in certain agreements a contractual term requiring their

counterparties to recognise the write down and conversion powers available to their regulators (bail-in). The BRRD has been supplemented by EU Regulation 2016/1075, which was issued on 8 July 2016 and sets out the mandatory contents for such a clause. The requirement applies where the agreement relates to a liability which is not excluded and which is governed by third country law, namely, non-EEA law.

Other than subordination and certain other provisions relating to the Notes, the conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. After the United Kingdom ceases to be a member of the EU, and without any agreement to the contrary, it will become a third country for the purposes of EU law after Brexit and English law will become non-EU law. Each investor in the Notes will be required to acknowledge, accept, consent and agree to be bound by the effect of the exercise of any resolution tool (including the sale of business tool, the bridge institution tool, and the asset separation tool) by the relevant resolution authority in compliance with the laws, regulations, rules or requirements in effect at such time in Italy, relating to (a) the transposition of the BRRD, including but not limited to Legislative Decrees No. 180/2015 and 181/2015; (b) the SRM Regulation, and (b) any instruments, rules and standards created thereunder. The potential impact of any resolution tool may include the total loss of value of the securities of any series, and under certain circumstances, the inability of the Issuer to perform its obligations under its securities.

### **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 13(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 13(f) (*Redemption of Subordinated Notes*).

### *Risks relating to Notes which are linked to "benchmarks"*

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. The Benchmarks Regulation was published in the Official Journal of the European Union on 29 June 2016 and has applied from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that have applied since 30 June 2016). The Benchmarks Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another "benchmark" rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. In addition, the Benchmarks Regulation stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the Benchmarks Regulation and other applicable regulations, and the risks associated therewith. There is also a risk that certain benchmarks may continue to be administered but may in time become obsolete. As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021 and that planning a transition to alternative reference rates that are based firmly on transactions, such as reformed SONIA (the Sterling Over Night Index Average), must begin. Therefore, there is an appreciable risk that LIBOR will end after 2021. Additionally, LIBOR may be found not to be representative of its underlying market, due to a lack of underlying transactions which would have consequences for users covered by the Benchmarks Regulation.

Currently, efforts are being made to reform EURIBOR by using hybrid methodology ((i) market transactions when available, (ii) other related market pricing sources when necessary but, (iii) when such data is not available, expert judgement), so that it complies with the Benchmarks Regulation before the authorisation deadline of 1 January 2020 (although political agreement has been reached on extending this date to the end of 2021). In parallel, on 21 September 2017, the European Central Bank ("**ECB**"), the Financial Services and Markets Authority ("**FSMA**"), ESMA and the European Commission set up a working group ("**Euro Working Group**"), which is tasked with, among other things, identifying and recommending alternative risk free overnight rate which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the Euro Working Group recommended the Euro Short-Terms Rate (ESTER),

a risk-free rate developed by the ECB, as the alternative rate to EONIA. The ECB is targeting October 2019 as the deadline for its daily publication.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. The elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 10 (*Benchmark Replacement*)), or result in adverse consequences to holders of any securities linked to such benchmark (including but not limited to Floating Rate Notes or Reset Notes whose interest rates are linked to LIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark.

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

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

#### *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.

## Senior Notes and Senior Non-Preferred Notes

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

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

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

- (i) the original maturity period is at least equal to twelve months;
- (ii) are not derivative securities or linked to derivative securities, nor include any feature of such derivative securities;
- (iii) the minimum denomination is at least equal to Euro 250,000;
- (iv) may be offered only to qualified investors (*investitori qualificati*), as referred to in Article 100, letter a), of the Financial Services Act as implemented by Article 34-ter, first paragraph, letter b) of Regulation No. 11971/1999 and Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of 29 October 2007 (as amended by CONSOB Regulation No. 20307 of 15 February 2018);
- (v) the prospectus and the agreements regulating the issuance of senior non-preferred securities expressly provide that payment of interests and reimbursement of principal due in respect thereof are subject to the provisions set forth in of Article 91, section 1-*bis*, letter *c-bis* of the Consolidated Banking Law.

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

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

- (A) the provisions set forth in Article 91, paragraph 1-*bis*, letter *c-bis* of the Consolidated Banking Law shall apply to such senior non-preferred securities only to the extent that the requirements described in paragraphs (i), (ii) and (v) above have been complied with; any contractual provision which does not comply with any of the above requirements is invalid but such invalidity does not imply the invalidity of the entire agreement;
- (B) the senior non-preferred securities, once issued, may not be amended in a manner that the requirements described in paragraphs (i), (ii) and (v) above are not complied with and that any different contractual provision is null and void; and

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

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

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

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

The Issuer's obligations in respect of the Senior Non-Preferred Notes constitute direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer and will rank at all times *pari passu* without any preference among themselves. 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 under each Series of Senior Non-Preferred Notes, and the relative Coupons as the case may be, will rank in right of payment (i) junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms and/or by provision of law, senior to the Senior Non-Preferred Notes, and (ii) at least *pari passu* without any preferences among themselves, and with all other present or future unsubordinated and non-preferred obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes and (iii) in priority to any subordinated instruments, to any present or future claims ranking junior to such Series of Senior Non-Preferred Notes and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law, as amended from time to time, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority.

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



*Senior Non-Preferred Notes are complex instruments that may not be suitable for certain investors*

Senior Non-Preferred Notes are novel and complex financial instruments and may not be a suitable investment for certain investors. Each potential investor in the Senior Non-Preferred Notes should determine the suitability of such investment in light of its own circumstances and have sufficient financial resources and liquidity to bear the risks of an investment in the Senior Non-Preferred Notes, including the possibility that the entire principal amount of the Senior Non-Preferred Notes could be lost. A potential investor should not invest in the Senior Non-Preferred Notes unless it has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Senior Non-Preferred Notes will perform under changing conditions, the resulting effects on the market value of the Senior Non-Preferred Notes, and the impact of this investment on the potential investor's overall investment portfolio.

*Senior Non-Preferred Notes are new types of instruments*

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

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

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

Although it is Issuer's expectation that the Senior Non-Preferred Notes qualify as "*strumenti di debito chirografario di secondo livello*" as defined under, and for the purposes of, Articles 12-bis and 91, section 1-bis, letter c-bis of the Consolidated Banking Law and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority and also qualify as eligible liabilities available to meet the MREL Requirements (as defined in the Conditions) there can be no representation that this is or will remain the case during the life of the Senior Non-Preferred Notes.

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

Senior Notes and Senior Non-Preferred Notes are intended to be eligible liabilities available to meet the MREL Requirements (as defined in the Conditions). However, the Issuer cannot

provide any assurance that the Senior Notes or Senior Non-Preferred Notes will be or remain eligible for the purposes of the MREL Requirements. Any future changes to MREL may be more restrictive and may result in the Senior Notes or Senior Non-Preferred Notes that qualify as eligible liabilities for the purposes of the MREL Requirements upon issue, ceasing to so qualify following the issue date.

If Senior Notes or Senior Non-Preferred Notes are not eligible for the purposes of the MREL Requirements (or if they initially are compliant with the MREL Requirements and subsequently become ineligible due to a change in the relevant final regulations implementing the MREL Requirements), then an MREL Disqualification Event will occur.

In this respect, if at any time an MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Notes or Senior Non-Preferred Notes, and the applicable Final Terms for the Senior Notes or Senior Non-Preferred Notes of such Series specify that Issuer Call due to an MREL Disqualification Event is applicable, the Issuer may redeem all, but not part only, of the Notes of such Series at the price set out in the applicable Final Terms together (if appropriate) with interest accrued to (but excluding) the date of redemption. Senior Notes or Senior Non-Preferred Notes may only be redeemed by the Issuer subject to (to the extent that the Relevant Authority so requires at the time of the proposed redemption) the Issuer having given such notice to the Relevant Authority as the Relevant Authority may then require prior to such redemption and no objection thereto has been raised by the Relevant Authority or (if required) the Relevant Authority has provided its consent thereto and any other requirements of the Relevant Authority applicable (if any) to such redemption at the time have been complied with by the Issuer (including with respect to Article 12-*bis* and Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority at the relevant time). An MREL Disqualification Event shall be deemed to have occurred if, by reason of a change in the MREL Requirements as implemented in Italian law and regulations and/or EU regulations, as the case may be, which was not reasonably foreseeable by the Issuer at the Issue Date of the Senior Notes or Senior Non-Preferred Notes, all or part of the aggregate outstanding nominal amount of such Series of Senior Notes or Senior Non-Preferred Notes are or will be excluded fully or partially from the eligible liabilities available to meet the MREL Requirements. The implementation of the minimum requirements for eligible liabilities under the BRRD is subject to the implementation of the EC Proposals (as defined in the Conditions) in the EU and in Italy.

If the Senior Notes or the Senior Non-Preferred Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Senior Notes or the Senior Non-Preferred Notes. In addition, the occurrence of an MREL Disqualification Event could result in a decrease in the market price of the Notes.

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

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

In addition, under the EC Proposals, the early redemption or repurchase of Senior Notes or Senior Non-Preferred Notes which qualify as eligible liabilities available to meet MREL Requirements is subject to the prior approval of the Relevant Authority where applicable from time to time under the applicable laws and regulations. The EC Proposals state that the Relevant Authority would approve an early redemption of the Senior Notes or Senior Non-Preferred Notes where any of the following conditions is met:

- on or before such early redemption or repurchase of the Senior Notes or Senior Non-Preferred Notes, the Issuer replaces the Senior Notes or Senior Non-Preferred Notes with own funds instruments or eligible liabilities of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer;
- the Issuer has demonstrated to the satisfaction of the Relevant Authority that its own funds and eligible liabilities would, following such redemption or repurchase, exceed the requirements for own funds and eligible liabilities set out in the CRD IV Directive or the BRRD (or, in either case, any relevant provisions of Italian law implementing the CRD IV Directive or, as appropriate, the BRRD) or the CRR Regulation by a margin that the Relevant Authority considers necessary; or
- the Issuer has demonstrated to the satisfaction of the Relevant Authority that the partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the CRR Regulation and in the CRD IV Directive for continuing authorisation.

The Relevant Authority shall consult with the Relevant Resolution Authority before granting that permission. See "*Evolving regulatory environment*" for information on the status of the EC Proposals as part of the Banking Reform.

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

If (i) at any time an MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Notes or Senior Non-Preferred Notes, and the applicable Final Terms for the Senior Notes or Senior Non-Preferred Notes of such Series specify that Issuer Call due to an MREL Disqualification Event is applicable, or (ii) in order to ensure the effectiveness and enforceability of Condition 26 (*Contractual Recognition of Bail-in Powers*), then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Relevant Authority (without any requirement for the consent or approval of the holders of the Senior Notes or Senior Non-Preferred Notes of that Series), at any time either substitute all (but not some only) of such Senior Non-Preferred Notes, or vary the terms of such Senior Notes or Senior Non-Preferred Notes so that they remain or, as appropriate, become, Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes, as applicable, provided that such variation or substitution does not of itself give rise to any right of the Issuer to redeem the varied or substituted securities.

Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes, as applicable, are securities issued by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 26 (*Contractual Recognition of Bail-in Powers*), have terms not materially less favourable to the Noteholders (as reasonably determined by the Issuer) than the terms of the Senior Notes or the Senior Non-Preferred Notes, as applicable. However, no assurance can be given as to whether any of these changes will negatively affect any particular Noteholder. In

addition, the tax and stamp duty consequences of holding such substituted or varied notes could be different for some categories of Noteholders from the tax and stamp duty consequences for them of holding the notes prior to such substitution or variation.

### ***Subordinated Notes***

#### *Ranking of 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 (including the holders of Senior Note and Senior Non-Preferred Notes) 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 and any holder of Senior Notes and Senior Non-Preferred Notes) 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.

#### *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.

#### *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 13(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.

## **Risks related to Notes generally**

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

### *Loss absorption of Notes*

The 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 Notes is necessary pursuant to applicable law and/or regulation in force from time to time. See Condition 26 (*Contractual Recognition of Bail-in Powers*).

### *Waiver of set-off*

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.

### *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 depositary 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.

#### *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 the Notes, which are based on Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English law (or Italian law) or administrative practice after the date of this Base Prospectus.

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

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary or common safekeeper 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) or, in the case of Senior Non-Preferred Notes, a minimum denomination of EUR 250,000 (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.

*Notes issued with a specific use of proceeds, such as to finance or refinance, in whole or in part, Eligible Green, Social or Sustainability Projects*

The applicable Final Terms relating to any Tranche of Notes may provide that it will be the Issuer's intention to apply the net proceeds from an offer of those Notes specifically for projects that:

- (i) promote eco-friendly and other environmental ("green") purposes ("**Green Bonds**" and "**Eligible Green Projects**");
- (ii) promote, among others, affordable basic infrastructure, access to essential services and employment generation ("social") purposes ("**Social Bonds**" and "**Eligible Social Projects**"), or
- (iii) are a combination of "green" and "social" purposes ("**Sustainability Bonds**" and "**Eligible Sustainability Projects**" and, together with the Eligible Green Projects and Eligible Social Projects, the "**Eligible Projects**").

Prospective investors should consider the information contained in the section "*General Information - Use of Proceeds*" and in the applicable Final Terms regarding such use of proceeds and reach their own views on the suitability of such Notes prior to making an investment.

There is currently no firm market consensus as to what precise attributes a particular project must have in order to qualify as "green", in the case of Green Bonds, "social", in the case of Social Bonds, or "sustainable", in the case of Sustainability Bonds, or to be given other equivalent label. Furthermore, no assurance can be given that a consensus will develop over time. The lack of market consensus is, to a certain extent, mitigated through voluntary measures, such as by complying with the green bond principles (the "**Green Bond Principles**"), social bond principles (the "**Social Bond Principles**") and sustainability bond principles (the "**Sustainability Bond Principles**"), and together with the Green Bond Principles and Social Bond Principles, the "**Principles**") published by the International Capital Market Association ("**ICMA**"), or by obtaining an external review.

The Principles aim to promote integrity of the Green Bond, Social Bond and Sustainability Bond markets through transparency, disclosure and reporting by the issuers. The Principles provide high-level categories for Eligible Projects and give other guidance on the key components involved in launching credible Green, Social or Sustainability Bonds. However, given a broad categorisation of project eligibility by the Principles, diversity of current market views and an ongoing development in the understanding of environmental and social issues and their consequences, a degree of uncertainty with respect to what projects qualify as "green", "social" or "sustainability", and as a result which bonds may qualify as Green Bonds, Social Bonds or Sustainability Bonds, may be inevitable.

Accordingly, no assurance is or can be given to investors that:

- the use of such proceeds for any Eligible Projects will satisfy any investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply in accordance with any applicable laws or regulations or its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, social or sustainability impact of any Eligible Projects);
- any Eligible Projects will meet any investor expectations regarding such “green”, “social” or “sustainable” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any Eligible Projects. Moreover, where adverse impacts are insufficiently mitigated, the relevant Eligible Project may become controversial and may generate negative market opinion;
- as to the suitability or reliability for any purpose whatsoever of any external reviews (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Notes and, in particular, with any Eligible Projects, to fulfil any environmental, social and/or sustainability criteria. For the avoidance of doubt, any such external reviews, when made, shall not be deemed to be incorporated in and/or form part of this Base Prospectus nor shall be deemed to be a recommendation by the Issuer, the Dealers or any other person to buy, sell or hold any such Notes. Any such external review shall only be current as of its date. Prospective investors must determine for themselves the relevance of any such review and/or the information contained therein and/or the provider of such review for the purpose of any investment in such Notes. Currently, only some of the providers of such external reviews are subject to existing professional standards and/or subject to regulatory regimes.

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "social", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any applicable laws or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular, with regard to any direct or indirect environmental, social or sustainability impact of a relevant Eligible Project. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

With reference to any Notes in respect of which the applicable Final Terms state that the proceeds will be used to finance or refinance, in whole or in part, Eligible Projects, while it is the intention of the Issuer to apply the amount equivalent to the net proceeds of any Notes in such a manner, there can be no assurance that the relevant Eligible Projects will be capable of being implemented in, or substantially in, such manner and/or in accordance with any schedule and that accordingly such proceeds will be disbursed for the specified Eligible Projects. Nor



can there be any assurance that such Eligible Projects will be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by the Issuer.

Any such event or failure by the Issuer will not constitute an event of default under the Notes. Any failure to apply the proceeds of any issue of Notes for any Eligible Projects, as aforesaid, and/or withdrawal of any opinion or certification or any opinion or certification attesting that the Issuer is not complying, in whole or in part, with any matters for which such opinion or certification is opining or certifying on and/or any Notes no longer being listed or admitted to trading on any stock exchange or securities market, as aforesaid, may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance or refinance Eligible Projects, and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

### **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:** Banca Popolare dell'Alto Adige Volksbank S.p.A., Natixis and UniCredit Bank AG
- Dealers:** Banca Popolare dell'Alto Adige Volksbank S.p.A., 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 Paying Agent:** BNP Paribas Securities Services, Luxembourg Branch.
- 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 depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is specified in the relevant Final Terms as a New Global Note (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 and any related Coupons constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer which will rank at all times *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 any obligations ranking junior to the Senior Notes from time to time (including Senior Non-Preferred Notes and any further obligations permitted by law to rank junior to the Senior Notes following the Issue Date) if any. See Condition 4 (*Status of Senior Notes*).

(ii) Status of the Senior Non-Preferred Notes:

Subject to the provisions of Condition 5 (*Status of Senior Non-Preferred Notes*), Senior Non-Preferred Notes and any related Coupons constitute direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer, ranking (a) junior to Senior Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms and/or by provisions of law, senior to the Senior Non-Preferred Notes, (b) at least *pari passu* without any preferences among themselves and with all other present or future unsubordinated and non-preferred obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes, and (c) in priority to any subordinated instruments, any present or future claims ranking junior to the Senior Non-Preferred Notes and to the claims of shareholders of the Issuer, all as described in Condition 5 (*Status of Senior Non-Preferred Notes*) and the applicable Final Terms.

(iii) Status of the Subordinated Notes:

Subject to the provisions of Condition 6 (*Status of Subordinated Notes*), Subordinated Notes and any related Coupons constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves, all as described in Condition 6 (*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 and Senior Non-Preferred 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 6 (*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 20(c) (*Modification or Substitution of Subordinated Notes following a Regulatory Event or a Tax Event*).

**Modification or Substitution of Senior Notes and Senior-Non Preferred Notes following an MREL Disqualification Event:**

If at any time an MREL Disqualification Event occurs and is continuing in relation to any Series of Senior Notes or Senior Non-Preferred Notes, and the applicable Final Terms for the Senior Notes or Senior Non-Preferred Notes of such Series specify that Modification or Substitution of Senior Notes and Senior Non-Preferred Notes for MREL Disqualification Event is applicable, then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Relevant Authority (without any requirement for the consent or approval of the holders of the relevant Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the Agent and the holders of the Notes of that Series, at any time either substitute all (but not some only) of such Notes, or vary the terms of such Notes so that they remain or, as appropriate, become Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes, as applicable, provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes, as applicable, are securities issued by the Issuer that, other than in respect of the effectiveness and enforceability of Condition 26 (*Contractual Recognition of Bail-in Powers*), have terms not materially less favourable to the Noteholders (as reasonably determined by the Issuer) than the terms of the

relevant Senior Notes or Senior Non-Preferred Notes, as applicable.

**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 Senior Non-Preferred Notes, unless otherwise permitted by the laws, regulations, directives and/or the Relevant Authority's requirements applicable to the issue of Senior Non-Preferred Notes by the Issuer, Senior Non-Preferred Notes shall have a maturity of not less than twelve months.

In the case of Subordinated Notes, unless otherwise permitted by 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 Senior Notes and Senior Non-Preferred Notes pursuant to Condition 13(a) (*Scheduled redemption*) and any early redemption pursuant to Condition 13(b) (*Redemption for tax reasons*), Condition 13(d) (*Redemption at the option of the Issuer*) and Condition 13(i)

*(Issuer Call due to an MREL Disqualification Event)* shall be subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed by the MREL Requirements at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Non-Preferred Notes at such time as eligible liabilities available to meet the MREL Requirements), and, in relation to the Senior Non-Preferred Notes only, by Article 12-bis and Article 91, section 1-bis, letter c-bis of the Consolidated Banking Law, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority at the relevant time.

The redemption at maturity of Subordinated Notes pursuant to Condition 13(a) (*Scheduled redemption*) and any early redemption pursuant to Condition 13(b) (*Redemption for tax reasons*), Condition 13(c) (*Redemption for regulatory reasons*) and Condition 13(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 or Senior Non-Preferred 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. Any optional redemption of the Senior Notes or Senior Non-Preferred Notes shall be subject to compliance by the Issuer with any conditions to such redemption prescribed by the MREL Requirements at the relevant time.

**Tax or Regulatory Redemption:** Except as described in "Optional Redemption" above, early redemption will only be permitted, in case of Senior Notes and Senior Non-Preferred Notes for tax reasons, as described in Condition 13(b) (*Redemption for tax reasons*) or if so specified in the applicable Final Terms, if an MREL Disqualification Event occurs, as described in Condition 13(i) (*Issuer Call due to an MREL Disqualification Event*) and in the case of Subordinated Notes, for tax reasons as described in Condition 13(b) (*Redemption for tax reasons*) or regulatory



reasons, as described in Condition 13(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 European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be EUR 100,000 and, in the case of Senior Non-Preferred Notes, EUR 250,000 (or, in each case, 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).

**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 15 (*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 15 (*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.

<b>Cross-Default:</b>	The Notes will not contain any cross-default provisions.
<b>Governing Law:</b>	English law, except for Conditions 4 ( <i>Status of Senior Notes</i> ), 5 ( <i>Status of Senior Non-Preferred Notes</i> ), 6 ( <i>Status of Subordinated Notes</i> ), 16 ( <i>Events of Default</i> ) and 26 ( <i>Contractual Recognition of Bail-in Powers</i> ) 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.
<b>Enforcement of Notes in Global Form:</b>	In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant dated 25 April 2019 a copy of which will be available for inspection at the specified office of the Fiscal Agent.
<b>Ratings:</b>	<p>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. <b>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.</b></p> <p>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 credit rating agency 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.</p> <p>The 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:</p> <p><i><a href="https://www.esma.europa.eu/supervision/credit-rating-agencies/risk">https://www.esma.europa.eu/supervision/credit-rating-agencies/risk</a>.</i></p>

**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.

The Senior Non-Preferred Notes shall be distributed to qualified investors only according to Italian law No. 205 of 27 December 2017 on the budget of the Italian government for 2018.

**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 2018 and 2017 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](http://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

	<b>2018</b>	<b>2017</b>
	<i>(pdf document page numbers)</i>	<i>(pdf document page numbers)</i>
<i>Non-consolidated</i>		
Balance sheet	125	175
Statement of income	126	176
Statement of changes in equity	128	177
Cash flow statement	129	178
Accounting policies and explanatory notes	131-340	181-398
Independent Auditors' report	113-122	163-170

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 16 (*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 (A) as in regards to Senior Notes or Subordinated Notes (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) and (B) as in regards to Senior Non-Preferred Notes, (i) a minimum denomination of EUR 250,000, plus (ii) integral multiples of EUR 1,000, *provided that* such denominations are not less than EUR 250,000 nor more than EUR 499,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global 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 16 (*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 (A) as in regards to Senior Notes or Subordinated Notes (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) (B) as in regards to Senior Non-Preferred Notes, (i) a minimum denomination of EUR 250,000, plus (ii) integral multiples of EUR 1,000, provided that such denominations are not less than EUR 250,000 nor more than EUR 499,000. For the avoidance of doubt, each holder of Notes of such denominations will, upon exchange for Definitive Notes, receive Definitive Notes in an amount equal to its entitlement to the principal amount represented by the Permanent Global 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 22 (*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 "*Overview of Provisions relating to the Notes while in Global Form*" below.

### **Legend concerning United States persons**

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

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

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

characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Overview of Provisions relating to the Notes while in Global Form" below. 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 Volksbank 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 25 April 2019 (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, as amended, supplemented or replaced from time to time;

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

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

"**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 25 April 2019 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;

**"EC Proposals"** means the amendments proposed to the CRD IV Directive, the CRR and BRRD published by the European Commission on 23 November 2016;

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

**"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 Benchmarks Supplement"** means the Benchmarks Supplement (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)) published by the International Swaps and Derivatives Association, Inc;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) and, if specified in the relevant Final Terms, as supplemented by any applicable supplement to the ISDA Definitions) 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;

**"MREL Disqualification Event"** means that, by reason of the introduction of or a change in MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the Notes, all or part of the aggregate outstanding nominal amount of such Series of Notes are or will be excluded fully or partially from eligible liabilities

available to meet the MREL Requirements. For the avoidance of doubt: (a) the exclusion of a Series of Senior Notes or Senior Non-Preferred Notes from the MREL Requirements due to the remaining maturity of such Notes being less than any period prescribed thereunder, does not constitute an MREL Disqualification Event; (b) the exclusion of all or some of a Series of Senior Notes from the MREL Requirements due to there being insufficient headroom for such Senior Notes within a prescribed exception to the otherwise applicable general requirements for eligible liabilities does not constitute an MREL Disqualification Event; and (c) any exclusion shall not be 'reasonably foreseeable' by the Issuer at the Issue Date where such exclusion arises as a result of (i) any legislation which gives effect to the EC Proposals differing, as it applies to the Issuer and/or the Group, in any respect from the form of the EC Proposals, or if the EC Proposals have been amended as at the Issue Date of the first Series of the Notes, in the form so amended at such date (including if the EC Proposals are not implemented in full), or (ii) the official interpretation or application of the EC Proposals as applicable to the Issuer and/or the Raiffeisen Group (including any interpretation or pronouncement by any relevant court, tribunal or authority) differing in any respect from the official interpretation or application, if any, in place as at the Issue Date of the first Series of the Notes;

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

**"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 other governmental authority in Italy (or other country in which the Issuer is then domiciled having supervisory powers over the Issuer) or any European Union or other supranational 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 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 Non-Preferred Notes**" means Notes specified in the applicable Final Terms as Senior Non-Preferred obligations and intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under, and for the purposes of, Article 12-bis and Article 91, section 1-bis, letter c-bis of the Consolidated Banking Law, as amended from time to time, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority;

"**Senior Notes**" means Notes specified in the applicable Final Terms as being Senior Notes (and, for the avoidance of doubt, excludes Senior Non-Preferred Notes);

"**Specified Currency**" has the meaning given in the 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 15 (*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 15 (*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 any obligations ranking junior to the Senior Notes from time to time (including Senior Non-Preferred Notes and any further obligations permitted by law to rank junior to the Senior Notes following the Issue Date), if any.
- (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.

### 5. **Status of Senior Non-Preferred Notes**

- (a) *Application:* This Condition 5 (*Status of Senior Non-Preferred Notes*) is applicable only to Senior Non-Preferred Notes.
- (b) *Status:* Senior Non-Preferred Notes (notes intending to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer, as defined under, and for the purposes of, Article 12-*bis* and Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority), any related Receipts and Coupons constitute direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer, ranking (i) junior to Senior Notes and any other unsecured and unsubordinated

obligations of the Issuer which rank, or are expressed to rank by their terms and/or by provision of law, senior to the Senior Non-Preferred Notes, and (ii) at least *pari passu* without any preferences among themselves, and with all other present or future unsubordinated and non-preferred obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes and (iii) in priority to any subordinated instruments, to any present or future claims ranking junior to such Series of Senior Non-Preferred Notes and to the claims of shareholders of the Issuer, pursuant to Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law, as amended from time to time, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority.

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

## 6. **Status of Subordinated Notes**

- (a) *Application*: This Condition 6 (*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 6, 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, Senior Non-Preferred 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.

## 7. **Fixed Rate Note Provisions**

- (a) *Application*: This Condition 7 (*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 14 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (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.

## 8. **Reset Rate Note Provisions**

- (a) *Application:* This Condition 8 (*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 8) payable, subject as provided in Condition 14 (*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 14 (*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 8 (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 8, 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 8 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. **Floating Rate and CMS Linked Interest Note Provisions**

- (a) *Application:* This Condition 9 (*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 14 (*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 9 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.

#### 10. **Benchmark Replacement**

Notwithstanding the provisions in Condition 9 (*Floating Rate and CMS Linked Interest Note Provisions*) and Condition 8 (*Reset Rate Note Provisions*), if the Issuer determines that the relevant Reference Rate or Mid-Swap Benchmark Rate (as applicable) specified in the relevant Final Terms has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate or Mid-Swap Benchmark Rate, then the following provisions shall apply:

- (a) the Issuer shall use reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in good faith and in a commercially reasonable manner), no later than 5 Business Days prior to the relevant Interest Determination Date or Reset Determination Date (as applicable) relating to the next succeeding Interest Period or Reset Period (as applicable) (the "**IA Determination Cut-off Date**"), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
- (b) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;
- (c) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate or Mid-Swap Benchmark Rate (as applicable) for each of the future Interest Periods or Reset Periods (as applicable) (subject to the subsequent operation of, and to adjustment as provided in this Condition 10); *provided, however, that* if paragraph (b) applies and

the Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date or Reset Determination Date (as applicable), the Rate of Interest applicable to the next succeeding Interest Period or Reset Period (as applicable) shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period or Reset Period (as applicable) (or alternatively, if there has not been a first Interest Payment Date or Reset Date (as applicable), the rate of interest shall be the Initial Rate of Interest) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period or Reset Period (as applicable) for the Margin that is to be applied to the relevant Interest Period or Reset Period (as applicable)); for the avoidance of doubt, the proviso in this sub-paragraph (c) shall apply to the relevant Interest Period or Reset Period (as applicable) only and any subsequent Interest Periods or Reset Periods (as applicable) are subject to the subsequent operation of, and to adjustment as provided in, this Condition 10);

- (d) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date, Reset Determination Date, and/or the definition of Reference Rate or Mid-Swap Benchmark Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 10. Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required); and
- (e) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Fiscal Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions,

*provided that* the determination of any Successor Rate or Alternative Reference Rate, and any other related changes to the Notes, shall be made in accordance with the relevant Applicable Banking Regulations (if applicable).

For the purposes of this Condition 10:

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

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

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

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

**"Relevant Nominating Body"** means, in respect of a reference rate or mid-swap benchmark rate:

- (i) the central bank for the currency to which the reference rate or mid-swap benchmark rate relates, or any central bank or other supervisory authority which

is responsible for supervising the administrator of the reference rate or mid-swap benchmark rate; or

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

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

#### 11. **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 7 (*Fixed Rate Note Provisions*) or Condition 9 (*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 22 (*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 22 (*Notices*) prior to the relevant Switch Option Expiry Date.

## 12. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 12 (*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).

## 13. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 13(f) (*Redemption of Subordinated Notes*), Condition 13(h) (*Redemption of Senior Notes and Senior Non-Preferred Notes*) and 14 (*Payments*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer (subject, in the case of Subordinated Notes, to Condition 13(f) (*Redemption of Subordinated Notes*) and, in the case of Senior Notes and Senior Non-Preferred Notes, to Condition 13(h) (*Redemption of Senior Notes and Senior Non-Preferred Notes*)) 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 15 (*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 (a "**Tax Event**"),

*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 13(b), the Issuer shall – subject to Condition 13(f) (*Redemption of Subordinated Notes*) and to Condition 13(h) (*Redemption of Senior Notes and Senior Non-Preferred Notes*) - be bound to redeem the Notes in accordance with this Condition 13(b).



(c) *Redemption for regulatory reasons:*

- (i) *Application:* This Condition 13(c) (*Redemption for regulatory reasons*) 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 Subordinated Notes may be redeemed at the option of the Issuer (subject to Condition 13(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 22 (*Notices*) to the Noteholders.

Prior to the publication of any notice of redemption pursuant to this Condition 13(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 13(c), the Issuer shall – subject to Condition 13(f) (*Redemption of Subordinated Notes*) - be bound to redeem the Notes in accordance with this Condition 13(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 to Condition 13(f) (*Redemption of Subordinated Notes*) and Condition 13(h) (*Redemption of Senior Notes and Senior Non-Preferred Notes*), be redeemed at the option of the Issuer in whole or, if so specified in the 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 13(f) (*Redemption of Subordinated Notes*) and to Condition 13(h) (*Redemption of Senior Notes and Senior Non-Preferred 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 13(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 13(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 13(a) (*Scheduled redemption*), Condition 13(b) (*Redemption for tax reasons*), Condition 13(c) (*Redemption for regulatory reasons*), Condition 13(d) (*Redemption at the option of the Issuer*), and any purchase in accordance with Condition 13(l) (*Purchase*) shall be subject to:
- (i) Issuer giving notice to the Relevant Authority and such Relevant Authority granting prior permission to redeem or repurchase the relevant Subordinated Notes, in each case to the extent required by and in accordance with the Applicable Banking Regulations; and
  - (ii) compliance by the Issuer with any alternative or additional requirements to redemption or repurchase, as applicable, set out in the Applicable Banking Regulations.

Amounts that would otherwise be payable on the due date will continue to bear interest until whichever is the earlier of (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 13(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 13(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 13(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 13(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) *Redemption of Senior Notes and Senior Non-Preferred Notes*

Any redemption of the Senior Notes or Senior Non-Preferred Notes in accordance with Condition 13(a) (*Scheduled redemption*), Condition 13(b) (*Redemption for tax reasons*), Condition 13(d) (*Redemption at the option of the Issuer*), Condition 13(i) (*Issuer Call due to an MREL Disqualification Event*), and any purchase in accordance with Condition 13(l) (*Purchases*) shall be subject to compliance by the Issuer with any conditions to such redemption or repurchase prescribed in (i) the MREL Requirements at the relevant time (including any requirements applicable to such redemption or repurchase due to the qualification of such Senior Non-Preferred Notes at such time as eligible liabilities available to meet the MREL Requirements); and (ii) Article 12-*bis* and Article 91, section 1-*bis*, letter c-*bis* of the Consolidated Banking Law, and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority at the relevant time.

(i) *Issuer Call due to an MREL Disqualification Event*

This Condition 13(i) applies only to Senior Notes and Senior Non-Preferred Notes.

If Issuer Call due to an MREL Disqualification Event is specified as being applicable in the applicable Final Terms, the Issuer may (subject to the provisions of Condition 13(h) (*Redemption of Senior Notes and Senior Non-Preferred Notes*)), having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders and the Fiscal Agent in accordance with Condition 22 (*Notices*) (which notice shall specify the date fixed for redemption) redeem all or some only of the Notes then outstanding at any time (if the Note is not a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), if the Issuer determines that an MREL Disqualification Event has occurred and is continuing.

Upon the expiry of any such notice as is referred to in this Condition 13(i), the Issuer shall – subject to Condition 13(h) (*Redemption of Senior Notes and Senior Non-Preferred Notes*) – be bound to redeem the Notes in accordance with this Condition 13(i) at the Early Redemption Amount described in the applicable Final Terms, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(j) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 13(a) (*Scheduled redemption*) to 13(i) (*Issuer Call due to an MREL Disqualification Event*).

(k) *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 13(i) or, if none is so specified, a Day Count Fraction of 30E/360.

- (l) *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, Senior Notes and Senior Non-Preferred Notes, the purchase of the relevant Subordinated Notes, Senior Notes and Senior Non-Preferred Notes by the Issuer or any of its Subsidiaries shall take place subject as provided in Condition 13(f) (*Redemption of Subordinated Notes*) and Condition 13(h) (*Redemption of Senior Notes and Senior Non-Preferred Notes*).
- (m) *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.

#### 14. **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 14(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 14(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 15 (*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 14(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 13(b) (*Redemption for tax reasons*), Condition 13(c) (*Redemption for regulatory reasons*), Condition 13(d) (*Redemption at the option of the Issuer*), Condition 13(g) (*Redemption at the option of Noteholders*), Condition 13(i) (*Issuer Call due to an MREL Disqualification Event*), or Condition 16 (*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 13(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 17 (*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.

## 15. **Taxation**

- (a) *Gross up:* All payments of principal (if applicable) and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of 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 the amounts of principal, in the case of Senior Notes and Senior Non-Preferred Notes (if permitted by the MREL Requirements), and interest, in the case of any Notes, 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) 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.
- (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 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.

## 16. **Events of Default**

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 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.

**17. 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.

**18. 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.

**19. 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.

**20. 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. 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. In addition, the Issuer and the Fiscal Agent may agree to such modification to the Notes, Coupons and the Agency Agreement as may be required to give effect to Condition 10 (*Benchmark Replacement*) in connection with any Alternative Reference Rate, Successor Rate or other related changes or in order to give effect to any modification or substitution of the Notes pursuant to Condition 20 (c) (*Modification or Substitution of Subordinated Notes following a Regulatory Event or a Tax Event*) and Condition 20 (d) (*Modification or Substitution of Senior Notes and Senior Non-Preferred Notes following an MREL Disqualification Event*). Any such modification shall be binding on the holders of the Noteholders and Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 22 (*Notices*) as soon as practicable thereafter.

- (c) *Modification or Substitution of Subordinated Notes following a Regulatory Event or a Tax Event:* This Condition 20(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 Subordinated Notes, 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 20(c), "**Qualifying Subordinated Notes**" means securities issued directly or indirectly by the Issuer that:

- (i) other than in respect of the effectiveness and enforceability of Condition 26 (*Contractual Recognition of Bail-in Powers*), have the terms not less favourable to the holders of Subordinated Notes, certified by the Issuer acting reasonably following consultation with an investment bank or financial adviser of international standing, than the terms of the Subordinated Notes, and they shall also (A) contain terms such that they comply with the minimum requirement under the Applicable Banking Regulations for inclusion in the Tier 2 Capital of the Issuer; (B) provide for a ranking at least equal to that of the Subordinated Notes; (C) have 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.

(d) *Modification or Substitution of Senior Notes and Senior Non-Preferred Notes following an MREL Disqualification Event:*

In addition, if at any time an MREL Disqualification Event occurs, then the Issuer may, subject to giving any notice required to be given to, and receiving any consent required from, the Relevant Authority (without any requirement for the consent or approval of the holders of the relevant Notes of that Series) and having given not less than 30 nor more than 60 days' notice to the Agent and the holders of the Notes of that Series, at any time either substitute all (but not some only) of such Notes, or vary the terms of such Notes so that they remain or, as appropriate, become Qualifying Senior Notes or Qualifying Senior Non-Preferred Notes, as applicable, provided that such variation or substitution does not itself give rise to any right of the Issuer to redeem the varied or substituted securities.

For the purposes of this Condition 20(d), "**Qualifying Senior Non-Preferred Notes**" means securities issued directly or indirectly by the Issuer that:

- (i) other than in respect of the effectiveness and enforceability of Condition 26 (*Contractual Recognition of Bail-in Powers*), have terms not materially less favourable to a holder of the Senior Non-Preferred Notes (as reasonably determined by the Issuer) than the terms of the Senior Non-Preferred Notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) include a ranking at least equal to that of the Senior Non-Preferred Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Non-Preferred Notes; (D) have the same redemption rights as the Senior Non-Preferred Notes; and (E) are assigned (or maintain) the same credit ratings as were assigned to the Senior Non-Preferred Notes immediately prior to such variation or substitution; and
- (ii) are listed on a recognised stock exchange if the Senior Non-Preferred Notes were listed immediately prior to such variation or substitution.

For the purposes of this Condition 20(d), "**Qualifying Senior Notes**" means securities issued directly or indirectly by the Issuer that:

- (i) other than in respect of the effectiveness and enforceability of Condition 26 (*Contractual Recognition of Bail-in Powers*), have terms not materially less favourable to a holder of the Senior Notes (as reasonably determined by the Issuer) than the terms of the Senior Notes, and they shall also (A) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Issuer's and/or the Group's (as applicable) minimum requirements for own funds and eligible liabilities under the then applicable MREL Requirements; (B) include a ranking at least equal to that of the Senior Notes; (C) have at least the same interest rate and the same Interest Payment Dates as those from time to time applying to the Senior Notes; (D) have the same redemption rights as the Senior Notes; and (E) are assigned (or maintain) the same credit ratings as were assigned to the Senior Notes immediately prior to such variation or substitution; and

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

## 21. **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.

## 22. **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](http://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.

## 23. **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.

## 24. **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.

## 25. **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 4 (*Status of Senior Notes*), 5 (*Status of Senior Non-Preferred Notes*), 6 (*Status of Subordinated Notes*), 16 (*Events of Default*) and 26 (*Contractual Recognition of Bail-in Powers*) 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.

## 26. **Contractual Recognition of Bail-in Powers**

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

will be varied if necessary so as to give effect to, the exercise of any Bail-in Power by the Relevant Resolution Authority.

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

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

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

As used in this Condition:

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

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

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

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

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

## 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 to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EU (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]

**[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/ each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer ['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer ['s/s'] target market assessment) and determining appropriate distribution channels.]

Final Terms dated [●]

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

**Legal Entity Identifier (LEI): 52990033C5FUEN4LMC06**

**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 [●] April 2019 [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 Final Terms will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://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 21 below [which is expected to be on or about [•].]
2. Specified Currency or Currencies: [ ]
- (Condition 2(a) (Definitions – "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
- (Condition 2(a) (Definitions – "Specified Denomination(s))*

denomination above [        ].] In the case of Senior Non-Preferred Notes, Notes must have a minimum denomination of EUR 250,000 (or equivalent).

*(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: *(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.)*  
(Condition 2(a) (Definitions – "Calculation Amount"))

6. [(i)] Issue Date: [        ]

(Condition 2(a) (Definitions – "Issue Date"))

[(ii)] Interest Commencement Date (if different from the Issue Date): [Specify/Issue Date/Not Applicable]

(Condition 2(a) (Definitions – "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) (*Definitions – "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 7 (*Fixed Rate Note Provisions*) / Condition 8 (*Reset Rate Note Provisions*)/ Condition 9 (*Floating Rate and CMS Linked Interest Note Provisions*) and Condition 12 (*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, 13 and 14 (as appropriate) below and identify there)*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (N.B. To be completed in addition to items 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 22 (Notices) on or prior to the relevant Switch Option Expiry Date)*

(iii) Switch Option Expiry Date: [•]

(iv) Switch Option Effective Date: [•]

10. Put/Call Options:

(Condition 13(g) (*Redemption and Purchase – Redemption at the option of Noteholders*) or (Condition 13(d), (*Redemption and Purchase – Redemption at the option of the Issuer*) and Condition 13(e) (*Redemption and Purchase – Partial redemption*))

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

11. Status of the Notes: [Senior Notes / [Senior Non-Preferred Notes]/ Subordinated Notes]]

(Condition 4 (*Status of Senior Notes*), Condition 5 (*Status of the Senior Non-Preferred Notes*) or Condition 6 (*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 7 (*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 7(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) (*Definitions – "Interest Payment Date"*))

- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount  
 (Condition 2(a) (*Definitions – "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) (*Definitions – "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 (ISDA)]/[Eurobond basis]  
 (Condition 2(a) (*Definitions – "Day Count Fraction"*))
- 13. Reset Rate Note Provisions:** [Applicable/Not Applicable]  
 (Condition 8(c) (*Reset Rate Note Provisions – Accrual of interest*)) (*If not applicable, delete the remaining sub-paragraph of this paragraph*)
- (i) Initial Rate of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]  
 (Condition 8(c) (*Reset Rate Note Provisions – Accrual of interest*))
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date  
 (Condition 2(a) (*Definitions – "Interest Payment Date"*))
- (iii) Day Count Fraction: [Actual/Actual]/[Actual/Actual (ICMA)]/[Actual/Actual (ISDA)]/[Actual/365 (Fixed)]/[Actual/360]/[30/360]/[360/360]/[Bond Basis]/[30E/360]/[30E/360 (ISDA)]/[Eurobond basis]  
 (Condition 2(a) (*Definitions – "Day Count Fraction"*))
- (iv) Reset Date(s): [ ]  
 (Condition 2(a) (*Definitions – "Reset Rate"*))
- (v) Reset Reference Rate(s) and Reset Reference Rate: [Mid-Relevant Financial Centre: Swaps/Reference Bond]

(Condition 2(a) (*Definitions – "Reset Reference Rate"*))

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

(vi) Reset Margin: [ +/- ] [ ] per cent. per annum

(Condition 2(a) (*Definitions – "Reset Margin"*))

(vii) Reset Rate Screen Page: [ ] [ ]

(Condition 2(a) (*Definitions – "Reset Rate Screen Page"*))

(viii) Mid-Swap Maturity: [ ] [ ]

(Condition 2(a) (*Definitions – "Mid-Swap Maturity"*))

(ix) Reset Determination Date: [ ] [ ]

(Condition 2(a) (*Definitions – "Reset Determination Date"*))

(x) Reset Rate Time [ ] [ ]

(Condition 2(a) (*Definitions – "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 9 (*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) (*Definitions – "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) (*Definitions – "Business Day Convention"*))

(iii) Specified Period: [Not Applicable]/[ ] [ ]

(Condition 2(a) (*Definitions – "Specified Period"*))

(iv) Additional Business Centre(s): [Not Applicable/[ ]]

(Condition 2(a) (*Definitions – "Additional Business Centre(s)"*))

(v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]

(Condition 9 (*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) (*Definitions – "Calculation Agent"*))

(vii) Screen Rate Determination:

(Condition 9 (*Floating Rate and CMS Linked Interest Note Provisions*))

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

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

- Reference Banks [Not Applicable/[ ]]

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

- Interest Determination Date(s): [ ]

(Condition 2(a) (*Definitions – "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) (Definitions – "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) (Definitions – "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) (Definitions – "Relevant Financial Centre"))
- [Reference Currency:] [     ] *(only relevant where the CMS Rate is the Reference Rate)*  
(Condition 2(a) (Definitions – "Reference Currency"))
- [Designated Maturity:] [     ] *(only relevant where the CMS Rate is the Reference Rate)*  
  
Condition 9(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 9(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)*
- Benchmarks Supplement: [Applicable/Not Applicable]
  - (ix) Margin(s): [ +/- ][     ] per cent. per annum  
*(Condition 2(a) (Definitions – "Margin"))*
  - (x) Minimum Rate of Interest: [Not Applicable/[     ] per cent. per annum]  
*Condition 9(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 9(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 12 (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) (Definitions – "Accrual Yield"))*
  - (ii) Reference Price: [     ]  
*(Condition 2(a) (Definitions – "Reference Price"))*

## PROVISIONS RELATING TO REDEMPTION

16. **Call Option:** [Applicable/Not Applicable]
- Condition 13(d) (*Redemption and Purchase – Redemption at the option of the Issuer*) and Condition 13(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) (*Definitions – "Optional Redemption Date (Call)"*))
- (ii) Optional Redemption Amount(s) [ ] per Calculation Amount (Call):
- (Condition 2(a) (*Definitions – "Optional Redemption Amount (Call)"*))
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (Condition 2(a) (*Definitions – "Minimum Redemption Amount"*))
- (b) Maximum Redemption Amount: [ ]
- (Condition 2(a) (*Definitions – "Maximum Redemption Amount"*))
- (iv) Notice period (if other than as set out in the Conditions): [ ]
- Condition 13(d) (*Redemption and Purchase – Redemption at the option of the Issuer*) and Condition 13(e) (*Redemption and Purchase – Partial redemption*)

17. **Regulatory Call:** [Condition 13(c) (*Redemption for regulatory reasons*) is applicable/Not Applicable]

Condition 13(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 13(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) (*Definitions – "Optional Redemption Date (Put)"*))

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

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

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

Condition 13(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) (*Definitions – "Early Redemption Amount (Tax)" and "Early Redemption Amount (Regulatory Event)"*))

20. **Issuer Call due to MREL Disqualification Event:** [Applicable]/[Not Applicable]  
*(Only relevant in the case of Senior Notes and Senior Non-Preferred Notes)*
- (a) Notice period for Condition 13(i) [Minimum period: [●] days  
*(Issuer Call Due to an MREL Disqualification Event):* Maximum period: [●] days  
*(Please consider that not less than the minimum period nor more than maximum period of notice has to be sent to the Fiscal Agent and, in accordance with Condition 22 (Notices), Meetings of the Noteholders)*  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
- (b) Early Redemption Amount payable [●] per Calculation Amount/[●]  
 on redemption upon the occurrence of an MREL Disqualification Event as contemplated by Condition 13(i) *(Issuer Call Due to an MREL Disqualification Event):*

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. 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.]*

22. New Global Note Form: [Applicable/Not Applicable]
23. 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]
24. 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.]
25. Modification or Substitution of Subordinated Notes for Regulatory Event/Tax Event: [Applicable]/[Not Applicable] in relation to [Regulatory Event/Tax Event]  
  
*Condition 20(c) (Modification or Substitution of Subordinated Notes following a Regulatory Event or a Tax Event)*
26. Modification or Substitution of Senior Notes and Senior Non-Preferred Notes for MREL Disqualification Event: [Applicable]/[Not Applicable]  
  
*Condition 20(d) (Modification or Substitution of Senior Notes and Senior Non-Preferred Notes following an MREL Disqualification 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) FISN

(iv) CFI Code

(v) 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.]

- (vi) 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):
- (vii) Delivery: Delivery [against/free of] payment
- (viii) Names and addresses of [ ]  
additional Paying  
Agent(s) (if any):

## 8. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) 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.)*
- (iii) Date of Subscription [ ]  
Agreement:
- (iv) Stabilising Manager(s) (if [Not Applicable/give name]  
any):
- (v) If non-syndicated, name of [Not Applicable/give name and address]  
Dealer:
- (vi) US Selling Restrictions: [Reg. S Compliance Category 2 / TEFRA [C/D] Not  
Applicable]

(vii) Prohibition of sales To EEA [Applicable] / [Not Applicable]  
Retail Investors:

*(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*

## 9. BENCHMARKS

Benchmark: [Not Applicable] / [[*Benchmark*] provided by [*Benchmark administrator*]. As at the date hereof, [*Benchmark administrator*] [appears] / [does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). [As far as the Issuer is aware, *EITHER* [[*Benchmark administrator*] does not fall within the scope of the Benchmarks Regulation] OR [the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that [*Benchmark administrator*] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence)].]]

## 10. REASONS FOR OFFER

Reasons for offer: [General funding purposes] / [To [finance] / [refinance] Eligible [Green] / [Social] / [Sustainability] Projects]

## **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 depositary or a common depositary (in the case of a CGN) or a common safekeeper (in the case of an NGN) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as 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 25 April 2019 (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 22 (*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 22 (*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 13(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 13(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 22 (*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 22 (*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](http://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 "**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, Pordenone and Udine.

In 2019, the Issuer became a parent company of Banca Popolare dell'Alto Adige banking group (the "**Parent Company**" and the "**Group**", respectively) as a result of the acquisition of the controlling interest in Voba CB S.r.l., a special purpose vehicle (SPV), which is a transferee of the guarantees for the covered bonds to be issued by Banca Popolare dell'Alto Adige according to the funding programme provided for in the 2019 – 2023 business plan. See "*Description of the Issuer – Significant events after the year end – Acquisition of controlling interest in Voba*" section for further information.

The Group is subject to the consolidated banking supervision.

### 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 Register of banks (*Albo delle banche*) and the Register of banking groups (*Albo dei gruppi bancari*), each held by the Bank of Italy, under the number 5856 and with the Italian Banking Association (*Associazione Bancaria Italiana*) under the number 05856.

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 "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 2018, the Issuer's issued and fully paid up share capital amounted to Euro 201,993,752 divided into 50,498,438 ordinary shares. Shares do not have restrictions or privileges of any kind and each share gives to the holder voting rights (one vote per share) and equal rights for the payment of dividends and redemption of capital, save for 1,533,352 own shares held by the Issuer which do not give voting rights or rights for the payment of dividends. See "*Description of the Issuer – Recent developments – Issue of scrip shares*" section for further information.

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. As of 15 March 2019, 323,404 shares of the Issuer for a total value of Euro 4,272,612.50 are traded on the order driven segment of the MIM-MTF (Multilateral Italian Market - Multilateral Trading Facility recognised by CONSOB), which is the market organised and managed by Hi-MTF Sim S.p.A. and specialised in trading bank shares not listed on the regulated market.

### **Voting rights and limits**

Each share gives the right to one vote.

Each party entitled to vote may exercise the voting rights without any limitation to the number of shares held.

The right to attend and vote at the shareholders' meetings may also be given to the persons who are not shareholders of the Issuer. The by-laws of Banca Popolare dell'Alto Adige provide for the possibility to delegate the right to attend and vote at the shareholders' meeting to a proxy appointed by the Board of Directors pursuant to voluntary application of the regulations applicable to the listed companies.

Each proxy may represent up to 200 shareholders. Members of the Board of Directors or the Board of Statutory Auditors and employees of Banca Popolare dell'Alto Adige or its subsidiary company may not delegate their rights to a proxy.

## 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 is responsible for strategic supervision and oversight of business management and must ensure that the risks to which the Issuer is exposed in its business are properly managed. According to the Issuer's by-laws, the Board of Directors may consist of a minimum of nine and maximum of twelve directors, appointed by the shareholders' meeting for a period not longer than three years and may be re-elected.

The Board of Directors in office at the date of this Base Prospectus is comprised of eleven members (in 2018, one Director ceased to be the member of the Board of Directors due to death and has not been replaced) 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. 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.

The table below sets forth the composition of the Issuer's Board of Directors as at the date of this Base Prospectus and the main positions held by the members of the Board outside the Issuer.

<b>Name</b>	<b>Position</b>	<b>Main positions held outside Banca Popolare dell'Alto Adige</b>
Michaeler Otmar	Chairman	Sole Director of The Anton Srl (Holding of FMTG Group AG) – A and CEO of FMTG Group – A and Executive Director of subsidiary companies  Sole Director of Michaeler Management & Investments srl – Varna and Executive Director of controlled companies
Cabion Maria Giovanna	Deputy-chairman	Standing Auditor of Ialc Serramenti srl – Vicenza
Salvà Lorenzo	Deputy-chairman	Senior Partner of Law firm Studio legale Salvà Mellarini De Carlo – Merano
Bertacco Lorenzo	Non-executive, Independent Director	Chairman Board of Directors of Salus srl – Marostica and Executive Director of subsidiary company

<b>Name</b>	<b>Position</b>	<b>Main positions held outside Banca Popolare dell'Alto Adige</b>
Covi David	Non-executive, Independent Director	Partner of Law firm Studio Legale Gostner & Partner – Bolzano
Froschmayr Philip	Non-executive Director	CEO of Progress Invest spa – Bressanone and Executive Director of subsidiary companies
Ladurner Lukas	Executive Director	Sole shareholder of LL International spa – Tirolo and Executive Director of subsidiary companies
Marzola Alessandro	Non-executive Director	Director of Givada Finanziaria e immobiliare srl – Bolzano and Executive Director of subsidiary companies Director of Marzola snc di Ivan Marzola & Co. – Bressanone and Executive Director of subsidiary companies
Padovan Giuseppe	Executive Director	Senior Partner of Law firm Studio legale Padovan – Bassano
Tauber Margit	Non-executive, Independent Director	Director of Rabensteiner srl – Bressanone
Wierer Gregor	Non-executive Director	Legal representative of Baugut srl – Brunico

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 adopted by 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 Base 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 as at the date of this Base Prospectus was appointed at the ordinary and extraordinary shareholders' meeting of the Issuer held on 30 March 2019 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 2021.

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 is required by law to attend the Board of Directors' meetings and the shareholders' meetings.

The table below sets forth the composition of the Issuer's Board of Statutory Auditors as at the date of this Base Prospectus and the main positions held by the members of the Board outside the Issuer.

<b>Name</b>	<b>Position</b>	<b>Main positions held outside Banca Popolare dell'Alto Adige</b>
Kofler Astrid	Chairman	Senior Partner of Certified public accountants firm Studio K&P Tax Consulting - Bolzano, Milano  Member of the board of directors of Rail Traction Company spa – Bolzano  Member of the board of directors of SASA spa – Bolzano
Hesse Georg	Standing Auditor	Senior Partner of Certified public accountants firm Studio Hesse & Baldessarelli – Merano Standing Auditor of Botzen Invest spa – Bolzano Standing Auditor of Eisackwerk Rio Pusteria srl – Bolzano Sole Auditor of Foppa srl – Egna Sole Auditor of Haas I&S srl – Ora Sole Auditor of Haas srl – Ora Standing Auditor of Roner spa Standing Auditor of Infominds Group srl – Bressanone Standing Auditor of Infominds spa – Bressanone Standing Auditor of Molino Merano srl – Lana Chairman board of statutory auditors of Roefix spa – Parcines Sole Director of Saelen srl – Merano Managing Partner Risberg sas – Parcines Standing Auditor of Fir Fulda srl – S.Ambrogio di Torino
Lorenzon Emilio	Standing Auditor	Standing Auditor of Karl Pichler spa – Lugano Partner of Certified public accountants firm Studio Pichler, Dejori, Comploj & Partner – Bolzano Standing Auditor of Arrow ECS spa – Bolzano Standing Auditor of Delmo spa – Bolzano Chairman of the board of statutory auditors of JOY TOY spa – Natz

<b>Name</b>	<b>Position</b>	<b>Main positions held outside Banca Popolare dell'Alto Adige</b>
Dapoz Nadia	Alternate Auditor	<p>Satutory Auditor of Liebherr Emtec Italia spa - Bressanone</p> <p>Standing Auditor of Pramstrahler srl - Fié Sciliar</p> <p>Standing Auditor of Viega srl - Valsamoggia</p> <p>CEO of PSE DUO Holding srl - Bolzano</p> <p>Member of the Board of Directors PSE Holding Italy srl - Bolzano</p> <p>CEO of IT PC II srl - Bolzano</p> <p>Consultant of Certified public accountants firm Studio Hager &amp; Partner – Bolzano, Milano, Roma</p> <p>Member of the board of directors of Alerion Clear Power spa - Milano</p> <p>Standing Auditor of Alimco Fin spa - Bolzano</p> <p>Standing Auditor of Biomasse Sicilia spa – Terre di Chiesa</p> <p>Standing Auditor Energie spa - Bolzano</p> <p>Chairman of the board of statutory auditors of Idroeletich Preroman spa – S.Martino Badia</p> <p>Standing Auditor of Ravensburger srl - Milano</p> <p>Standing Auditor of Sper Spa - Bolzano</p> <p>Standing Auditor of Villa eden Gardone spa - Bolzano</p>
Wisthaler Markus	Alternate Auditor	<p>Partner of Certified public accountants firm Studio Peintener, Seidner &amp; Partner – Bressanone</p> <p>Standing Auditor of ACS Data System spa – Bolzano</p> <p>Standing Auditor of Nuova Montecavallo srl – Vipiteno</p> <p>Chairman of the board of statutory auditors of Infominds Group srl - Bressanone</p> <p>Chairman of the board of statutory auditors of Infominds spa - Bressanone</p> <p>Member of the board of directors of HR Services &amp; Consulting STP srl – Bolzano</p> <p>Managing partner of October s.sempl. - Bressanone</p>

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 amended by the

CONSOB's Decisions No. 17389 of 23 June 2010, No. 19925 of 22 March 2017 and No. 19974 of 17 April 2017) ("**CONSOB Regulation 17221**") 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 most recently of 25 October 2015, 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 Base Prospectus, the following persons 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 Base 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 2018, the Issuer did not enter into any atypical transactions with the members of its Board of Directors, where such transactions could have a significant effect on 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 outside the Issuer 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 an independent auditing company 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 KPMG S.p.A. ("**KPMG**"), with a registered office at Via Vittor Pisani 27, 20124 Milan, Italy. KPMG is registered on the Register of certified auditors (*Registro dei revisori legali*) held by the Ministry of Economy and Finance ("**MEF**") pursuant to Legislative Decree No. 39 of 27 January 2010. The shareholders' meeting of Banca Popolare dell'Alto Adige appointed KPMG to audit the Issuer's consolidated financial statements for the years 2019 – 2027.

Pursuant to Italian Legislative Decree No. 38 of 28 February 2005 (as amended by Article 1, paragraph 1070 of Law No. 145 of 30 December 2018), Italian banks, which have securities admitted to trading on a regulated market, are required to prepare, starting from annual financial statements as at and for the year ended 31 December 2006, their non-consolidated annual financial statements in accordance with International Financial Reporting Standards issued by the IASB (International Accounting Standards Board) ("**IFRS**") and as adopted by the European Union. Financial statements of the Issuer prepared before such date were prepared in accordance with Legislative Decree No. 87 of 27 January 1992 and with the 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 2017 and 31 December 2018 were audited by BDO, in accordance with generally accepted auditing standards and legal requirements in Italy. The independent auditors have issued unqualified auditors' reports related to such financial statements.

## **ORDINARY SHAREHOLDERS' MEETINGS**

Pursuant to Article 11 of 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 Gazette 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 on 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 2018, the Issuer had a network of 170 branches located in the Italian north-east provinces of Bolzano, Trento, Belluno, Treviso, Vicenza, Padova, Pordenone and Venice (as compared to 177 branches as at 31 December 2017).

## **EQUITY INVESTMENTS**

As at the date of this Base Prospectus, Banca Popolare dell'Alto Adige is the Parent Company of the Group. See "*Description of the Issuer - Overview*" and "*Description of the Issuer – Significant events after the year end – Acquisition of controlling interest in Voba*" sections for further information.

## **COMPANIES CONTROLLED BY THE ISSUER**

<b>Company name</b>	<b>Registered Office</b>	<b>Activity</b>	<b>Total assets</b>	<b>Stake</b>
<i>(euro thousands)</i>				



Voba Invest S.r.l. (in liquidation) (*)	Bolzano	Private Equity	2,191	100,00
Valpolicella Alta Società Agricola S.r.l. (*)	Bolzano	Vineyards cultivation	4,387	100,00
Quartiere Brizzi S.r.l. (*)	Chienes	Real estate development company	6,031	100,00
Voba CB S.r.l.	Conegliano	Special Purpose Vehicle	10,00	60,00

(\*) The figures for the equity investments are derived from the Issuer's financial statements as at and for the year ended 31 December 2018.

## RATING

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

### *S&P*

On 30 October 2018, S&P announced that it had affirmed the "BB+" long-term rating of Banca Popolare dell'Alto Adige as well as the "stable" outlook. At the same time, it confirmed the "B" creditworthiness rating for the short term.

According to S&P, the Issuer benefits from its good positioning in the Trentino-Alto Adige region, which traditionally has had pro-capita GDP higher than the average and lower levels of unemployment. Furthermore, S&P also highlighted the Issuer's solid funding profile as a further point of strength.

S&P deems that the Issuer will be capable of maintaining asset quality higher than the average of the Italian banking system while preserving its capitalisation and expects that Banca Popolare dell'Alto Adige will manage to keep the risk adjusted capital ("**RAC**") ratio comfortably above 5 per cent. over the next 12 months and that the NPL ratio will decrease below 10 per cent. in 2019 and further materially decrease afterwards.

S&P would lower the rating if it considers that the asset quality of Banca Popolare dell'Alto Adige is unlikely to progress in line with its expectations, to the point that it no longer considers the asset quality of the Issuer to be better than that of its domestic peers. Rating improvement could happen if operating conditions in Italy stabilise and the Issuer builds up sufficient capital to maintain its RAC ratio sustainably above 7.0 per cent., while keeping all the drivers of its creditworthiness unchanged.

On 26 October 2018, S&P confirmed Italy's "BBB" rating, while changing its outlook from "stable" to "negative".

### *Fitch*

On 3 August 2018, Fitch confirmed the "Long-Terms Issuer Default Rating" of Banca Popolare dell'Alto Adige as "BB+/stable" and the "Short-Term Issuer Default Rating" as "B".

The rating assigned to the Issuer by Fitch takes into consideration the effectiveness of the business model as a regional bank, with a moderate propensity to risk and capital adequacy. The reduction in impaired loans is accelerating and Fitch believes that the Issuer's commitment to returning to its historical low levels of impaired loans (below 10 per cent. of gross loans) is achievable. In the opinion of Fitch, Banca Popolare dell'Alto Adige's moderate franchise in its home region has allowed it to face the changes in interest rates and economic cycles better than the number of its domestic peers. In the view of Fitch, the robust lending standards of the Issuer have kept its credit risk manageable, and the Issuer's capital ratios are maintained with satisfactory buffers over minimum regulatory requirements. The improvement potential reported by Fitch concerns profitability and a more diversified funding.

On 22 February 2019, Fitch affirmed Italy's rating at "BBB" and changed its outlook from "stable" to "negative".

### *DBRS*

On 14 December 2018, DBRS raised the "Long-Term Deposits Rating" of Banca Popolare dell'Alto Adige from "BBB (low)" to "BBB" and the "Short-Term Deposits Rating" from "R-2 (middle)" to "R-2 (high)", while keeping the trend "stable" on both ratings.

According to DBRS, the rating action reflects the introduction in Italy of full depositor preference in bank insolvency and resolution proceedings from 1 January 2019, which follows the implementation in Italy of the EU Bank Recovery and Resolution Directive 2014/59/EU ("**BRRD**") through the adoption of Legislative Decree No. 180/2015 and Legislative Decree No. 181/2015 ("**BRRD Decrees**").

DBRS highlighted the Issuer's solid market positioning in the province of Bolzano in Trentino-Alto Adige, the stable retail funding and the adequate capital cushion. On the other hand, profitability is judged modest and the stock of NPLs remains higher than that of its European peers despite the improvements.

On 11 January 2019, DBRS confirmed Italy's rating at "BBB (high)" with a "stable" outlook.

### **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, as of 1 January 2019, Banca Popolare dell'Alto Adige is required to maintain a total capital ratio (the ratio of total capital to total risk-weighted assets) of 11.75 per cent (on a non-consolidated basis), which is composed of a binding 9.25 per cent. (of which 8 per cent. as a result of the mandatory minimum requirement and 1.25 per cent. as a result of additional requirements determined by the SREP outcome) and for the remaining part by the capital conservation buffer component.

The following table shows 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 2017 and 31 December 2018:

	<b>31/12/2018</b>	<b>31/12/2017</b>
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>(euro thousands)</i>	
Total Common Equity Tier 1 Capital (CET1)	727,860	715,365
Tier 2 Capital	130,000	105,000
Items for deduction	0	0
Total own funds	857,860	821,514
Capital to cover market risk	899	914
Capital to cover credit and counterparty risk	481,865	447,818
Capital to cover other risks	0	0
Capital to cover operational risk	34,991	33,906
Total prudential requirements	517,755	482,638
Free capital <sup>(1)</sup>	340,105	338,876
Risk-weighted assets (RWA)	6,471,938	6,032,971
Common Equity Tier 1 capital/Risk-weighted assets (CET1 capital ratio)	11.25%	11.86%
Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)	11.25%	11.86%
Total own funds/Risk-weighted assets (Total capital ratio)	13.26%	13.62%

(1) Free capital represents the capital available for investments 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 2018 and 31 December 2017 according to category of debtor and type of loan:

	<b>31/12/2018</b>		<b>31/12/2017</b>	
	<i>(Audited)</i>		<i>(Audited)</i>	
	<b>Value</b>	%	<b>Value</b>	%
	<i>(euro thousands)</i>		<i>(euro thousands)</i>	
<b>Loans to Banks</b>				
Due to central banks	44,984	0.53	104,016	1.33
Repurchase agreements	0	0.00	0	0.00
Current accounts	2,049	0.02	3,990	0.05
Deposits	50	0.00	50	0.00
Financing	1,846	0.02	1,690	0.02

Other	0	0.00	0	0.00
Debt instruments	34,430	0.41	0	0.00
<b>Total loans to banks</b>	<b>83,359</b>	<b>0.98</b>	<b>109,746</b>	<b>1.41</b>

#### Loans to customers

Current accounts	1,310,029	15.43	1,359,048	17.44
Repurchase agreements	0	0.00	0	0.00
Mortgages	5,220,132	61.49	4,836,447	62.06
Credit card and personal loans	119,866	1.41	118,494	1.52
Leasing	0	0.00	0	0.00
Factoring	0	0.00	0	0.00
Other	490,530	5.78	478,963	6.15
Structured debt	7,183	0.08	0	0
Other debt securities	1,257,776	14.82	890,392	11.43
<b>Total loans to customers</b>	<b>8,405,516</b>	<b>99.02</b>	<b>7,683,344</b>	<b>98.59</b>
<b>Total loans</b>	<b>8,488,829</b>	<b>100.00</b>	<b>7,793,090</b>	<b>100.00</b>

## LIQUIDITY AND FUNDING RATIOS

The table below sets forth the liquidity and funding ratios of Banca Popolare dell'Alto Adige as at 31 December 2018 and 31 December 2017.

	<b>31/12/2018</b>	<b>31/12/2017</b>
	<i>(euro million)</i>	
Repos	369.9	172.8
Deposits from other banks	297.6	156.0
Other deposits from customers	612.5	584.1
Deposits from government / central banks	1,120.6	994.7
Debt securities in issue, trading and FV liabilities	698.2	956.7
Current accounts, demand and time deposits from customers	6,003.0	5,640.0
<b>Total</b>	<b>9,101.8</b>	<b>8,504.2</b>
LCR	126%	177%
NSFR	110%	115%

## 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 2018 and 31 December 2017:

	<b>31/12/2018</b>	<b>31/12/2017</b>
	<i>(Audited)</i>	<i>(Audited)</i>
	<b>Value</b>	<b>Value</b>
	<i>(euro thousands)</i>	<i>(euro thousands)</i>

Non-performing loans, nominal	662,549	959,518
Provisions	291,744	417,033
Non-performing loans, net	370,805	542,485

## LOAN LOSSES AND PROVISIONS

The following table sets out non-consolidated information on the Issuer's loan losses and provisions as at 31 December 2018 and 31 December 2017 (excluding off-balance sheet exposure):

	<b>31/12/2018</b> <i>(Audited)</i>	<b>31/12/2017</b> <i>(Audited)</i>
	<i>(euro thousands)</i>	
Total loans to customers, net exposure	7,227,653	6,961,712
Write-downs effected against loans and allocations for guarantees and commitments	60,726	48,557
Total provision for loan losses	352,726	465,590
Write-downs as percentage of loans to customers(*)	0.84%	0.70%
Total provision for loan losses as percentage of loans to customers (*)	4.880%	6.688%

(\*) 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 2018 and 31 December 2017:

	<b>31/12/2018</b> <i>(Audited)</i>	<b>31/12/2017</b> <i>(Audited)</i>
	<b>Value</b>	<b>Value</b>
	<i>(euro thousands)</i>	
Impaired off balance sheet exposure, nominal	28,844	10,368
Other off balance sheet exposure, nominal	2,771,765	825,336
Portfolio adjustments	0	0
Impaired off balance sheet exposure, net	25,207	9,237
Other off balance sheet exposure, net	2,768,553	825,336

## STRATEGY

In December 2018, the Board of Directors of the Issuer approved new 2019-2023 business plan.

The following strategic guidelines to pursue further improvements in productivity, efficiency and profitability with focus on organic value creation were set for the five business lines.

- **Retail:** broaden the value chain by offering "solutions for living" instead of simple mortgages, strengthen fee income by restarting the BankAssurance platform, orchestrate "phygital mindset" and target operational excellence across the branch network.
- **Corporate & Private:** stronger focus on RoE, Account Managers in the role of sparring partners of client's business plans for selected key sectors with sustainable growth (e.g. tourism).
- **Workout:** new cooperation model with legal advisors, which will lead to a further decrease of the NPL portfolio volumes and risk to below 6 per cent.
- **Markets & ALM:** focus on Maturity Transformation and selective diversification strategies, implementation of ALM and Trading Book guidelines while maintaining low P&L volatility, further diversification of the funding mix and definition of a complete Capital Roadmap.
- **Head Office:** strengthen Data Governance, consolidation of the "phygital mindset", persistent focus on reducing external costs and realisation of economies of scale with the IT Provider.

## 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. In addition, a well-structured internal framework, which is regularly checked to ensure its efficiency, is in place to clearly define activities, roles and responsibilities of relevant persons at the Issuer during all phases of the loan process and to ensure the necessary separation between operational and control functions.

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 second 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. The compliance office is responsible for ensuring that internal procedures are consistent with the aim of preventing violations of laws and regulations and/or internal regulations adopted by Banca Popolare dell'Alto Adige;
- *audits*: performed by the internal audit department as part of its on-site 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 that can be agreed for a business group, individual counterparty that is not a bank or a member of a banking group is established as 10 per cent. of the Own Funds ("*Fondi Propri*") (€57.9 million as at 31 December 2018).

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 Office, 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, forborne 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 in charge of managing and monitoring such loans;
- 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 signs 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 overdrafts, 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);
- *forborne*: 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 restructuring of debt, extending the loan term, suspension of instalments/principal portions, reducing the interest rate or relevant fees payable on the loan, 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 doubtful 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 Doubtful Loans Service, 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, unlikely-to-pay positions with exposures above Euro 25,000 and all the doubtful loans 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 IFRS 9, 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 "Investment Policy" and the "*Limits and operational powers for finance and liquidity*" documents. Both documents are 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 Office, which produces daily and monthly reports subject to scrutiny by the Internal Finance Committee, on a weekly basis, and by 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 control processes on overall trading portfolio transactions. In general, the limits are classified according to the various types of market risk (interest rate and price), 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.

## **LIQUIDITY RISK MANAGEMENT**

Liquidity risk is the risk that Banca Popolare dell'Alto Adige might not be able to meet its payment obligations when due, which would compromise day-to-day operations or the financial situation of the Issuer.

Liquidity risk management is described in the document "Liquidity and Funding Policy", which is reviewed and approved annually by the Board of Directors of the Issuer. The policy defines:

- the organisational model, that assigns roles and responsibilities to the offices involved in the liquidity management and control process;

- policies for managing operational and structural liquidity, indicating the models and metrics used to assess, monitor and control liquidity risk and for performing stress tests;
- Contingency Funding Plan (CFP), which provides the organisational processes and interventions undertaken to restore standard conditions in liquidity management in addition to providing a description of indicators to determine any critical situations.

In particular, the policy concerns the provisions on the governance and management of liquidity risk contained in Bank of Italy Circular No. 285 of 17 December 2013, as amended. The rules and regulations are based on the principle that an adequate liquidity risk governance and management system integrated with the overall risk management system, is fundamental for maintaining the stability of individual banks and the market. This includes rules on matters of organisation and internal controls, as well as the adoption of precise management instruments and public disclosure obligations, which although proportional to the operational size, organisational complexity and type of the activities performed by the individual banks, require a significant commitment on their part.

The management of liquidity risk is allocated to the Treasury Office, which operates under the direct management of the Finance Department. However, the definition and control of compliance with operational limits lies with the Risk Management Office. General Management is responsible for governance over liquidity, both as regards compliance with the limits defined and as regards tactical and structural funding strategies. In the event of liquidity emergencies, General Management is also responsible for activation, management, and coordination of the Issuer's Contingency Funding Plan.

An essential element, is the distinction between short-term operational liquidity (under 12 months) and medium/long-term structural liquidity (over 12 months). The former addresses unexpected critical situations due to specific shocks in the Issuer or the market; the latter, meets the need to ensure optimal management from a strategic standpoint, transformation of maturities between funding and loans, by balancing asset and liability maturities in order to prevent any future crises in liquidity.

The containment of exposure to liquidity risk is pursued primarily through a structured set of guidelines, operational decisions, and organisational control.

Measurement and control of operational liquidity and structural liquidity were defined by means of a system of indicators, limits, and reports, including daily. In particular, a maturity ladder was prepared, which is a system that monitors net financial position that reports the balances and therefore the imbalances between expected inflows and outflows over predefined time bands and, through the formation of cumulative imbalances, calculates the net financial requirement (or surplus) in the time horizon considered.

The Issuer uses the Liquidity at Risk (LaR) model in order to measure its liquidity risk; this is based on observing the "independent" negative net flows of liquidity – taking into consideration the historical series of the last 5 years – applying the Extreme Value Theory, which allows accuracy to be improved for high confidence levels. More in particular, the following daily balances are used: mandatory reserve at the Bank of Italy, inter-bank deposits, bond issues, securitisations, movement of securities owned, and extraordinary flows. The data is processed to determine the daily cash flow linked solely to decisions not under the direct control of the Issuer (Treasury Office) and so resulting from customer conduct. The 3 confidence levels in question should represent the Issuer's liquidity needs under normal conditions (up to the LaR

value at 99% confidence), stress (up to 99.9%) and critical (up to 99.99%) at 1 day, 1 week (5 business days), 2 weeks (10 business days) and at one month (20 business days).

Other fundamental liquidity risk management functions relate to a stress test program aimed at evaluating the Issuer's vulnerability to exceptional but plausible events. In particular, stress testing is performed in terms of scenario analyses, consistent with the definition of liquidity risk adopted and attempting to simulate the behaviour of the Issuer's cash flow under unfavourable conditions, making subjective assumptions based on the Issuer's experience and/or instructions provided by supervisory regulations and guidelines.

Moreover, the organisational layout of the structures and functions responsible for managing liquidity and the related controls and contingency plans to be implemented in times of stress or crisis (CFP, Contingency Funding Plan) are clearly defined in the policy; a contingency is declared when there is problematic progression in a predefined series of external and internal factors.

Finally, starting from 2011, the Issuer defined a "Policy on the Internal Transfer Price System" (TIT).

## **OPERATIONAL RISK MANAGEMENT**

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 Control 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;
- mitigation of expected effects of such events;
- enhancement of the overall operational efficiency;
- protection of the Issuer'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 Control 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 operational 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.

## **SIGNIFICANT EVENTS DURING THE YEAR**

### *Issue of subordinated Tier 2 instruments*

During the year ended 31 December 2018, Banca Popolare dell'Alto Adige issued Tier 2 subordinated bonds pursuant to and in accordance with the provisions set forth in Part II, Title I, Chapter 4, Articles 62, 63 and 77 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms ("**CRR**") and Bank of Italy Circular No. 285 of 17 December 2013 "*Application in Italy of Regulation (EU) No. 575/2013 (CRR) and directive 2013/36/EU (CRD 4)*", Part II, Chapter I.

### *Payment of the price for withdrawing shareholders following transformation into a joint-stock company*

As a result of the transformation of Banca Popolare dell'Alto Adige into a joint-stock company, pursuant to Article 2437, paragraph 1, letter b) of the Italian Civil Code, the shareholders of the Issuer who did not vote in favour of the resolution for the transformation of the Issuer into a joint-stock company approved by the extraordinary shareholders' meeting of 26 November 2016 were granted the right to withdraw.

Pursuant to Article 2437-ter, paragraphs 2 and 5 of the Italian Civil Code, the Issuer determined the settlement value of the shares subject to withdrawal as Euro 12.10 and provided the members and shareholders of the Issuer with a report dated 7 November 2016 containing a description of the methodology used for determining such value.

At the end of the period set by the Issuer for the exercise by the shareholders of withdrawal rights, the withdrawal rights were exercised for 2,645,188 shares. Such shares were therefore offered under option to the other shareholders of Banca Popolare dell'Alto Adige who did not exercise the right to withdraw, pursuant to Article 2437-quater, paragraphs 1 to 3 of the Italian Civil Code. At the end of the option period, options were exercised on a total of 823,077 shares.

With reference to 1,822,111 shares subject to withdrawal and not absorbed by the market, the Issuer purchased 1,533,352 shares reducing the own funds. As regards 289,081 shares, for which the withdrawing shareholders brought legal proceedings before the Court of Bolzano contesting the redemption price, Banca Popolare dell'Alto Adige paid, pursuant to the orders made by the Court of Bolzano in the period from 22 January 2019 to 12 February 2019, the redemption price by way of an advance. As at the date of this Base Prospectus, the Issuer is awaiting the outcome of the legal proceedings in order to define the conditions for the redemption on account of own funds. Any such redemption will be subject to prior approval by the Bank of Italy.

#### *Withdrawal from SEC*

On 30 November 2018, Banca Popolare dell'Alto Adige completed disposal of the shares held in the capital of Sec Servizi S.p.A. ("**SEC**"), which provides technology services and software applications to financial institutions.

### **SIGNIFICANT EVENTS AFTER THE YEAR END**

#### *Acquisition of controlling interest in Voba*

On 4 February 2019, in accordance with the banking supervisory procedures, the Issuer acquired a controlling interest in Voba CB S.r.l. ("**Voba**"), a special purpose vehicle (SPV) and a transferee of the guarantees over the covered bonds (guaranteed bank bonds pursuant to Law No. 130/1999, Article 7-*bis* and the implementing regulation adopted by MEF Decree No. 310/2006), which Banca Popolare dell'Alto Adige intends to issue beginning from the second semester of 2019 according to the funding programme included in the 2019 – 2023 business plan.

Following the acquisition of Voba, the Issuer requested and obtained the registration in the Register of banking groups (*Albo dei gruppi bancari*) held by the Bank of Italy.

Pursuant to Article 61 of Legislative Decree No. 385 of 1 September 1993 (the "**Consolidated Banking Law**"), the Issuer gives instructions to Voba for the implementation of the directives of the Bank of Italy and other supervisory authorities in the interest of the stability of the Group.

### **RECENT DEVELOPMENTS**

#### *Shareholders approval of 2018 non-consolidated financial statements*

The ordinary shareholders' meeting of Banca Popolare dell'Alto Adige held on 30 March 2019 approved the non-consolidated financial statements of Banca Popolare dell'Alto Adige as at and for the year ended 31 December 2018, together with the distribution to the shareholders of a dividend of Euro 0.27 per share.

#### *Issue of scrip shares*

On 8 June 2018, the Board of Directors of Banca Popolare dell'Alto Adige resolved upon the issue, pursuant to Article 5, paragraph 8 of the by-laws, of 631,982 ordinary bonus shares. The bonus shares were offered in the ratio of 0.117 newly issued shares to every share in the share capital of the Issuer received by the shareholders of the former Banca Popolare di Marostica (the "**Marostica Shareholders**") upon the incorporation of the latter into the Issuer on 1 April 2015 (the "**Exchange Shares**").

The offer of the bonus shares was subject to the satisfaction by the Marostica Shareholders of a retention requirement, which provided that only those of the Marostica Shareholders who have held their respective Exchange Shares from 1 April 2015 for the periods of 12 months and 24 months, respectively, would be entitled to receive the bonus shares, so that:

- no bonus shares were due to the Marostica Shareholders who, in the period from 1 April 2015 to 31 March 2016, sold any of their Exchange Shares;
- the shareholders who have held all of their Exchange Shares for the first 12 months of the retention period were allocated bonus shares in proportion to the number of days they held the Exchange Shares in the period from 1 April 2016 to 31 March 2018, and
- the sale and transfer for consideration of the Exchange Shares did not transfer the right to receive bonus shares to the assignee; the transfer made upon the donor's death (*mortis causa*) or as a donation conferred upon the legitimate heir or to the donee the right to receive bonus shares, provided the retention requirement was complied with.

The bonus shares were issued with effect as of 1 January 2018, with the settlement date on 29 June 2018. A total of 638,509 bonus shares were issued by transfer of Euro 2,554,036.00 from the Issuer's available reserves to its share capital. Therefore, as at the date of this Prospectus, the fully paid-up share capital of Banca Popolare dell'Alto Adige amounts to Euro 201,993,752.00, divided into 50,498,438 ordinary shares. The issue of bonus shares and share capital increase were filed for registration pursuant to the provisions of applicable law.



## 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 2018 and 2017, in each case together with the accompanying notes and auditor' reports. Such financial statements, together with the accompanying note and auditor' 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 auditor' 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 2018 and 2017 have been audited by BDO Italia S.p.A, which has been appointed by the shareholders' meeting of Banca Popolare dell'Alto Adige held on 27 April 2011 to audit financial statements of the Issuer for the 6-year period from 2013 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](http://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 2018 and 2017.

## ANNUAL BALANCE SHEETS

Assets	As at 31 December	
	2018	2017
	(Euro)	
10. Cash and cash equivalents	83,017,850	71,358,997
20. Financial assets designated at fair value through profit and loss	290,022,083	199,065,518
a) <i>financial assets held for trading</i>	3,258,439	11,494,684
b) <i>financial assets designated at fair value</i>	-	-
c) <i>other financial assets compulsorily measured at fair value</i>	286,763,644	187,570,835
30. Financial assets measured at fair value with impact on overall profitability	829,144,042	1,004,413,149
40. Financial assets measured at amortised cost	8,488,828,633	7,793,089,996
a) <i>loans to banks</i>	83,358,663	109,745,557
b) <i>loans to customers</i>	8,405,469,970	7,683,344,439
50. Hedging derivatives	-	-
60. Value adjustment of hedged financial assets (+ / -)	-	-
70. Equity investments	5,745,476	5,793,248
80. Physical assets	135,964,893	139,577,074
90. Intangible assets	118,731,281	119,213,815
<i>of which:</i>		
a) <i>goodwill</i>	99,601,776	99,601,776
100. Tax assets	174,704,904	169,106,370
a) <i>current</i>	54,806,801	59,540,633
b) <i>prepaid</i>	119,898,103	109,565,737
110. Non-current assets and groups of assets held for sale	12,923,130	-
120. Other assets	136,479,833	136,318,027
<b>Total assets</b>	<b>10,275,562,125</b>	<b>9,637,936,194</b>

## ANNUAL BALANCE SHEETS

Liabilities and shareholders' equity		As at 31 December	
		2018	2017
		(Euro)	
10.	Financial liabilities measured at amortised costs	9,101,606,665	8,501,056,421
	<i>a) payable to banks</i>	1,418,187,385	1,150,659,435
	<i>b) payables to customers</i>	6,985,198,803	6,396,871,221
	<i>c) outstanding securities</i>	698,220,477	953,525,765
20.	Financial liabilities held for trading	1,429,146	2,030,173
30.	Financial liabilities designated at fair value (IFRS 7, para. 8 letter e))	-	1,049,676
40.	Hedging derivatives	-	-
50.	Value adjustment of hedged financial liabilities (+ / -)	-	-
60.	Tax liabilities	31,253,822	33,831,834
	<i>a) current</i>	4,291,065	3,668,215
	<i>b) deferred</i>	26,962,757	30,163,619
70.	Liabilities associated with assets held for sale	-	-
80.	Other liabilities	266,228,646	188,923,598
90.	Employee severance indemnities	19,113,484	19,751,789
100.	Provisions for risks and charges	20,728,394	17,923,096
	<i>a) commitments and guarantees given</i>	6,848,854	1,131,318
	<i>b) pensions and similar obligation</i>	-	-
	<i>c) other provisions for risks and charges</i>	13,879,540	16,791,778
110.	Valuation reserves	(15,387,236)	681,778
120.	Redeemable shares	-	-
130.	Equity instruments	-	-
140.	Reserves	249,733,758	284,365,657
150.	Issue premium	383,158,533	383,158,533
160.	Capital	201,993,752	199,439,716
170.	Treasury shares (-)	(18,553,559)	(18,553,559)
180.	Profit (Loss) for the year (+/-)	34,256,720	24,277,481
	<b>Total liabilities and shareholders' equity</b>	<b>10,275,562,125</b>	<b>9,637,936,194</b>

## ANNUAL INCOME STATEMENTS

		For the year ended 31 December	
		2018	2017
		(Euro)	
10.	Interest receivable and similar income <i>of which: interest income calculated according to the effective interest method</i>	194,394,238 <i>182,237,147</i>	181,256,313 <i>167,443,931</i>
20.	Interest paid and similar charges	(29,001,999)	(29,320,643)
<b>30.</b>	<b>Interest margin</b>	<b>165,392,239</b>	<b>151,935,670</b>
40.	Commission income	99,280,360	97,895,095
50.	Commission expense	(10,168,404)	(9,689,201)
<b>60.</b>	<b>Net fee</b>	<b>89,111,956</b>	<b>88,205,894</b>
70.	Dividends and similar income	3,124,468	4,476,479
80.	Net result of trading	2,825,697	2,281,525
90.	Net result of hedging	-	-
100.	Profit (losses) on disposal or repurchase of:	2,731,618	10,829,366
	<i>a) financial assets measured at amortised cost</i>	817,935	(2,869,508)
	<i>b) financial assets measured at fair value with an impact on comprehensive income</i>	1,605,395	13,278,185
	<i>c) financial liabilities</i>	308,288	420,689
110.	Net profit (loss) from other financial assets and liabilities measured at fair value with an impact on the income statement	(5,975,153)	(1,100,165)
	<i>a) financial assets and liabilities designated at fair value</i>	-	(66,841)
	<i>b) financial liabilities compulsorily valued at fair value</i>	(5,975,153)	(1,033,324)
<b>120.</b>	<b>Net receipts from banking</b>	<b>257,210,825</b>	<b>256,628,769</b>
130.	Net adjustments/write-backs on credit risk:	(39,014,778)	(59,450,367)
	<i>a) financial assets measured at amortised cost</i>	(38,256,256)	(52,046,970)
	<i>b) financial assets measured at fair value with an impact on comprehensive income</i>	(758,522)	(7,403,397)
140.	Gains (losses) from contractual amendments without write-downs	6,283	-
<b>150.</b>	<b>Net result of financial management</b>	<b>218,202,330</b>	<b>197,178,402</b>
160.	Administrative expenses:	(181,133,400)	(174,426,100)
	<i>a) personnel expenses</i>	(98,330,910)	(99,771,207)
	<i>b) other administrative expenses</i>	(82,802,490)	(74,654,893)
170.	Net provisions for risks and charges	(4,132,648)	(2,741,226)

	<b>For the year ended 31 December</b>	
	<b>2018</b>	<b>2017</b>
	<i>(Euro)</i>	
<i>a) credit risk relating to commitments and guarantees given</i>	930,522	(51,632)
<i>b) other net provisions</i>	(5,063,170)	(2,689,594)
180. Net adjustments/write-backs on physical assets	(8,935,743)	(7,042,860)
190. Net adjustments/write-backs on intangible assets	(1,162,784)	(1,336,198)
200. Other operating income / expenses	19,037,349	21,000,211
<b>210. Operating costs</b>	<b>(176,327,226)</b>	<b>(164,546,173)</b>
220. Profit (losses) on equity investments	22,227	(34,264)
230. Net result of measurement at fair value of tangible and intangible assets	-	-
240. Goodwill value adjustments	-	-
250. Profit (losses) on disposal of investments	2,176,467	305,619
<b>260. Profit (loss) from current operations before tax</b>	<b>44,073,798</b>	<b>32,903,584</b>
270. Income taxes on current operations	(9,817,078)	(8,626,103)
<b>280. Profit (loss) from current operations after tax</b>	<b>34,256,720</b>	<b>24,277,481</b>
290. Profit (Loss) on discontinued operations after tax	-	-
<b>300. Profit (Loss) for the year</b>	<b>34,256,720</b>	<b>24,277,481</b>

## 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 No. 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 No. 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 No. 239 also applies pursuant to article 2, paragraph 22, of Law Decree No. 138 of 13 August 2011 to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, inter alia, Italian banks, other than shares and assimilated instruments.

#### *Italian resident Noteholders*

Pursuant to Decree No. 239, where the Italian resident holder of 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; 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) (unless they have entrusted the management of their 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**"). 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 individual savings account (*piano individuale 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**") and in Article 1, paragraph 211 – 215, of Law No. 145 of 30 December 2018 ("**Law No. 145**").

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**"), investment companies with a variable capital ("**SICAVs**"), investment companies with fixed capital ("**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 Italian real estate SICAFs; 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).

Subject to certain conditions (including minimum holding period) and limitations, Interest relating to the Notes may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100 - 114) of Law No. 232 and in Article 1 (211 – 215) of Law No. 145.

### **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, paragraph 4, letter 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 included in the White List; 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 Law No. 232 and in Article 1 (211 – 215) of Law No. 145.

### ***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.

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. 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. 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*) that meets the requirements set forth in Article 1, paragraph 100 – 114, of Law No. 232 and in Article 1 (211 – 215) of Law No. 145.

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.

Subject to certain conditions (including minimum holding period) and limitations, capital gains in respect of Notes realized upon sale, transfer or redemption by Italian Pension Fund may be excluded from the taxable base of the Pension Fund Tax if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100 - 114) of Law No. 232 and in Article 1 (211 – 215) of Law No. 145.

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, paragraph 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 (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return), 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 EUR 15,000 threshold throughout the year.

### ***Stamp duty***

Pursuant to Article 13, paragraph 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 EUR 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 at the end of the holding period) 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.

Joint statements issued on 8 December 2015 by participating Member States, except Estonia, indicate an intention to implement the FTT by the end of June 2016. On 16 March 2016, Estonia completed the formalities required to leave the enhanced co-operation on FTT. On 7 December 2017, the Council of the European Union announced that further work on FTT will be required before a final agreement on this dossier can be reached among the Member States participating in the enhanced co-operation.

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 may be 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 the date that is two years after the publication of the final regulations defining "foreign passthru payment" and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes or Residual Certificates. 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**

Unless 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 or superseded.

## **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.

Accordingly, each of the Dealers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Base Prospectus and any other document relating to the Notes in the Republic of Italy except:

- (1) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Decree No. 58**") and defined in Article 34-ter, paragraph 1, let. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**") or

- (2) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

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. 20307 of 15 February 2018 (in each case, as amended from time to time) and any other applicable laws and regulations;
- (b) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy and the relevant implementing guidelines of the Bank of Italy issued on 25 August 2015 (as amended on 10 August 2016); and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

#### ***Provisions relating to the secondary market in the Republic of Italy***

Investors should also note that, in any subsequent distribution of the Notes in the Republic of Italy, Article 100-*bis* of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where the Notes are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Notes were purchased, unless an exemption provided for under Decree No. 58 applies.

#### **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 (the "FIEA"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

## Prohibition of Sales to EEA Retail Investors

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 2016/97/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; 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 11 May 2018. 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 as specified in the applicable Final Terms, either (a) for general funding purposes, or (b) to finance or refinance, in whole or in part, Eligible Green Projects meeting Eligibility Green Criteria, Eligible Social Projects meeting Eligibility Social Criteria or Eligible Sustainability Projects meeting Eligibility Sustainability Criteria.

The Principles provide that only Tranches of Notes financing or refinancing Eligible Green Projects, Eligible Social Projects or Eligible Sustainability Projects that meet the relevant set of eligibility criteria and any other criteria that may be specified in the Issuer's Green Bond Framework, Social Bond Framework or Sustainability Bond Framework, may qualify as credible Green Bonds, Social Bonds or Sustainability Bonds.

For the purposes of this section:

**"Eligible Green Projects"** means projects identified as such in the Issuer's Green Bond Framework. An external reviewer will be appointed to confirm the alignment of the selected

Eligible Green Projects with the Eligibility Green Criteria and to issue an opinion, which will be made available on the Issuer's website at <https://www.volksbank.it>.

**"Eligible Social Projects"** means projects identified as such in the Issuer's Social Bond Framework. An external reviewer will be appointed to confirm the alignment of the selected Eligible Social Projects with the Eligibility Social Criteria and to issue an opinion, which will be made available on the Issuer's website at <https://www.volksbank.it>.

**"Eligible Sustainability Projects"** means projects identified as such in the Issuer's Sustainability Bond Framework. An external reviewer will be appointed to confirm alignment of the selected Eligible Sustainability Projects with the Eligibility Sustainability Criteria and to issue an opinion, which will be made available on the Issuer's website at <https://www.volksbank.it>.

**"Eligibility Green Criteria"** means the criteria prepared by the Issuer as set out in the Issuer's Green Bond Framework, which, prior to the relevant Issue Date, will be available on the Issuer's website at <https://www.volksbank.it>.

**"Eligibility Social Criteria"** means the criteria prepared by the Issuer as set out in the Issuer's Social Bond Framework, which, prior to the relevant Issue Date, will be available on the Issuer's website at <https://www.volksbank.it>.

**"Eligibility Sustainability Criteria"** means the criteria prepared by the Issuer as set out in the Issuer's Sustainability Bond Framework, which, prior to the relevant Issue Date, will be available on the Issuer's website at <https://www.volksbank.it>.

### **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 (ISIN), the Financial Instrument Short Name (FISN) and Classification of Financial Instruments (CFI) code (as applicable) 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 2018 (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 2018 (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 31 December 2017 and 31 December 2018 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 2018 (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 Fitch Ratings Limited, DBRS Ratings Limited and S&P Global Ratings Europe Limited 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 <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>.

## **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 2018 and 2017.

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.

**LEI**

The Issuer's Legal Entity Identifier code is 52990033C5FUEN4LMC06.

**REGISTERED OFFICE OF THE ISSUER**

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39100 Bolzano  
Italy

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France

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**FISCAL AGENT, LUXEMBOURG PAYING AGENT AND LISTING AGENT**

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**LEGAL ADVISERS**

*To the Dealers*

*as to English and Italian law*

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*To the Issuer*

*as to Italian law*

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**AUDITORS TO THE ISSUER**

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