OFFERING CIRCULAR DATED 17 JANUARY 2022

BFF Bank S.P.A.

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

€150,000,000 5.875% Additional Tier 1 Notes

The €150,000,000 5.875% Additional Tier 1 Notes (the "**Notes**") will be issued by BFF Bank S.p.A. (the "**Issuer**" or "**BFF**"). Defined terms used hereunder shall have the meanings given to such terms below or in the terms and conditions of the Notes (the "**Conditions**" and each of them, a "**Condition**").

The Notes will constitute direct, unsecured and subordinated obligations of the Issuer, as described in Condition 3 (*Status of the Notes*) and will be governed by, and construed in accordance with, Italian law, as described in Condition 18 (*Governing Law and Submission to Jurisdiction*). The Notes will bear interest on their Outstanding Principal Amount, payable semi-annually in arrear on 19 January and 19 July in each year (each, an "**Interest Payment Date**"), as follows: (i) in respect of the period from (and including) 19 January 2022 (the "**Issue Date**") to (but excluding) 19 July 2027 (the "**First Reset Date**"), at the rate of 5.875 per cent. per annum (the "**Initial Rate of Interest**"); and (ii) in respect of each period from (and including) the First Reset Date and each fifth anniversary thereof (each, a "**Reset Date**") to (but excluding) the next succeeding Reset Date (each such period, a "**Reset Interest Period**"), at the rate per annum (first calculated on an annual basis and then converted to a semi-annual rate in accordance with market convention), corresponding to the sum of 5.856% (the "**Margin**") and the 5-year Mid-Swap Rate in relation to that Reset Interest Period, all as determined in accordance with Condition 4 (*Interest*) (the "**Reset Rate of Interest**").

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) for an unlimited period and on a non-cumulative basis any interest payment that would otherwise be payable on any Interest Payment Date. In addition, the Issuer shall not make an interest payment on the Notes (and such interest payment shall therefore be deemed to have been cancelled and shall not be due and payable) in the circumstances described in Condition 5.2 (*Restriction on interest payments*). Any interest cancelled (whether in whole or in part) shall not be due and shall not accumulate or be payable at any time thereafter nor constitute any default for any purpose on the part of the Issuer, and holders have no rights thereto whether in a bankruptcy or liquidation of the Issuer or otherwise, or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. See further Condition 5 (*Interest Cancellation*). Further, following the occurrence of a Trigger Event and a Write-Down of the Notes in accordance with Condition 6 (*Loss Absorption following a Trigger Event*), any accrued and unpaid interest on the Notes through to the Write-Down Effective Date (whether or not such interests have become due for payment) shall be automatically cancelled and following each Write-Down, interest will accrue on – subject to any subsequent Write-Down(s) or Principal Reinstatement(s) - the Outstanding Principal Amount of each Note as reduced by the Write-Down Amount from (and including) the relevant Write-Down Effective Date.

If the CET1 of the Issuer on a solo basis (or of the Group on a consolidated basis) falls below 5.125%, then the Issuer shall write down the Outstanding Principal Amount of the Notes, on a pro rata basis with the write-down or conversion into equity of other Loss Absorbing Instruments, as described in Condition 6 (*Loss Absorption following a Trigger Event*). Following any Write-Down of the Notes, the Issuer may, at its sole and absolute discretion, but subject to a positive Net Income or Consolidated Net Income being recorded, reinstate and write-up the Outstanding Principal Amount of the Notes on a pro rata basis with other Loss Absorbing Written-Down Instruments, subject to compliance with the reinstatement limit under Applicable Banking Regulations, on the terms and subject to the conditions set forth in Condition 6.3 (*Principal Reinstatement*).

The Notes are perpetual and have no fixed redemption date. The Notes will mature on the date on which voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, inter alia, *Liquidazione Coatta Amministrativa*) proceedings are instituted in respect of the Issuer (otherwise than for the purposes of an Approved Reorganization), in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at the date of this Offering Circular provide for the duration of the Issuer to expire on 31 December 2100, but if such expiry date is extended, maturity of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority. Upon maturity, the Notes will become due and payable at an amount equal to their Outstanding Principal Amount together (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) with interest accrued to (but excluding) the date of redemption and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).

The Issuer may, at its option, redeem the Notes in whole but not in part: (a) on any day falling in the period commencing on (and including) 19 January 2027 and ending on (and including) the First Reset Date and on any Interest Payment Date thereafter, pursuant to Condition 8.4 (*Redemption at the option of the Issuer (Issuer Call)*), (b) upon the occurrence of a Regulatory Event pursuant to Condition 8.3 (*Redemption for regulatory reasons*), or (c) following a Tax Event pursuant to Condition 8.2 (*Redemption for tax reasons*), in each case, at their prevailing Outstanding Principal Amount together with any accrued interest (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) and any additional amounts due and payable pursuant to Condition 9 (*Taxation*) and subject to satisfaction of certain conditions set out in Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

This offering circular (the "**Offering Circular**") does not comprise a prospectus for the purposes of article 6 of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Application has been made to the Irish Stock Exchange plc., trading as Euronext Dublin (the "**Euronext Dublin**") for the Notes to be admitted to the Official List and trading on the Global Exchange Market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purpose of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II**"). This Offering Circular constitutes listing particulars for the purpose of such application and has been approved by Euronext Dublin as listing particulars.

The Notes are expected, on issue, to be rated "B2" by Moody's France SAS ("**Moody's**"). Moody's is established in the EEA and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk as being registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").

Payments of interest or other amounts relating to the Notes may in certain circumstances be subject to a substitute tax (referred to as *imposta sostitutiva*) of 26 per cent. pursuant to Legislative Decree No. 239 of 1 April 1996. In order to obtain exemption at source from imposta sostitutiva in respect of payments of interest or other amounts relating to the Notes, each Noteholder not resident in the Republic of Italy is required to comply with the deposit requirements described in "*Taxation – Italian Taxation*" and to certify, prior to or concurrently with the delivery of the Notes, that such Noteholder is, inter alia, (i) resident in a country which allows for a satisfactory exchange of information with the Republic of Italy (such countries are listed in the Ministerial Decree of 4 September 1996, as amended and supplemented from time to time and possibly further amended by future decrees issued pursuant to Article 11(4)(c) of Legislative Decree No. 239 of 1 April 1996) and (ii) the beneficial owner of payments of interest, premium or other amounts relating to the Notes, all as more fully set out in "*Taxation – Italian Taxation*".

On each Reset Date, interest amounts payable under the Notes will be calculated by reference to the mid-swap rate for euro swaps with a term of five years which appears at the relevant time on the "**ICESWAP/ISDAFIX2**" page, which is provided by the ICE Benchmark Administration Limited, or by reference to EURIBOR, which is provided by the European Money Markets Institute. At the date of this Offering Circular, the European Money Markets Institute 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) No. 2016/1011 (the "**Benchmarks Regulation**"). As at the date of this Offering Circular, ICE Benchmark Administration Limited is not included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation. As far the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that ICE Benchmark Administration Limited is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

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

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

EU MIFID II product governance / UK MiFIR product governance / target market – The Notes are not intended to be sold and should not be sold to retail clients in the EEA, as defined in EU MiFID II, and in the United Kingdom. Prospective investors are referred to the section headed "*Restrictions on marketing, sales and resales to retail investors*" hereunder for further information.

SOLE GLOBAL COORDINATOR AND SOLE BOOKRUNNER

Morgan Stanley & Co. International plc

IMPORTANT NOTICES

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

The Issuer has confirmed to Morgan Stanley & Co. International plc (the "Sole Global Coordinator and Sole Bookrunner") that this Offering Circular contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Offering Circular on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Offering Circular does not omit to state any material fact necessary to make such information contained herein (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and verify the foregoing.

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

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Offering Circular or as approved in writing for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Sole Global Coordinator and Sole Bookrunner.

None of the Sole Global Coordinator and Sole Bookrunner nor any of its affiliates have authorised this Offering Circular or any part thereof. Accordingly, no representation, warranty or undertaking, express or implied, is made by the Sole Global Coordinator and Sole Bookrunner as to the accuracy, or completeness of the information contained or incorporated in this Offering Circular, and nothing contained herein is, or shall be relied upon as, a promise or representation by the Sole Global Coordinator and Sole Bookrunner in this respect, whether as to the past or future. The Sole Global Coordinator and Sole Bookrunner does not assume any responsibility or liability for its accuracy or completeness and accordingly the Sole Global Coordinator and Sole Bookrunner disclaims, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this document or any such statement.

No person is or has been authorised by the Issuer or the Sole Global Coordinator and Sole Bookrunner to give any information or to make any representation not contained in (or not consistent with) this Offering Circular or any other document entered into in relation to the Notes or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Sole Global Coordinator and Sole Bookrunner.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances create any implication that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied by the Issuer in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same, or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the conditions (financial or otherwise) of the Issuer since the date of this Offering Circular. The Issuer is under no obligation to update the information contained in this Offering Circular after the initial admission to trading of the Notes on the Global Exchange Market of Euronext Dublin. Furthermore, save as required by applicable laws or regulations, or under the terms and conditions relating to the Notes, the Issuer does not intend to provide any post-issuance information to investors. The Sole Global Coordinator and Sole Bookrunner expressly does not undertake to review the financial condition or affairs of the Issuer or the Issuer and the Group (as defined herein) during the life of the Notes or to advise any investor in the Notes of any information coming to its attention.

Neither this Offering Circular nor any other information supplied in connection with the sale, offering or delivery of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or the Sole Global Coordinator and Sole Bookrunner that any recipient of this Offering Circular or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the condition (financial or otherwise) and affairs of the Issuer and the Group (as defined herein), and its own appraisal of the creditworthiness of the Issuer and the Group.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Sole Global Coordinator and Sole Bookrunner to subscribe for or to purchase any Notes. The distribution of this Offering Circular and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Sole Global Coordinator and Sole Bookrunner to inform themselves about and to observe any such restrictions. Neither the Issuer nor the Sole Global Coordinator and Sole Bookrunner represents that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction or pursuant to an exemption available thereunder, nor do they assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Sole Global Coordinator and Sole Bookrunner which is intended to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, the Republic of Italy and Japan. See "*Subscription and Sale*".

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

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain statements that are, or may be deemed to be, forward-looking, including statements with respect to the Issuer's and the Group's business strategies, expansion of operations, trends in their business and their competitive advantage, information on technological and regulatory changes and information on exchange rate risk and generally includes all statements preceded by, followed by or that include the words "believe", "expect", "will", "project", "anticipate", "seek", "estimate" "aim", "intend", "plan", "continue" or similar expressions. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors. Potential investors are cautioned not to place undue reliance on forward-looking statements, which are made only as at the date of this Offering Circular.

The Issuer does not intend, and does not assume any obligation, to update forward-looking statements set out in this Offering Circular. Many factors may cause the Issuer's or the Group's results of operations, financial condition and liquidity, and the development of the industries in which they compete, to differ materially from those expressed or implied by the forward-looking statements contained in this Offering Circular.

The risks described under "*Risk Factors*" in this Offering Circular are not exhaustive. Other sections of this Offering Circular and the documents incorporated by reference herein describe additional factors that could adversely affect the Issuer's and the Group's results of operations, financial condition and liquidity, and the development of the industries in which they operate. New risks can emerge from time to time, and it is not possible for the Issuer to predict all such risks, nor can the Issuer assess the impact of all such risks on their business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward looking statements as a prediction of actual results.

DEFINITIONS, INTERPRETATION AND ROUNDING

In this Offering Circular, unless otherwise specified:

(i) **"BFF Bank" or the "Issuer" means BFF Bank S.p.A;**

(ii) **references to "billions" are to thousands of millions;**

(iii) **references to the "Conditions" are to the terms and conditions relating to the Notes set out in this Offering Circular in the section "Terms and Conditions of the Notes" and any reference to a numbered "Condition" is to the correspondingly numbered provision of the Conditions;**

(iv) **references to "€", "EUR" or "Euro" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended;**

(v) **the "Fiscal Agent" means Citibank N.A., London Branch as fiscal agent;**

(vi) **the "Group" means the group consisting of the Issuer and its consolidated subsidiaries;**

(vii) **references to "IFRS" are to International Financial Reporting Standards, as adopted by the European Union;**

(viii) **the "Sole Global Coordinator and Sole Bookrunner" means Morgan Stanley & Co. International plc as sole global coordinator and sole bookrunner;**

(ix) **references to a "Member State" are to a Member State of the European Economic Area; and**

(x) **"EEA" means the European Economic Area.**

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

References to websites or uniform resource locators ("URLs") are inactive textual references and are included for information purposes only. The contents of any such website or URL (except for the documents (or portions thereof) incorporated by reference into this Offering Circular to the extent set out on any such website) shall not form part of, and shall not be deemed to be incorporated into, this Offering Circular.

STABILISATION

In connection with the issue of the Notes, Morgan Stanley & Co. International plc acting as the stabilising manager (the "Stabilisation Manager") (or persons acting on its behalf) 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 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 Notes and 60 days after the date of the allotment of the Notes. Such stabilising shall be conducted in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilising shall, as against the Issuer, be for the account of the Stabilisation Manager (or persons acting on its behalf).

RESTRICTIONS ON MARKETING, SALES AND RESALES TO RETAIL INVESTORS

1. The Notes discussed in this Offering Circular are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes. Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).

2.

   a) In the United Kingdom ("UK"), the Financial Conduct Authority ("FCA") Conduct of Business Sourcebook ("COBS") requires, in summary, that the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a retail client) in the UK.

   b) The Sole Global Coordinator and Sole Bookrunner is required to comply with COBS.

   c) By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or the Sole Global Coordinator and Sole Bookrunner, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and the Sole Global Coordinator and Sole Bookrunner that:

      i) it is not a retail client in the UK; and

      ii) it will not sell or offer the Notes (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of this Offering Circular or this document) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.

   d) In selling or offering the Notes or making or approving communications relating to the Notes you may not rely on the limited exemptions set out in COBS.

3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area ("**EEA**") or the UK) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), whether or not specifically mentioned in this Offering Circular, including (without limitation) any requirements under the Markets in Financial Instruments Directive 2014/65/EU (as amended) (MiFID II) or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) for investors in any relevant jurisdiction.

PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a **retail investor** means a person who is one (or more) of: (i) a retail client, as defined in point (11) of Article 4(1) of EU MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by 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.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA which were relied on immediately before exit day to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation

(EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

EU MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of 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 EU 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 manufacturers' target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of 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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); 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 manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Where you are acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or the Sole Global Coordinator and Sole Bookrunner, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both you as agent and your underlying client(s).

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RISK FACTORS

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

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

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

Words and expressions defined in "Terms and Conditions" or elsewhere in this Offering Circular have the same meaning in this section. Prospective investors should read the whole of these Listing Particulars, including the information incorporated by reference.

RISK FACTORS RELATED TO THE ISSUER

(A) Risks related to the impact of national and international macro-economic and political factors

Risks related to the impact of global macro-economic factors and the ongoing coronavirus (COVID-19) pandemic

The Group's performance is influenced by the macroeconomic scenario in Italy and in the countries where it operates and by the conditions of the financial markets. In particular, the earning capacity and solvency of the Group are affected by macroeconomic factors - such as economic growth, inflation and public deficit - and financial factors - such as fluctuations in interest rates, exchange rates and equity markets.

In general, the Group is exposed to the risk of a slowdown or recession in the European Union or in one or more of the countries in which it operates, which could result in a decrease in revenues, or a reduction in value of its assets, with possible negative effects on the business, financial conditions and/or results of operations of the Issuer and/or the Group.

The Group is also exposed to the financial risk caused by a significant increase in interest rates, which would cause an increase in the Issuer's and/or the Group's financing costs. In this respect, a portion of the funding obtained through Payment Services and Securities Services operations (either in euro or foreign currencies) contemplate a floor mechanisms set at zero, which would partially address the risk of rising interest rates in the current negative rate market. Additionally, all our late payment interest funds are linked to the ECB rate, which would create an additional exposure to interest rate changes on the basis of the ECB rate's trends. Conversely, in case of a further fall in interest rates, the aforementioned floor mechanisms set at zero would result in higher costs than negative market rates. In addition, the Group is exposed to the risk of a decline in the equity markets, which would weigh on the value of the assets under management of the funds which are clients of our Securities Services business and, consequently, on the fees we receive and on our liquidity. Finally, the Group is exposed to the risk of unpredictable fluctuations in the exchange rates of the countries in which it operates, which could have a negative impact on revenues. See also "*We are subject to risks connected with exchange rates*".

Global and Italian macroeconomic conditions have been and continue to be affected by the spread of Covid-19 in many countries around the world. Restrictions on activity decided by Governments to contain the spread of Covid-19 have caused the global economy to fall into recession between 2020 and early 2021. An intensive vaccination campaign has allowed developed countries to emerge from this, while emerging countries, which are behind in vaccination, are still suffering. Emerging countries' difficulties with the pandemic are still causing slowdowns in supply chains, generating substantially increased transportation costs that are affecting inflation in developed countries. The main monetary authorities have stated that they believe this to be only temporary inflation, but there is a risk that the persistence of price increases could

trigger a price-wage spiral fuelling inflation, which would be reflected in an increase in interest rates as central banks take action to curb inflation, and therefore in financing costs.

The Group is exposed to risks from the pandemic and its economic and market consequences both due to its inherent general sensitivity to macroeconomic and market conditions, as well as to specific implications, as described below. In fact, the Group's results and financial condition could be adversely affected by reduced economic activity and potential recessions in its principal markets. If new vaccine-resistant variants of Covid-19 were to develop and Governments reinstated restrictive measures, the Group's results could experience reduced revenues, increased costs in connection with the Group's operations (such as in case of additional costs due to the lengthening of the collection process in case of court closures) and/or its funding activities, changes in the Issuer's credit risk with a consequential impact on its financial liabilities measured at fair value and costs connected to the contributions to the Single Resolution Fund and the Interbank Deposit Guarantee Fund (see also "—*Risks connected to the contributions to the Single Resolution Fund and the Interbank Deposit Guarantee Fund*"), as well as costs connected with actions taken by the Group to secure its offices and branches. The Group's results and financial condition could be adversely affected to the extent that the counterparties to whom it has exposure could be materially and adversely affected, resulting, in particular, in an increase in the Group's cost of risk.

The Group's exposure to Italian government sovereign debt is significant and the Group may be adversely impacted by any negative change in the creditworthiness of the Italian state

The Group is exposed to the sovereign debt of the Italian government. As of 30 September 2021, the Group's securities portfolio consisted of Italian government securities, recorded in the Group financial statements as financial activities under "hold to collect" ("**HTC**").

The book value of HTC Italian government securities held by the Group as of 30 September 2021 was equal to €5,615 million. The book values of HTC Italian government securities held by BFF and DEPOBank as of 30 September 2020 were equal to €1,779 million and €3,693 million, respectively, while the book value of HTC&S Italian government securities was equal to €30 million, for an aggregate amount of €5,503 million. The book values of HTC Italian government securities held by BFF and DEPOBank as of 30 September 2019 were equal to €925 million and €4,721 million, respectively, while the book value of HTC&S Italian government securities was equal to €131 million, for an aggregate amount of €5,778 million.

The proportion of Italian government securities relative to the Group's total assets (using the book value) was equal to 50.8% at 30 September 2021. The Group is therefore exposed to changes in the price of Italian public debt securities. Any tensions in or volatility affecting the sovereign bond market could have a material adverse effect on our business, results of operations and financial condition. As of 30 September 2021, the Group did not hold any structured securities in its portfolio.

Given that the composition of our securities portfolio and the characteristics of our business involve a significant exposure to the Republic of Italy, if the central Government and/or one or more public administrations were to default or delay in their payments, we may suffer losses that could potentially have adverse effects on our economic and financial situation.

The credit standing of the Italian state, like that of other sovereign states, is subject to monitoring and evaluation by rating agencies. Any downgrade of the credit rating of Italian sovereign debt and changes to interest rates could reduce the value of Italian government securities, which in turn could negatively affect our business, results of operations and financial condition. See *"— Risks related to the impact of global macro-economic factors and the ongoing coronavirus (COVID-19) pandemic*".

If the Basel IV rules were to be implemented, government securities held by EU banks could be subject to weighting criteria and weighting factors could be aligned to those applied prior to the adoption of the ECB's anti-spread measures in 2012 which involved large purchases on the secondary market of government securities issued by distressed countries, as well as an increase in the collateral of repo transactions. The introduction of a more stringent weighting factor on government securities issued by the Italian government could have a significant adverse effect on our capital requirements with regards to government securities.

Credit risk relates to the possibility that the Italian government, finding itself in difficulties, may not partially/totally be able to repay its securities at the contractually agreed due dates. In these circumstances, the tensions and developments of the international and European financial markets could impact the

domestic economic situation of Italy. If these circumstances occur, it could have a material adverse effect on our business, results of operation and financial condition.

In general, should we decide to use our portfolio of Italian sovereign debt securities in order to enter into repo transactions with the European Central Bank for liquidity purposes, any downgrade related to the debt of the Republic of Italy may determine the application of increased haircuts, with a consequent reduction, albeit limited, on the liquidity value generated by such securities. In this scenario, we may be unable to meet our payment obligations being either known or foreseen with a reasonable degree of certainty. Therefore, liquidity risk could arise from us having difficulties and not managing to refinance, in full or in part, our own securities portfolio on the financial market as a result of external factors, such as a possible increase in tensions in the national and international macroeconomic situation and a possible deterioration in the credit standing of the Italian state.

(B) Risks related to our business activities

The creditworthiness of our counterparties may deteriorate

We are exposed to risks related to the deterioration of the creditworthiness of our counterparties, including debtors and customers. Such credit quality deterioration risk involves both (i) counterparty risk, and (ii) concentration risk (i.e. if we have highly concentrated exposures to counterparties that face credit quality issues).

If the transactions entered into with a counterparty represent a credit position for us at the time of insolvency of such counterparty, we will experience a loss. Our application of the "standardised" methods of calculating counterparties' risk entails a low degree of risk.

Financial counterparty risk is inherent vis-à-vis:

- banks, related to the temporary investment of liquidity through deposits, repurchase and reverse repurchase agreements (whose credit risk, in most cases, is mitigated by Global Master Repurchase Agreements, with daily valuation of mark-to-market and collateral), and derivative contracts entered into to hedge our interest rate and exchange rate risk with banks;

- investment funds (both mutual and alternative) represented by overdraft facilities to finance their liquidity gap between the request of sale of quotas by investors and the sale of the underlying assets and to cover shortages on financial instrument sales caused by settlement failures; and

- brokers, asset managers, insurance companies through repurchase agreements (mostly supported by Global Master Repurchase Agreements with daily valuation of mark-to-market and collateral).

We also grant lines of credit to corporate borrowers, representing a negligible portion of our business, mainly represented by short term repurchase agreements. We generally mitigate the credit risk arising from such transactions through employing the terms of the ISDA Global Master Repurchase Agreement with daily mark-to-market and collateral valuation.

The creditworthiness and the relative financing granted to the financial counterparties are regularly reviewed (at least annually) and the exposure is constantly monitored.

In relation to the business activities carried out by the Group, the risk concerning the deterioration of credit quality to which the Group is exposed is closely connected to the countries, as well as to the businesses, where such business activities are carried out (the so called "country risk" under Pillar 2).

The credit risk assessment procedures that we use to assess creditworthiness are tailored to our business model. However, it cannot be ruled out that, despite passing the credit risk assessment procedures, the counterparties, clients and debtors do not meet their obligations and there could in future be a deterioration of our credit portfolio. Any failure of our counterparties, clients and debtors to fulfil their obligations may have a negative impact on our ability to fulfil our own obligations. This could have a material adverse effect on our business, results of operations and financial condition.

We derive a significant portion of our revenue from a limited number of customers

With reference to the Factoring and Lending Business (as defined in "Description of the Issuer and the Group"), most of our key customers are large multinational and Italian companies with whom we have built and maintain strong commercial relationships. However, the majority of our contracts with customers neither (i) impose any obligation on us to purchase non-recourse receivables in the future, nor (ii) contain any exclusivity clauses or impose any obligation on customers to continue selling receivables to the Group, thus making it relatively simple for counterparties to exercise withdrawal rights for any reason, and therefore we have limited visibility with respect to future volumes.

With reference to the Security Services activities, which are concentrated in the Italian market, our clients are a limited number of Italian mutual funds, pension funds and alternative investments funds. We are therefore exposed to the risk of loss of clients, including in case of consolidation among asset managers, which may result in the migration of our clients and the assets under management to a different provider.

Also the Payments Business activities are concentrated in the Italian market, and leverage on the long standing relationship with the majority of our clients, which are represented by Italian small/medium banks, and a vast array of PSP and electronic money institutions. Potential acquisitions of our clients by larger banks, including universal banks, may result in the insourcing of the payment services we provide to our clients, resulting in a reduction in the number of transactions we operate, which, in turn, would have an impact on our income. Additionally, a substantial part of our Payment Business activities is carried out in connection with transactions generated by Nexi or its clients, which use our services on the basis of an agreement with Nexi which is set to expire in 2026. Although we have a long-standing relationship with Nexi, and we believe that our services constitute a key layer in the payments services provided by Nexi, we are exposed to the risk that Nexi ceases to use our services in order to process payments, either at the expiration of our agreement in 2026 or earlier.

Therefore, the loss of any of our key customers or a significant decrease in the business generated from them, could have a material adverse effect on our business, results of operations and financial condition. See also "*We operate in an increasingly competitive and concentrated market and may not be able to maintain or increase our current market share*".

We operate in an increasingly competitive and concentrated market and may not be able to maintain or increase our current market share

Relative to the major European banking groups, we are one of the smaller operators and so are exposed to the risk that some of our competitors may exploit their scale to penetrate or consolidate their position in the markets in which we operate, attracting our customers and depriving us of a significant market share by offering more innovative or more aggressively priced products and services.

In the factoring and particularly the lending and deposit taking sectors, as well in the broader banking sector, our competitors include, inter alia, banks and banking groups of various size ranges which operate in the same markets that we do and other financial institutions that offer term deposit account services. In this regard, the banking sector in Europe is characterised by a high level of competitiveness.

The payment services and securities services markets are highly competitive and subject to a significant degree of concentration. Our Securities Services and Payment Services operations compete on technology, price of offered services, speed, performance, quality and reliability, reputation and customer service. Additionally, such markets are experiencing a period of rapid transformation due to customer habits, technological innovation and recent legislation at the European and national levels, which may result in increased competition (including by new service providers) and/or concentration, increase in compliance costs (which may benefit larger players that are able to sustain more effectively such costs due to economies of scale), a decrease in consumer spending, or a shift in consumer preferences.

In light of the current process of product and service diversification carried out by many European banks, we cannot exclude that certain banks may extend the services they offer to the specific market area in which we operate, or enter into our markets through acquisitions or other extraordinary transactions. This situation may constitute a risk in relation to the maintaining of our market share and the profit margins, with a consequential negative impact on our projections and on our financial, economic and capital situation, as well as on the Group's results. See also "*We derive a significant portion of our revenue from a limited number of customers*".

Furthermore, this competitive pressure could increase as a result of regulatory intervention, the behaviour of competitors, consumer demand, technological change, possible aggregation processes involving financial groups, the entry of new competitors and the contribution of other factors not necessarily under our control.

In the event that we are unable to respond to increasing competitive pressure by, inter alia, offering innovative products and services capable of satisfying the demands of customers, we could lose market share in several business sectors and, therefore, related trading volumes and revenues. For example, in last three years, we have recorded a decrease in commission income from our Credit Collection Management services following the increased competition on the market.

As a result of such competitive pressures, we may not be able to maintain or increase our level of activity and profitability in line with past results, which could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to meet the objectives of our growth strategy, which involves both organic growth and acquisitions

Pursuant to our Strategic Plan (as defined in "Description of the Issuer and the Group"), we pursue a growth strategy designed to expand and consolidate our business segments.

The Strategic Plan contains the Group's targets through to 2023 prepared on the basis of macroeconomic projections as of its approval date and strategic actions that need to be implemented.

The Strategic Plan is based on numerous assumptions and hypotheses, some of which relate to events not fully under the control of the board of directors and management of BFF. In particular, the Strategic Plan contains a set of assumptions, estimates and predictions that are based on the occurrence of future events and actions to be taken by, inter alia, the board of directors of the Issuer, in the period from 2021 to 2023, which include, among other things, hypothetical assumptions of different types of risks and uncertainties arising from the current economic environment, relating to future events and actions of directors and the management of the Issuer that may not necessarily occur, events, actions, and other assumptions including those related to the performance of the main economic and financial variables or other factors that affect their development over which the directors and management of BFF do not have, or have limited, control.

We are therefore exposed to the risk that we may be unable to implement part or all of our growth strategy or within the timeframe we expected, that the assumptions on which we based our growth strategy may be incorrect or that our growth strategy may not achieve the results we expected. Any such failure to develop, revise or implement our growth strategy in a timely and effective manner could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to risks in connection with any potential future acquisitions and the integration of such entities may be difficult

In the ordinary course of our business, we continuously explore and evaluate opportunities to enhance our business, broaden our existing operating platforms, achieve operational efficiencies or expand our product offerings.

As a result, we have made, and, pursuant to our Strategic Plan, may in the future make, material acquisitions or enter into strategic partnerships or other material transactions. In fact, in 2021 we have completed the DEPObank's Acquisition, pursuant to which we started to operate in new business segments, such as payment services and securities services. Such transactions could result in the incurrence of contingent liabilities. In addition, our Securities Service and Payment Services could suffer from a worsening of the effects of the COVID-19 pandemic, through a peak of liquidity held as deposits with our Securities Services operations, which may result in significant additional costs if we are not able to reinvest the liquidity at rates exceeding the rates applies to our deposits (which are partly subject to a floor rate set at zero) or a slowdown of economic activity for the Payments Services business. All this in the aggregate, could have a material adverse effect on our business, results of operations and financial condition. See also "*Risks related to the impact of global macro-economic factors and the ongoing coronavirus (COVID-19) pandemic*" and "*Risks related to our funding structure. The trend or the possible shocks on the stability of deposits deriving from the activity carried out by Securities Services and Payment Services could lead to situations of excess or shortfall of liquidity*".

Moreover, acquisitions further expose us to risks connected to the integration of the acquired companies, including: difficulties in integrating an acquired company's hardware and software systems with our own; the diversion of our resources and management's attention from other business concerns; the potential loss of key employees which could deprive the company of knowledge which the remaining employees do not have; risks associated with entering markets in which we may have little experience; and the day-to-day management of a substantially larger and more geographically diverse combined company.

In addition, we may not realise the synergies, operating efficiencies, market position or revenue growth we anticipate from acquisitions, and our failure to effectively manage the above risks and other problems associated with acquisitions could have a material adverse effect on our results of operations, business, and financial condition.

Our Factoring and Lending business is dependent on inefficiencies and payment delays in the public administration and healthcare systems in the relevant countries

Our Non-Recourse Factoring and Credit Collection Management businesses depend on the occurrence of delays in payment and administrative difficulties (with respect to both debtors and customers) in the national health system and public administration of the countries in which we do business.

We do not expect the governments of countries in which we operate (Italy, Spain, Portugal, Poland, Greece, Slovakia, Croatia, the Czech Republic and France) to adopt measures capable of eliminating entirely the structural inefficiencies in the public sector of their respective countries. However, we cannot rule out the possibility that such measures could be successfully adopted in the future or that the public sector (the national health system and public administration in particular) of the countries in which we operate could obtain sufficient funds and implement adequate procedures to materially reduce delays in payments to suppliers.

In addition, implementation of electronic invoicing in the markets in which we operate, for example in Italy where new provisions came into force on 1 January 2019, may lead to an increase in the efficiency of payments by the public administrations. On a European level, pursuant to Directive 2014/55/EU, Member States were required to adopt new provisions requiring all contracting authorities and contracting entities to receive and process electronic invoicing complying with the European standard on electronic invoicing by 18 April 2019.

A significant reduction in delays in public sector payments and periods of excess liquidity on the markets in the countries in which we operate could have a material adverse effect on our business, results of operations and financial condition.

Governments may implement efficiency measures that could significantly reduce the "days sales outstanding" ("DSO") and demand for our services

We are exposed to the risk that the governments of the countries in which we operate could adopt measures aimed at improving efficiency of the national health system and public sector, and at reducing DSO. In this respect, the measures enacted to contrast the effect of the Covid-19 pandemic resulted in a significant injection of liquidity in the financial system; this, in turn, has resulted in an acceleration in payments, which reduced DSOs for receivables in our markets and accelerated collection times.

Although some of the above measures have resulted in a reduction of DSO and thereby increased profitability in the short-term (given that we collected receivables sooner than expected), any structural measures undertaken by national governments which would successfully increase the efficiency of the national health system and public administration – which could be achieved in the future by the Italian, Spanish, Portuguese, Polish, Czech, Slovakian and French governments through the introduction of other new measures – could result in a reduction in (i) the demand for our services (this effect would however be less relevant for our credit management services for third-party receivables), (ii) our commission rates and the margin we receive, and (iii) DSO, with a consequent reduction in income received from late payment interest and other types of interest. Any such changes could have a material adverse effect on our business, results of operations and financial condition.

Our Factoring and Lending operations are dependent on continued government spending on national health and other segments of the public administration

We operate in the market of expenditure in goods and services for which the governments of Italy, Spain, Portugal, Poland, Czech Republic, Slovakia, Greece, Croatia and France allocate funds to their public bodies, in particular the national health system and other segments of the public administration.

We are exposed to the risk that such governments, following a deterioration of the macroeconomic situation or the introduction of more stringent restrictions on public funding, may significantly reduce the funds allocated for expenditure in goods and services to the national health system and the public administration, which could result in a reduction of the volumes of receivables generated in the sector in which we operate and have a material adverse effect on our business, results of operations and financial condition.

Our business is dependent on our customers and the debtors that they supply, each of whom may face economic uncertainty and changes in the regulatory landscape which could impact their need for our services

Our Factoring and Lending business involves managing and/or purchasing the receivables of our customers (which in large part are multinational companies or large domestic businesses) owed by their debtors (the majority of whom are entities of the public administration sector, including national healthcare systems, but which comprise also private debtors). We are exposed to the risk that our customers or their debtors may become subject to bankruptcy or insolvency proceedings or be in financial distress, and, as a result, may not be able to meet their contractual obligations or enter into new contractual obligations or that debtors may cause the deterioration of our asset quality. In particular, in the instance of returning the receivables to the original seller, we may not be able to recover the full amount of the receivables that we purchased from our customers should they be insolvent. This risk is amplified in relation to new or small customers or customers operating in countries where we have only recently started to offer our services, such as Croatia, Greece and France. With regard to these customers, we carry out credit analysis prior to engaging with them, however, we cannot rule out that they may fail to pay commission for our credit management and non-recourse factoring services or reimburse us for the receivables that are not certain and due from the debtors. Moreover, the factoring business can be affected by the dilution risk, which occurs when an amount of receivable purchased could be reduced through cash or non-cash credits to the obligor; this risk could arise, for example, when the good or service rendered by the assignor to their debtors is under dispute due to the quality of the service or product or the non-compliance with the contractual provisions between the parties.

In addition, if any of our customers become subject to bankruptcy or insolvency proceedings, they may also not be able to meet their contractual obligations, such as (although to a lesser degree) the payment of commission for our credit management services or reimburse us for the costs in connection with the management and/or enforcement of the receivables. We also purchase receivables which at the time of purchase are already impaired assets; such purchases do not constitute a material part of our current business. Such activities could result in an increase of our (net and gross) non-performing exposures. We determine the price of the receivables based on the financial position of the relevant debtors and the recovery rate and time of recovery. However, we may still be exposed to capital losses and a general deterioration of asset quality as a result of our debtors' financial vulnerability, which could have a material adverse effect on our business.

We are also exposed to risks connected with each of the countries in which we operate (Italy, Spain, Portugal, Poland, Czech Republic, Slovakia, Greece, Croatia and France). Should the central governments of these countries default, the debtors themselves may no longer be able to rely on government funding and as a result could no longer be able to repay their commercial debts. This could affect our clients' and their debtors' financial situation, and, in turn, our credit management business.

Since our debtors are public bodies, they may be subject to regulatory changes. For instance, certain legislative measures have been implemented in certain regions of Italy aimed at the consolidation of local healthcare authorities, as a result of which our counterparties have been replaced by new entities and there is a process of merger between smaller municipalities in Italy. We may not have the same broad knowledge of these new final debtors, which may hinder our ability to, inter alia, assess and predict credit collection timing, credit risk and, therefore, pricing. Such measures may be implemented in other regions as well. In addition, new measures may be taken in the future to reduce the number of local entities, which could also cause us to lose existing counterparties as the number of final debtors is reduced. Therefore, if the economic

conditions of our customers deteriorate, or if changes in their regulatory landscape result in negative consequences to our operations, these risks could have a material adverse effect on our business, results of operations and financial condition.

As the events referred to above are unforeseeable (and we have no control over the possibility of their occurrence), they could have a material adverse effect on our business, financial condition or results of operations.

Our heavy reliance on non-recourse factoring prevents us from benefitting from the legal protections of the guarantee of solvency

Under Italian law and the laws in most of the countries where we operate, the sale of receivables can either be non-recourse or with-recourse. Non-recourse factoring involves the assigning creditor legally guaranteeing the existence of the receivables, but does not guarantee the solvency of the assigned debtor (i.e. that the assigned debtor will effectively pay its debt to the acquiring assignee). This is considered ordinary sale of receivables under the Italian Civil Code. In recourse factoring, the assigning party assumes the negotiated guarantee of the solvency of the assigned debtor. The assigning party that guarantees the solvency of the assigned debtor is liable up to the price of the factoring, and not the amount of the assigned receivable, as well as the legal interest accrued on this sum from the day it was collected by the assigning party until the day of settlement. The assigning party should, therefore, repay the assignee the expenses incurred for the factoring and for any enforcement of the assigned debt.

Within the context of our factoring business, our primary activity consists of the purchase of receivables on a non-recourse basis and, therefore, we assume the risk (inherent to this form of factoring) of possible insolvency of the assigned debtors (i.e. failure to fulfil their payment obligations), instead of benefitting from a guarantee from the assigning party in relation to the assigned debtors' solvency, which the parties may agree to under Italian law.

If there were to be an increase in the number of insolvent assigned debtors, we would not be able to benefit from the guarantee of solvency of the assigning creditor or may not obtain adequate redress. The inability to recoup losses from such receivables could have a material adverse effect on our business, results of operations and financial condition.

Assets under management at our Securities Services segment may not grow as expected, which may adversely affect our income

The income generated by our Securities Services business segment depends on the amount of assets under management ("AUM") held by the Group. AUM held by the Group may vary as a result of factors on which we do not exercise control, such as market, economic and political conditions globally and in the jurisdictions and sectors in which it invests or operates, including but not limited to factors affecting public share prices, interest rates, the availability of credit, currency exchange rates, trade barriers and economic uncertainty (including but not limited to uncertainties resulting from global pandemics such as Covid-19), changes in interpretation of and amendments to laws or regulations (including those relating to taxation of the Issuer and its related entities), commodity prices and controls and the overall geopolitical environment (including acts of war, terrorist attacks and security operations). See also "*Risks related to the impact of global macro-economic factors and the ongoing coronavirus (COVID-19) pandemic*".

Future market conditions may deteriorate significantly and may be less favourable compared to current and historical market conditions, which could adversely affect the AUM at our Securities Service business and, consequently, the income generated by such business segment. Global financial markets may experience considerable declines in the valuations of equity and debt securities.

The seasonality in the business volumes of our Factoring and Lending Business may result in disruptions to our operations

Due to our customers' financial requirements, we tend to concentrate the purchase of receivables at the end of the financial year and in the final months of each quarter. Consequently, our business is seasonal, resulting in peaks in the use of capital and demand for liquidity. On the other hand, we carry out the collection of receivables at various times throughout the year, resulting in more uniform levels of collections throughout the year. Therefore, throughout the year we experience relatively high cyclicality in

our financial statements and, in particular, significant changes to the volumes of our assets on our balance sheet.

Our business is exposed to the risk that external factors (such as extraordinary payments made by the public sector or unexpected reduction in public sector payment flows) occurring during the periods in which our business experiences the seasonality peaks, could have disproportionate effects on our business operations. In particular, depending on the specific circumstances and the periods in which such events occur, our business could experience fluctuations in terms of volume of purchased receivables, outstanding receivables or collections, which could have a material adverse effect on our business, results of operations and financial condition.

(C) Liquidity and other financial risks

The business model related to the Factoring and Lending is based on cash flow estimates and any incorrect evaluations of DSO and payments timing of debtors and volumes forecasts may impact on our funding needs and liquidity position

We estimate the income that we can generate from the receivables portfolio we purchase in our Non-Recourse Factoring operations on the basis of our past experience.

The pricing of each receivable acquired in the context of our Factoring & Lending Business is set on the DSO and the creditworthiness of the relevant customer and debtors. This metric, together with the estimates on volumes, both in terms of factoring and lending products, allows us to manage the funding needs and the liquidity position that the Group should maintain in order to respect its strategic target in compliance with regulatory constraints. Therefore, (i) errors in evaluating our expected DSO or their modification due to changes in payment behaviour of the debtors or due to the adoption of legislative measures in the countries in which we carry out our business, (ii) unexpected excessive volatility of volumes forecasted and/or (iii) errors in growth estimates may reduce both our expected and actual margins, and determine a decrease in the Group's revenues due to the possible fluctuation of the demand for our services and a possible decrease in the revenues generated by commissions and interest, as well as leaving us with more or less liquidity than planned. See also "*Our Factoring and Lending business is dependent on inefficiencies and payment delays in the public administration and healthcare systems in the relevant countries*" and "Governments may implement efficiency measures that could significantly reduce the "days sales outstanding" ("**DSO**") and demand for our services".

In particular, should the public administrations, in relation to which the Group operates, adopt and effectively implement more efficient management policies of their commercial debts and reduce payment delays, the Group's absolute and relative margins could be negatively impacted due to the potential decrease in the demand for factoring and lending and, for factoring products, for a reduction in the discount on the nominal value of the receivables applied at the moment of the receivable purchasing and a smaller loan book for a given set of purchases.

We carefully monitor the payment patterns of debtors through our database, which tracks payment patterns and average DSO for each debtor in order to estimate the average timing for collection. However, we cannot rule out the possibility that our estimates may be incorrect. For example, we may not have sufficient information to make a correct pricing determination in respect of public administration debtors not belonging to the national health system. In addition, following the implementation of certain legislative measures aimed at the reorganisation of the public administration, we may have to interact with new debtors not registered in our database, which could give rise to difficulties in estimating the DSO and the pricing.

Increased inefficiencies in the national health system and public sector in Italy, Spain, Portugal, Poland, Czech Republic, Slovakia, Greece, Croatia and France, and in particular any inefficiencies in resource allocation, could lead to increased DSO and possible payment delays and (excluding any possible financial advantages resulting from late payment interest), as a result, our estimates of timing for collection and future liquidity could be incorrect and management costs could increase. Finally, we cannot rule out the possibility of a default or partial failure to pay the loans or receivables owed to the Group by the debtors (both public and private), due to either the commencement of insolvency procedures or the increase in the number and costs of existing litigation. Either of these circumstances could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, the potential stagnation of the market which may occur in the future (along with the persisting context of challenging completion), if not accompanied by an increase in the distribution of the factoring product in the relevant market, may expose us to the risk of not maintaining our growth rate and profitability level compared to those registered in the past.

The BFF Polska Group's market of reference is the "alternative financing market" for healthcare operators and public sectors, where the Group has been one of the first movers, operating in this market for approximately twenty years. The future development of this market shall depend on the business's ability to increasingly meet healthcare entities' and municipalities needs for liquidity and financial resources, taking into account the competition relating to a range of businesses of a different nature (e.g. entities owned by universal banks), in particular with reference to countries like Poland, the Czech Republic and Slovakia.

These execution risks concerning the reference markets, along with the uncertainty relating to the government intervention in terms of public spending in general and specifically regarding healthcare entities, may expose us to the risk of not meeting our expected growth and profitability rates, which could in turn have a material adverse effect on our business, results of operations and financial condition.

Calculation methods used to estimate the recoverability of the late payment interest may impact our ability to accurately predict our cash flows

We calculate late payment interest on receivables that we have purchased in accordance with applicable law in Italy (Legislative Decree No. 231/2002, the implementation of Directive 2000/35/EU on combating late payment in commercial transactions) and similar laws in other countries.

EU IFRS (IAS 18) permits the inclusion of interest in a company's income statement only if it is likely to generate positive cash flows for a company and such projected cash flows can be estimated reliably.

In 2014, we adopted evaluation tools that allow us to use our data historically collected since 2010 and calculate reliable estimates of the amount of late payment interest that will be collected and the timing for collection. Starting in that year, we have estimated, on the basis of our historical data on collected amounts and timing for collection, the percentage of the amount of late payment interest that will be collected to be equal to 40% of its accrued value at the date of collection (estimated to fall within 1800 days from the maturity date). Starting from 1 January 2017 our management, on the basis of our historical data on collected amounts and timing for collection, and in relation to the portfolio of receivables managed by the Issuer and BFF Spain only, has resolved to increase the estimation of the percentage of the amount of late payment interest that will be collected up to 45%.

As the method adopted in order to evaluate late payment interest is based on estimates, there is a risk that the percentages of future income from late payment interest actually received by us will not match with those estimated by us.

Moreover, on 9 November 2016 the Bank of Italy, CONSOB and IVASS issued a document establishing the methodology to be used in order to estimate late payment interest. Although we consider our methodology to be fully in line with these regulations, we cannot exclude that the competent supervisory authorities may disagree in the future concerning our estimation process. In this respect, the Bank of Italy has carried out an inspection at the beginning of 2021 which included the review of our methodologies for calculating the late payment interests ("**LPI**"). The results of the verifications carried out by the Bank of Italy have been summarized in the relevant inspection report received by the Issuer on 4 November 2021. Within the timeframe required by the authority, the Issuer has provided the Bank of Italy with its considerations regarding the inspection report, and the measures it has already taken and will take in connection thereto.

A misalignment between our estimates and our actual results could have a material adverse effect on our business, results of operations and financial condition.

We are involved in disputes, investigations and legal proceedings which could have a material adverse effect on us or on our recovery capability

In the ordinary course of our business, we are exposed to the risk of being subject to legal, civil, administrative and tax proceedings or actions by the competent authorities, including the Italian Finance Police (Guardia di Finanza) and Tax Authority. Although we believe that we have set aside sufficient reserves to cover ongoing proceedings, we cannot predict with certainty the outcome of such proceedings,

which may be unfavourable for us, or whether new unexpected proceedings may arise, both of which could have a material adverse effect on our business, results of operations and financial condition. As of 30 June 2021, our fund for risks and charges in relation to legal matters amounted to Euro 12.3 million, which is included in item "Other provisions for risks and charges –others" in Section 10 of the Liabilities of the 2021 Half-Year Financial Statements. As of 31 December 2020, we did not set aside a fund for risks and charges in relation to legal matters. See "*Description of the Issuer and the Group — Legal Proceedings*".

Risks related to our funding structure. The trend or the possible shocks on the stability of deposits deriving from the activity carried out by Securities Services and Payment Services could lead to situations of excess or shortfall of liquidity

Following the DEPOBank's Acquisition, our operations (including the activities of the Factoring and Lending segment) rely heavily on our access to funding through our Securities Services and Payment Services operations. As of 30 June 2021, our Group had outstanding liability of €9,393 million, of which €8,285 million related to deposits by customers (of which €7,087 million consists of balances on operational accounts relating to payment services and securities services operations), €926 million related to deposits by banks (which are primarily deriving from payment services and securities services operations) and bonds of €182 million.

Indeed, even if the operational deposits related to Securities Services and Payment Services are essential for the services provided to the customers and a certain level of funding could be considered as structural and stable, the level of funding of our operational deposits is connected to the services and operations vis-à-vis clients of our Securities Services and Payment Services businesses, so it fluctuates on a daily basis and it is not under our direct and full control.

The level of funding from Securities Services and Payment Services may also be modified in a more structural and permanent way, either by factors related to macroeconomics events (e.g. the variation of interest rates or of the liquidity held by funds) or by factors related to the specifical business (e.g. acquisition or loss of a major customer, merger of two important customers).

Furthermore, the Payment Services execute the settlement of a large amount of transaction for our activities and our customers' which are mainly matched operations with a large gross amount and a limited net amount. If the settlement of one of these operations fails, we could experience a sudden and significant intraday shortfall with consequently expenses due to a funding shortfall. In order to limit this risk, the Issuer has to maintain an intraday liquidity reserve (not available for other needs) composed by high quality liquid assets, used as an emergency buffer. In particular operational and / or market circumstances, if this availability of liquidity ceases, the Group could be exposed to a lack of liquidity.

The amount of funding we obtain through our Securities Services and Payment Services is not linked to the funding needs of our Factoring and Lending operations, and we may be unable to manage promptly and effectively such funding to be tailored to our needs. For example, a significant and structural decrease of funding could in fact lead to a lack of liquidity to fulfil the liquidity needs of Factoring and Lending, and consequently, to incur in additional costs in order to find the missing funding and, in the most critical scenario, to face a possible cash crunch. On the other side, excess funding may result in additional costs and reduced profits for the Group and could, in turn, negatively affect our leverage ratio.

The occurrence of such circumstances could have a material adverse effect on our business, results of operations and financial condition.

Our outstanding level of debt has important consequences for us including the following: (i) a continued requirement for us to satisfy our debts and the contractual obligations; (ii) exposure to the risk of increased interest rates as since a consistent percentage of our loans have variable rates of interest; and (iii) a limitation on our ability to obtain additional stable funding at a favourable cost of borrowing, or if at all, to fund future working capital, capital expenditures, investments, acquisitions or other general corporate requirements.

Our ability to repay outstanding amounts is linked to the timing for collection of the non-recourse receivables purchased as well as to our ability to raise sufficient liquidity to make payments to our lenders and noteholders, respectively, as they become due. In addition, if we need to refinance our debt, we may be required to accept less favourable contractual conditions and interest rates as compared to our existing financing, which could have a material adverse effect on our business, results of operations and financial condition.

Despite our current level of funding is enough to fulfil our financial needs, we cannot exclude incurring additional indebtedness in the future, in order to finance, inter alia, our operations or capital needs, which would intensify our leverage risks.

Risks related to any downgrading of the Issuer's credit ratings

Our creditworthiness is measured, inter alia, through the ratings assigned by one or more international credit rating agencies. The rating is an assessment of our ability to fulfil our financial obligations, including those relating to the Notes. As at the date of this Offering Circular, our credit ratings assigned by Moody's France SAS are as follows:

- Long-term issuer rating: Ba2, stable outlook;
- Long-term bank deposit rating: Baa2, stable outlook;
- Short-term bank deposit rating: P-2; and
- Baseline credit assessment (BCA): Ba2.

Moody's France SAS is established in the European Union and is registered under Regulation (EC) No. 1060/2009, as subsequently amended.

A downgrade of any of our ratings (for whatever reason, including also a downgrade of the sovereign rating which impacts also on the assignment of our rating) could be an indicator of a reduced ability to fulfil our financial commitments compared to the past and might result in higher funding and refinancing costs for us in the capital markets. A downgrade of the Long-term bank deposit rating could also be a consequence of our liability management strategy, following the DEPObank's Acquisition, aimed at optimizing funding synergies and therefore it could be a consequence of a reduction of the stock of our bail-inable debt through the liquidity originated by our Transaction Services and Payments Services operations. In addition, a downgrade of any of our credit ratings may have a particularly adverse effect on our reputation as a participant in the capital markets, as well as in the eyes of our clients. These factors may have an adverse effect on our business, results of operations and financial condition. Indeed, our downgrade could determinate an increase of the risk absorption for the banking funding providers using internal models or counterparty rating in their credit risk measurement, consequently increasing our funding costs.

Risks in connection with technological developments and changes in the payments services industry

The payment services business is subject to ongoing technological developments that lead to higher industry standards and rapidly changing customer needs and preferences. The Group strives to maintain strong technological capabilities to remain at the forefront of its industry. The process of developing, acquiring or accessing new, high-technology products and services and improving existing products and services is complex, costly and uncertain. Any failure to anticipate in a timely manner the changing needs of customers and the emerging technological trends could significantly damage our market share and our economic results.

The payments market is reshaping itself over the long-term and developing digital innovation as a core feature is crucial for the Group's future success. We must anticipate and respond to these industry and customer changes, including by taking advantage of the growth in e-commerce and mobile wallet innovations, in order to remain competitive. We may be required to make investments to develop new technologies before knowing whether our predictions will accurately reflect customer preferences, or if we are not able to develop the necessary technologies internally, we may have to incur expenses in an attempt to obtain a license or acquire technologies from third parties.

Delays in product development may also require further investments in research and development. If there is an increase in costs associated with the development of new products and the improvement of products for which we are not achieving sufficient revenue, the development costs of new products may not be recoverable.

An increase in costs or a decrease in revenue from new products, or both, could have a material adverse effect on our business, financial condition and results of operations. Failure to maintain innovation or the introduction of new or updated technologies that respond to changes in our markets or regulatory requirements could have a material adverse effect on our competitiveness and could cause us to lose market

share, which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to predict future changes in interest rates accurately

Interest from our non-recourse factoring business and in general from the Group's financing activity, depends on our ability to correctly identify and assess the fixed commission earned to customers for the purchase of receivables based on expected payment time, taking into account our expected funding cost over that period. A fluctuation in interest rates may cause our costs estimates (which are priced in a fixed commission at the time of purchase of the receivable) to no longer be sufficient to cover the funding costs of our non-recourse factoring business or reduce our expected margins. We have developed procedures to allow us to make assessments concerning the purchase of receivables. However, no assurance can be given that such assessments will accurately reflect the potential variation of interest rates in the future, although, on the other hand, default interests are indexed to the ECB refinancing rate and an increase in the ECB rate will therefore increase the rate payable on late payment of interest.

From a macroeconomic point of view, in recent years, the interest rate levels have been particularly low due to the expansionary monetary policies of the ECB and the Federal Reserve in order to foster the economy. These circumstances together with the high liquidity of the market contributed to a strong reduction of EURIBOR (as defined below) rates. However, the current expectations are that interest rate levels may increase in the mid-term. The refinancing rate determined by the ECB has an impact on the Issuer's activity, in particular with regard to funding policies and the raising of financial resources on the interbank market, as well as the pricing of the purchased receivables. An overall increase of the interest rates would negatively affect the Group's activity with regard to refinancing transactions regarding our funding structure (the majority of our operational deposits are remunerated at floating rates while more than 50% of our government bonds are at fixed rate) and the profitability of the Group.

The BFF Polska Group's assets have a diversified duration and pay interest based on fixed and floating rates. The main funding sources of the BFF Polska Group consist of funding from the Issuer. Therefore, there is a risk of a mismatch due to movement in interest rates differentials between euro and Polish zloty base interest rates. As part of the policies of our Group, also the BFF Polska Group manages the risk through monitoring the structure of the portfolio including financial assets and financial liabilities.

In addition, as is the case in other countries, Polish statutory interest rates are set by applicable regulations and, therefore, a portion of BFF Polska and Medfinance interest income depends on factors beyond its control.

We are subject to risks connected with exchange rates

Our operations encompass transactions carried out in foreign currencies, which exposes us to risks connected with exchange rates. In particular, the exchange rate risks we are exposed to include (i) the "operating" foreign exchange risk exposure relates to net earnings generated by activities conducted in currencies other than Euro, which is mainly represented by the Polish zloty; and (ii) the "structural" foreign exchange risk which relates to investments and in particular funding and deposits in currencies other than the Euro, which characterises our Securities Services and Payment Services businesses.

As a result, the effects of exchange rate trends could have a significant influence on the assets and the operations, balance sheet and/or income statement of the Group. This exposes us to the risks connected with converting foreign currencies and carrying out transactions in foreign currencies. Although we manage our exposure to exchange rate risks through hedging transactions, we may nonetheless incur significant losses as such hedging transactions (both using natural hedging and forex swap derivatives) may not adequately protect our operating results from the potential adverse effects of exchange rate fluctuations.

(D) Operational Risks

Our business is exposed to a variety of operational risks, including fraud, errors, security breaches or other adverse events, some that are wholly or partially out of our control

In conducting our business we are exposed to different types of operational risk, (which is defined as the risk of losses stemming from inadequate or failed internal processes, people and systems or from external events) such as the risk of losses resulting from, among others: (i) internal or external fraud; (ii) customer claims and disputes; (iii) unauthorised activity or transactions in capital markets; (iv) penalties for breaches

of any applicable laws; (v) errors, omissions and delays in providing our services; (vi) inadequacy or incorrect functioning of internal procedures, including, in particular, failure to follow procedures for the identification, monitoring and management of business risk; (vii) shortcomings in the preparation and/or preservation of the documents relating to our transactions; (viii) human errors or lack of resources; and (ix) damage to property caused by weather, other conditions or natural disasters. Our procedures may prove to be inadequate to cover all types of risks that could arise. There can be no assurance that we will not suffer losses from operational risk in the future. The occurrence of any of these risks could have an adverse effect on our business, results of operations and financial condition.

The proper functioning of financial controls, accounting or other data collection and processing systems is critical to our business and to our ability to compete effectively, and is necessary for us to avoid the risk of theft, fraud or deception carried out by clients, third-party agents, employees and managers.

The Payment Services and Securities Services, in respect of the management of payments, in particular, are exposed to the fraud risk on the Sepa Credit Transfer system, mitigated by technical and organizational measures which allow to intercept attempts at fraud carried out by malicious persons. Furthermore, there are risks of losses due to refunds, penalties or fines, following malfunctions or delays in the IT procedures provided by Nexi. At the same time, the risk events are mitigated by service level agreements with Nexi, which define the minimum performance levels that the IT infrastructure provided to us by Nexi must meet.

The operational risks of the Securities Service mainly consist of human errors or IT malfunctions, as a result of which losses can be generated due to damage claims from clients, interest refunds (for example in case of late settlements), refunds to customers (for example in case of errors in the calculation of the net asset value for our clients). The risk events are mitigated by appropriate technical and organizational measures.

As regards the risk of external fraud, the attention must in any case remain high, as there are situations in which BFF must accept payments managed in a non-automatic way. In these cases, strict manual checks are required with regard to formal correctness and consistency with the data received, as well as, for higher amounts, a callback is executed to a predetermined contact person who can confirm the validity of the order. However, it is possible that artfully falsified payment orders could escape these controls, especially in situations of work overload or significant organizational changes.

Although we maintain a system of controls designed to keep operational risk at appropriate levels, we have suffered losses from operational risk and there can be no assurance that we will not suffer losses from operational risk in the future.

We have adopted the measures required under Legislative Decree of 8 June 2001, No. 231 ("**Decree 231**") and, as of the date of these Listing Particulars, we are not implicated in any proceeding commenced under Decree 231, which applies also to our foreign branches. However, we cannot exclude the possibility of such an event in the future. We must also comply with the money laundering legislation set forth by Legislative Decree of 21 November 2007, No. 231. Furthermore, the Board of Directors of BFF Finance Iberia approved the "Organizational, Management and Control Model pursuant to art 31-bis of the Criminal Code" (the "**Model**") in order to comply with Article 31-bis of the Spanish Criminal Code. In addition, BFF Polska has adopted specific guidelines on anti-corruption, applicable to it and to its main subsidiaries, and appointed its Compliance Chief Officer as the monocratic body in charge of overseeing compliance with anti-corruption provisions.

We cannot exclude that, in carrying out our business, we may breach such legislation. For example, by not properly carrying out background checks on customers, we may breach the requirements of Decree 231.

We are also exposed to risks connected with the electronic invoicing obligation for receivables from the public administration.

Retail banking activities, present an increased risk of money laundering and fraud compared to our Factoring and Lending operations.

Should we breach any of the requirements we are subject to or experience a major issue with any operational risk, this could have an adverse effect on our business, results of operations and financial condition.

We collect, store and process sensitive personal data of our customers and any failure to properly treat data may lead to reputational damage or legal liability

The measures and procedures adopted by us and/or the Group companies for the storage and processing of personal data relating to our customers may prove to be inadequate and/or not in compliance with regulatory and legal provisions, and/or not to be implemented properly by Group employees and associates.

In carrying out our activities we collect, store and process the personal data of our customers, in particular our retail deposit customers, in conformity with Legislative Decree No. 196 of 30 June 2003 (Personal data protection code), the "GDPR" Regulation (EU) No. 2016/679 and the rules and regulations in force at any given time. To comply with such provisions we have adopted policies and enacted procedures, such as a privacy policy to inform our counterparties of the personal information we collect, the purposes for which data are processed and the rights to the protection of personal data. We have also adapted our internal procedures and adopted technical arrangements in order to conform to the requirements of the applicable regulations in the markets in which we operate regarding access to and the processing of banking data.

However, despite the above, we remain potentially exposed to the risk that the data could be subject to damage, loss, theft, disclosure or processing for purposes other than those authorised by the customers, or even use by unauthorised parties (whether third parties or employees of companies of the Group). The possible destruction, damage or loss of customer data, unauthorised processing or disclosure, could have a negative impact on our operations and our reputation and could lead to the relevant national authorities imposing fines on us. See also *"— Any malfunction or defect in our information and technology ("IT") systems could materially impact our ability to operate our business*".

Any eventual changes in such legislation governing the protection, collection and processing of personal data and any amendments thereto, including on an EU level, could force us to bear the costs of adapting to the new legislation.

If any of these circumstances occur, it could have a material adverse effect on our business, including our reputation, and an application of administrative and criminal penalties by any regulatory authority, to one or more companies of the Group or their representatives, which could have a material adverse effect on our business, results of operation and financial condition.

Our risk management policies, procedures and methods may leave us exposed to execution risks, unidentified or unanticipated risks

If the policies and procedures we use to identify, monitor and manage risk turn out to be inadequate or not properly implemented, or our assessments and assumptions turn out to be inaccurate, thus exposing us to unforeseen and unquantified risks, we may incur significant losses reflected in our income statement or deterioration of the Group capital and / or liquidity.

These events could have a material adverse effect on our business, results of operations, capital soundness and financial condition.

Furthermore, even if our internal procedures for the identification and management of risk are considered adequate, the occurrence of certain events that cannot be predicted or quantified (in light of the uncertainty and volatility that currently characterises global markets) may increase such risks, which could have a material adverse effect on our business, results of operations and financial condition.

This risk includes, for example, the risks of non-compliance with new regulations or of ineffective implementation of processes to face the new regulatory provisions, deriving from an incorrect analysis of the reference regulatory provisions. See "*Risks related to capital adequacy and the impact of banking and taxation regulation*" for more details.

Furthermore, the Group is naturally exposed to the model risk, generally defined as the risk of losses or negative impacts resulting from using insufficiently accurate models and processes to make decisions.

Operational risks

We are exposed to operational risk, namely the risk of suffering losses due to errors, violations, interruptions, damages caused by internal processes, personnel, strikes, systems (including IT systems on which we depend to a great extent – see also "*Any malfunction or defect in our information and technology*

systems could materially impact our ability to operate our business") or caused by external, unforeseen events, entirely or partly out of our control (including, for example, fraud, deception or losses resulting from the disloyalty of employees and/or from the violation of control procedures, IT virus / cyber-attacks or the malfunction of electronic and/or communication services, possible terrorist attacks).

Our activities require the capacity to carry out a large number of transactions efficiently and accurately, in compliance with the various different regulations applicable.

We have a framework for managing operational risks, comprising a collection of policies and procedures for controlling, measuring and mitigating Group operational risks. These measures could prove to be inadequate to deal with all the types of risk that could occur and one or more of these risks could occur in the future.

Moreover, in the context of its operation, the Group outsources the execution of certain services to third companies, regarding, inter alia, the activities related to the Transaction Services B.U. banking and financial activities, and supervises outsourced activities according to policies and regulations adopted by the Group. The failure by the outsourcers to comply with the minimum level of service as determined in the relevant agreements might cause adverse effects for the operation of the Group.

In the same way, despite the internal regulations and the processes adopted to deal with this risk, the Group could be exposed to the risk of failure or inadequate monitoring of service level agreements, so that potentially there could be a loss associated with incorrect monitoring of the outsourced activities.

Any malfunction or defect in our information and technology ("IT") systems could materially impact our ability to operate our business

Our business relies on the proper and uninterrupted functioning of our IT and data processing systems. The Issuer has made significant investments to ensure the continuity of its systems, following exceptional events (e.g. external attacks on our system). Any serious failure (i) IT services provided by outsourcers, (ii) of the factoring system, (iii) of the platform for the collection of deposits, or of our disaster recovery plan or any external IT attacks could interrupt our business or materially affect our activities.

For example:

- the unavailability or the failure of the IT systems offered by the outsourcers could generate interruptions or errors in the depositary bank activities or in the services that the Issuer offers in the field of payments and/or custody; or
- if our factoring systems ceased to work properly, we would no longer have access to, or be able to manage, essential data that allows us to carry out our Non-Recourse Factoring business. This could result in mistakes in the calculation of late payment interest and the issue of invoices for incorrect amounts, or the incorrect classification of exposures as "past due". In addition, we would no longer be able to efficiently manage and optimize our cash flows, which in turn would have a negative effect on our liquidity and capital.

Any failure of our IT system could result in a loss of our database (including data on where the receivables need to be collected, and whether the receivables have already been collected).

In general, risks related to technology and cyber-security change rapidly and require continued innovation and investment. Given the rapidly increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches in our security. Any of these disruptions, the inability to adequately manage cyber-security risk, or the loss of confidential or proprietary information could give rise to losses in service to our customers and to loss or liability to our Group. In particular, breach of computer security could damage our reputation, increase our operating expenses for correcting breaches or malfunctions, expose us to liability not covered by insurance, increase the risk of intervention by the supervisory authorities, expose us to legal action, lead to substantial sanctions and fines being imposed on us under international, Italian or European Union laws or regulations, or other applicable international laws or regulations. See also *"— We collect, store and process sensitive personal data of our customers and any failure to properly treat data may lead to reputational damage or legal liability*".

Any serious or repeated system failure that results in the loss of information on payment patterns and timing contained in our database or in such information becoming inaccurate or unreliable could compromise our

ability to manage assets and liabilities items, and may require material investments to address the system failure, which could have a material adverse effect on our business, results of operations and financial condition.

We are dependent on third-party suppliers and service providers

We have outsourced certain important services to third parties. In particular, we have agreements with such third parties in place for the outsourcing of (i) the IT infrastructure underpinning our Payment Services and Securities Services businesses provided by Nexi, (ii) services relating to the development, integration and management of an IT platform for certain back-end activities connected with banking operations (such as the management of the term deposit accounts "Conto Facto", "Cuenta Facto" and "Lokata Facto", Bank of Italy (Banca d'Italia) and Bank of Spain (Banco de España) and Bank of Poland (KNF – Komisja Nadzoru Finansowego) notices and a database containing customer and debtor information), (iii) certain services relating to the opening of term deposit accounts and customer background checks.

Additionally, a substantial part of our Payment Business activities is carried out in connection with transactions generated by Nexi or its clients, which use our services on the basis of an agreement with Nexi which is set to expire in 2026. Although we have a long-standing relationship with Nexi, and we believe that our services constitute a key layer in the payments services provided by Nexi, we are exposed to the risk that Nexi ceases to use our services in order to process payments, either at the expiration of our agreement in 2026 or earlier.

Any omission, error, delay or interruption by our suppliers in the provision of their services, could impair their ability to fulfil their contractual obligations. In addition, service level continuity could be disrupted by the occurrence of events having a negative impact on suppliers, such as a filing for bankruptcy or the commencement of insolvency proceedings against them.

Despite our policies aimed at safeguard our systems, there can be no assurance of the continued performance, accuracy, compliance and security of any of our third party providers.

In the case of an industry wide cyclical upturn or in the case of high demand for a particular product, our suppliers of software, hardware and other services may receive customer orders beyond the capacity of their operations, which could result in late delivery to us, should these suppliers elect to fulfil the obligations of other customers first. We may also not be able to obtain contractual damages to which we may be entitled (if any) in the event our suppliers fail to comply with their obligations in a timely manner. In addition, our third party providers may increase their prices or alter their terms to our detriment. Moreover, there are a limited number of adequate third party suppliers available, both in Payment Services and Securities Services businesses, and if our contractual arrangements with any third party providers are terminated or no longer offered on reasonable terms, we may not be able to find an alternative supplier on a timely basis, on equivalent terms or without significant expense or at all. Our ability to renew our existing contracts with suppliers of products or services, or enter into new contractual relationships, with these or other suppliers, upon the expiration of such contracts, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events, which may be beyond our control. In some cases, our third party service providers may compete with us. For example, our IT outsourcer Nexi Payments may compete with us in some value-added services in the Payment Services area.

Disruptions in our IT services could also affect our reputation, in particular if the software used by customers is affected.

We may not be able to attract and retain key personnel

The results and the future success of our business depend on our ability to attract, retain and motivate highly skilled individuals within our management team who have expertise in the business sector in which we operate.

As of 30 June 2021, we had 867 employees (and equivalent personnel). Any failure to retain our key employees could negatively affect our business or result in the slowing down of some activities. In case of a loss of one or more key employees, we could experience difficulties in running key processes with the same speed or quality. In this respect, since 2020, 24% of our top managers have left the Group, mainly as a result of their decision to retire; however, we have in place succession and continuity plans that are intended to mitigate potential adverse consequences arising from the loss of key personnel. In addition, if

we fail to attract new highly skilled employees, we could miss out on the skills useful to structure new strategies, which in turn could lead to a loss of competitiveness on the market.

Although our human resources department is committed to putting in place appropriate remuneration policies to attract and retain skilled employees and staff, due to fast pace of work and competition in the marketplace we may be unable to attract and retain key personnel.

(E) Risks related to capital adequacy and the impact of banking and taxation regulation

Risks related to regulatory changes in the banking and financial sectors and to the changes of the other laws applicable to the Group

The Group, as with all banking groups, is subject to extensive regulations and to the supervision (being for regulatory, information or inspection purposes, as the case may be) by the Bank of Italy and CONSOB.

In particular, the Group is subject to the laws and regulations applicable to companies with financial instruments listed on regulated markets and the rules governing banking services (aimed to maintain the stability and the solidity of the banks as well as to limit their risk exposure). Supervisory authorities have broad administrative powers over many aspects of the financial services business, including liquidity, capital adequacy and permitted investments, ethical issues, money laundering, privacy, transparency, record keeping, and marketing and selling practices.

In particular, the Group is subject to an extensive set of rules governing capital adequacy, liquidity levels and leverage, which derive from the requirements approved by the Basel Committee on Banking Supervision following the 2008 financial crisis, as implemented in EU and Italian legislation. In this respect, On 31 March 2020, the Bank of Italy notified BFF of its final decision on the minimum capital ratios to be complied with by the Group on an ongoing basis, based on the outcome of the annual SREP; such requirements have been confirmed for 2021. Additionally, the Bank of Italy informed BFF that it will start a new "SREP procedure" that will take into consideration, inter alia, all the elements observed during the inspection conducted at BFF between March and June 2021. For additional information, see "*We are subject to regular inspections by the Bank of Italy and may be required to implement measures set out by the regulators*". The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. Based on the outcome of the annual SREP process, the Group (with reference to the consolidation perimeter for the purposes of the CRR) must comply with the following minimum capital ratios (Overall Capital Requirements - OCR), each of which including the capital conservation buffer component: (i) 7.85% in relation to the Common Equity Tier 1 ratio; (ii) 9.65% in relation to the Tier 1 Ratio; and (iii) 12.05% in relation to the Total Capital Ratio. In addition, in order to ensure the compliance with the OCR requirements, also in the event of a deterioration in the economic and financial situation, the Bank of Italy has also identified a specific Capital Guidance that the Issuer at Group level is invited to continuously maintain.

However, there can be no assurance that the total capital requirements imposed on the Issuer or the Group from time to time may not be higher than the levels of capital available at such time. Also, there can be no assurance as to the result of any future SREP, as well as the Capital Guidance carried out by the Bank of Italy and whether this will impose any further own funds requirements on the Issuer or the Group. For additional information on the capital requirements applicable to the Group, see "*Selected Consolidated Financial Data*" and "*Regulatory*".

In addition to the capital requirements discussed above, Directive 2014/59/EU, providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") introduced requirements for banks to maintain at all times a sufficient aggregate amount of minimum requirement for own funds and eligible liabilities (the "**MREL**"). Under the BRRD, where an entity fails to meet its combined buffer requirement when considered in addition to its minimum requirement for own funds and eligible liabilities, resolution authorities have the power to prohibit certain distributions in accordance with the restrictions on distributions provisions by reference to the Maximum Distributable Amount. The Relevant Authority may furthermore exercise its supervisory powers under Article 104 of the CRD IV in case of breach of the minimum requirement for own funds and eligible liabilities. As a result, the powers set out in the BRRD and the application of the MREL requirement will impact the management of credit institutions and

investment firms as well as, in certain circumstances, the rights of creditors, including holders of Notes. In this respect, on 16 July 2021, Bank of Italy notified BFF regarding the future implementation of a resolution plan to the Group and the possible application of a minimum requirement for own funds and eligible liabilities. In particular, considering the assessment of the criticality of the function connected to the payments system, resolution is prudently envisaged by the Bank of Italy as a strategy for managing the possible crisis of the Issuer. To date, the MREL requirement has not been determined by the Bank of Italy.

The strengthening of capital adequacy requirements, the restrictions on liquidity and the increase in ratios applicable to the Group on the basis of the EU Banking Reform (as defined in "Regulatory") and other laws or regulations that may be adopted in the future could adversely affect the Group's business, results of operations, cash flow and financial position, as well as the possibility of distributing dividends to the shareholders and holders of AT1 instruments. In particular, problems could arise when subordinated bonds which are no longer eligible for regulatory capital purposes reach maturity, as they will have to be replaced by alternative funding sources that comply with the new rules. This could make it harder to comply with the new minimum capital requirements, at least with respect to the combined buffer requirement (and any other relevant buffer requirement applicable to the Issuer from time to time), potentially limiting the Group's ability to distribute dividends and to pay interests on the Notes as a result of operation of the restrictions on distributions provisions by reference to Maximum Distributable Amount contained in the Applicable Banking Regulations.

Moreover, supervisory authorities have the power to bring administrative or judicial proceedings against the Group, which could result, among other things, in suspension or revocation of the licences, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action. Such proceedings could have adverse effects on the Issuer's and the Group's business, results of operations and financial condition. For additional information on the main laws and regulations applicable to the banking sector, see "*Regulatory*".

Risks related to regulatory changes related to credit risk

On 17 April 2019, the European Parliament and Council adopted the Regulation (EU) 2019/630 which amends the Regulation (EU) n. 575/2013 ("CRR") regarding the minimum coverage of losses on non-performing exposures (c.d. "**Calendar Provisioning**"). This regulation provides, for each type of default exposure originated after 26 April 2019, a minimum percentage of loss coverage that must be applied according to specific "NPE days" (days elapsed since an exposure is classified from performing to non-performing) and secured or unsecured exposures. The provision related to the uncovered exposure is directly deduced from the CET1 of the Issuer and/or the Group.

Moreover, EBA Guidelines on the application of the definition of default ("**New Dod**") under Article 178 of the CRR impose stricter measures on the classification of non-performing exposures across the EU prudential framework, with the aim of improving consistency in the way EU banks apply regulatory requirements to their positions. These guidelines have been implemented by the Bank of Italy and have been in force starting since 1 January 2020. The main regulatory changes introduced concern new specific applications for factoring and purchased receivables, the days past due criteria for default identification (e.g. start of counting the days due generally from the due date of the invoice, 180 days for public administrations), conditions for the return to a non-default status (c.d. "cure period") and the introduction of the new materiality threshold, both absolute and relative, that must be exceeded. In the light of the above-described amendments and changes to the regulation, the Group has applied regulatory requirements, considering the context in which it operates.

The new credit policy of the Group allowed to avoid significant exposures classified in past due and/or to have relevant non-performing exposures that could have a significant impact on RWA, due to classification of the exposure to non-performing and/or in terms of deduction on CET 1 related to the Calendar Provisioning effect. The strategy of the Group includes a revised credit management process (e.g. legal proceedings, transactional agreements) fielded for containing high past due levels under New Dod with the consequent increase in RWA and more discipline in the purchase receivables of high-risk to be classified as non-performing, as, for instance the Local Entities which are subject to Conservatorship procedure and the consequent classification to bad loans with high risk of Calendar Provisioning. However, any deviation from the strategic approach identified or in presence of operational inefficiencies or lack of process effectiveness could bring about an impact on capital ratios and an impact, even a very significant one, cannot be excluded, both in term of increase of RWA both in CET 1 reduction. At the same time, a stricter and more severe credit policy aimed at limiting the aging of the portfolio and the past due classification

could entail the risk of lower purchases of receivables and therefore of a contraction of the business and of the profitability profile of the Group.

Risks related to recent and forthcoming regulatory and accounting changes

In addition to the own funds and eligible liabilities and liquidity requirements introduced by Basel III, the CRD IV, the BRRD and the EU Banking Reform, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include the "Fundamental Review of the Trading Book", revised standardised approaches (e.g. credit, market, operational risk), constraint to the use of internal models, as well as the introduction of a capital floor.

Other forthcoming regulatory changes include the EU Banking Reform that amend many of the existing provisions set forth in CRD IV and the BRRD. For additional information, see also "*Regulatory*" and "*Risks related to regulatory changes in the banking and financial sectors and to the changes of the other laws applicable to the Group*". On 7 December 2017 the Basel Committee endorsed the outstanding Basel III post-crisis regulatory reforms. The reforms, which include revisions to the measurement of the leverage ratio. These are being introduced in the EU through the amendments to the CRR contained in the EU Banking Reform.

In addition, the EU Banking Reform changes the rules for calculating the capital requirements for market risks against the trading book positions set out in the CRR, to transpose the work done by the Basel Committee with the Fundamental Review of the Trading Book into EU law by establishing clearer and more easily enforceable rules on the scope of application to prevent regulatory arbitrage; improving risk capture, making requirements proportionate to reflect more accurately the actual risks to which banks are exposed; and strengthening the conditions to use internal models to enhance consistency and risk-weight comparability across banks. The new rules include a phase-in period.

There can be no assurance that the implementation of the new capital requirements, standards and recommendations described above will not require the Issuer to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Issuer's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect Issuer's return on equity and other financial performance indicators.

The Group is exposed, like other parties operating in the banking sector, to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from IFRS as endorsed and adopted into European law). Specifically, the Group, like other parties operating in the banking sector, may need to revise the accounting and regulatory treatment of some existing assets, liabilities and transactions (and the related income and expense), with possible negative effects, including significant ones, on the estimates in financial plans for future years and this could lead to the Issuer having to restate financial data published previously. Investors should be aware that implementation of new accounting principles or standards and regulations (or changes thereto) may have a material adverse effect on the business, financial condition and/or results of operations of the Issuer and/or of the Group.

The banking industry is subject to regulations which require us to avoid significant debtor concentration

Pursuant to the rules imposing limits on the assumption of risk by banks, which are set out in the CRR, banks are required to limit their exposure, with respect to any individual debtor, to 25% of their Tier 1 capital (or 150 million in case of credit institution or investment firm, if 150 million is greater than 25% of Tier 1 capital). The failure to comply with this requirement following the occurrence of events out of our control (for example, future mergers between our debtors and other counterparties such as credit institutions) and any risk connected with the consolidation of local health authorities that has been taking place in certain regions of Italy in recent years and that will occur in other regions as well in the near future could have a material adverse effect on our business, results of operations and financial condition. The lengthening of payment times by the debtors may also increase the risk of a potential breach of the aforesaid requirements, in which case we may be required to either reduce such exposures or increase our own funds to ensure that concentration limits are complied with. Furthermore, compliance with the 25% exposure limits (or 150 million as specified above) with respect to individual debtors described above could restrict our growth in terms of asset volumes and could cause a potential breakdown of our relationship with

customers if, for example, in order to comply with such limits, we were forced to turn down business from one or more customers, which could have a material adverse effect on our business, results of operations and financial condition.

We are required to make yearly contributions to the Single Resolution Fund and the Interbank Deposit Guarantee Fund, and in exceptional circumstances we may be required to make additional contributions

Directive 2014/49/EU on deposit guarantee schemes (the "**Deposit Guarantee Schemes Directive**" or the "**DGSD**") and the BRRD, as well as the establishment of the Single Resolution Mechanism, introduced significant changes to the framework regulating the financial distress of banks, with the aim of strengthening the single market and the stability of the European banking system.

Based on the legal framework introduced as a consequence of the transposition into Italian law of these directives, financial institutions are required to provide financial resources in order to fund the Italian Interbank Deposit Guarantee Fund (Fondo Interbancario di Tutela dei Depositi) ("**FITD**") and the National Resolution Fund (Fondo di Risoluzione Unico Nazionale, which was transferred to the Single Resolution Fund (Fondo di Risoluzione Unico)).

For the year ended 31 December 2020, the ordinary contribution due from us to the FITD was €1.9 million (as notified by the FITD on 11 December 2020).

With respect to the Single Resolution Fund, the contributions are calculated in proportion to the amount of liabilities of the relevant bank (excluding guaranteed deposits and own funds) to the total liabilities (excluding guaranteed deposits and own funds) of Italian banks and the degree of risk assumed by the relevant bank compared to the degree of risk assumed by all other Italian banks. The BRRD provides that Italian banks must pay annual ordinary contributions until the Single Resolution Fund has financial resources equal to at least 1% of the total guaranteed deposits of financial institutions authorised in all participating Member States. This level must be reached by 1 January 2023.

The ordinary annual contribution required from us in 2021 was €8.7 million and was paid in May 2021. The ordinary annual contribution required in 2020 was €2.3 million.

If the financial resources of the Interbank Deposit Guarantee Fund and/or the Single Resolution Fund are insufficient to cover any losses, or if as a result of costs or other expenses incurred by such funds in compliance with the regulations governing their operation the above percentages are not reached, financial institutions may be required to make extraordinary contributions.

In July 2021, BFF was required to pay an extraordinary contribution equal to €1 million for BFF and €1.9 million for the former DEPObank. In 2020 the extraordinary contribution for 2018 totalled €0.7 million for BFF and €2.2 million for the former DEPObank.

Should we be required to make large contributions in future, or should the guarantee funds fail, this could have a material adverse effect on our business, financial condition and results of operations.

The so-called "split payment" of VAT, firstly introduced for transactions involving public bodies and already extended to other supplies, might be further extended and could impact the markets in which we operate

Italian law No. 190 of 23 December 2014 (the "**2015 Budget Law**") introduced changes to the VAT regime applicable, under Italian laws, to transactions carried out by public entities referred to as the split payment mechanism ("**Split Payment Mechanism**"). Under such mechanism, VAT on sales of goods and services rendered by any VAT taxable persons to public entities is paid by the latter, and not by the supplier, as required under the ordinary regime. The VAT payment is therefore made by the customer to the tax authority directly, while the supplier only receives the consideration for its supply, net of any VAT.

One of the effects of the Split Payment Mechanism [1] is that taxable persons who carry out supplies of goods or services subject to such mechanism (i.e. supplies in favour of the above mentioned entities) will be

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[1] Additional guidelines concerning both methods of actual VAT payment and identification of the subjects involved are contained in the implementing rules approved with Ministerial Decree of 27 June 2017, which modifies Ministerial Decree of 23 January 2015. The amendments thus approved shall

prevented from the possibility to offset VAT paid on their input with output VAT (which is no longer received from their customers on such supplies) and might constantly be in a credit position.

The Split Payment Mechanism was authorised by the Council of the European Union effective from 1 January 2015 and was expected to expire on 30 June 2020, as by that date, adequate controls should have been developed based on the data acquired through electronic invoicing. However, by the Implementing Decision of the Council of the European Union 2020/1105, the Split Payment Mechanism's application in Italy was extended to 30 June 2023.

We cannot exclude that application of the Split Payment Mechanism will be further extended by the Council of the European Union following the scheduled expiration on 30 June 2020 and, if further extended, it could have a material adverse effect on our business, results of operations and financial conditions. To the extent that the Split Payment Mechanism is not extended for a further period after 30 June 2023, we estimate that volumes to be sold to us by our clients will increase between 15% and 20%, and, as a result, we will have to find additional funding to meet our clients' demands, otherwise we will be left with less liquidity than expected. At the same time, we would have to hold more capital to absorb the increase in the size of our business.

We are subject to regular inspections by the Bank of Italy and may be required to implement measures set out by the regulators

We are subject to regular inspections by the Bank of Italy, which is generally entrusted under Italian law with the power, inter alia, to impose the adoption of specific measures affecting our business, governance or capital structure. In this respect, on 8 March 2021 the Bank of Italy initiated an inspection of the Group. On 4 November 2021, the Issuer received the inspection report with the results of the investigations conducted by the Bank of Italy. Within the timeframe required by the authority, the Issuer has provided the Bank of Italy with its considerations regarding the inspection report, and the measures it has already taken and will take in connection thereto.

We cannot exclude the possibility that, following any future evaluations or inspections by the Supervisory Authority, we may have to put into place further measures in order to respond to any imposed requirements, or that the measures requested by the Bank of Italy and implemented by us could later reveal themselves to not be fully effective over a period of time.

Should we be forced to implement new initiatives, or should our initiatives be insufficient to cure any deficiencies, it could have a material adverse effect on our business, results of operations and financial condition. See "*Description of the Issuer and the Group—Legal Proceedings*" below.

Changes in tax laws or the tax rate to which we are subject could materially impact our financial position

We are currently subject to taxation in various European countries. Any future changes in tax rates as applied to us could be affected by the proportion of profits earned in countries having different tax rates, changes in the calculation of deferred taxes or changes to tax law and its interpretation.

From 2013, we have benefited in Italy from a favourable tax regime introduced by Decree Law No. 201 of 6 December 2011, converted into law, following amendments, by Law No. 214 of 22 December 2011 (the so-called "Aiuto alla crescita economica" ("**ACE**")), which introduced a tax reduction for highly capitalised businesses [2].

Law No. 145 of 30 December 2018 (the "**Finance Bill 2019**"), repeals the ACE deduction as from 1 January 2019. According to the Finance Bill 2019, the unused ACE deduction accrued as at 31 December 2018 can still be used according to the provision under art. 3, paragraph 2 of ACE implementing Ministerial Decree 3 August 2017.

However, Law No. 160 of 27 December 2019 (the "**Finance Bill 2020**") reintroduces the ACE deduction from 1 January 2019 with a notional deduction equal to 1.3%. In addition, Law Decree No. 73 of 25 May 2021 grants to Italian resident companies an IRES deduction equal to €750,000, corresponding to 15% of

apply to supplies of goods and services invoiced as from 1 July 2017 until expiry of the derogation granted by the EU Council pursuant to Decision (EU) no. 2017/784 (i.e., until 30 June 2020).

[2] For the implementing provisions, see Ministerial Decree 3 August 2017.

the sum of qualifying equity increases that occurred during fiscal year 2021 capped at Euro 5 million (the "**Innovative ACE Benefit**").

The Finance Bill 2019 also contains other provisions affecting the Issuer's tax rate or financial positions, such as:

(i) deferral to the tax year pending on 31 December 2026 of the deduction, granted for 2018 in relation to both IRES and IRAP purposes by article 16, paragraphs 4 and 9 of Law Decree no. 83 of 27 June 2015 converted into Law no. 132 of 6 August 2015, of 10% of the stock of write-offs related to "loans to customers" that had not been already deducted as at 31 December 2015. The Finance Bill 2020 defers, both for IRES and IRAP purposes, the deduction of the 12% quota of such stock of write-offs originally granted for the tax year in progress as at 31.12.2019, in equal installments to tax year in progress as at 31.12.2022 and the following three;

(ii) deferred deduction through 10 equal instalments in each tax year, both for IRES and IRAP purposes, of the loss allowance for expected credit losses, accounted for under the first time adoption of para 5.5 of international financial reporting standard IFRS 9, in relation to financial assets whose write-offs are deductible under ordinary rules (such as "loans to customers"). However, the Finance Bill 2020 defers the deduction of the 10% instalment for the tax year in progress as at 31.12.2019 to the tax year in progress as at 31.12.2028.

In addition, the BFF Polska Group experienced in the past certain interpretative issues in relation to the application of some provisions of tax laws in Poland, Czech Republic and Slovakia. In those circumstances the BFF Polska Group sought the prior opinion of the competent tax authorities and followed the interpretation suggested by them. However, we cannot exclude that the tax authorities might adopt a different interpretation in the future and this could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, we conduct transactions between related parties residing in different countries in the ordinary course of business. These transactions (such as funding and the provision of services) are subject to transfer pricing rules established by the Organization for Economic Cooperation and Development ("**OECD**") and any applicable national laws. Given the complexity of such rules, there is a certain degree of uncertainty with regard to their interpretation and application.

Although we believe that we are currently in compliance with the applicable transfer pricing rules, there is a risk that the methods we adopt may be contested by the relevant competent authorities, which could result in tax inquiries and investigations against us. Tax inquiries and investigations may result in fines or higher tax liabilities, which could have a material adverse effect on our business, results of operations and financial condition.

The Italian Finance Police is carrying out a tax audit concerning tax years from 2013 to 2017. The tax audit is still ongoing and it has been concluded only in relation to tax year 2013 without any findings.

In addition, legal proceedings are ongoing with the Italian Supreme Court (Corte di Cassazione) in respect of the Issuer's request to be reimbursed for the amount of additional IRES paid in 2013 in compliance with Article 2, paragraph 2 of Legislative Decree No. 133 of 2013, which for the tax year 2013 imposed on banks an additional rate of 8.5% on top of the ordinary rate of IRES. The constitutional legitimacy of such provision has been subsequently questioned by Italian judges in similar cases. The decision of Constitutional Court (Corte Costituzionale) n. 288/2019 stated that the IRES surcharge of 8.5% provided by Article 2, paragraph 2 of Legislative Decree No. 133 of 2013 has to be considered legitimate.

Factors which are material for the purpose of assessing the market risks associated with the Notes

The Notes are complex instruments and 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 Offering Circular;

(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 the possibility that the entire principal amount of the Notes could be lost, including following the occurrence of a Trigger Event or the exercise by the relevant resolution authority of any bail-in power or through the application of non-viability loss absorption, as further described below, and including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) thoroughly understand 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 of economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The 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 as an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes 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 likelihood of cancellation of Interest Amounts or a write-down and the market value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes may be subject to mandatory write-down or conversion into equity under the BRRD

Investors should be aware that the powers provided to "resolution authorities" under the Bank Recovery and Resolution Directive include write down/conversion powers to ensure that capital instruments (including the Notes) and eligible liabilities fully absorb losses at the point of non-viability of the issuing institution and before any other resolution action is taken (in addition to the General Bail-In Tool (as defined under "Regulatory – Bank Recovery and Resolution Directive")). Accordingly, the Bank Recovery and Resolution Directive contemplates that resolution authorities may require the write down of such capital instruments and eligible liabilities in full on a permanent basis, or convert them in full into shares or other instruments of ownership. The Bank Recovery and Resolution Directive provides, inter alia, that resolution authorities shall exercise the write down power in a way that results in (i) CET1 instruments being written down first in proportion to the relevant losses, (ii) thereafter, the principal amount of other capital instruments (including Additional Tier 1 instruments such as the Notes) being written down or converted into CET1 instruments on a permanent basis, and (iii) thereafter, eligible liabilities being written down or converted in accordance with a set order of priority.

The powers set out in the Bank Recovery and Resolution Directive may impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. The holders of the Notes may be subjected to write-down or conversion into equity on any application of the General Bail-In Tool and non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the Bank Recovery and Resolution Directive, or any exercise which is suggested 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. With respect to the application of the BRRD and the powers of resolution authorities, see further "*Regulatory – Bank Recovery and Resolution Directive*.

Governmental and central banks' actions intended to support liquidity may be insufficient or discontinued

In response to the financial markets crisis, the reduced liquidity available to market operators in the industry, the increase of risk premiums and the capital requirements demanded by investors, intervention with respect to the level of capitalisation of banking institutions has had to be further increased. In many countries, this has been achieved through support measures for the financial system and direct intervention by governments in the share capital of the banks in different forms. In order to technically permit such

government support, financial institutions were required to pledge securities deemed appropriate by different central financial institutions as collateral. The unavailability of liquidity through such measures, or the decrease or discontinuation of such measures by governments and central authorities could result in increased difficulties in procuring liquidity in the market and/or result in higher costs for the procurement of such liquidity, thereby adversely affecting the Group's business, financial condition and results of operations.

Reform of EURIBOR may impact the calculation of the 5-year Mid-Swap Rate and may adversely affect the value and return of the Notes

The 5-year Mid-Swap Rate used to calculate the Reset Rate of Interest on the First Reset Date and on each subsequent Reset Date is linked to the Euro Interbank Offered Rate ("**EURIBOR**") and the annual mid-swap rate for euro swap transactions, which are deemed "benchmarks" and are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Notes.

Key international reforms of "benchmarks" include IOSCO's proposed Principles for Financial Market Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the Regulation (EU) No. 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (the "**Benchmarks Regulation**"). The Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. The Benchmarks Regulation as it forms part of domestic law of the UK by virtue of the EUWA (the "UK Benchmarks Regulation") applies to the provision of benchmarks and the use of a benchmark also in the UK.

The Benchmarks Regulation applies to the provision of "benchmarks", the contribution of input data to a "benchmark" and the use of a "benchmark" within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorized by the UK Financial Conduct Authority ("FCA") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognized or endorsed).

The Benchmarks Regulation could also have a material impact on the Notes in any of the following circumstances:

1. any "benchmark" for determining the relevant 5-year Mid-Swap Rate could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, the Notes could be impacted;

2. the methodology or other terms of any "benchmark" related to the Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing, increasing or affecting the volatility of the published rate or level of the relevant "benchmark", and could lead to adjustments to the 5-year Mid-Swap Rate, including the Reference Rate Determination Agent determining the rate or level of such benchmark at its discretion.

More broadly, any of the international, national or other reforms or the general increased regulatory scrutiny of "benchmarks" could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. These reforms may have the effect of discouraging market participants from continuing to administer or participate in certain

"benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks", including EURIBOR and the annual mid-swap rate for euro swap transactions. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Notes.

Specifically, certain workstreams are underway in Europe to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short- term Rate ("**€STR**") as the new risk free rate. The ECB published the €STR for the first time on 2 October 2019, reflecting trading activity on 1 October 2019. €STR will replace EONIA with effect from 3 January 2022. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

The Conditions provide for certain fallback arrangements in the event that any of the 5-year Mid-Swap Benchmark Rate and/or the Mid-Swap Floating Rate Benchmark Rate used in the determination of the Reset Reference Bank Rate (each an "**Original Reference Rate**") becomes unavailable, including the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Rate determined by an Independent Adviser in consultation with the Issuer or failing that, by the Issuer, and that such Successor Rate or Alternative Rate may be adjusted (if required) by the application of an Adjustment Spread.

The Adjustment Spread is (i) the spread, formula or methodology which is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), (ii) if no such recommendation has been made, or in the case of an Alternative Rate, the spread, formula or methodology which the Independent Adviser or the Issuer (as applicable) determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate, or (iii) if the Independent Adviser or the Issuer (as applicable) determines that no such spread is customarily applied, the spread, formula or methodology which the Independent Adviser or the Issuer (as applicable) determines and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate, as the case may be.

The application of an Adjustment Spread may result in the relevant Notes performing differently (which may include payment of a lower interest rate) than they would do if the relevant Original Reference Rate were to continue to apply in its current form. If no Adjustment Spread is determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the rate of interest. Furthermore, if the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser appointed by the Issuer fails to determine an Successor Rate or Alternative Rate, the Issuer may have to exercise its discretion to determine (or to elect not to determine) a Successor Rate or Alternative Rate in a situation in which it is presented with a conflict of interest.

The ultimate fallback for calculating interest for a particular Reset Interest Period under the Conditions may result in the rate of interest for the last preceding Reset Interest Period being used. If in relation to a Reset Interest Period, the 5-year Mid-Swap Rate cannot be determined because the annual mid-swap rate for euro swaps with a term of five years (the Mid-Swap Benchmark Rate) does not appear on the Screen Page at the Relevant Time, a fallback mechanism provides that the Reset Rate of Interest applicable to such Reset Interest Period will be determined by the Fiscal Agent by averaging quotes obtained from reference banks, if available, or, if no such quotes are available, by reference to the 5-year Mid-Swap Rate which was last observed on the Screen Page. As a result, if the Fiscal Agent is unable to obtain such quotes and rates, the Notes will effectively become fixed rate notes for the relevant Reset Interest Period.

More generally, any of the above changes or any other consequential changes to any "benchmark" on which interest payments under the Notes are based as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Notes.

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

Risks related to the structure of the Notes

Potential conflicts of interest

The Calculation Agent is the agent of the Issuer and not the agent of the Noteholders. Potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgments that the Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

Notes are of perpetual nature

The Notes have no fixed final redemption date and holders have no right to call for the redemption of the Notes. Although the Issuer may redeem the Notes in certain circumstances, there are limitations on its ability to do so. Therefore, Noteholders should be aware that they may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

Notes subject to early redemption by the Issuer

The Notes are redeemable at (i) the occurrence of a Tax Event pursuant to Condition 8.2 (*Redemption for tax reasons*), (ii) the occurrence of a Regulatory Event pursuant to Condition 8.3 (*Redemption for regulatory reasons*), or (iii) the Issuer's option pursuant to Condition 8.4 (*Redemption at the option of the Issuer (Issuer Call)*), and the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. Any such redemption will be subject to certain restrictions as required by the Applicable Banking Regulations. See also "*Early redemption of the Notes may be restricted*".

Such early redemption feature of the Notes is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. Further, during any period in which there is an actual or perceived increase in the likelihood that the Issuer may redeem the Notes, the price of the Notes may also be adversely impacted. This also may be true prior to any redemption period.

The Issuer may elect to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Notes will be redeemed at their Outstanding Principal Amount, together with any accrued but unpaid interest to the date fixed for redemption in accordance with the Conditions, even if the principal amount of the Notes has been written down and not yet reinstated in full. Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of Notes.

The Issuer's obligations under Notes are deeply subordinated

If the Issuer is declared insolvent and a winding up is initiated, the Issuer will be required to pay the holders of senior debt and meet its obligations to all its other unsubordinated creditors (including unsecured creditors) as well as any higher ranking subordinated creditors in full before it can make any payments on the Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay the amounts due under the Notes.

The Issuer's obligations under the Notes will be unsecured and subordinated and will rank junior in priority to the claims of unsubordinated, unsecured creditors (including depositors) of the Issuer, the Issuer's obligations in respect of any Tier 2 instruments and any other present or future subordinated obligations of the Issuer that rank (or are expressed to rank) senior to the Notes. Although the Notes may pay a higher rate of interest than notes which are not (or less) subordinated, there is a real risk that an investor in the Notes will lose all or some of its investment should the Issuer become failing or likely to fail, or insolvent.

Regulatory classification of the Notes

The intention of the Issuer is for the Notes to qualify on issue as "Additional Tier 1 capital" for so long as this is permitted under the laws and regulations on capital adequacy applicable from time to time. Current regulatory practice by the Relevant Authorities does not require (or customarily provide) a confirmation prior to the issuance of the Notes that they will be treated as such.

Although it is the Issuer's expectation that the Notes qualify as "Additional Tier 1 capital", there can be no representation that this is or will remain the case during the life of the Notes or that the Notes will be grandfathered under the implementation of future EU capital requirement regulations. If there is a change (or pending change which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Notes that results, or would be likely to result, in their exclusion in full (or to the extent permitted under the Applicable Banking Regulations, in part) from the "Additional Tier 1 capital" of the Issuer or a reclassification as a lower quality form of Own Funds, the Issuer will have the right to redeem the Notes in accordance with Condition 8.3 (*Redemption for regulatory reasons*) of the Terms and Conditions of the Notes, subject to the prior approval of the Relevant Authority. During any period in which there is an actual or perceived increase in the likelihood that the Issuer may exercise such rights to redeem the Notes, the price of the Notes may be adversely impacted and may not rise above the redemption price. There can be no assurance that holders of the 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 Notes. The Notes will be redeemed at their Outstanding Principal Amount, together with any accrued but unpaid interest to the date fixed for redemption, even if the principal amount of the Notes has been written down and not yet reinstated in full. Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of Notes.

Early redemption of the Notes may be restricted

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

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

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

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

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

(ii) in the case of redemption upon the occurrence of a Tax Event in accordance with Condition 8.2 *(Redemption for tax reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date; or

(iii) in the case of redemption upon the occurrence of a Regulatory Event in accordance with Condition 8.3 (*Redemption for regulatory reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date; or

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

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

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

See further Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

The Issuer is not prohibited from issuing further debt which may rank pari passu with or senior to the Notes

The Conditions place no restriction on the amount of debt or other securities that the Issuer may issue that ranks senior to, or pari passu with, the Notes. The issue of any such debt or securities may reduce the amount recoverable by holders of the Notes should the Issuer become insolvent. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including cancellation of interest and reduction of principal and, if the Issuer were liquidated, the Noteholders could suffer loss of their entire investment.

The Issuer may elect in its full discretion to cancel interest on the Notes and may, in certain circumstances, be required to cancel such interest

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) for an unlimited period and on a no-cumulative basis any interest payment that would otherwise be payable on any Interest Payment Date. Further:

- the Issuer shall not make any interest payment on the Notes on any Interest Payment Date (and such interest payment shall be deemed to have been cancelled and shall not be due and payable on such Interest Payment Date), and shall not pay any Additional Amounts thereon, if the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on the Notes and on all other Own Funds items (including any Additional Amounts in respect thereof but excluding any distributions or interest payments on Tier 2 instruments which have already been accounted for, by way of deduction, in the calculation of Distributable Items) plus any potential write-ups on any Loss Absorbing Written-Down Additional Tier 1 instruments, in each case paid or made, or scheduled to be paid or made, in the then current financial year. See further Condition 5.2.1(i) and the risk factor below headed *"The Issuer's ability to make interest payments under the Notes depends on its Distributable Items"*;

- in circumstances where restrictions on distributions by reference to Maximum Distributable Amount applies, no payments will be made on the Notes if and to the extent that such payment (whether by way of principal, interest or otherwise) – when aggregated with (x) other distributions of the kind referred to in Article 141 of the CRD IV and any other similar restrictions on distributions provisions contained in the Applicable Banking Regulations from time to time applicable to the Issuer or the Group (or, as the case may be, any provision of Italian law transposing or implementing such provisions, including Circular No. 285) and (y) the amount of any write-ups (where applicable) on any Loss Absorbing Written Down instruments – would cause the Maximum Distributable Amount then applicable to the Issuer or the Group to be exceeded, or would otherwise result in a violation of any other similar regulatory restriction or prohibition on payments on Additional Tier 1 instruments imposed on the Issuer or the Group pursuant to Applicable Banking Regulations. See further Condition 5.2.1(ii) and the risk factor below headed *"The determination of Maximum Distributable Amount is complex"*; and

- the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date), if and to the extent that the Relevant Authority orders or requires the Issuer to cancel the relevant interest payment on the Notes scheduled to be paid. See further Condition 5.2.1(iii).

In particular, the Relevant Authority has the power under Article 104 of the CRD IV Directive to restrict or prohibit payments of interest by the Issuer to holders of Additional Tier 1 instruments such as the Notes. The risk of any such intervention by the Relevant Authority is most likely to materialise at a time when the Issuer or the Group is failing, or is expected to fail, to meet its capital requirements. Also, in accordance

with Article 63(j) of the BRRD (as implemented in Italy by Article 60(1)(i) of Legislative Decree No. 180/2015), the Relevant Authority has the power to alter the amount of interest payable under debt instruments issued by banks subject to resolution proceedings and the date on which the interest becomes payable under the debt instrument (including the power to suspend payment for a temporary period). The Relevant Authority also has the power under Articles 53-bis and 67-ter of the Italian Banking Act to impose requirements on the Issuer, the effect of which can be to restrict or prohibit payments of interest by the Issuer to Noteholders, which is most likely to materialise at a time when the Issuer is failing, or is expected to fail, to meet its capital or liquidity requirements. In addition, under the amendments to Article 45 of the BRRD comprised in the EU Banking Reform, a breach of the minimum requirement for own funds and eligible liabilities can be addressed by the Relevant Authority also on the basis of measures under Article 104 of the CRD IV, and therefore, its power to restrict or prohibit distributions or interest payments on Additional Tier 1 instruments such as the Notes.

Furthermore, upon the occurrence of a Trigger Event (as defined in Condition 6.1 (*Loss absorption following a Trigger Event*)), any accrued and unpaid interest on the Notes through to the Write-Down Effective Date shall be automatically cancelled and shall not be due and payable. See further Condition 5.2.1(iv).

The cancellation of any Interest Amounts shall not constitute a default for any purpose on the part of the Issuer. Interest on the Notes is not cumulative and any Interest Amounts that the Issuer elects not to pay or is prohibited from paying will not accumulate or be payable at any time thereafter, and shall not entitle the Noteholders to receive any additional interest or compensation. See further Condition 5.3 (*Interest Cancellation – Effect of interest cancellation*).

Because the Issuer is entitled to cancel Interest Amounts in its full discretion, it may do so even if it could make such payments without exceeding the limits of Distributable Items or Maximum Distributable Amounts described above. Interest Amounts on the Notes may be cancelled even if holders of the Issuer's shares continue to receive dividends and/or the Issuer continues to make payments of interest or other amounts on other Additional Tier 1 instruments.

It is the Issuer's current intention that, whenever exercising its discretion to propose any dividend in respect of the Issuer's shares or its discretion to cancel payments of interest on the Notes, the Issuer will take into account the relative ranking of these instruments in its capital structure. However, the Issuer is not bound by, and may at any time at its sole discretion depart from, this intention and as further set out in this risk factor, in accordance with the Applicable Banking Regulations and the Conditions, it may in its discretion elect to cancel any payment of interest at any time and for any reason.

Any actual or anticipated cancellation of interest on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition. Any indication that, for example, the Issuer may not have sufficient Distributable Items and/or may fail to meet the relevant requirements under the Applicable Banking Regulations such as to trigger operation of the restrictions on distributions by reference to Maximum Distributable Amount may have an adverse effect on the market price of the Notes.

The Issuer's ability to make interest payments under the Notes depends on its Distributable Items

Condition 5.2.1(i) (*Interest Cancellation*) provides that the Issuer shall not make any interest payment on the Notes on any Interest Payment Date (and such interest payment shall be deemed to have been cancelled and shall not be due and payable on such Interest Payment Date), and shall not pay any Additional Amounts thereon, if the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on the Notes and on all other Own Funds items (including any Additional Amounts in respect thereof but excluding any distributions or interest payments on Tier 2 instruments which have already been accounted for, by way of deduction, in the calculation of Distributable Items) plus any potential write-ups on any Loss Absorbing Written-Down Additional Tier 1 instruments, in each case paid or made, or scheduled to be paid or made, in the then current financial year.

The Issuer's ability to make interest payments under the Notes therefore depends on the level of its Distributable Items, which is a function of its existing Distributable Items as well as its future profitability. As at 31 December 2020, the Issuer had approximately €276 million of Distributable Items, represented by

the sum of (i) the profit for 2020 (item 300 of the non-consolidated income statement of BFF) and (ii) the distributable reserves booked in line items 140, 150 and 170 "Reserves" of the liabilities of the non-consolidated financial statements of BFF (being the arithmetical sum of (a) the extraordinary reserve, (b) the retained earnings reserve, (c) the treasury share reserve and (iv) the share premium reserve, each as detailed on page 171 of the non-consolidated financial statements of BFF). For additional information, see also "*Selected Consolidated Financial Data – Prudential Requirements*". With regard to events occurred in 2021 which will or may have an impact on the calculation of the Distributable Items as of 31 December 2021, the Issuer has cumulatively distributed €168.5 million in dividends to its shareholders during 2021, out of the net profits recorded in 2019 and 2020, as well as a portion of available reserves, which were not distributed to shareholders in accordance with the recommendations issued by the European Central Bank and the Bank of Italy (for additional information, see "*Description of the Issuer and the Group – Recent Developments – 2019-2020 dividend distribution*"). Additionally, during the nine-month period ended on 30 September 2021, the Issuer (on a standalone basis) recorded net profits of €209.7 million (for additional information, see the Q3 2021 Results Press Release, which is incorporated by reference in this Offering Circular). As a result of the above transactions, the Distributable Items as of 30 September 2021, calculated consistently with the Distributable Items as of 31 December 2020, amounted to approximately €551.0 million; pro forma for the distribution of dividends on 13 October 2021, the Distributable Items as of 30 September 2021 were equal to €385.7 million.[3]

The availability of Distributable Items to fund interest payments on the Notes may be adversely affected by distributions paid and/or scheduled to be paid on instruments ranking pari passu with or senior to the Notes, as well as on more junior ranking instruments such as dividends on the Issuer's shares. The actual level of the Issuer's Distributable Items may furthermore be affected by changes to accounting rules, and is impacted by the Issuer's decisions to allocate sums to distributable reserves or to make any earnings adjustments as well as other factors that influence the Issuer's profitability in general.

The determination of Maximum Distributable Amount is complex

The Maximum Distributable Amount imposes a cap on the Issuer's ability to pay interest on the Notes as well as to reinstate the Outstanding Principal Amount of the Notes following a Write-Down, as a result of the restrictions on distributions provisions contained in the Applicable Banking Regulations.

Under the CRD IV, institutions are required to hold a minimum amount of regulatory capital equal to 8.0% of risk-weighted assets (the so called "**Pillar 1 requirement**"). CRD IV also introduces the combined buffer requirement (namely, the capital conservation buffer, the institution-specific counter-cyclical buffer, the G-SII buffer, the O-SII buffer and the systemic risk buffer) that is required to be met with CET1 capital. In addition, supervisory authorities may impose extra capital requirements above the Pillar 1 requirement. It has been clarified that the level of own funds above the Pillar 1 requirement will comprise a Pillar 2 requirement (which is binding) and a Pillar 2 guidance which is not directly binding. The EBA Guidelines on SREP published in July 2018 furthermore clarifies that the Pillar 2 requirement is stacked below the capital buffers, thus directly affecting the application of Maximum Distributable Amount, while the Pillar 2 guidance is stacked above the capital buffers.

The amendments to the CRR contained in the EU Banking Reform provide further clarification on the role of Pillar 2 guidance, referred to as the supervisory guidance on additional own fund. In particular, competent authorities may communicate to an institution an adjustment to the amount of capital in excess of the minimum own funds requirements, the additional own funds requirement and the combined buffer requirement that they expect such institution to hold in order to deal with forward looking stress scenarios. Such supervisory guidance on additional own funds constitutes a capital target and is to be regarded as positioned above the aforementioned requirements. Failure to meet such target does not trigger restrictions on distributions by reference to Maximum Distributable Amount.

Under Article 141 of the CRD IV, institutions that fail to meet the combined buffer requirement are subject to restrictions on discretionary payments (including payments on Additional Tier 1 instruments such as the Notes). Such restrictions are 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". As a result, in the event of breach of the combined buffer requirement, it may be necessary to reduce discretionary payments, including potentially cancel interest payments on the Notes. Because the Issuer

[3] This is an estimate based on the Issuer's current understanding of the Applicable Banking Regulations.

will have discretion to determine how to allocate the Maximum Distributable Amount among the different types of discretionary payments, the Issuer may elect to allocate available amounts to discretionary payments other than in respect of the Notes. Moreover, payments made earlier in the relevant period will reduce the remaining Maximum Distributable Amount available for payments later in the relevant period, and the Conditions do not impose any obligation on the Issuer to preserve any portion of the Maximum Distributable Amount for interest payments on the Notes. The precise level of Maximum Distributable Amount will depend on the amount of net income earned during the course of the relevant period, which is necessarily difficult to predict.

Under the EU Banking Reform, the restrictions on distributions provisions by reference to Maximum Distributable Amount set forth in Article 141 of the CRD IV are extended to apply also in situations where:

- an institution does not have Tier 1 capital in the amount needed to meet at the same time its leverage ratio buffer requirement, the leverage ratio requirement and additional own funds requirement to address excessive leverage risk not sufficiently covered by the leverage ratio requirement. In such a situation, the institution is required to calculate the Leverage ratio related Maximum Distributable Amount ("**L-MDA**"), and shall not make any discretionary payments in excess of such L-MDA; and

- an institution fails to meet its combined buffer requirement when considered in addition to its minimum requirement for own funds and eligible liabilities. In such a situation, the resolution authority has the power to prohibit the institution from making discretionary payments (including payments on Additional Tier 1 instruments such as the Notes) in excess of the Maximum Distributable Amount related to the minimum requirement for own funds and eligible liabilities (the "**M-MDA**"). The resolution authority shall assess whether to exercise such power on a monthly basis and shall – following a nine months grace period – exercise such power subject to certain limited exceptions.

The extended application of the restrictions on distributions provisions by reference to the L-MDA (to the extent applicable to the Issuer) and the M-MDA introduced by the EU Banking Reform increases the risk of a cancellation of interest payments under the Notes as well as impose further limitations on the Issuer's ability to reinstate principal on the Notes following a Write-Down. Holders of the Notes may not be able to predict accurately the proximity of the risk of discretionary interest payments or principal reinstatements on the Notes being restricted from time to time as a result of operation of the aforementioned restrictions on distributions provisions by reference to Maximum Distributable Amount.

The Outstanding Principal Amount of the Notes may be written down to absorb losses

If, at any time, the CET1 Ratio of the Issuer on a solo basis or of the Group on a consolidated basis is less than 5.125% (the "**Trigger Level**"), as determined by the Issuer, the Relevant Authority or any agent appointed for such purpose by the Relevant Authority (a "**Trigger Event**"), the Issuer shall irrevocably and mandatorily write down the Outstanding Principal Amount of each Note with effect from the Write-Down Effective Date in accordance with the provisions set out in Condition 6 (*Loss Absorption following a Trigger Event*). A Trigger Event may occur on more than one occasion, and the Outstanding Principal Amount of each Note may be written down on more than one occasion, provided that the Outstanding Principal Amount of a Note may never be reduced to below once cent.

The Issuer's current and future outstanding junior and pari passu ranking securities might not include in their contractual terms write-down or similar loss absorption features with triggers comparable to those of the Notes. As a result, it is possible that the Notes will be subject to a Write-Down under the Conditions, while other junior or pari passu ranking securities remain outstanding and continue to receive payments, thus exposing the Noteholders to losses ahead of holders of such other junior or pari passu ranking securities.

In addition, although a Write-Down of the Notes is expected to occur concurrently, or substantially concurrently, and on a pro rata basis, with the write-down or conversion into equity of other Loss Absorbing Instruments of the Issuer, to the extent that the write-down or conversion of any such other Loss Absorbing Instrument is not effective for any reason, (i) such ineffectiveness shall not prejudice the requirement to effect a write-down of the Notes; and (ii) the write-down or conversion of any Loss Absorbing Instrument that is not effective shall not be taken into account in determining the Write-Down Amount of the Notes. Accordingly, a failure to write down or convert into equity other Loss Absorbing Instruments may result in

an increase in the Write-Down Amount of the Notes. Any Write-Down of a Note shall not constitute an Event of Default or a breach of any other obligations of the Issuer, and shall not entitle the Noteholders to any compensation or to petition for the insolvency or dissolution of the Issuer or otherwise.

Although Condition 6.3 (*Principal Reinstatement*) permits the Issuer to reinstate the written-down Outstanding Principal Amount of the Notes, any Principal Reinstatement is at the full discretion of the Issuer and there is no obligation for the Issuer to operate or accelerate any Principal Reinstatement under specific circumstances. Any Principal Reinstatement at the discretion of the Issuer is conditional on there being positive net income or consolidated net income, needs to be made on a pro rata basis with other Loss Absorbing Written-Down Instruments and is subject to the limits imposed by operation of the restrictions on distributions provisions by reference to Maximum Distributable Amount. See further Condition 6.3(v). There can be no assurance that these conditions will be met or that the Issuer will exercise its discretion to effect a Principal Reinstatement.

Following each Write-Down, interest will accrue (subject to any subsequent Write-Down or Principal Reinstatement) on the Outstanding Principal Amount of the Notes as so written down. Furthermore, any accrued and unpaid interest on the Notes through to the Write-Down Effective Date shall be automatically cancelled and shall not be due and payable. In the event of a liquidation of the Issuer prior to the Notes being written up in full pursuant to Principal Reinstatement(s), the Noteholders' claim will be based on the then prevailing Outstanding Principal Amount of the Notes. Accordingly, Noteholders may lose all or some of their investment as a result of one or more Write-Down(s), and the market price of the Notes is expected to be affected by fluctuations in the Issuer's solo or consolidated CET1 Ratio and consequential actual or potential Write-Down of the Notes.

The Notes may furthermore be subject to write-down or conversion into equity on application of the General Bail-In Tool as well as non-viability loss absorption under the BRRD, which may result in the Noteholders losing some or all of their investment. See further the risk factor headed "*The Notes may be subject to mandatory write-down or conversion into equity under the BRRD*" above.

The Issuer may be required to reduce the principal amount of the Notes to absorb losses, which would also impact the Interest Amounts payable on any Interest Payment Date while the Notes are written down

The Notes may trade, and/or the prices for the Notes may appear, on the Official List of Euronext Dublin and in other trading systems with accrued interest. If this occurs, purchasers of Notes in the secondary market will pay a price that reflects such accrued interest upon purchase of the Notes. However, if a payment of interest on any Interest Payment Date is cancelled (in whole or in part) as described herein and thus is not due and payable, purchasers of such Notes will not be entitled to that interest payment (or, if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date. This may affect the value of any investment in the Notes.

Noteholders will bear the risk of changes in the CET1 Ratio

The market price of the Notes is expected to be affected by changes in the Issuer's solo and consolidated CET1 Ratio. The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, many of which may be outside the Issuer's control. Because the CET1 Ratio may be calculated as at any date, a Trigger Event could occur at any time. The calculation of the CET1 Ratio could be affected by one or more factors including, among other things, changes in the mix of the Issuer's businesses, its ability to manage risk-weighted assets in its businesses, events affecting its earnings, dividend payments, changes in its group structure as well as changes in applicable accounting rules or the manner in which accounting policies are applied (or permitted discretions are exercised).

The Issuer's CET1 Ratio will be affected by regulatory changes (including imposition of additional own funds and eligible liabilities or buffer requirements and/or changes to the definitions, calculations and interpretations of capital requirements or their application to the Issuer). Other regulatory initiatives such as the new risk assessment framework endorsed by the Basel Committee (see further the risk factor headed "*Risks related to recent and forthcoming regulatory and accounting changes*") will impact calculation of the Issuer's Risk Weighted Assets and accordingly, its CET1 Ratio.

Because of the inherent uncertainty regarding occurrence of a Trigger Event, it will be difficult to predict when, if at all, a Write-Down may occur and interest payments will be cancelled. Accordingly, the trading

behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated securities. Any indication that the CET1 Ratio of the Issuer, on a solo or consolidated level, is approaching the Trigger Level may have an adverse effect on the market price and liquidity of the Notes.

The Issuer's interests may not be aligned with those of the Noteholders

The Issuer's CET1 Ratio, Distributable Items and Maximum Distributable Amount will depend, in part, on decisions made by the Issuer relating to its businesses and operations as well as the management of its capital position. The Issuer has no obligation to consider the interests of the Noteholders when making its strategic or capital management decisions and may, for example, decide not to raise capital to remedy a potential breach of its CET1 Ratio at a time when feasible to do so. Noteholders will not have any claim against the Issuer relating to decisions taken by the Issuer that impact the capital position of the Issuer on a solo or consolidated basis, regardless of whether they result in the occurrence of a Trigger Event or would otherwise trigger restrictions on payments on the Notes, thereby causing the Noteholders to lose all or part of their investment in the Notes.

Some aspects of the manner in which the CRD IV, the CRR, the BRRD and the SSM Regulation will be interpreted remain uncertain

The CRD IV Package, as amended by the EU Banking Reform, has imposed a series of requirements some of which remain to be phased in as of the date of this Offering Circular. Although a number of interpretational issues have already been resolved, or are being addressed by the amendments introduced under the EU Banking Reform, other interpretational issues remain to be resolved or may arise in the future. Furthermore, many matters are left to the discretion of the Relevant Authority and the circumstances under which the Relevant Authority would exercise such discretion (such as application of the General Bail-In Tool) may not be certain. Changes to the CRD IV and the BRRD under the EU Banking Reform will need to be transposed into Italian law.

Changes in applicable law (or the interpretation or application thereof) may, in certain circumstances to the extent they result in a change in the regulatory classification of the Notes or a change in the tax treatment of the Notes, entitle the Issuer to redeem the Notes pursuant to Condition 8.2 (*Redemption for tax reasons*) or Condition 8.3 (*Redemption for regulatory reasons*). In such event, the Issuer may exercise its option to redeem the Notes, which could materially and adversely affect investors and frustrate their investment strategies and objectives.

These and other uncertainties could affect an investor's ability to value the Notes accurately and adversely impact the trading price and liquidity of the Notes.

The Rate of Interest applicable to the Notes will be reset on every Reset Date

The Rate of Interest applicable to the Notes will be reset on the First Reset Date and on every Reset Date thereafter. Such Rate of Interest will be determined two TARGET Settlement Days before the relevant Reset Date and as such, is not pre-defined at the Issue Date. A Reset Rate of Interest determined for a Reset Interest Period may be lower than the Rate of Interest of the immediately preceding Reset Interest Period. The uncertainty regarding the Reset Rate of Interest of the Notes for future Reset Interest Period(s) may adversely affect the yield and the market value of the Notes.

Modification

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Issuer may, without the consent of Noteholders, agree to any modification of the Notes, the Coupons or the Agency Agreement which is: (i) in the opinion of the Issuer, not prejudicial to the interests of the Noteholders; (ii) of a formal, minor or technical nature or to correct a manifest error or to cure any ambiguity or defective or inconsistent provision contained therein; or (iii) to comply with mandatory provisions of the law, in the circumstances described, and subject to the provisions set forth, in Condition 16.1 (*Meetings of Noteholders, modification and waiver*) of the Terms and Conditions of the Notes. In addition, the Issuer may without the consent of the Noteholders, in accordance with the provisions of Condition 16.2 (*Modification of the Notes*), modify the

terms of the Notes, where a Regulatory Event or a Tax Event has occurred or in order to ensure the effectiveness and enforceability of the Bail-In Power. See further the risk factor headed "*Notes may be subject to modification without Noteholder consent*" below.

Change of law

The Terms and Conditions of the Notes are expressed to be governed by Italian law. No assurance can be given as to the impact of any possible judicial decision or change to Italian law or its administrative practice after the date of this Offering Circular.

Risk relating to the governing law of the Notes

The Conditions for the Notes are governed by Italian law and Condition 18.1 (*Governing law*) provides that contractual and non-contractual obligations arising out or in connection with them are governed by, and shall be construed in accordance with, Italian law. The Global Notes representing the Notes provide that all contractual and non-contractual obligations arising out of or in connection with the Global Notes representing the Notes are governed by Italian law, save for the form and transferability of the Global Notes which are governed by English law. Furthermore, Temporary Global Notes or the Permanent Global Notes representing the Notes are signed by the Issuer in the United Kingdom and, thereafter, delivered to Citibank N.A., London Branch as the initial Fiscal Agent and Paying Agent, being the entity in charge for, inter alia, authenticating and delivering the Temporary Global Notes and Permanent Global Notes and (if required) authenticating and delivering Definitive Notes, hence the Notes would be deemed to be issued in England according to Italian law. Article 59 of Law No. 218 of 31 May 1995 (regarding the Italian international private law rules) provides that "other debt securities (titoli di credito) are governed by the law of the State in which the security was issued".

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

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

The Notes are represented by one or more Global Notes. Such Global Notes will be in NGN form and will be deposited with a 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 once the paying agent has paid Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes unless, in accordance with the terms of the Global Notes, the relevant account holders have become entitled to proceed directly against the Issuer in respect of the Notes.

While the Notes are in global form, there may be a delay in reflecting any Write-Down or Principal Reinstatement of the Notes in the clearing systems

For so long as the Notes are in global form, in the event that any Write-Down or Principal Reinstatement is required pursuant to the Conditions, the records of the clearing systems may not be immediately updated to reflect the amount of Write-Down or, as the case may be, Principal Reinstatement, and may continue to

reflect the Outstanding Principal Amount of the Notes prior to such Write Down or, as the case may be, Principal Reinstatement, for a period of time. The update process of the relevant clearing system may be completed only after the effective date for such Write-Down or, as the case may be, Principal Reinstatement. No assurance can be given as to the period of time required by the relevant clearing system to complete the update of their records. Further, the conveyance of notices or other communications by the relevant clearing system to their respective participants, by those participants to their respective indirect participants, and by the participants and indirect participants to beneficial owners of interests in the Notes in global form, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Denominations of the Notes; definitive Notes

Because the Notes are issued in denominations of €200,000 and integral multiples of €1,000 in excess thereof, up to (and including) €399,000, it is possible that the Notes may be traded in amounts that are not integral multiples of the minimum denomination of €200,000. Where a holder who, as a result of trading such amounts, holds an amount which is less than the minimum denomination in his account with the relevant clearing system at the relevant time, the holder may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to the minimum denomination of €200,000.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Notes may be subject to modification without Noteholder consent

Where (i) a Regulatory Event or a Tax Event has occurred and is continuing, and/or (ii) in order to ensure the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or in accordance with applicable law, the Issuer shall be entitled to modify the terms of the Notes, provided that certain conditions set out in the Terms and Conditions of the Notes are met.

While it is difficult to foresee the exact impact of any such changes, a modification which is required to ensure the effectiveness and enforceability of the Bail-In Power may have a material adverse effect on Noteholders' investment in the Notes.

Waiver of set-off

As specified in Condition 3.3, each holder of a Note will unconditionally and irrevocably waive 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 Note.

Notes have limited Event of Default and remedies

Event of Default in respect of the Notes - upon the occurrence of which the Notes shall become immediately due and repayable - is limited to circumstances in which the Issuer becomes subject to compulsory winding-up (liquidazione coatta amministrativa) pursuant to Articles 80 and following of the Italian Banking Act or voluntary winding-up (liquidazione volontaria) in accordance with the relevant provisions of the Italian Civil Code and/or Article 96-quinquies of the Italian Banking Act, otherwise than for the purposes of an Approved Reorganisation. Accordingly, other than following the occurrence of an Event of Default, even if the Issuer fails to meet any of its obligations under the Notes, including the payment of any interest, the holders of the Notes will not have the right of acceleration of principal and the sole remedy available to Noteholders for recovery of amounts owing in respect of any of the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

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

The 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. If investors decide to sell the Notes, there may be a limited number of buyers (if any) or there may be a surplus of debt securities of other issuers available with a similar credit maturity and other structural characteristics. 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. Illiquidity may have a severely adverse effect on the market value of Notes. The trading market for, and current market value of, the Notes may also be affected by the level, direction and volatility of market interest rates. These and other factors unrelated to the creditworthiness of the Issuer may affect the price holders receive for the Notes and their ability to sell them at all. Investors should not purchase the Notes unless they understand and know they can bear the related investment risks.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease; (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes, and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

An investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. See also the risk factor headed "*The Rate of Interest applicable to the Notes will be reset on every Reset Date*" above.

Credit ratings may not reflect all risks

The Notes are expected to be rated upon issuance by Moody's France SAS, which is established in the European Union and is registered under the CRA Regulation. 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; and

(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.

An adverse change in a credit rating could adversely affect the trading price for the Notes. Such change may, among other factors, be due to a change in the methodology applied by a rating agency to rating securities with structures similar to the Notes, as opposed to any revaluation of the Issuer's financial strength, or other factors such as conditions affecting the financial services industry generally.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent; (1) the Notes are legal investments for it, (2) the Notes can be used as collateral

for various types of borrowing, and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

OVERVIEW OF THE NOTES

This overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular. Any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including the documents incorporated by reference.

Words and expressions defined in the "Terms and Conditions of the Notes" shall have the same meanings in this section.

Issuer:	BFF Bank S.p.A.
LEI (Legal Entity Identifier):	815600522538355AE429
Sole Global Coordinator and Sole Bookrunner:	Morgan Stanley & Co. International plc
Fiscal Agent and Paying Agent:	Citibank N.A., London Branch
Irish Listing Agent:	Arthur Cox Listing Services Limited
Notes:	€150,000,000 5.875% Additional Tier 1 Notes
Issue Price:	100% of the principal amount of the Notes
Issue Date:	19 January 2022
Form and denomination of Notes:	The Notes will be in bearer form in denominations of €200,000 and integral multiples of €1,000 in excess thereof, up to (and including) €399,000.
Negative pledge:	None
Status of the Notes:	The Notes and any related Coupons are direct, unsecured and subordinated obligations of the Issuer that are intended to qualify for regulatory purposes as Additional Tier 1 capital of the Issuer in accordance with Article 52 of the CRR and Part II, Chapter 1 of Circular No. 285 (or any successor rules under the Applicable Banking Regulations).

The payment obligations of the Issuer under the Notes and the Coupons related to them shall at all times rank:

(a) junior to all present or future indebtedness of the Issuer, including unsecured and unsubordinated obligations of the Issuer, the Issuer's obligations in respect of any Tier 2 Instruments and any other present or future subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Notes or any guarantee in respect of such obligations;

(b) pari passu among themselves and with any other present or future obligations of the Issuer which do not rank, or are not expressed by their terms to rank, junior or senior to the Notes (including Additional Tier 1 instruments) or, in each case, any guarantee in respect of such obligations; and

(c) senior to any present or future obligations of the Issuer which rank, or are expressed by their terms to rank, junior to the Notes (including, without limitation, the claims of the shareholders of the Issuer and any other

obligations under instruments or items included in the CET1 capital of the Issuer).

Interest and Interest Payment Dates: Each Note bears interest on its Outstanding Principal Amount, on a non-cumulative basis, at:

(a) in respect of the period from (and including) the Issue Date to (but excluding) 19 July 2027 (the "**First Reset Date**"), 5.875 per cent. per annum (the "**Initial Rate of Interest**"); and

(b) in the case of each Interest Period from (and including) the First Reset Date, the Reset Rate of Interest in respect of the relevant Reset Interest Period, as determined by the Calculation Agent,

(the "**Rate of Interest**") payable, subject as provided in these Conditions, semi-annually in arrear on 19 January and 19 July in each year (each, an "**Interest Payment Date**"). The first interest payment shall be made on 19 July 2022 in respect of the period from (and including) the Issue Date to (but excluding) 19 July 2022.

Discretionary interest payments: Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) for an unlimited period and on a non-cumulative basis any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. Any and all interest payments shall be payable only out of Distributable Items.

If the Issuer provides notice to cancel a portion, but not all, of an interest payment and the Issuer subsequently does not make a payment of the remaining portion of such interest payment on the relevant Interest Payment Date, such non-payment shall evidence the Issuer's exercise of its discretion to cancel such remaining portion of the interest payment, and accordingly such remaining portion of the interest payment shall also not be due and payable.

Restriction on interest payments: Payment of interest on the Notes on any Interest Payment Date is subject to restrictions by reference to the amount of Distributable Items and to the Maximum Distributable Amount applicable to the Issuer and/or the Group. Furthermore, the Issuer shall not make any interest payment on the Notes on any Interest Payment Date if so ordered by the Relevant Authority, or following the occurrence of a Trigger Event.

"**Distributable Items**" has the meaning given to such term in CRR, as interpreted and applied in accordance with Applicable Banking Regulations, then applicable to the Issuer, where "before distributions to holders of own funds instruments" shall be read as a reference to "before distributions to holders of the Notes and to holders of any instruments constituting Own Funds";

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

Non-cumulative interest: Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with Condition 5.1 (*Discretionary interest payment*) or Condition 5.2 (*Restriction on interest payments*). Any interest cancelled (in each case, in whole or in part) in such circumstances shall not be due and shall not accumulate or be payable at any time thereafter nor constitute an Event of Default under Condition 11 (*Event of Default and Enforcement*) or any other default for any purpose, and Noteholders shall have no rights thereto whether in a bankruptcy or liquidation of the Issuer or otherwise or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. Any such cancellation of interest imposes no restrictions on the Issuer. The Issuer may use such cancelled payments without restriction to meet its obligations as they fall due.

Interest in case of Write-Down: Following a Write-Down, Noteholders shall automatically and irrevocably lose their rights to receive, and shall no longer have any rights against the Issuer with respect to, repayment of the Write-Down Amount, or any other amount on or in respect of such Write-Down Amount (but without prejudice to their rights in respect of any principal amount reinstated pursuant to Condition 6.3 (*Principal Reinstatement*). If a Trigger Event occurs at any time, the Issuer shall not make any future interest payment on the Notes and any accrued and unpaid interest on the Notes through to the Write-Down Effective Date (whether or not such interests have become due for payment) shall be automatically cancelled in accordance with Condition 5.2.1(iv), and shall not be due and payable.

Following each Write-Down, interest will accrue on – subject to any subsequent Write-Down(s) or Principal Reinstatement(s) - the Outstanding Principal Amount of each Note as reduced by the Write-Down Amount from (and including) the relevant Write-Down Effective Date.

Write-Down following a Trigger Event: If at any time a Trigger Event occurs, the Issuer shall irrevocably and mandatorily (without any requirement for the consent or approval of the Holders) write down the Outstanding Principal Amount of each Note (in whole or, as applicable, in part), with effect as from the Write-Down Effective Date, by the relevant Write-Down Amount.

"**CET1 Ratio**" means, at any time, the ratio of CET1 capital of the Issuer or the Group (as the case may be) as of such date to the Risk Weighted Assets of the Issuer or the Group (as the case may be) as of the same date, expressed as a percentage.

A "**Trigger Event**" means, at any time, that the CET1 Ratio of either the Issuer on a solo basis, or the Group on a consolidated basis (as the case may be) on such date is less than the Trigger Level. Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the Relevant Authority or any agent

appointed for such purpose by the Relevant Authority and such calculation shall be binding on the holders of the Notes.

"**Trigger Level**" means 5.125%.

"**Loss Absorbing Instrument**" refers to, at any time, any Additional Tier 1 instrument (other than the Notes) of the Issuer or, as applicable, the Group that may have all or some of its principal amount written down (whether on a permanent or temporary basis) or converted, in each case, in accordance with its conditions or otherwise, upon the occurrence or as a result of the CET1 Ratio of the Issuer or, as applicable, the Group, falling below a certain trigger level.

"**Write-Down Amount**" means the amount by which each Note shall be written-down, with effect as from the Write-Down Effective Date, being:

(a) the amount that - together with: (x) the write-down on a pro rata basis of the other Notes, and (y) the concurrent (or substantially concurrent) write-down or conversion into equity, on a pro rata basis based on their respective Outstanding Principal Amounts, of other Loss Absorbing Instruments that have fallen below the applicable trigger level of such instrument – would be sufficient to restore the CET1 Ratio of the Issuer and/or the Group to the Trigger Level; or

(b) if the write-down (together with (x) the write-down on a pro rata basis of the other Notes; and (y) the concurrent (or substantially concurrent) write-down or conversion into equity, on a pro rata basis based on their respective Outstanding Principal Amounts, of other Loss Absorbing Instruments that have fallen below the applicable trigger level of such instrument) is insufficient to restore the CET1 Ratio of the Issuer and/or the Group to the Trigger Level, the amount necessary to reduce the Outstanding Principal Amount of such Note to the smallest unit of such Note (currently one cent), as determined by the Applicable Banking Regulations,

subject as provided in Condition 6.2 (*Effect of Trigger Event*).

Principal Reinstatement:

If a positive Net Income or Consolidated Net Income has been recorded, the Outstanding Principal Amount may (at the discretion of the Issuer) be increased up to a maximum of its Original Principal Amount on a pro rata basis with other Loss Absorbing Written-Down Instruments (based on their then prevailing Outstanding Principal Amount), in accordance with (and subject to the limits of) the provisions of Condition 6.3 (*Principal Reinstatement*) and the Applicable Banking Regulations (including, inter alia, Article 21 of the Delegated Regulation).

In particular, where restrictions on distributions by reference to Maximum Distributable Amount applies, the proposed Principal Reinstatement of the Notes shall be limited to an amount so that - when aggregated with the payment of all other amounts that fall within the scope of the restrictions on distributions provisions contained in the CRD IV and/or the BRRD from time to time

applicable to the Issuer and taking into account any principal reinstatements on other Loss Absorbing Written-Down Instruments - the Maximum Distributable Amount then applicable to the Issuer and/or the Group shall not be exceeded.

Any Principal Reinstatement of the Notes is furthermore subject to limitations by reference to the Maximum Reinstatement Amount. See further Condition 6.3(v).

No fixed redemption:	The Notes have no fixed redemption date. Unless previously redeemed or purchased and cancelled in accordance with the Conditions, the Notes will mature on the date on which voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, inter alia, Liquidazione Coatta Amministrativa) proceedings are instituted in respect of the Issuer (otherwise than for the purposes of an Approved Reorganization), in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at the date of this Offering Circular provide for the duration of the Issuer to expire on 31 December 2100, but if such expiry date is extended, redemption of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority. Upon maturity, the Notes will become due and payable at an amount equal to their Outstanding Principal Amount together (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) with interest accrued to (but excluding) the date of redemption and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).
Redemption at the option of the Issuer:	The Issuer may, at its sole discretion (but subject to the provisions of Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*), redeem all of the Notes then outstanding on any day falling in the period commencing on (and including) 19 January 2027 and ending on (and including) the First Reset Date and on any Interest Payment Date thereafter (each, an "**Optional Redemption Date (Call)**") at their Outstanding Principal Amount together with accrued and unpaid interest (if any and to the extent not cancelled pursuant to Condition 5 (*Interest cancellation*)) to (but excluding) the date of repayment and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).
Redemption due to a Regulatory Event:	The Issuer may, at its sole discretion (but subject to the provisions of Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*), redeem all of the Notes then outstanding, following the occurrence of a Regulatory Event at their Outstanding Principal Amount together with accrued and unpaid interest (if any and to the extent not cancelled pursuant to Condition 5 (*Interest cancellation*)) to (but excluding) the date of repayment and any additional amounts due and payable pursuant to Condition 9 (*Taxation*). "**Regulatory Event**" means any change (or pending change which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Notes from their classification on the Issue Date that results, or would be likely to result, in their exclusion in full or, to the extent permitted under the Applicable Banking Regulations, in part, from the Additional

Tier 1 capital of the Issuer or the Group (as the case may be) or, where applicable in accordance with the Applicable Banking Regulations, a reclassification as a lower quality form of Own Funds.

Redemption for tax reasons:

The Issuer may, at its sole discretion (but subject to the provisions of Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*), redeem all of the Notes then outstanding, following the occurrence of a Tax Event at their Outstanding Principal Amount together with accrued and unpaid interest (if any and to the extent not cancelled pursuant to Condition 5 (*Interest cancellation*)) to (but excluding) the date of repayment and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).

A "**Tax Event**" shall be deemed to have occurred if:

(a) (x) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 (*Taxation*), or (y) part of the interest payable by the Issuer in respect of the Notes is no longer, or will no longer be, deductible for Italian corporate income tax purposes, in each case, as a result of any Tax Law Change; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

Conditions to redemption and purchase:

The Notes may only be redeemed, purchased, substituted or modified pursuant to the Conditions with the prior approval of the Relevant Authority. Any such redemption or purchase is furthermore subject to the conditions set out in Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

Notes subject to Bail-In Power:

Each Noteholder, by virtue of its acquisition of the Notes (whether on issuance or in the secondary market), agrees to be bound by and consent to:

(a) the effects of the exercise of the Bail-In Power by the Relevant Authority, which exercise may include and result in any of the following, or some combination thereof: (A) the reduction of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; (B) the conversion of all, or a portion, of the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto, into ordinary shares, other securities or other obligations of the Issuer or another person (and the issue to or conferral on the holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions; (C) the cancellation of the Notes or the principal amount in respect of the Notes together with any accrued but unpaid interest due thereon and any additional amounts (if any) due in relation thereto; and (D) the amendment or alteration of the maturity of the Notes or amendment of the amount

of interest payable on the Notes, or the date on which the interest become payable, including by suspending payment for a temporary period; and

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

Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Bail-In Power by the Relevant Authority.

"**Bail-In Power**" means any statutory write-down, conversion, transfer, modification or suspension power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of credit institutions, investment firms and/or group entities in effect and applicable to the Issuer or other entities of the Group (as the case may be) including but not limited to any laws, regulations, rules or requirements set forth in or implementing the BRRD and/or the SRM Regulation or any successor laws, regulations, rules or requirements establishing a framework for the recovery and resolution of the Issuer (or other entities of the Group, where applicable) in the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities or obligations of a credit institution can be reduced, cancelled, transferred, modified, suspended or restricted for a temporary period and/or converted into shares or obligations of the obligor or any other person.

Non-viability loss absorption

The Notes may furthermore be subject to write-down or conversion into equity on application of the non-viability loss absorption under the BRRD.

Modification following a Regulatory Event or a Tax Event, or to ensure effectiveness and enforceability of the Bail-In Power:

Where (i) a Regulatory Event or a Tax Event has occurred and is continuing, and/or (ii) in order to ensure the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or in accordance with applicable law, the Issuer shall be entitled to modify the terms and conditions of the Notes, in accordance with and subject to the conditions set out in Condition 16.2 (*Modification of the Notes*).

Benchmark Amendments:

On the occurrence of a Benchmark Event in respect of an Original Reference Rate, the Issuer may (subject to certain conditions and following consultation with an Independent Adviser) determine a Successor Reference Rate, failing which an Alternative Reference Rate and, in either case, an Adjustment Spread, if any, and any Benchmark Amendments (each term as defined in the Conditions) in accordance with Condition 4.4 (*Benchmark Replacement*).

Taxation:

All payments in respect of the Notes will be made free and clear of, and without withholding or deduction for, or on account of, withholding taxes imposed by or on behalf of any Tax Jurisdiction, unless a withholding or deduction is required by law. In that event, the Issuer will be required to pay – to the extent such payment can be made out of Distributable Items on the same basis as for payment of interest in accordance with Condition 5 (*Interest Cancellation*) and if permitted by Applicable Banking Regulations, and subject as provided in Condition 9 (*Taxation*) – additional amounts in respect of interest (but not on principal) as

	will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.
Risk Factors:	There are certain risks related to the holding of the Notes which investors should ensure they fully understand. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed in the section headed "Risk Factors".
Governing Law:	The Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Notes and the Coupons, will be governed by, and shall be construed in accordance with, Italian law.
Listing and Trading:	Application has been made to the Irish Stock Exchange, now trading as Euronext Dublin ("**Euronext Dublin**") for the Notes to be admitted to the Official List and trading on the Global Exchange Market of Euronext Dublin.
Rating:	The Notes are expected to be rated "B2" by Moody's France SAS. **A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. See "*Risk Factors – Risks related to the market generally – Credit ratings may not reflect all risks*".**
Form of the Notes:	The Notes are represented by one or more Global Notes in NGN form deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. The Notes are intended to be held in a manner which would allow Euro-system eligibility. While all the Notes are represented by one or more Global Notes and such Global Note(s) are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, any Write-Down or Principal Reinstatement of the Outstanding Principal Amount of the Notes shall be treated on a pro rata basis which, for the avoidance of doubt, shall be effected as a reduction or increase, as the case may be, to the relevant pool factor.
ISIN/Common Code:	XS2404266848 / 240426684
Clearing systems:	Euroclear, Clearstream Luxembourg
Selling restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the Republic of Italy and France), the United Kingdom and Japan. See "*Subscription and Sale*".
Prohibition of Sales to EEA Retail Investors and/or to UK Retail Investors:	The Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area and/or in the United Kingdom.

DOCUMENTS INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Offering Circular provided however that any statement contained in any document incorporated by reference in, and forming part of, this Offering Circular shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such statement:

(a) the Condensed Half-Yearly Consolidated Financial Statements of the Issuer as at and for the six months ended 30 June 2021(the "2021 Half-Year Financial Statements"), prepared in accordance with IFRS applicable to interim financial reporting, International Accounting Standards 34, Interim Financial Reporting, and together with the accompanying notes and auditors' report which can be found on the Issuer's website at:

https://investor.bff.com/documents/2212197/0/BFF_2021_Half-Yearly_Consolidated_Financial_Report.pdf/3f493b98-2ad0-c269-1a11-7bfbd674ec81

(b) the Condensed Half-Yearly Consolidated Financial Statements of the Issuer as at and for the six months ended 30 June 2020 (the "**2020 Half-Year Financial Statements**"), prepared in accordance with IFRS applicable to interim financial reporting, International Accounting Standards 34, Interim Financial Reporting, and together with the accompanying notes and auditors' report which can be found on the Issuer's website at:

https://investor.bff.com/documents/2212197/0/BFF+1H2020+-+Consolidated+Condensed+Interim+Financial+Statement+-+Final.pdf/b7d55b7b-4447-9c0d-b43c-a6e77e83b984

(c) the Consolidated Financial Statements of the Issuer as at and for the year ended 31 December 2020 (the "**2020 Annual Financial Statements**"), prepared in accordance with IFRS and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15, and together with the accompanying notes and auditors' report which can be found on the Issuer's website at:

https://investor.bff.com/documents/2212197/0/BFF_Consolidated_Financial_Statements_2020.pdf/185407ae-ccf6-3faf-9428-bb392f0f2f4d

(d) the Consolidated Financial Statements of the Issuer as at and for the year ended 31 December 2019 (the "**2019 Annual Financial Statements**"), prepared in accordance with IFRS and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15, and together with the accompanying notes and auditors' report which can be found on the Issuer's website at:

https://investor.bff.com/documents/2212197/0/BFF+-+Consolidated+Annual+Report+2019.pdf/403b4fe5-a68c-9847-cce8-1d465e613f1a

(e) the press release containing the unaudited consolidated results of the Issuer as at and for the nine months ended 30 September 2021 (the "**Q3 2021 Results Press Release**") which can be found on the Issuer's website at:

https://investor.bff.com/documents/20152/0/2021.11.11_BFF+-+PR_9M+2021+consolidated+financial+results.pdf/53d97807-adfa-714b-aa42-1bea3c8476d6

The audited consolidated financial statements for each of the years indicated above have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("**IFRS**").

Copies of the documents specified above as containing information incorporated by reference in this Offering Circular may be inspected, free of charge, at the registered office of the Issuer. Any information contained in any of the documents specified above which is not incorporated by reference in this Offering Circular is either not relevant to investors or covered elsewhere in this Offering Circular.

Any documents which are themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular (unless they are being separately incorporated by reference in this Offering Circular under this section).

The tables below set out the relevant page references for the notes and the auditor's report in respect of the consolidated condensed interim financial statements of BFF Bank as at and for the period ended 30 June 2021 and for each of the annual consolidated financial statements of BFF Bank as at and for the years ended 31 December 2019 and 31 December 2020.

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TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be endorsed on each definitive Note

The issuance of the €150,000,000 5.875% Additional Tier 1 Notes (the "**Notes**") by BFF Bank S.p.A. (the "**Issuer**") was authorised by resolutions of the board of directors of the Issuer passed on 6 August 2021 and 22 December 2021.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 19 January 2022 and made between the Issuer, Citibank N.A., London Branch as fiscal agent (and paying agent and as calculation agent (the "**Fiscal Agent**", which expression shall include any successor fiscal agent or paying agent or calculation agent (as applicable)) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**" or "**Agents**", which expression shall include any additional or successor paying agents).

The definitive Notes have interest coupons ("**Coupons**") and talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes (as defined below) do not have Coupons or Talons attached on issue.

Copies of the Agency Agreement are available for inspection by Noteholders at reasonable times, during normal business hours at the registered office for the time being of the Fiscal Agent being, as at the Issue Date, at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom and at the specified office of each of the other Paying Agents or may be provided by email to a Noteholder following its prior written request to any Paying Agent, in each case upon provision of proof of holding of Notes and identity (in a form satisfactory to the relevant Paying Agent). The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between the Agency Agreement and these Conditions, these Conditions will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered.

The Notes are issued in denominations of €200,000 and integral multiples of €1,000 in excess thereof, up to (and including) €399,000.

Definitive Notes are issued with Coupons and Talons attached.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Fiscal Agent and the other Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note (as defined below), without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a global Note (each, a "**Global Note**") held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and the Agents as the holder of such nominal amount of

such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "**Noteholder**", "**Holder**" and "**holder of Notes**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of notes as aforesaid, each Paying Agent may rely, without liability, on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

For so long as the Notes are represented by a Global Note, they will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system as may otherwise be approved by the Issuer and the Agents.

2. DEFINITIONS

2.1 In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**5-year Mid-Swap Rate**" means, in relation to a Reset Interest Period and the Reset Determination Date in relation to such Reset Interest Period, (a) the annual mid-swap rate for euro swap transactions with a term of five years, expressed as a percentage, which appear on the Relevant Screen Page as of 11.00 (CET) on such Reset Determination Date; or (b) in the circumstances described in Condition 4.3 (*Fallbacks*), the Reset Reference Bank Rate determined in accordance with Condition 4.3 (*Fallbacks*).

"**5-year Mid-Swap Rate Quotations**" means 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 which:

(a) has a term of five years commencing on the relevant Reset Date;

(b) is in a Representative Amount; and

(c) has a floating leg (calculated on an Actual/360 day count basis) based on EURIBOR (the "**Mid-Swap Floating Leg Benchmark Rate**") for a 6-month period ("**EURIBOR 6-month**"). EURIBOR 6-month shall – subject to Condition 4.4 (*Benchmark Replacement*) – be the rate for deposits in euro for a six-month period which appears on the Relevant Screen Page as of 11.00 (CET) on the Reset Determination Date for the relevant Reset Date; or (y) if such rate does not appear on the Relevant Screen Page at such time on such Reset Determination Date, the arithmetic mean of the rates at which deposits in euro are offered by four major banks in the Eurozone interbank market, as selected by the Issuer, at such time on such Reset Determination Date to prime banks in the Eurozone interbank market for a six-month period commencing on such Reset Date in a Representative Amount, with the Issuer to request the principal Eurozone office of each such major bank to provide a quotation of its rate to the Calculation Agent.

"**Actual/360**" means the actual number of days in the relevant period divided by 360;

"**Additional Tier 1**" has the meaning given to it (or, if no longer used, any equivalent or successor term) in the Applicable Banking Regulations;

"**Adjustment Spread**" means either a spread (which may be positive, negative or zero), or the formula or methodology for calculating a spread, in each case required to be applied to the Successor Rate or the Alternative Rate (as the case may be) as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) 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 Original Reference Rate with the Successor Rate by any Relevant Nominating

Body; or (if no such recommendation has been made, or in the case of an Alternative Rate),

(ii) the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner), is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer or the Independent Adviser determines that no such spread is customarily applied),

(iii) the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner), is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Affected Reset Interest Period**" has the meaning given to it in Condition 4.4 (*Benchmark Replacement*).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) has replaced the Original Reference Rate in accordance with Condition 4.4(ii) (*Successor Rate or Alternative Rate*) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in respect of notes denominated in euro and of a comparable duration to the Reset Interest Period, or, if such Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as such Independent Adviser or the Issuer (as applicable) determines in its discretion is most comparable to the Original Reference Rate.

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines, recommendation and policies relating to capital adequacy then in effect in the Republic of Italy and applicable to the Issuer or the Group (as the case may be), including, without limitation, the BRRD, the BRRD Implementing Decrees, the CRD IV Package, the Capital Instruments Regulations, the Circular No. 285, the SRM Regulation and any other regulations, requirements, guidelines, recommendation and policies relating to capital adequacy then in effect of the Relevant Authority or of the institutions of the European Union (whether or not such requirements, guidelines, recommendation or policies have the force of law and whether or not they are applied generally or specifically to the Issuer or the Group, as the case may be);

"**Approved Reorganisation**" means a solvent and voluntary reorganisation involving, alone or with others, the Issuer, and whether by way of consolidation, amalgamation, merger, transfer of all or substantially all of its business or assets, or otherwise *provided that* the principal resulting, surviving or transferee entity (a "**Resulting Entity**") is a banking company and effectively assumes all the obligations of the Issuer, under, or in respect of, the Notes;

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

"**Benchmark Amendments**" has the meaning given to it in Condition 4.4 (*Benchmark Replacement*).

"**Benchmark Event**" means:

(i) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or

(ii) a public statement by the administrator of the Original Reference Rate that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate that (a) the Original Reference Rate is no longer representative of its relevant underlying market or (b) the methodology to calculate the Original Reference Rate has materially changed; or

(v) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(vi) it has become unlawful for the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate,

provided that in the case of paragraphs (ii), (iii) and (v) above, the Benchmark Event shall occur on:

(I) in the case of (ii) above, the date of cessation of publication of the Original Reference Rate;

(II) in the case of (iii) above, the discontinuation of the Original Reference Rate;

(III) in the case of (v), the date on which the Original Reference Rate is prohibited from use,

and further provided that a change of the Original Reference Rate methodology that is not material does not constitute a Benchmark Event. In the event of a change in the formula and/or (mathematical or other) methodology used to measure the Original Reference Rate, reference shall be made to the Original Reference Rate based on the formula and/or methodology as changed.

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended, supplemented or replaced from time to time, in particular by the Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019; to the extent that any provisions of the BRRD are amended or replaced, the reference to provisions of the BRRD as used in these Conditions shall refer to such amended provisions or successor provisions from time to time;

"**BRRD Implementing Decrees**" means the Legislative Decrees No. 180 and 181 of November 16, 2015, implementing the BRRD in the Republic of Italy, as amended or replaced from time to time;

"**Business Day**" means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Milan; and

(b) a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open;

"**Calculation Agent**" means the Fiscal Agent;

"**Capital Instruments Regulations**" means the Delegated Regulation and any other rules or regulations of the Relevant Authority or of the institutions of the European Union or which are otherwise applicable to the Issuer or the Group (as the case may be), whether introduced before or after the Issue Date, which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer or the Group (as the case may be) to the extent required under the CRD IV Package;

"**CET1 capital**" or "**Common Equity Tier 1 capital**" has the meaning, in respect of either the Issuer on a solo basis or the Group on a consolidated basis (as the case may be), given to it in the CRR complemented by the transitional provisions of Part Ten of the CRR as implemented in Italy, in each case as calculated by the Issuer in accordance with the Applicable Banking Regulations then applicable to the Issuer or the Group (as the case may be), which calculation shall be binding on the Noteholders;

"**CET1 Ratio**" means, at any time, the ratio of CET1 capital of the Issuer or the Group (as the case may be) as of such date to the Risk Weighted Assets of the Issuer or the Group (as the case may be) as of the same date, expressed as a percentage as calculated by the Issuer, which calculation shall be binding on the Noteholders;

"**Consolidated Net Income**" means the net income of the Group as set out in the most recently published audited annual consolidated financial statements after such financial statements have been formally approved by the board of directors of the Issuer;

"**Circular No. 285**" means the Bank of Italy Circular No. 285 of 17 December 2013, setting forth the supervisory provisions for banks (*Disposizioni di Vigilanza per le Banche*), as amended, supplemented or replaced from time to time;

"**CRD IV**" means 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 institutions and investment firms, as amended, supplemented or replaced from time to time, in particular by the Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019; to the extent that any provisions of the CRD IV are amended or replaced, the reference to provisions of the CRD IV as used in these Conditions shall refer to such amended provisions or successor provisions from time to time;

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

"**CRR**" means 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, as amended, supplemented or replaced from time to time, in particular by the Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019; to the extent that any provisions of the CRR are amended or replaced, the reference to provisions of the CRR as used in these Conditions shall refer to such amended provisions or successor provisions from time to time;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with Condition 4 (*Interest*), "**Actual/Actual (ICMA)**", which means:

(A) where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Interest Determination Dates that would occur in one calendar year; or

(B) where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

    (i) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days

in such Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year; and

(ii) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Interest Determination Dates that would occur in one calendar year;

"**Delegated Regulation**" means Commission Delegated Regulation (EU) No. 241/2014 of 7 January 2014 supplementing the CRR with regard to the regulatory technical standards for Own Funds requirements for institutions, as amended, supplemented or replaced from time to time;

"**Determination Period**" means each period from (and including) an Interest Determination Date to (but excluding) the next Interest Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not an Interest Determination Date, the period commencing on the first Interest Determination Date prior to, and ending on the first Interest Determination Date falling after, such date);

"**Distributable Items**" has the meaning given to such term in CRR, as interpreted and applied in accordance with Applicable Banking Regulations then applicable to the Issuer, where "before distributions to holders of own funds instruments" shall be read as a reference to "before distributions to holders of the Notes and to holders of any instruments constituting Own Funds;

"**First Interest Payment Date**" means 19 July 2022;

"**First Reset Date**" means 19 July 2027;

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

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4.4(i) (*Independent Adviser*);

"**Independent Adviser Determination Cut-off Date**" has the meaning given to it in Condition 4.4 (*Benchmark Replacement*);

"**Interest Commencement Date**" means the Issue Date of the Notes;

"**Interest Determination Date**" means 19 January and 19 July in each year;

"**Interest Payment Date**" means 19 January and 19 July in each year from (and including) the First Interest Payment Date;

"**Issue Date**" means 19 January 2022;

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

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

"**Loss Absorbing Instrument**" refers to, at any time, any Additional Tier 1 instrument (other than the Notes) of the Issuer or, as applicable, the Group that may have all or some of its principal amount written down (whether on a permanent or temporary basis) or converted, in each case, in accordance with its conditions or otherwise, upon the occurrence, or as a result, of the CET1 Ratio of the Issuer or, as applicable, the Group, falling below a certain trigger level in accordance with Article 59 of the BRRD and the related national implementing provisions applicable to the Issuer or entities of the Group (as the case may be);

"**Loss Absorption Requirement**" means the power of the Relevant Authority to impose that Own Funds instruments or other liabilities of the Issuer or entities of the Group (as the case may be) are subject to full or partial write-down of the principal or conversion into instruments classified as CET1 capital or other instruments of ownership;

"**Loss Absorbing Written-Down Instrument**" refers to, at any time, a Loss Absorbing Instrument that has had all or some of its principal amount written down on a temporary basis;

"Margin" means 5.856%, being equal to the margin used to calculate the Initial Rate of Interest;

"**Maximum Distributable Amount**" means any applicable maximum distributable amount relating to the Issuer and/or the Group, as the case may be, required to be calculated in accordance with the CRD IV Directive and/or any other Applicable Banking Regulations (or any provision of Italian law transposing or implementing the CRD IV Directive and/or, if relevant, any other Applicable Banking Regulations);

"**Maximum Reinstatement Amount**" has the meaning given to such term in Condition 6.3 (*Principal Reinstatement*);

"**Optional Redemption Date (Call)**" means any day falling in the period commencing on (and including) 19 January 2027 and ending on (and including) the First Reset Date and any Interest Payment Date thereafter;

"**Original Principal Amount**" means the principal amount (which, for these purposes, is equal to the nominal amount) of the Notes or, as the case may be, the Loss Absorbing Instrument, upon issuance without regard to any subsequent write-down or principal reinstatement;

"**Original Reference Rate**" means the 5-year Mid-Swap Rate and/or the Mid-Swap Floating Leg Benchmark Rate, or any other Successor Rate or Alternative Rate (or any component part thereof) determined and applicable to the Notes pursuant to the earlier operation of Condition 4.4 (*Benchmark Replacement*);

"Outstanding Principal Amount" means (i) in respect of a Note or the Notes, the outstanding principal amount thereof, as adjusted from time to time for any reduction as required by then current legislation and/or regulations applicable to the Issuer (including as a result of the Loss Absorption Requirement), or pursuant to a Write-Down under these Conditions and (if applicable) reinstated on one or more occasions following a Principal Reinstatement under these Conditions; and (ii) in respect of a Loss Absorbing Instrument, the principal amount thereof calculated on a basis analogous to the calculation of the Outstanding Principal Amount of the Notes;

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

"**Net Income**" means the non-consolidated net income of the Issuer as calculated on a statutory basis and as set out in the most recently published audited annual financial statements after such financial statements have been formally approved by the shareholders' meeting;

"**Principal Reinstatement Amount**" means the amount by which the Outstanding Principal Amount of each Note in effect prior to the relevant Principal Reinstatement, is to be reinstated and written up on the Principal Reinstatement Effective Date on the balance sheet of the Issuer;

"**Principal Reinstatement Effective Date**" means the date on which Outstanding Principal Amount of each Note is reinstated and written up (in whole or in part) on the balance sheet of the Issuer;

"**Reference Banks**" means five leading swap dealers in the Eurozone interbank market as selected by the Issuer in its discretion;

"**Regulatory Event**" means any change (or pending change which the Relevant Authority considers to be sufficiently certain) in the regulatory classification of the Notes from their classification on the Issue Date that results, or would be likely to result, in their exclusion in full or, to the extent permitted under the Applicable Banking Regulations, in part, from the Additional

Tier 1 capital of the Issuer or the Group (as the case may be) or, where applicable in accordance with the Applicable Banking Regulations, a reclassification as a lower quality form of Own Funds;

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

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); 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 benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof;

"**Relevant Screen Page**" means the display page on the relevant Reuters information service designated as:

(a) in the case of the 5-year Mid-Swap Rate, the "ICESWAP/ISDAFIX2" page; or

(b) in the case of EURIBOR 6-month, the "EURIBOR01" page,

or in each case such other page, section or other part as may replace that page 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 equivalent or comparable thereto;

"**Representative Amount**" means 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;

"**Reset Date**" means the First Reset Date and every fifth anniversary thereof;

"**Reset Interest Period**" means each period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

"**Reset Determination Date**" means, in relation to a Reset Interest Period, the day falling two TARGET Settlement Days immediately preceding the Reset Date on which such Reset Interest Period commences;

"**Reset Rate of Interest**" means, in relation to a Reset Interest Period, the sum of (a) subject to Condition 4.4 (*Benchmark Replacement*), the 5-year Mid-Swap Rate in relation to that Reset Interest Period; and (b) the Margin, first calculated on an annual basis and then converted to a semi-annual rate in accordance with market convention (rounded to four decimal places, with 0.00005 rounded down), all as determined by the Calculation Agent on the relevant Reset Determination Date;

"**Reset Reference Bank Rate**" means, in relation to a Reset Interest Period and the Reset Determination Date in relation to such Reset Interest Period, the percentage rate determined in accordance with the provisions set out in Condition 4.3 (*Fallbacks*).

"**Risk Weighted Assets**" means, at any time, the aggregate amount of the risk weighted assets of the Issuer on a solo basis or the Group on a consolidated basis (as the case may be) as of such date,

as calculated by the Issuer in accordance with the Applicable Banking Regulations, including any applicable transitional arrangements;

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

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

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, as amended, supplemented or replaced from time to time, in particular by the Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019; to the extent that any provisions of the SRM are amended or replaced, the reference to provisions of the SRM as used in these Conditions shall refer to such amended provisions or successor provisions from time to time;

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

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent;

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

"**Successor Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) is a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body;

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

"**Tax Law Change**" means any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9 (*Taxation*)) (including any treaty to which the Tax Jurisdiction is a party) or any change in the application or official or generally published interpretation of such laws or regulations (including a change or amendment resulting from a ruling by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date. For the avoidance of doubt, changes in the assessment of the Relevant Authority regarding tax effects are not considered as a Tax Law Change.

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

a "**Trigger Event**" means, at any time, that the CET1 Ratio of either the Issuer on a solo basis, or the Group on a consolidated basis (as the case may be) on such date is less than the Trigger Level. Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the Relevant Authority or any agent appointed for such purpose by the Relevant Authority and such calculation shall be binding on the holders of the Notes;

"**Trigger Level**" means 5.125%; and

"**Write-Down**" means, with reference to these Notes, a reduction of the Outstanding Principal Amount of each Note by the relevant Write-Down Amount in accordance with Condition 6 (*Loss Absorption following a Trigger Event*) and "**written down**" shall be construed accordingly.

3. **STATUS OF THE NOTES**

3.1 The Notes and any related Coupons are direct, unsecured and subordinated obligations of the Issuer that are intended to qualify for regulatory purposes as Additional Tier 1 capital of the Issuer and the Group in accordance with Article 52 of the CRR and Part II, Chapter 1 of Circular No. 285 (or any successor rules under the Applicable Banking Regulations).

The payment obligations of the Issuer under the Notes and the Coupons related to them shall at all times rank:

(a) junior to all present or future indebtedness of the Issuer, including unsecured and unsubordinated obligations of the Issuer, the Issuer's obligations in respect of any Tier 2 Instruments and any other present or future subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Notes or any guarantee in respect of such obligations;

(b) *pari passu* among themselves and with any other present or future obligations of the Issuer which do not rank, or are not expressed by their terms to rank, junior or senior to the Notes (including Additional Tier 1 instruments) or, in each case, any guarantee in respect of such obligations; and

(c) senior to any present or future obligations of the Issuer which rank, or are expressed by their terms to rank, junior to the Notes (including, without limitation, the claims of the shareholders of the Issuer and any other obligations under instruments or items included in the CET1 capital of the Issuer).

3.2 No security or guarantee of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Noteholders. In the event of the liquidation, dissolution, winding-up (including, inter alia, *liquidazione coatta amministrativa*, as described in Articles 80 to 94 of the Italian Banking Act) of the Issuer that occurs after the date on which a Trigger Event occurs but before the Write-Down Effective Date (as defined in Condition 6.2(ii)), the rights and claims (if any) of the Noteholders in respect of their Notes shall be limited to such amount, if any, as would have been payable to Holders on a return of assets in such liquidation or bankruptcy of the Issuer if the Write-Down Effective Date had occurred immediately before the occurrence of such liquidation, dissolution or winding up of the Issuer.

3.3 Each holder of a 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 Note.

3.4 It is the intention of the Issuer that the Notes shall, for regulatory purposes, be treated as Additional Tier 1 capital, but the obligations of the Issuer and the rights of the Noteholders shall not be affected if the Notes no longer qualify as Additional Tier 1 capital. However, the Issuer may redeem the Notes in accordance with Condition 8.3 (*Redemption for regulatory reasons*), subject to Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

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

3.6 There is no negative pledge in respect of the Notes.

4. **INTEREST**

4.1 **Initial Rate of Interest and Reset Rate of Interest**

Each Note bears interest on its Outstanding Principal Amount, on a non-cumulative basis, at:

(a) in respect of the period from (and including) the Interest Commencement Date to (but excluding) the First Reset Date, 5.875 per cent. per annum (the "**Initial Rate of Interest**"),

being the rate that is equal to the sum of (x) the mid-swap rate for euro swap transactions with a term of five years commencing on the Issue Date; and (y) the Margin, first calculated on an annual basis and then converted to a semi-annual rate in accordance with market convention (rounded to four decimal places, with 0.00005 rounded down); and

(b) in the case of each Interest Period from (and including) the First Reset Date, the Reset Rate of Interest in respect of the relevant Reset Interest Period, as determined by the Calculation Agent,

(the "**Rate of Interest**") payable, subject as provided in these Conditions, semi-annually in arrear on each Interest Payment Date. The first interest payment shall be made on 19 July 2022 in respect of the period from (and including) the Issue Date to (but excluding) 19 July 2022.

4.2 **Determination of Reset Rate of Interest in relation to a Reset Interest Period**

The Calculation Agent will, as soon as reasonably practicable after 11:00 a.m. (Central European time) on each Reset Determination Date in relation to a Reset Interest Period, determine the Reset Rate of Interest for such Reset Interest Period.

4.3 **Fallbacks**

(i) If on any Reset Determination Date, the Relevant Screen Page is not available or the 5-year Mid-Swap Rate does not appear on the Relevant Screen Page, the Issuer shall request each of the Reference Banks to provide the Calculation Agent with its 5-year Mid-Swap Rate Quotations as at approximately 11.00 (CET) on such Reset Determination Date. If at least three (3) quotations are provided, the Reset Reference Bank Rate for such Reset Interest Period will be the percentage reflecting the arithmetic mean of the quotations provided, 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 only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided.

(ii) If no quotations are provided, the Reset Reference Bank Rate for the relevant Reset Interest Period shall be: (x) in the case of each Reset Interest Period other than the Reset Interest Period commencing on the First Reset Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Interest Period; or (y) in respect of the Reset Interest Period commencing on the First Reset Date, the rate for the 5-year Mid-Swap Rate which has most recently been published on the Relevant Screen Page as determined by the Calculation Agent.

4.4 **Benchmark Replacement**

(i) Independent Adviser

Notwithstanding the provisions in Condition 4.3 above, if the Issuer determines prior to any Reset Determination Date that a Benchmark Event has occurred in relation to an Original Reference Rate when any Reset Rate of Interest (or component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to select and appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.4(ii) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 4.4(iii) (*Adjustment Spread*)) and whether any Benchmark Amendments (in accordance with Condition 4.4(iv) (*Benchmark Amendments*)) are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread no later than three (3) Business Days prior to the Reset Determination Date relating to the next succeeding Reset Interest Period (such Business Day, the Independent Adviser Determination Cut-off Date, and such next succeeding Reset Interest Period, the Affected Reset Interest Period) for the purposes of determining the 5-year Mid-Swap Rate applicable to the Affected Reset Interest Period and all Reset Interest Periods thereafter.

An Independent Adviser appointed pursuant to this Condition 4.4 shall act in good faith and in a commercially reasonable manner and in consultation with the Issuer. In the absence of bad faith, fraud and gross negligence, the Independent Adviser shall have no liability whatsoever to the Issuer, any Paying Agent, the Noteholders or the Couponholders for any determination made by it pursuant to this Condition 4.4.

If prior to the Independent Adviser Determination Cut-off Date the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.4, then the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.4 no later than two Business Days prior to the Reset Determination Date (the "**Issuer Determination Cut-Off Date**") for the purposes of determining the 5-year Mid-Swap Rate applicable to the Affected Reset Interest Period and all Reset Interest Periods thereafter.

If the Issuer is unable or unwilling to determine a Successor Rate or, failing which, an Alternative Rate prior to the Reset Determination Date relating to the Affected Reset Interest Period, (A) the 5-year Mid-Swap Rate applicable to the Affected Reset Interest Period shall be equal to (i) in the case of each Reset Interest Period other than the Reset Interest Period commencing on the First Reset Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Interest Period and (ii) in the case of the Reset Interest Period commencing on the First Reset Date, the rate for the 5-year Mid-Swap Rate which has most recently been published on the Relevant Screen Page as determined by the Calculation Agent, and (B) with respect to the next succeeding Reset Interest Period following the Affected Reset Interest Period, this Condition 4.4(i) shall apply for purposes of determining the 5-year Mid-Swap Rate applicable to such succeeding Reset Interest Period as if references to the Affected Reset Interest Period in this Condition 4.4(i) were references to such succeeding Reset Interest Period; provided, however, that the 5-year Mid-Swap Rate for all future Reset Interest Periods shall be the 5-year Mid-Swap Rate applicable to such succeeding Reset Interest Period as determined in accordance with this Condition 4.4(i).

(ii) Successor Rate or Alternative Rate

If the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.4 prior to the Independent Adviser Determination Cut-off Date) prior to the Issuer Determination Cut-Off Date acting in good faith and in a commercially reasonable manner determines that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4.4(iii) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the Reset Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4.4); or

(B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4.4(iii) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the Reset Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4.4);

(iii) Adjustment Spread

If the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 4.4(i) (*Independent Adviser*) prior to the Independent Adviser Determination Cut-off Date) prior to the Issuer Determination Cut-Off Date acting in good faith and in a commercially reasonable manner

determines (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) 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 Rate (as the case may be).

(iv) Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4.4 and the Independent Adviser or the Issuer (if it is unable to appoint an Independent Adviser or if the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with Condition 4.4(i) (*Independent Adviser*) prior to the Independent Adviser Determination Cut-off Date) prior to the Issuer Determination Cut-Off Date acting in good faith and in a commercially reasonable manner determines (A) that amendments to these Conditions and the Agency Agreement, including but not limited to the Relevant Screen Page, are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread and/or necessary or appropriate to comply with any applicable regulation or guidelines on the use of benchmarks or other related document issued by the competent regulatory authority (such amendments, the Benchmark Amendments) and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.4(v) (*Notices*) and subject (to the extent required) to giving any notice required to be given to, and receiving any consent required from, or non-objection from, the Relevant Authority, without any requirement for the consent or approval of Noteholders or Couponholders, vary these Conditions and the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 4.4(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 4.4, no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any other amendment to the Conditions be made to effect the Benchmark Amendments, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the relevant Notes as Additional Tier 1 Capital of the Issuer and/or the Group and/or result in the Relevant Authority treating the Interest Payment Date or Reset Date, as the case may be, as the effective maturity date of the Notes.

(v) Notices

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4.4 will be notified immediately by the Issuer to each of the Paying Agents and, in accordance with Condition 15 (*Notices*), the Noteholders and Couponholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(vi) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Conditions 4.4(i) to 4.4(iv), the Original Reference Rate and the fallback provisions provided for in the definition of 5-year Mid-Swap Rate and Reset Reference Bank Rate above will continue to apply unless and until a Benchmark Event has occurred.

4.5 **Determination of Reset Rate of Interest and calculation of Interest Amounts**

The Calculation Agent will at or as soon as practicable after each time at which the Reset Rate of Interest is to be determined, determine the Reset Rate of Interest for the relevant Reset Interest Period.

4.6 **Calculation of Interest Amount**

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable – subject to these Conditions - on the Notes for the relevant Interest Period by applying the applicable Rate of Interest to the Outstanding Principal Amount of such Note, and multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

4.7 **Notification of Reset Rate of Interest and Interest Amounts**

The Calculation Agent will cause the Reset Rate of Interest for each Reset Interest Period and the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Fiscal Agent, and the stock exchange or listing agent (if any) on which the Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 (*Notices*) as soon as reasonably practicable after their determination. The Reset Rate of Interest, Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the stock exchange or listing agent (if any) on which the Notes are for the time being listed and to the Noteholders in accordance with Condition 15 (*Notices*).

4.8 **Certificates to be final**

All certificates, communications, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 by the Calculation Agent and/or, if applicable, the Independent Adviser, shall (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default, negligence or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent or, as applicable, the Independent Adviser, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.9 **Accrual of interest**

Each Note will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue in accordance with this Condition 4 (both before and after judgment) until whichever is the earlier of:

(a) the day on which all sums due in respect of such Note up to such day are received by or on behalf of the relevant Noteholder; and

(b) the day which is seven (7) days after the Fiscal Agent has notified the Noteholders in accordance with Condition 15 (*Notices*) 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).

5. **INTEREST CANCELLATION**

5.1 **Discretionary interest payments**

Interest on the Notes will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) for an unlimited period and on a non-cumulative basis any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable. Any and all interest payments shall be payable only out of Distributable Items.

If the Issuer provides notice to cancel a portion, but not all, of an interest payment and the Issuer subsequently does not make a payment of the remaining portion of such interest payment on the relevant Interest Payment Date, such non-payment shall evidence the Issuer's exercise of its discretion to cancel such remaining portion of the interest payment, and accordingly such remaining portion of the interest payment shall also not be due and payable.

5.2 **Restriction on interest payments**

5.2.1 Without prejudice to (i) full discretion of the Issuer to cancel interest payments on the Notes; and (ii) the prohibition to make payments on Additional Tier 1 instruments pursuant to the restrictions on distributions provisions contained in the Applicable Banking Regulations before the Maximum Distributable Amount (in circumstances where restrictions on distributions by reference to Maximum Distributable Amount applies) is calculated:

(i) subject to the extent permitted in Condition 5.2.2 below, the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date), and shall not pay any Additional Amounts in respect of such interest payment, if the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of all distributions or interest payments on the Notes and all other Own Funds items (including any Additional Amounts in respect thereof but excluding – for the avoidance of doubt – any such distributions or interest payments on Tier 2 Instruments which have already been accounted for, by way of deduction, in the calculation of Distributable Items) plus any potential write-ups on any Loss Absorbing Written-Down Instruments, in each case paid (or made) and/or scheduled to be paid (or made) in the then current financial year;

(ii) subject to the extent permitted in Condition 5.2.2 below, in circumstances where restrictions on distributions by reference to Maximum Distributable Amount applies, no payments will be made on the Notes (whether by way of principal, interest, or otherwise) if and to the extent that such payment – when aggregated with (x) other distributions of the kind referred to in the restrictions on distributions provisions contained in Article 141 of the CRD IV and any other similar restrictions on distributions provisions contained in the Applicable Banking Regulations from time to time applicable to the Issuer or the Group (or, as the case may be, any provision of Italian law transposing or implementing such provisions, including Circular No. 285) and (y) the amount of any write-ups (where applicable) on any Loss Absorbing Written-Down Instruments - would cause the Maximum Distributable Amount then applicable to the Issuer or the Group (as the case may be) to be exceeded, or would otherwise result in a violation of any other similar regulatory restriction or prohibition on payments on Additional Tier 1 instruments imposed on the Issuer or the Group pursuant to Applicable Banking Regulations;

(iii) the Issuer shall not make an interest payment on the Notes on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date), if and to the extent that the Relevant Authority orders or requires the Issuer to cancel the relevant interest payment on the Notes scheduled to be paid; and

(iv) if a Trigger Event occurs at any time, the Issuer shall not make any further interest payment on the Notes (including any Additional Amounts in respect thereof). Any accrued and unpaid interest through to the Write-Down Effective Date relating to such Trigger Event (whether or not such interests have become due for payment) shall be automatically cancelled, and shall not be due and payable.

5.2.2 The Issuer may, in its sole discretion, elect to make a partial interest payment on the Notes on any Interest Payment Date, only to the extent that such partial interest payment may be made without breaching the restrictions set out in sub-paragraphs (i), (ii), (iii) and (iv) of Condition 5.2.1 above.

5.3 **Effect of interest cancellation**

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with Condition 5.1 (*Discretionary interest payments*) or Condition 5.2 (*Restriction on interest payments*) above. Any interest cancelled (in each case, in whole or in part) in such circumstances shall not be due and shall not accumulate or be payable at any time thereafter nor constitute: (i) an Event of Default under Condition 11 (*Event of Default and Enforcement*) or any other default for any purpose, (ii) any breach of any obligation of the Issuer under the Notes; (iii) the occurrence of any event related to the insolvency of the Issuer; and shall not entitle Holders to take any action to cause the liquidation, dissolution or winding up of the Issuer, and Noteholders shall have no rights thereto whether in a bankruptcy or liquidation of the Issuer or otherwise or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. Any such cancellation of interest imposes no restrictions on the Issuer. The Issuer may use such cancelled payments without restriction to meet its obligations as they fall due.

5.4 **Notice of interest cancellation**

If practicable, the Issuer shall provide notice of any cancellation of interest (in whole or in part) to the Noteholders on or prior to the relevant Interest Payment Date at least five (5) Business Days prior to the relevant Interest Payment Date. Such notice shall specify the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant interest payment on the Notes that will be paid on the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Noteholders any rights as a result of such failure.

5.5 **Interest Amount in case of Write-Down**

Subject to Condition 5.1 (*Discretionary interest payments*) and Condition 5.2 above (*Restriction on interest payments*), in the event that a Write-Down occurs during an Interest Period, any accrued and unpaid interest shall be cancelled pursuant to Condition 6.2 (*Effect of Trigger Event*) and the Interest Amount payable on the Interest Payment Date immediately following such Interest Period shall be calculated in accordance with Condition 4 (*Interest*), provided that the Day Count Fraction shall be determined as if the Interest Period started on, and included, the Write-Down Effective Date.

5.6 **Interest Amount in case of Principal Reinstatement**

Subject to Condition 5.1 (*Discretionary interest payments*) and Condition 5.2 above (*Restriction on interest payments*), in the event that one or more Principal Reinstatement(s) occur(s) during an Interest Period, any Interest Amount payable on the Interest Payment Date immediately following such Principal Reinstatement(s) shall be calculated by determining the amount of interest accrued on the Notes for each period (ending on (and excluding) the write-up date on which a Principal Reinstatement occurs) within such Interest Period during which a different Outstanding Principal Amount subsists (for the purpose of this Condition 5.6, a "**Relevant Period**"), which shall be the product of (x) the applicable Rate of Interest, (y) the Outstanding Principal Amount before (and excluding) the write-up date on which such Principal Reinstatement occurs, and (z) the Day Count Fraction (determined as if the Interest Period ended on, but excluding, the date of such Principal Reinstatement); and the Interest Amount payable – subject to these Conditions - for such Interest Period shall be the aggregate of the amounts of accrued interest calculated as aforesaid for all Relevant Periods.

6. LOSS ABSORPTION FOLLOWING A TRIGGER EVENT

6.1 **Notice Following a Trigger Event**

If at any time a Trigger Event occurs, the Issuer shall without delay notify the Relevant Authority and, in accordance with Condition 15 (*Notices*), the Holders (such notice, a "**Trigger Event Notice**" and the date of delivery of such notice, the "**Trigger Event Notice Date**") and shall irrevocably and mandatorily (without any requirement for the consent or approval of the Holders) write down the Outstanding Principal Amount of each Note (in whole or, as applicable, in part), with effect as from the Write-Down Effective Date in accordance with Condition 6.2 (*Effect of*

Trigger Event). The Trigger Event Notice shall be sufficient evidence of the occurrence of such Trigger Event and, together with the underlying calculations and any determination of the relevant Write-Down Amount, shall be conclusive and be binding on the Noteholders.

The Issuer shall specify in the Trigger Event Notice, *inter alia*, the Write-Down Amount and the Write-Down Effective Date. If the Write-Down Amount and/or the Write-Down Effective Date have/has not been determined at the time of the Trigger Event Notice, or if there is any change to the amount or, as the case may be, the date previously notified, the Issuer shall, as soon as reasonably practicable, give a further notice to the Relevant Authority and, in accordance with Condition 15 (*Notices*), the Holders, to confirm the definitive Write-Down Amount and, if applicable, the definitive Write-Down Effective Date.

A Trigger Event may occur on more than one occasion and the Outstanding Principal Amount of each Note may be written down on more than one occasion, provided that the Outstanding Principal Amount of a Note may never be reduced to below the smallest unit of such Note (currently one cent), as determined by the Applicable Banking Regulations.

Failure to give the Trigger Event Notice, to notify Holders as provided in this Condition 6 or to give any other notices in connection with the Write-Down of the Notes shall not in any way impact on the effectiveness of, or otherwise invalidate or prejudice, the write down of these Notes as described below or give Holders any rights as a result of such failure.

6.2 **Effect of Trigger Event**

If at any time a Trigger Event occurs:

(i) each Note shall be written-down, with effect as from the Write-Down Effective Date, by writing down its Outstanding Principal Amount by an amount, being:

(a) the amount that - together with: (x) the write-down on a *pro rata* basis of the other Notes, and (y) the concurrent (or substantially concurrent) write-down or conversion into equity, on a *pro rata* basis based on their respective Outstanding Principal Amounts, of other Loss Absorbing Instruments that have fallen below the applicable trigger level of such instrument – would be sufficient to restore the CET1 Ratio of the Issuer and/or the Group to the Trigger Level; or

(b) if the write-down (together with (x) the write-down on a *pro rata* basis of the other Notes, and (y) the concurrent (or substantially concurrent) write-down or conversion into equity, on a *pro rata* basis based on their respective Outstanding Principal Amounts, of other Loss Absorbing Instruments that have fallen below the applicable trigger level of such instrument) is insufficient to restore the CET1 Ratio of the Issuer and/or the Group to the Trigger Level, the amount necessary to reduce the Outstanding Principal Amount of such Note to the smallest unit of such Note (currently one cent), as determined by the Applicable Banking Regulations

(the "**Write-Down Amount**");

(ii) the principal write-down of the Notes shall take place without delay and (unless the Relevant Authority determines otherwise) in any event not later than one month from the time it is determined that the Trigger Event has occurred (the "**Write-Down Effective Date**");

(iii) following a Write-Down, Noteholders shall automatically and irrevocably lose their rights to receive, and shall no longer have any rights against the Issuer with respect to, repayment of the Write-Down Amount, or any other amount on or in respect of such Write-Down Amount (but without prejudice to their rights in respect of any principal amount reinstated pursuant to Condition 6.3 (*Principal Reinstatement*) below; and

(iv) any accrued and unpaid interest on the Notes through to the Write-Down Effective Date (whether or not such interests have become due for payment) shall be automatically cancelled in accordance with Condition 5.2.1(iv), and shall not be due and payable; and

(v) following each Write-Down, interest will accrue on – subject to any subsequent Write-Down(s) or Principal Reinstatement(s) - the Outstanding Principal Amount of each Note as reduced by the Write-Down Amount from (and including) the relevant Write-Down Effective Date.

If, in connection with a Write-Down or the calculation of a Write-Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that they shall be written-down or converted in full and not in part only ("**Full Loss Absorbing Instruments"**) or any Loss Absorbing Instruments the terms of which provide that they shall be written-down or converted when the CET1 Ratio falls below a level that is higher than the Trigger Level ("**Prior Loss Absorbing Instruments**"), then:

(A) the requirement that a Write-Down of the Notes shall be effected pro rata with the write-down or conversion, as the case may be, of any such Full Loss Absorbing Instruments shall not be construed as requiring the Notes to be written-down in full (or in full save for the one cent floor) simply by virtue of the fact that such Full Loss Absorbing Instruments will be written-down or converted in full; and

(B) for the purposes of calculating the Write-Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write-down of principal or conversion into Ordinary Shares, as the case may be, among the Notes and such other Loss Absorbing Instruments on a pro rata basis) as if their terms permitted partial write-down or conversion, such that the write-down or conversion of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (a) first, the principal amount of such Full Loss Absorbing Instruments shall be written-down or converted *pro rata* with the Notes and all other Loss Absorbing Instruments (in each case subject to and as provided in the preceding paragraph) to the extent necessary to cure the relevant Trigger Event; and (b) secondly, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining following (a) shall be written-down or converted, as the case may be, with the effect of increasing the Issuer's and/or the Group's, as the case may be, CET1 Ratio above the minimum required level under (a) above; and

(C) for the purposes of calculating the Write-Down Amount, the write-down or, as the case may be, conversion of any Prior Loss Absorbing Instrument shall be taken into account only to the extent required to restore the CET1 Ratio to the Trigger Level.

To the extent that the write-down or conversion of any Loss Absorbing Instrument is not effective for any reason, (i) such ineffectiveness shall not prejudice the requirement to effect a write-down of these Notes; and (ii) the write-down or conversion of any Loss Absorbing Instrument that is not effective shall not be taken into account in determining the Write-Down Amount of these Notes.

Any Write-Down of a Note shall not constitute an Event of Default under Condition 11 (*Event of Default and Enforcement*) or a breach of the Issuer's obligations or duties or a failure to perform by the Issuer in any manner whatsoever and shall not entitle the Noteholders to any compensation or to petition for the insolvency or dissolution of the Issuer or otherwise.

6.3 **Principal Reinstatement**

(i) For so long as each Note remains written down, provided that a positive Net Income or Consolidated Net Income has been recorded, its Outstanding Principal Amount may (at the discretion of the Issuer) be increased up to a maximum of its Original Principal Amount (a "**Principal Reinstatement**") on a *pro rata* basis with other Loss Absorbing Written-Down Instruments (based on their then prevailing Outstanding Principal Amount), in accordance with (and subject to the limits of) the provisions of this Condition 6.3 and the Applicable Banking Regulations (including, *inter alia*, Article 21 of the Delegated Regulation).

(ii) Any Principal Reinstatement of these Notes and any principal reinstatement of other Loss Absorbing Written-Down Instruments, and the payment of interests or other distributions on these Notes and such other Loss Absorbing Written-Down Instruments (if any), shall

be operated at the full discretion of the Issuer and there shall be no obligation for the Issuer to operate or accelerate any Principal Reinstatement under specific circumstances.

(iii) Principal Reinstatements on these Notes may be made on one or more occasions until the Outstanding Principal Amount of the Notes has been reinstated to the Original Principal Amount.

(iv) No Principal Reinstatement may take place if a Trigger Event has occurred and for so long it is continuing, or if such Principal Reinstatement (either alone or together with the *pro rata* principal reinstatements of other Loss Absorbing Written-Down Instruments) would cause a Trigger Event to occur.

(v) The Principal Reinstatement Amount shall be determined by the Issuer at its discretion subject to the following limits and any other limitations from time to time set forth in Applicable Banking Regulations:

(a) in circumstances where restrictions on distributions by reference to Maximum Distributable Amount applies, the proposed Principal Reinstatement of these Notes would - when aggregated with the payment of all other amounts that fall within the scope of the similar restrictions on distributions provisions contained in the CRD IV and/or the BRRD from time to time applicable to the Issuer and taking into account any principal reinstatements on other Loss Absorbing Written-Down Instruments - be limited to the extent necessary to ensure the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the Group is not exceeded; or

(b) the aggregate amount of (aa) the proposed Principal Reinstatement of these Notes, (bb) the *pro rata* concurrent (or substantially concurrent) principal reinstatement of other Loss Absorbing Written-Down Instruments, (cc) any previous Principal Reinstatements of these Notes and principal reinstatements of such other instruments made after the end of the then previous financial year out of the Net Income or, as the case may be, Consolidated Net Income, and (dd) payments of interest or other distributions in respect of these Notes and such other instruments paid, on the basis of an Outstanding Principal Amount that is lower than their Original Principal Amount, at any time after the end of the then previous financial year, shall not exceed the lower of:

(x) Net Income (aa) multiplied by the sum of the Original Principal Amount of the Notes and the aggregate Original Principal Amount of all Loss Absorbing Written-Down Instruments of the Issuer (on a solo basis) and (bb) divided by the Tier 1 capital of the Issuer (on a solo basis), as at the date of the Principal Reinstatement; and

(y) Consolidated Net Income (aa) multiplied by the sum of the Original Principal Amount of the Notes and the aggregate Original Principal Amount of all Loss Absorbing Written-Down Instruments of the Issuer (on a consolidated basis) and (bb) divided by the Tier 1 capital of the Issuer (on a consolidated basis), as at the date of the Principal Reinstatement

(the "**Maximum Reinstatement Amount**").

(vi) If the Issuer exercises its discretion to effect a Principal Reinstatement in accordance with and subject to the limits of this Condition 6.3, it shall give notice thereof to the Noteholders in accordance with Condition 15 (*Notices*) specifying the Principal Reinstatement Amount (which shall be conclusive and binding on the Noteholders) and the Principal Reinstatement Effective Date.

(vii) On the Principal Reinstatement Effective Date and subject to the prior consent of the Relevant Authority (if required under then prevailing Applicable Banking Regulations),

the Issuer may write-up the Outstanding Principal Amount of each Note by the Principal Reinstatement Amount on a *pro rata* basis with other Notes.

(viii) Any decision by the Issuer to effect, or not to effect, a Principal Reinstatement on any occasion shall not prevent the Issuer from effecting, or not effecting, a Principal Reinstatement on any other occasion pursuant to this Condition 6.3.

7. PAYMENTS

7.1 Method of Payment

Subject as provided below, payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque. Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*).

7.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 7.1 (*Method of Payment*) against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used in these Conditions, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

On the due date for redemption in whole of any Note pursuant to these Conditions, all unmatured Coupons (which expression shall, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons) relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of the Outstanding Principal Amount of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

7.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. On the occasion of each payment, a record of such payment made on such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent, and such record shall be prima facie evidence that the payment in question has been made.

7.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

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 9 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described

in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

7.5 **Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 10 (*Prescription*) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation (if applicable); and

(b) a TARGET Settlement Day.

7.6 **Interpretation of principal and interest**

Any reference in these Conditions to "**principal**" in respect of the Notes shall be construed as referring to the Outstanding Principal Amount of the Notes.

Any reference in these Conditions to "**interest**" in respect of the Notes shall be deemed to include - subject to these Conditions - any Additional Amounts which may be payable with respect to interest under Condition 9 (*Taxation*).

8. **REDEMPTION, PURCHASE AND CANCELLATION**

8.1 **No fixed redemption**

The Notes have no fixed redemption date.

Unless previously redeemed or purchased and cancelled in accordance with these Conditions, the Notes will mature on the date on which voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *liquidazione coatta amministrativa*) proceedings are instituted in respect of the Issuer (otherwise than for the purposes of an Approved Reorganisation), in accordance with, as the case may be, (i) a resolution passed at a shareholders' meeting of the Issuer, (ii) any provision of the By-laws of the Issuer (which, as at 19 January 2022 provide for the duration of the Issuer to expire on 31 December 2100, but if such expiry date is extended, maturity of the Notes will be correspondingly adjusted), or (iii) any applicable legal provision, or any decision of any judicial or administrative authority. Upon maturity, the Notes will become due and payable at an amount equal to their Outstanding Principal Amount together (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) with interest accrued to (but excluding) the date of redemption and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).

The Notes may not be redeemed at the option of the Issuer except in accordance with the provisions of this Condition 8. The Notes may not be redeemed at the option of the Noteholders.

8.2 **Redemption for tax reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part at any time on giving not less than 15 nor more than 30 days' notice to the Fiscal Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall – subject to these Conditions - be irrevocable), if:

(a) (x) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 (*Taxation*), or (y) part or all of the interest payable by the Issuer in respect of the Notes is no longer, or will no longer be, deductible for Italian corporate income tax purposes, in each case, as a result of any Tax Law Change; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it

(a "**Tax Event**").

Prior to the publication of any notice of redemption pursuant to this Condition 8.2, the Issuer shall deliver to the Fiscal Agent a certificate signed by two duly authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred (and such evidence shall be conclusive and binding on the Noteholders and the Couponholders). The Fiscal Agent is not responsible, nor shall it incur any liability, for monitoring or ascertaining as to whether any certifications required by this Condition 8.2 is provided, nor shall it be required to review, check or analyse any certification produced nor shall it be responsible for the contents of any such certifications or incur any liability in the event the content of such certification is inaccurate or incorrect.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Outstanding Principal Amount together (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) with interest accrued to (but excluding) the date of redemption and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).

Any redemption pursuant to this Condition 8.2 shall be subject to Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

8.3 **Redemption for regulatory reasons**

Upon the occurrence of a Regulatory Event, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 15 nor more than 30 days' notice to the Fiscal Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall – subject to these Conditions - be irrevocable).

Upon the expiry of any such notice as is referred to in this Condition 8.3, the Issuer shall be bound to redeem the Notes in accordance with this Condition 8.3, at their Outstanding Principal Amount together with accrued interest (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) thereon to (but excluding) the date of redemption and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).

Prior to the publication of any notice of redemption pursuant to this Condition 8.3, the Issuer shall deliver to the Fiscal Agent a certificate signed by two duly authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred (and such evidence shall be sufficient to the Fiscal Agent and conclusive and binding on the Noteholders and the Couponholders). The Fiscal Agent is not responsible, nor shall it incur any liability, for monitoring or ascertaining as to whether any certifications required by this Condition 8.3 is provided, nor shall it be required to review, check or analyse any certification produced nor shall it be responsible for the contents of any such certifications or incur any liability in the event the content of such certification is inaccurate or incorrect.

Any redemption pursuant to this Condition 8.3 shall be subject to Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

8.4 **Redemption at the option of the Issuer (Issuer Call)**

The Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 15 (*Notices*); and

(b) not less than 7 days (or such shorter period as agreed between the Issuer and the Fiscal Agent) before the giving of the notice referred to in paragraph (a) above, notice to the Fiscal Agent,

(which notices shall – subject to these Conditions - be irrevocable and shall specify the date fixed for redemption), redeem all of the Notes then outstanding on any Optional Redemption Date (Call) at their Outstanding Principal Amount together with interest (if any and excluding any interest cancelled in accordance with Condition 5 (*Interest Cancellation*)) accrued to (but excluding) the date of redemption and any additional amounts due and payable pursuant to Condition 9 (*Taxation*).

Any redemption pursuant to this Condition 8.4 shall be subject to Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

8.5 **Purchases**

The Issuer or any of its Subsidiaries may purchase the Notes (**provided that**, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

Any purchase pursuant to this Condition 8.5 shall be subject to Condition 8.7 (*Regulatory conditions for call, redemption, repayment or purchase*).

References in these Conditions to the purchase of Notes shall not include the purchase of Notes by the Issuer or any of its Subsidiaries in the ordinary course of business of dealing in securities, as nominee or as a *bona fide* investment.

8.6 **Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 8.5 (*Purchases*) (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

8.7 **Regulatory conditions for call, redemption, repayment or purchase**

Any call, redemption, repayment or repurchase of the Notes pursuant to Condition 8.2 (*Redemption for tax reasons*), Condition 8.3 (*Redemption for regulatory reasons*), Condition 8.4 (*Redemption at the option of the Issuer (Issuer Call)*) or Condition 8.5 (*Purchases*) is subject to the following conditions:

(a) the Issuer has obtained the prior permission of the Relevant Authority in accordance with Article 78 of the CRR, where either:

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

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

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

(i) in the case of redemption pursuant to Condition 8.2 (*Redemption for tax reaso*ns), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date; or

(ii) in case of redemption pursuant to Condition 8.3 (*Redemption for regulatory reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority

that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date; or

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

(iv) the Notes are repurchased for market making purposes,

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

The Relevant Authority may grant a general prior permission, for a specified period which shall not exceed one year, to redeem or purchase (including for market making purposes) the Notes, in the limit of a predetermined amount, which shall not exceed the lower of: (i) 10% (or any other threshold as may be requested or required by the Relevant Authority from time to time) of the amount of the principal amount of the Notes; and (ii) 3% (or any other threshold as may be requested or required by the Relevant Authority from time to time) of the total amount of Additional Tier 1 instruments of the Issuer from time to time outstanding, subject to criteria that ensure that any such redemption or purchase will be in accordance with the conditions set out at letters (i) and (ii) of sub-paragraph (a) of the preceding paragraph.

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

8.8 Trigger Event post redemption notice

If the Issuer has elected to redeem the Notes in accordance with the aforementioned provisions of this Condition 8 but prior to the payment of the redemption amount with respect to such redemption, a Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, no payment of the redemption amount will be due and payable and conversion shall apply in accordance with Condition 7 (*Loss Absorption following a Trigger Event*).

8.9 No redemption notice post Trigger Event

The Issuer shall not give a redemption notice in accordance with the aforementioned provisions of this Condition 8 after a Trigger Event occurs and for so long as it has not been remedied.

8.10 Italian Civil Code

The Notes are not subject to Article 1186 of the Italian Civil Code nor, to the extent applicable, to Article 1819 of the Italian Civil Code.

9. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will 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 any Tax Jurisdiction, unless such withholding or deduction is required by law. In such event, the Issuer will – to the extent that such payment can be made out of Distributable Items on the same basis as for payment of interests in accordance with Condition 5 (*Interest Cancellation*) and if permitted by Applicable Banking Regulations - pay such additional amounts ("**Additional Amounts**") on interest (but not on principal) as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the amounts of interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable with respect to any Note or Coupon:

(a) presented for payment in the Republic of Italy; or

(b) presented for payment by, or on behalf of, a holder or a beneficial owner of a Note or Coupon being a resident in the Republic of Italy or who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the Republic of Italy; or

(c) to the extent that interest or any other amount payable is paid to a non-Italian resident entity or a non-Italian resident individual which is resident for tax purposes in a country which does not allow for a satisfactory exchange of information with the Republic of Italy for the purposes of Article 6 of Italian Legislative Decree No. 239 of 1 April, 1996 as listed in Ministerial Decree of 4 September 1996; or

(d) in all circumstances in which the requirements and procedures set forth in Italian Legislative Decree No. 239 of 1 April, 1996 (as amended or supplemented from time to time) 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

(e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.5 (*Payment Day*); or

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

(g) where it will be required to withhold or deduct any taxes imposed pursuant to or in connection with Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, the U.S. Treasury Regulations thereunder any official interpretations thereof or any agreements, law, regulation or other official guidance implementing an intergovernmental approach thereto in connection with any payments.

As used in these Conditions:

(a) "**Tax Jurisdiction**" means the Republic of Italy or in either case, any political subdivision or any authority thereof or therein having power to tax; and

(b) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received the Fiscal Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15 (*Notices*).

10. PRESCRIPTION

The Notes and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7.2 (*Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 7.2 (*Presentation of definitive Notes and Coupons*).

11. EVENT OF DEFAULT AND ENFORCEMENT

The Notes are, and they shall immediately become, due and repayable at their Outstanding Principal Amount together with accrued and unpaid interest (if any and to the extent not cancelled pursuant to Condition 5 (*Interest cancellation*)) to (but excluding) the date of repayment, if the Issuer is subject to compulsory winding-up (*liquidazione coatta amministrativa*) pursuant to

Articles 80 and following of the Italian Banking Act or voluntary winding-up (*liquidazione volontaria*) in accordance with the relevant provisions of the Italian Civil Code and/or Article 96-*quinquies* of the Italian Banking Act otherwise than for the purposes of an Approved Reorganisation (each an "**Event of Default**"), provided that repayment of the Notes will only be effected after the Issuer has obtained the prior approval of the Relevant Authority (if so required), and provided further that no payments will be made to the Noteholders or Couponholders before all amounts due, but unpaid, to all other creditors of the Issuer ranking ahead of the Noteholders and the Couponholders as described in Condition 3 (*Status of the Notes*) have been paid by the Issuer, as ascertained by the liquidator.

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

For the avoidance of doubt, the non-payment by the Issuer of any amount due and payable under these Notes, or the taking of any crisis prevention measure or crisis management measure in relation to the Issuer in accordance with the BRRD or of any resolution proceeding(s) or moratoria imposed by a resolution authority in respect of the Issuer, is not an Event of Default under this Condition 11.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Fiscal Agent or the Paying Agent in Luxembourg upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

13. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts in accordance with the terms of the Agency Agreement, **provided that**:

(a) there will at all times be an Fiscal Agent and a Paying Agent with its specified office in a country outside the relevant Tax Jurisdiction; and

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in the place required by the rules and regulations of the relevant stock exchange or any other relevant authority.

Any variation, termination, appointment or change shall only take effect after not less than 30 nor more than 45 days' notice thereof shall have been given to the Noteholders in accordance with Condition 15 (*Notices*).

Notification of any change in the Paying Agents or the Calculation Agent or their specified offices will be made in accordance with Condition 15 (*Notices*).

In acting under the Agency Agreement, the Paying Agents are under no fiduciary duty and act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10 (*Prescription*).

15. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London (which is expected to be the Financial Times), and (b) if and for so long as the Notes are admitted to trading on the Global Exchange Market of Euronext Dublin and the rules of that exchange so require, on the website of Euronext Dublin (http://www.ise.ie/) or, in each of the above cases, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules or on the website of such stock exchange. Any such notice shall be deemed to have been given to the holders of the Notes on the date of delivery to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the related Note or Notes, with the Fiscal Agent or the Paying Agent in Luxembourg. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent by delivery to Euroclear and/or Clearstream, Luxembourg as aforesaid.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

16.1 Meeting of Noteholders, modification and waiver

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons defined as "**Reserved Matters**" in the Agency Agreement (including, but save as otherwise provided in these Conditions, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be two or more persons holding or representing not less than two-thirds in nominal

amount of the Notes for the time being outstanding, or at any adjourned such meeting two or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

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.

These Conditions may not be amended without the prior approval of the Relevant Authority (if applicable). The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to any modification of the Notes, the Coupons or the Agency Agreement which is: (a) in the opinion of the Issuer, not prejudicial to the interests of the Noteholders; or (b) of a formal, minor or technical nature or to correct a manifest error or to cure or correct any ambiguity or defective or inconsistent provision contained therein; or (c) to comply with mandatory provisions of the law.

In addition, no consent of the Noteholders or Couponholders shall be required in connection with effecting the relevant Successor Rate or Alternative Rate (as applicable) as described in Condition 4.4 (*Benchmark Replacement*) or such other relevant changes pursuant to Condition 4.4(iv) (*Benchmark Amendments*) including for the execution of any documents or the taking of other steps by the Issuer or any of the parties to the Agency Agreement, subject (to the extent required) to the Issuer giving any notice required to be given to, and receiving any consent required from, or non-objection from, the Relevant Authority.

Any such modification shall be binding on the Noteholders and the Couponholders and shall be notified to the Noteholders in accordance with Condition 15 (*Notices*) as soon as reasonably practicable thereafter.

16.2 **Modification of the Notes**

Where (i) a Regulatory Event or a Tax Event has occurred and is continuing, and/or (ii) in order to ensure the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or in accordance with applicable law, the Issuer shall be entitled, having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable), at any time to modify the provisions of the Agency Agreement and/or the terms and conditions of the Notes, which modification, for the avoidance of doubt, shall be treated as being outside the scope of the Reserved Matters, **provided that:**

(a) such modification is reasonably necessary in the sole opinion of the Issuer to ensure, as applicable, that no Regulatory Event or Tax Event would exist thereafter, or that the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail- In Power*) or in accordance with applicable law is ensured;

(b) following such modification of the existing Notes (the "**Existing Notes**"):

(A) the terms and conditions of the Notes, as so modified (the "**Modified Notes**") are not materially less favourable to a holder of the Existing Notes (as reasonably determined by the Issuer and other than in respect of the effectiveness and enforceability of the Bail-In Power in accordance with Condition 19 (*Contractual Recognition of Bail-In Power*) or in accordance with applicable law) than the terms and conditions applicable to the Existing Notes prior to such modification;

(B) the Modified Notes shall have a ranking at least equal to that of the Existing Notes and shall feature the same tenor, currency, principal amount, interest rates (including applicable margins), Interest Payment Dates and redemption rights as the Existing Notes;

(C) the Modified Notes are assigned (or maintain) the same or higher solicited credit ratings (if any) as were assigned to the Existing Notes immediately prior to such modification, provided that such change in rating, if any, shall only be relevant for the purposes of this Condition 16.2(b)(C), if related specifically to the modification;

(D) the Modified Notes shall comply with the then current requirements of Applicable Banking Regulations in relation to Additional Tier 1 Capital

(E) the Modified Notes preserve any existing rights under the Existing 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 such modification; and;

(F) the Modified Notes continue to be listed on a recognised stock exchange, if the Existing Notes were listed immediately prior to such modification;

(c) the modification does not itself give rise to any right of the Issuer to redeem the Existing Notes, without prejudice to the provisions under Condition 8.4 (*Redemption at the option of the Issuer (Issuer Call)*); and

(d) the Relevant Authority has approved such modification (if such approval is required under the Applicable Banking Regulations applicable at that time), or has received prior written notice thereof (if such notice is required under the Applicable Banking Regulations applicable at that time) and, following the expiry of all relevant statutory time limits, the Relevant Authority is no longer entitled to object or impose changes to the proposed modification. In connection with any modification made pursuant to this Condition 16.2, the Issuer shall comply with the rules of any stock exchange on which the Notes are then listed or admitted to trading and of any authority that is responsible for the supervision or regulation of such exchange.

Any such modification shall be binding on all Noteholders and Couponholders and shall be notified by the Issuer as soon as reasonably practicable to the Noteholders in accordance with Condition 15 (*Notices*).

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Notes.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

The Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes and the Coupons are governed by, and shall be construed in accordance with, Italian law.

18.2 Submission to jurisdiction

The Issuer irrevocably agrees, for the benefit of the Noteholders and the Couponholders, that the courts of Milan are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) and accordingly submits to the exclusive jurisdiction of such courts.

Each party hereby irrevocably waives any objection which it may have now or hereafter to laying of the venue of any such proceedings in any such court and any claim that any such proceedings have been brought in the an inconvenient forum, and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the courts of Milan with regard to the Notes, the

Receipts and the Coupons shall be conclusive and binding upon each party and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of proceedings in one or more jurisdictions preclude the taking of proceedings in any other jurisdiction, whether concurrently or not.

19. CONTRACTUAL RECOGNITION OF BAIL-IN POWER

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

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

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

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

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

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

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

Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Bail-In Power by the Relevant Authority.

Upon the Issuer becoming aware of the exercise of the Bail-In Power by the Relevant Authority with respect to the Notes, the Issuer shall provide a notice to the holders of the Notes in accordance with Condition 15 *(Notices)* as soon as reasonably practicable. The Issuer shall also deliver a copy of such notice to the Fiscal Agent for information purposes. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Bail-In Power nor the effects on the Notes described in this Condition 19.

The exercise of the Bail-In Power by the Relevant Authority with respect to the Notes shall not constitute an Event of Default under Condition 11 (*Event of Default and Enforcement*) and the terms and conditions of the Notes shall continue to apply to the Outstanding Principal Amount of the Notes subject to any modification of the amount of interest payments to reflect the reduction of the Outstanding Principal Amount, and any further modification of the terms that the Relevant Authority may decide in accordance with applicable laws and regulations, including in particular the BRRD and the SRM Regulation.

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

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be applied by the Issuer for its general corporate purposes. The issuance of the Notes is aimed at optimising and strengthening the regulatory capital structure of the Group and diversifying its funding sources.

DESCRIPTION OF THE ISSUER AND THE GROUP

Overview

BFF Bank S.p.A. ("**BFF**", the "**Issuer**", "**us**" or "**we**", and together with its subsidiaries the "**BFF Banking Group**" or the "**Group**"), (formerly Banca Farmafactoring S.p.A.) specializes in:

(i) the management, collection and non-recourse factoring of receivables owed to third party suppliers primarily by the agencies of national healthcare systems and other public administration entities ("**Factoring and Lending**"). Our Factoring and Lending operations consist of: (a) credit collection management ("**Credit Collection Management**") and (b) non-recourse factoring ("**Non-Recourse Factoring**");

(ii) the provision of securities services to banks, asset managers, pension funds, mutual funds and alternative investments funds (*inter alia,* depositary bank, fund accounting, transfer agent and global custody) ("**Securities Services**"); and

(iii) the performance of payments services in favour of banks and companies (*inter alia,* payments processing, cheques and bills) ("**Payment Services**").

The Group has started its Securities Services and Payment Services operations following the acquisition of DEPObank – Banca Depositaria Italiana S.p.A. ("**DEPObank**") and the subsequent merger of DEPObank into BFF (the "**DEPObank's Acquisition**"). For additional information on DEPOBank's Acquisition, see " *– Our History and Development – DEPObank's Acquisition*" below.

With respect to Securities Services and Payment Services, we operate only in Italy.

As of 30 September 2021, on the basis of our CET 1 position (€412 million), accrued net profits for the nine months ended 30 September 2021 not included in our CET1 (€79 million) and off-balance sheet stock of LPIs (€301 million on an after-tax basis, assuming a tax rate of 29%) our "embedded" value amounted to approximately €790 million.

The following table sets forth the main indicators of our business volumes and the financial solidity as of and for the six-month period ended 30 June 2021 and the years ended 31 December 2020 and 31 December 2019.

	As of 30 June	**As of 31 December**	
	2021	**2020**	**2019**
	(in € millions, except percentages)		
Loans & Receivables due from customers	3,571	4,067	4,118
Amortized Cost Portfolio (HTC)	5,144	1,683	996
FVOCI Portfolio (HTC&S)	-	-	83
Deposits from transaction services	8,486	-	-
Retail Deposits (nominal values)	(724)	(1,652)	(1,354)
Net profit for the period	210.3	91.1	93.2
Common Equity Tier 1/Risk weighted assets (CET1)	18.6%	15.5%	10.9%
Total Capital Ratio	23.0%	21.6%	15%

Factoring and Lending

We operate in Italy, Spain, Portugal, Greece, Croatia and France by providing non-recourse factoring credit management services. In addition, we offer lending services in Poland, Slovakia and the Czech Republic.

We have been operating in the Italian factoring market since 1985 and we are one of the leading operators in the Italian factoring market for non-recourse factoring of receivables owed by the public administration, and especially local governments and the Italian National Health Service. In over thirty years of activity, we have become a major business partner for suppliers to the national healthcare system (including pharmaceutical, diagnostics and biomedical sectors) and the public administration entities offering working capital solutions to address public payment delays in Italy. We have established and developed relationships with the largest debtors and creditors in the healthcare sector and more recently in public administration,

through which we have acquired an extensive knowledge of the market and have established full geographical coverage in Italy.

Our Credit Collection Management business in Italy, Spain, Portugal and Greece consists of the management of the recovery and collection of receivables mainly owed to suppliers by national healthcare systems and/or public administration entities ("**Suppliers**"), including the management of administrative issues and credit collection actions, both in court and out of court, and other ancillary services such as electronic invoicing and credit certification in Italy. Our income in this segment derives primarily from: (i) invoice loading fees and (ii) collection of commission. As of 31 December 2020, we managed €3,181 million in new receivables due from customers.

As part of our Non-Recourse Factoring business in Italy, Spain, Portugal, Greece, Croatia and France, we purchase the principal amount and interest component (including late payment interest and ancillary income) of receivables mainly owed to Suppliers and we manage their collection for ourselves as principal. The receivables we acquire are generally overdue and bear late payment interest, the amount of which is regulated by European Union law. Our income in this segment derives primarily from: (i) maturity commission and (ii) late payment interest. As of 31 December 2020, we purchased €5,020 million in new receivables (of which €3,030 million was in Italy, €1,661 million was in Spain, €248 million was in Portugal, €65 million was in Greece, € 15 million was in France and €1 million was in Croatia), and we collected €8,201 million of receivables (of which €5,853 million was in Italy and €2,019 million was in Spain) and we had €3,167 million outstanding under management under our Non-Recourse Factoring business.

For the six month period ended 30 June 2021, we purchased €2,176 million in new receivables (of which €1,293 million was in Italy, €685 million was in Spain, €140 million was in Portugal, €44 million was in Greece, €12 million was in France, €1 million was in Croatia), and we managed a total turnover of €4,335 million (of which €3,230 million was in Italy, €873 million was in Spain and €175 million was in Portugal, €44 million was in Greece, €12 million was in France and €1 million was in Croatia) and we had €2,411 million outstanding under management in our Non-Recourse Factoring business.

In addition, we operate in Poland, Slovakia and the Czech Republic in the alternative financing market ("**AFM**"), which offers a diversified range of financial services (mainly lending), aimed at guaranteeing access to short-term funding for suppliers to the healthcare sector and local authorities, as well as providing funding for parties operating in the healthcare and public authority sectors. We operate primarily in three sectors: (i) financing of suppliers' operating capital, (ii) financing of current and future receivables, and (iii) financing of investments in the public and health sectors. As of 31 December 2020, Poland represented approximately 17% of total customer loans, while the Eastern European Market, including Poland represented approximately 22%.

For the six month period ended 30 June 2021, we had new volumes for €292 million (of which €271 million in Poland, €21 million in Slovakia and € 0.5 million in Czech Republic) and had loans and receivables amounting to €948 million (28% of total customer loans).

Securities Services

Following DEPObank's Acquisition, BFF has become the leading independent player in Italy in the field of custodian banking, fund accounting, transfer agent and security custody services. We generate revenues within our Securities Services operations through (i) interest accrued on liquidity deposited at our custodian activities and (ii) fees calculated on the basis of the assets under deposit, management or custody and the number of transactions settled through our services.

For the six-month periods ended 30 June 2021 and 2020, we generated €4.5 million and €5.4 million, respectively, in interest margin and €26.7 million and €25.8 million, respectively, in intermediation margin. (according to the internal transfer pricing mechanism, as restated in the 2021 Half-Year Financial Statements).

Payment Services

Through DEPObank's Acquisition, the Group became the first independent operator in Italy in the field of processing services dedicated to payment service providers ("**PSPs**") such as banks, payment institutions and electronic money institutions, and in structured collection and payment services for companies and the

public sector. We generate revenues within our Payment Services operations through (i) interest accrued on liquidity deposited at our Group for the purpose of settling payments and (ii) fees calculated on the basis of the number of transactions settled through our services.

For the six-month periods ended 30 June 2021 and 2020, we generated €3.1 million and €0.9 million, respectively, in interest margin and €23.9 million and €19.6 million, respectively, in intermediation margin (as restated in the 2021 Half-Year Financial Statement).

The Issuer is incorporated and operates under the laws of Italy, and is registered with the Milan Monza Brianza Lodi Chamber of Commerce under registration number 07960110158, with its registered office at Via Domenichino, 5, 20149 Milan, Italy. The Issuer is also on the register of banks (*albo delle banche*) held by the Bank of Italy under registration number 5000 and on the register of banking groups (*registro dei gruppi bancari*) under registration number 5000. The Issuer's by-laws specify that the period of the Issuer's duration expires on 31 December 2100 and may be extended at an extraordinary meeting of the shareholders. The telephone number of the Issuer's registered office is +39 02 499 051.

Our Business Strategy

On 15 March 2021 our Board of Directors approved the "BFF Banking Group 2021-2023 Financial Plan" (the "**Strategic Plan**"). The Strategic Plan illustrates the economic and financial objectives for 2023, identifies the funding synergies and presents BFF's different lines of business:

1. Factoring and Lending;
2. Securities Services; and
3. Payment Services.

Pursuant to the Strategic Plan, we seek to operate our business by implementing the following strategies:

- *Continuing to develop our leading position in the context of our business units (i.e. Factoring and Lending, Securities Services and Payment Services) and to improve operating efficiency by:*
    - increasing diversification in niche businesses, with an attractive asset yield and low risk profile;
    - mixing in a balanced way, high yield, cheap funding, low risk and high ROE;
    - providing business-to-business solutions for complex and key processes to high quality customers;
    - investing in an integrated structure to successfully capture growth opportunities ahead;
    - implementing a disciplined merger and acquisition strategy, by consolidating BFF's market shares in existing business and / or expansion into new segments leveraging upon existing BFF expertise; and
    - delivering superior performance vs. the market.

We have identified the following growth opportunities in respect to each business unit:

<u>*Factoring and Lending*</u>

- providing working capital solutions to public sector suppliers in the EU, in view of becoming a EU leader in non-recourse factoring, credit management and specialised lending towards the public administration;
- consolidating our existing business and / or expanding into other underserved markets, potentially through merger and acquisition transactions;
- increasing our market penetration and, more generally, geographic diversification, with strengthened exposures in non-domestic markets;

- identifying new markets (such as Romania, Bulgaria and Hungary);
- strengthening relationships with large multinational clients at headquarter levels to increase cross-border deals, offering a global service;
- leveraging on credit management as a retention tool and teach-in tool for new customers; and
- delivering excellent execution, through back-office automatisation & standardised processes.

Securities Services

- Developing our role as national key player in the Securities Services business with a focus on domestic segments;
- growing our assets under management;
- retaining existing clients (in particular, mutual funds and pension funds) through focus on customer service and added value services;
- specialising in businesses segments where DEPObank was market leader and which require a customized approach, such as small/medium AIFs rapidly growing and pension funds; and
- increasing the scope of value added services to meet clients' growing needs (*i.e.* securities lending, Italian fiscal services).

Payment Services

- consolidating our position as Italian independent leader in banking payments, with a significant focus on domestic transactions and intermediation services;
- increasing our market penetration, specifically with regard to digital payment services in Italy;
- developing "new" service in fast growing niches (*e.g.* instant payments, new relations with third party providers by means of the new technology PSD2); and
- boosting our partnership with Nexi, with revised and more flexible terms for ICT contract.

Our History and Development

History

The Issuer was incorporated on 22 July 1985 under the name "*Farmafactoring S.p.A.*" by Confarma S.p.A. ("**Confarma**") (a consortium of pharmaceutical companies), B.N.L. Holding S.p.A. ("**BNL**") and International Factors Italia S.p.A. ("**Ifitalia**"), in order to manage and collect the receivables owed by the Italian national health system to pharmaceutical companies.

In 1990, we started to carry out non-recourse factoring services alongside the management and collection of receivables. In 1992, we began operating as an authorised financial intermediary and were included in the special register of the Bank of Italy and in 1994 we were also registered in the general list of the Bank of Italy.

In 2004, we founded the Fondazione Farmafactoring with the aim of improving public knowledge of socioeconomic and financial issues in relation to social welfare, with a particular focus on the health service system.

In December 2006 and January 2007 the private equity fund Apax Europe VI, managed by Apax Partners, purchased a controlling stake in Confarma and the remaining stakes in our share capital held by other minority shareholders and became our indirect controlling shareholder through a newly incorporated company, FF Holding S.p.A. ("**FFH**"), controlled by Farma Holding S.à r.l. ("**Farma Holding**").

On 10 December 2009 we incorporated, and became the sole shareholder of Farmafactoring España S.A. (now BFF Finance Iberia).

In 2011, to respond to the needs of certain multinational companies that already formed part of our client base in Italy, we started providing Credit Collection Management and Non-Recourse Factoring services in Spain through BFF Finance Iberia. In respect of receivables owed by the Spanish national healthcare system and the Spanish public administration.

On 2 January 2013, we were authorised by the Bank of Italy to carry on banking activities. Shortly thereafter, on 3 July 2013, we changed our corporate purpose and changed our name to Banca Farmafactoring S.p.A. and were registered as Banca Farmafactoring in the register of banks (*albo delle banche*) held by the Bank of Italy, as well as in the register of banking groups (*registro dei gruppi bancari*) as parent company of the Banking Group and we became a bank. At the same time, on 2 July 2013, we were removed from the list of financial intermediaries held by the Bank of Italy.

In 2014, we started to provide factoring services in Portugal where our business is carried out under the EU regime regarding freedom to provide services (following the filing of an application with the Bank of Italy).

In September 2014, we launched our "*Conto Facto*" term deposit account service in Italy. This was the first retail product created to diversify our funding sources for the purchase of receivables within our Non-Recourse Factoring business and to minimise overall funding costs. On 3 November 2014, we applied to the Bank of Italy for the authorization to open a branch in Spain, in order to introduce a deposit called "*Cuenta Facto*" also in the Spanish market, following the model of the "*Conto Facto*" term deposit account in Italy.

In 2015, we also expanded our Non-Recourse Factoring business to receivables owed by the Italian tax authorities. In February 2015, we received the Bank of Spain's authorization to open a branch in Spain and subsequently, in August 2015, we launched the "*Cuenta Facto*" term deposit account in Spain.

In April 2015, the funds advised by Apax Partners and other shareholders agreed to sell their stake in the Issuer to an affiliate of Centerbridge Partners L.P. ("**Centerbridge Partners**"). The transaction was finalised in November 2015 when 94.26% of our share capital was transferred by Farma Holding to BFF Luxembourg, indirectly controlled by the private equity fund Centerbridge Capital Partners III (PEI) L.P.

In March 2016, we informed the Bank of Italy of our intention to offer banking services in Germany and in June 2016, we launched the collection of savings in Germany through the platform *Welstparen.de*, using our Spanish branch. On the German market, we provide the "*Cuenta Facto*" term deposit account service, which allows German customers to access term deposit accounts offered by foreign banks not established in Germany.

On 30 June 2016, we completed the acquisition, through the vehicle *Mediona spółka z ograniczoną odpowiedzialnością* ("**Mediona**"), of the entire share capital of Magellan, the parent company of a group operating in Poland, Slovakia and the Czech Republic.

Subsequently, in line with our organic group strategy, in February 2017, we submitted our first filing with the Bank of Italy to offer factoring services in Greece. We obtained the relevant authorization by the Bank of Italy on 28 March 2017 and in September 2017 we completed our first acquisition of a portfolio of receivables owed by public hospitals in Greece.

On 5 April 2017 we announced the conclusion of the placement to institutional investors of our ordinary shares and their admission to trading on the Mercato Telematico Azionario, organised and managed by Borsa Italiana S.p.A. The placement comprised 53,000,000 ordinary shares offered for sale by BFF Luxembourg, equal to 31.16% of the share capital (excluding the exercise of the green-shoe option). Trading on the Mercato Telematico Azionario started on 7 April 2017.

In October 2017, we submitted a filing with the Bank of Italy to open a branch in Portugal and expand our offer of factoring services. In July 2018, the branch officially began operations.

In January 2018, the Bank of Croatia was notified of our intention to carry out non-recourse factoring activities in the country. During the month of June 2018, set-up operations were completed for the processes, systems and contracts as required, in order to be ready for the launch of initial operations on the Croatian market.

In August 2019, after receiving the Bank of Italy's approval, we began operations in France on a freedom of services basis and completed the first non-recourse purchase of receivables due from the national healthcare system.

In September 2019, after receiving the Polish financial supervision authority's approval, we opened a branch in Poland and launched Facto, our on-line term deposit in Poland.

In September and at the beginning of October 2019, we started operations for the collection of online deposits in the Netherlands and Ireland, respectively, after receiving the relevant authorisations from the Bank of Italy and the Bank of Spain.

In 2019 we started operating in Greece under the freedom of services on a crossborder basis, while in September 2020 we established our first branch in Athens.

DEPObank's Acquisition

On 13 May 2020, we announced the signing of a binding agreement for the acquisition of DEPObank ("**DEPObank**") from Equinova UK Hold.Co. Limited ("**Equinova**") and the subsequent merger by incorporation of the latter into BFF, with the aim of creating the first independent operator in Italy in the specialty finance sector, giving further impetus to the activities of DEPObank and strengthening the availability of funding and capital to serve the traditional customers of BFF.

On 24 June 2020, the Board of Directors of BFF and the Board of Directors of DEPObank approved the merger plan by incorporation of DEPObank into BFF, including:

- the exchange ratio of 4,2233377 BFF shares for every 1 DEPObank share, without cash compensation; and, limited to BFF,
- the draft amendments to the Articles of Association related to:
    - the modification of the name of the Bank and the banking Group which, from the effective date of the merger, has been changed to "BFF Bank S.p.A." and "BFF Banking Group", respectively;
    - the change in share capital, which has been increased through the issue of 14,043,704 new BFF ordinary shares, with no par value.

The merger is the essential element of the transaction announced to the market on 13 May 2020, which is structured as follows: (i) the acquisition by BFF of part of the DEPObank shares owned by its current controlling shareholder, Equinova and the acquisition by BFF of all the DEPObank shares owned by its minority shareholders, in case these were not previously acquired by Equinova, and, immediately after the closing of the acquisition, (ii) the merger of DEPObank into BFF, in the context of which the residual DEPObank shares held by shareholders other than BFF (*i.e.* the remaining 3,325,262 shares held by Equinova) has been exchanged for BFF ordinary shares on the basis of the Exchange Ratio.

On 5 March 2021, BFF announced the effectiveness of the merger by incorporation of DEPObank in BFF, which has issued 14,043,704 new BFF ordinary shares, assigned to Equinova, on the basis of the exchange ratio of 4.2233377 BFF shares for each DEPObank share (the "**Conversion Shares**"). As a result of such capital increase of the Bank, Equinova holds 7.6% of BFF's share capital. The Conversion Shares have not an expressed par value, have regular dividend rights, are freely transferable and fungible with the BFF shares already listed on the Italian Stock Exchange. In addition, DEPObank's businesses in the Payment Services and Securities Services sectors have been integrated as a division within BFF.

Furthermore, with effect from the merger, which took place on 5 March 2021, Banca Farmafactoring S.p.A. changed its corporate name to "BFF Bank S.p.A.", while the name of the related banking group remains "BFF Banking Group".

Shareholders, share capital, dividend policy and subsidiaries

Share Capital

As of the date of this Offering Circular, the Issuer had an authorised share capital of €142,655,646.13, fully subscribed and paid in, represented by 185,267,073 ordinary shares without nominal value and in dematerialised form.

Shareholders

Equinova is the largest shareholder in BFF, with 7.580% of the share capital. Our CEO and our four vice presidents, directly and indirectly through closely related persons, hold 5.59% of our share capital. The remaining 86.83% of our share capital is free float, which includes treasury shares (279,294 as at 30 June 2021).

The table below sets out the shareholders of the Issuer, as of 30 June 2021, including each shareholder's approximate percentage shareholding, based on our internal records and communications pursuant to Article 120 of Legislative Decree No. 58 of 24 February 1998 as amended:

Name	**Percentage of share capital**
Equinova UK Hold.Co.	7.580
Free Float	86.83
Management	5.59
Total	**100.000**

Source: CONSOB and BFF internal records.

Dividend policy

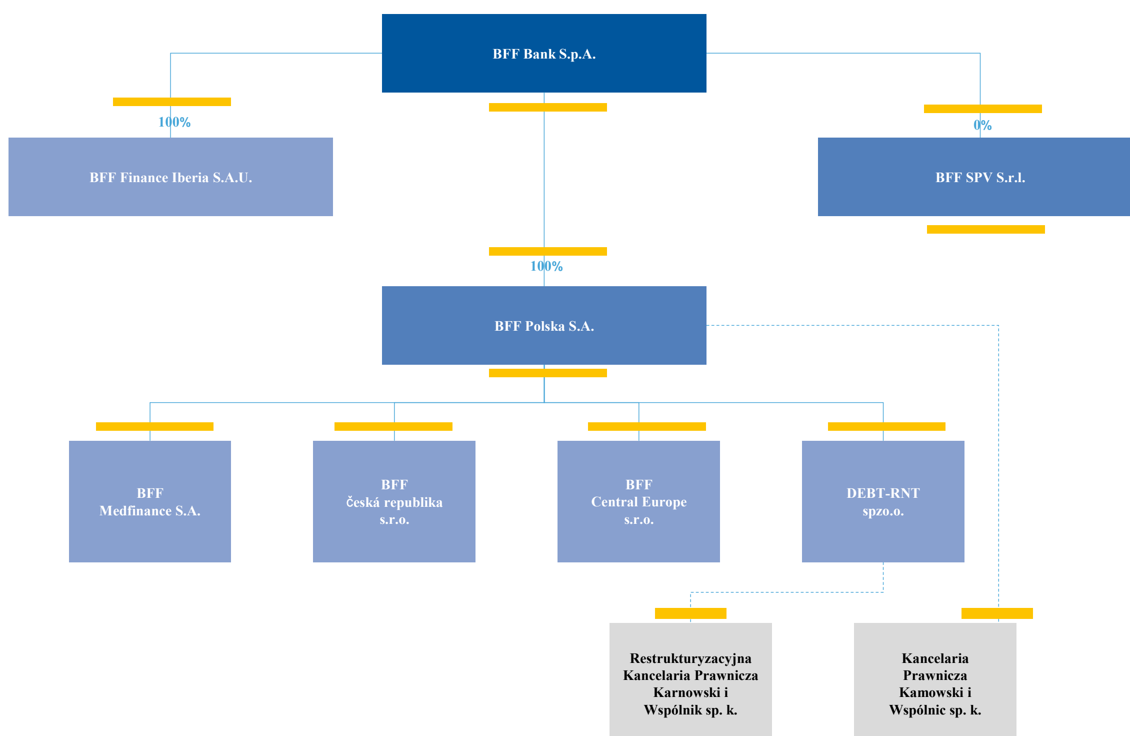
We have adopted a dividend policy aimed at sustaining the growth of our business operations while returning excess capital to shareholders. Pursuant to such dividend policy, profits generated in each period are retained in order to maintain our Total Capital ratio at or above 15%, and only profits in excess of such threshold are returned to our shareholders. Additionally, our dividend policy does not provide that a minimum dividend per share or pay-out ratio should be paid to shareholders each year.

Subsidiaries

The Issuer, which is the parent company of the Group, holds 100% of the share capital of BFF Finance Iberia S.A.U., 100% of the share capital of BFF Polska S.A. and exercises control over the special purpose entity BFF SPV S.r.l.[4] BFF Polska S.A. is the parent company of (i) BFF Medfinance S.A., (ii) BFF Česká republika s.r.o., (iii) BFF Central Europe s.r.o., (iv) Kancelaria Prawnicza Karnowski i Wspólnik sp. k. and (v) DEBT-RNT sp z o.o. BFF Polska S.A.'s subsidiaries also include the following instrumental companies/funds: (i) Kancelaria Prawnicza Karnowski I Wspólnik Sp. K., with registered office in Łódź (Poland), set up as a limited partnership in which BFF Polska S.A. is a limited partner. It is a law firm whose main purpose is to manage the recovery of debts belonging to Polska S.A.; and (ii) Debt. Rnt Sp. Z O.O and Restrukturyzacyjna Kancelaria Prawnicza Karnowski I Wspólnik Sp.K., both established in 2015 with the purpose of managing problematic receivables pertaining to BFF Polska S.A., which were consequently transferred to them.

[4] The business of BFF SPV S.r.l. is focused on securitisation transactions and its exclusive purpose is to realize one or more securitisation transactions in relation to receivables pursuant to Article 3 of the Law No. 130 of 1999. Although we are not shareholders of BFF SPV S.r.l., it must be consolidated into our financial statements in compliance with the "IFRS 10 Consolidated Financial Statements" issued by the IASB.

The structure of our Group is as follows:



As of the date of this Offering Circular, we are the parent company of the following companies:

Company	Registered office	Share capital	Shareholding
BFF Finance Iberia S.A.	Madrid - Paseo de la Castellana, 81	EUR 6,100,000	100%
BFF SPV S.r.l.	Milano - Via V. Betteloni, 2	EUR 10,000	0%
BFF Polska S.A.	Łodz - Jana Kilińskiego, 66	PLN 38,487, 503.10	100%
BFF Medfinance S.A.	Łodz - Jana Kilińskiego, 66	PLN 8.500 000,0	100%
BFF Česká republika s.r.o.	Prague - Roztylská 1860/1	CZK 700,000.00	100%
BFF Central Europe s.r.o.	Bratislava – Mostova, 2	EUR 6,500.00	100%
Debt-Rnt sp. Z O.O.	Łodz - Al. Marszalka Jozefa Piłsudskiego, 76	PLN 400,000.00	100%
Komunalny Fundusz Inwestycyjng Zamknięty	Warsaw - Plac Dąbrowskiego, 1	176,867 certificates	100%
MEDICO Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty	Warsaw - Plac Dąbrowskiego, 1	2,391 certificates	100%
Kancelaria Prawnicza Karnowski i Wspólnik sp.k.	Łodz - Jana Kilińskiego, 66	N/A	99%
Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspolnik sp.k.	Łodz - Al. Marszalka Jozefa Piłsudskiego, 76	N/A	99%

Description of Our Business Activities by Segments

Following DEPObank's Acquisition, our operations are organised within three business units:

- Factoring & Lending;
- Securities Services;
- Payments Services.

Our traditional Factoring and Lending operations fall within the Factoring, Lending and Credit Management business unit, while the Securities Services and Payment Services operations are grouped in the Transaction Services business unit.

Our business activities are supported by our Corporate Centre business unit, which incorporates all the staff and control functions, as well as our Technology and Processes Improvement and Finance and Administration departments.

The chart below shows the main financial indicators of our business units for the six months ended 30 June 2021 and 2020 and the years ended 31 December 2020 and 2019.

	As of 30 June		**As of 31 December[(1)]**	
	2021	**2020[(2)]**	**2020**	**2019**
	(in € millions, except percentages)			
Factoring and Lending				
Interest margin	64.5	72.2	161.8	166.9
Intermediation margin	67.5	75.2	166.4	171.4
Total net revenues	70.7	78.4	176.9	178.6
Profit (loss) before tax from continuing operations	52.1	57.2	139.1	143.0
Securities Services				
Interest margin	4.5	5.4	11.4	16.3
Intermediation margin	26.7	25.8	53.6	59.6
Total net revenues	27.0	26.2	54.2	61.1
Profit (loss) before tax from continuing operations	12.4	11.2	23.6	29.1
Payment Services				
Interest margin	3.1	0.9	2.2	1.8
Intermediation margin	23.9	19.6	42.5	42.4
Total net revenues	29.4	23.3	50.0	50.1
Profit (loss) before tax from continuing operations	13.6	7.9	19.8	18.2
Corporate Centre				
Interest margin	9.5	29.7	58.0	46.5
Intermediation margin	16.7	33.3	63.5	62.7
Total net revenues	22.2	33.6	64.6	63.9
Profit (loss) before tax from continuing operations	(18.1)	(14.3)	(30.0)	(25.6)

(1) The DEPOBank's Acquisition was completed on 5 March 2021. Therefore, the results for the Securities Services and Payment Services for the years ended 31 December 2020 and 2019 are derived from DEPOBank's financial statements and not the consolidated financial statements of the Group.

(2) Figures for the six-months period ended on 30 June 2020 have been restated for comparative purposes.

Factoring and Lending

We are an independent operator in the Credit Collection Management and Non-Recourse Factoring segments. Our clients in such segments are primarily large companies, including international multinationals that provide their products and/or services in Italy, Spain, Portugal, Greece, Croatia and France to national healthcare service authorities ("**Public Healthcare Debtors**"), and to private entities (including religious hospitals and recently, in respect of credit management services, pharmacies and pharmaceutical distributors) active in the healthcare sector ("**Other Debtors**") and public administration entities ("**Public Administration Debtors**" and, jointly with Public Healthcare Debtors and Other Debtors, "**Debtors**").

We benefit from having over thirty years of experience and being able to offer a range of services in the markets in which we operate, as well as from having an efficient platform which is integrated with some of the platforms of our key clients. This allows us to position ourselves as a partner in the management and disposal of receivables owed by the public sector.

We have historically provided services to clients active in the healthcare sector. The majority of our clients are long-standing: as of 30 June 2021, our top 10 clients had been our clients for almost twenty years (more than 15 years if we refer to our Non-Recourse Factoring business) and accounted for approximately 40% of receivables intermediated in 2021 with respect to our Non-Recourse Factoring and Credit Collection Management services.

The following table provides a summary of the main characteristics of our Credit Collection Management and Non-Recourse Factoring activities.

	Credit Collection Management	**Non-Recourse Factoring**
Activity............	Management of the process of recovery and collection of receivables due to Suppliers, including the management of administrative issues and debt collection activities, both in court and out of court, and of other ancillary services including electronic invoicing and credit certification	Outright purchase from Suppliers of the principal amount (including late payment interest and ancillary income) of receivables mainly due from debtors of the national healthcare system and/or public administration agencies (including tax receivables from the Italian tax authorities), acquiring full ownership thereof, as well as the risk of non-payment. The receivables are generally overdue and already bear late payment interest
Revenues	Our income primarily derives from: (i) loading fee, and (ii) collection commission	Our income primarily derives from: (i) maturity commission, and (ii) late payment interest
Credit Risk	Non-payment of commission	Non-collection of principal and/or ancillary income
Costs................	The client bears all legal management costs on behalf of third parties	We bear all management costs

Business Model

We manage our Factoring and Lending activities according to a single organizational model across Italy, Spain, Portugal, Greece, Croatia, Poland, Slovakia, Czech Republic and France, which encompasses the following steps:

- *Business development*. Our business development activity targets both existing and potential new clients. We carry out business development in respect of our existing clients by taking advantage of the following cross-selling opportunities: (i) geographical, by offering clients the same services in different geographical areas where both we and our clients operate, and (ii) product-related, by offering Non-Recourse Factoring services to clients who already use our Credit Collection Management services. Moreover, we develop business with existing clients by offering a range of services which are constantly updated and tailored to the specific needs of each client.

- *Credit Loading*. At the beginning of our relationship, a client sends us details of, and documentation relating to, the receivables to be transferred, which are uploaded onto our factoring system (the "**Factoring System**"). The Factoring System verifies the accuracy of the documentation received and reports any anomalies to be corrected.

- *Non-Recourse Factoring: Credit Risk Assessment-Pricing-Purchase*. Before purchasing receivables on a non-recourse basis, we run a credit risk assessment and pricing process. Each credit is analysed and subject to approval and then on-going monitoring. Such process allows us to propose our clients a pricing for the receivables to be purchased.

- *Credit Portfolio Management*. We carry out credit portfolio management in respect of receivables managed on behalf of third parties, as well as receivables acquired and then managed on our own behalf.

- *Collection*.

Credit Collection Management

We offer Credit Collection Management services in Italy, Spain and Portugal that are tailored to the difficulties and timescales of our clients' collection processes of invoices issued to their Debtors. By performing all of the administrative and legal activities needed to carry out the collection of receivables, the service we offer allows clients to significantly reduce their internal credit management and recovery costs. In particular: (i) the efficiency of the IT platform we use to handle the different phases of the

receivables management and disposal process allows us to fully interact with both clients and Debtors throughout the process, and (ii) the specialised experience which the professionals working for us have gained in this field allows clients to benefit from a better performance in terms of payment of the receivables and recovery times.

Our relationship with clients is based on management contracts which require clients to issue a mandate for the recovery of receivables and to delegate powers to us, meaning that we are legally authorised to act on their behalf and to act as a proxy for the collection of receivables under management.

In the context of our Credit Collection Management activities, clients maintain the risk of insolvency of, and the risk of late payment by, Debtors, since we only manage and do not acquire receivables. Therefore, in carrying out these activities on behalf of third parties we are only exposed to the risk of non-payment of collection and/or management commission by the client.

The revenue generated by our Credit Collection Management activities primarily derives from the management commission paid by clients. Management commission consists of a fee paid when the receivables are accepted and an additional commission paid at the time of collection as recognition of the successful outcome of the management activity.

Our Credit Collection Management activity is strategically important, since clients often turn to us for the management of their receivables and we are often also able to generate Non-Recourse Factoring business with the same clients. We have recently expanded our Credit Collection Management activities to cover pharmacies, distributors, private sector healthcare operators and some ancillary services such as the management of electronic invoicing in Italy.

Non-Recourse Factoring

As part of our Non-Recourse Factoring business, we acquire outright the receivables due to our clients from their debtors. The purchase of Non-Recourse Factoring receivables allows our clients to deconsolidate the transferred receivables in accordance with the IAS and US GAAP standards applicable to the transfer of receivables. The receivables are transferred from the relevant client's financial statements to our financial statements, and we assume their full ownership, including any cost and benefit connected therewith, and, in particular, any late payment interest accruing from the due date of the receivables and other ancillary income. In the event of non-existence of the receivables, we have the right to terminate the transfer and the client must immediately repurchase the receivables at par and return any amounts paid by us.

The purchase price is normally equal to the nominal value of the receivable net of a commission, calculated by us on the basis of a prior assessment of, among other things, the relevant credit risk (including an assessment of the assignor, the Debtors and the timing for payment).

The purchase price of each receivable largely depends on the expected payment date. Therefore, we carefully monitor the DSO of each Debtor and input data into our historical database which contains the payment times of all invoices managed during the course of our activities (on behalf of third parties and on our own behalf). This database is used to estimate the collection times of receivables recorded in our financial statements (in order to manage our liquidity) and to determine the price of new receivables during the purchase phase in our Non-Recourse Factoring activities.

Once purchased by us, we manage receivables on our own behalf for their entire remaining life cycle, until the principal and the recovered late payment interest are collected.

Our revenues from our Non-Recourse Factoring activities mainly derive from the following:

- *Fixed commission* ("**Maturity Commission**"). We deduct Maturity Commission from the purchase price and calculate it as a percentage of the nominal value of each receivable, as determined on a case by case basis at our discretion at the time of purchase on the basis of, among other things: (i) past payment trends of Debtors owing the transferred receivables; (ii) the quality of the portfolio transferred by the client; and (iii) financial expenses (current and future) that we must incur to finance the purchase of receivables.

- *Late payment interest*. Debtors pay late payment interest at the ECB base rate pursuant to Directive 2011/7/EU, as applied in the various jurisdictions in which we operate, which sets out the late payment interest rate applicable in the event of late payment in commercial transactions

between companies or between companies and the public administration. Interest is generally collected once the nominal value of the receivable has been repaid.

The recognition of Maturity Commission and late payment interest in our income statement reflects our income resulting from the application of the amortised cost method to the measurement of purchased non-recourse receivables, in accordance with IAS 39, based on the present value of estimated future cash flows (TIR ("*tasso interno di rendimento*") of the transaction).

At the time of purchase of a receivable, it is registered in the balance sheet in accordance with the IAS principles at its original purchase price.

On a monthly basis the IAS value of the receivable is calculated considering the expectations of capital collection, net of the possible collections already received, late payment interest accrued until the date of evaluation and the interest accruing until the entire collection of the capital.

The spread between the value calculated in relation to the principal amount is the adjustment to be made to the balance sheet. The comparison between this adjustment and that calculated on the prior month as of the evaluation date constitutes the amount of interest income to be included in the income statement.

Any capital gains or losses incurred in connection with collection of interest payments shall be determined with reference to the recovery amount that was initially estimated.

For the year ended 31 December 2020, revenues related to Non-Recourse Factoring were equal to €164 million. The late payment interest recorded in our income statement and balance sheet is just a part of all late payment interest accrued and legally due to us in the course of our Non-Recourse Factoring business. We estimate the recoverability percentage of late payment interest legally due, in relation to the portfolio of receivables managed by the Issuer and BFF Finance Iberia only, to be equal to 45% of its nominal value at the estimated collection date (conservatively fixed at 1,800 days) and, in the event of higher recoverability percentages (as recorded in the past), we record the difference as a capital gain only at the time of collection.

The amount of late payment interest accrued and legally due to us, but not yet collected, is recorded in the late payment interest fund, which, for the six month period ended 30 June 2021 was equal to €701 million at Group level; as of 31 December 2020 and 2019 it was equal to €681 million and €634 million, respectively, (in each case before tax). As of 30 June 2021, part of such late payment interest fund, equal to €283 million, has already been reflected in our income statement, either or in the current or in the previous years (€276 million as of 31 December 2020 and €238 million as of 31 December 2019).

The amounts of late payment interest which have not been reflected in our income statement for the years ended 31 December 2019 and 2020 (equal to, respectively, €396 million and €405 million) and the six-month period ended 30 June 2021 (equal to €418 million) represent a possible source of future income within the Group's loan portfolio, which, wherever it is realised could, even in part, reinforce the Group's capital position.

Additional Lending Services

In Poland, Czech Republic and Slovakia we operate in a niche market and offer non-standard products and services in the following segments: (i) overdue debt position financing and debt management, (ii) liquidity management and (iii) investment and equipment financing. We have long term relationships with clients in Eastern Europe – in Slovakia and Czech Republic, and especially in Poland, including certain multinational groups in the healthcare sector to whom we already provide services in Italy, Spain and Portugal, and is their reference partner for alternative financing solutions.

Securities Services

Our Securities Services operations provide custodian bank services for investment funds and related services such as global custody, fund accounting and transfer agents for domestic asset managers and banks and for various investment funds such as pension funds, mutual funds and alternative funds: the activity is concentrated on the domestic market.

As custodian bank, the Group provides services consisting in the custody and administrative management of the units of our fund clients and their assets, such as settlement and oversight services in relation to any

aspect of the management of funds. Additionally, we provide other specific services, including the calculation of the net asset value of the fund units for legal and tax reporting activities relating to the holding of securities.

Our global custody services consist of safekeeping and administration of financial instruments. These services are provided to a wide range of clients, including, companies and financial institutions and consist of the following activities: (a) settlement against payment of securities transactions carried out by the client, (b) currency settlement of securities transactions ordered by the client, (c) payment of coupons and dividends on securities on deposit, after verification of payment by the issuers, (d) execution of all corporate transactions involving securities on deposit, (e) managing the relationship with the sub-custodians (whether banks or central depositories) to whom customers' securities are sub-deposited, and (f) notifying issuers of the holders of the securities when required by law.

In 2019 BFF replaced its international partner for custody and settlement of foreign stock portfolio with BNY Mellon ("**BNY**"). BNY is one of the world's largest custodian bank and asset servicing company, and serves large international funds. In addition, BNY offers a wide range of products, e.g., depositary bank abroad and ancillary services (*e.g.*, securities lending, triparty repo). The partnership with BNY also includes the sharing of technological (DLT) and applicative knowledge.

The assets under deposit at our custodian bank operations amounted to €80.4 billion at 30 June 2021. The assets under custody held by our global custody operations were equal to €168.5 billion at 30 June 2021.

Payments Services

Payments Services deals with payment processing, corporate payments and cheques and bills and has as customers medium-small Italian banks and medium-large companies. The business is concentrated in the Italian market.

Within payment services, we offer three main services: (i) intermediation (so-called, "tramitazione") for clearing (allowing payment service providers to exchange payment information through formal and standardized operating mechanisms) and settlement (allowing the accounting settlement of individual payment transactions), (ii) corporate and other client payments & collection and (iii) issuing and management of checks/bank drafts and promissory notes.

Intermediation and settlement services allow small and medium-sized PSPs indirect access to the clearing and settlement mechanism and/or competitive payment services (based on correspondent banking accounts), for clearing and settlement steps, without incurring the fixed and organizational costs of direct membership, ensuring a level playing field compared to the main market players.

Clearing services are divided into clearing services for Single Euro Payments Area ("SEPA") products (pan-European transfers and collections), which are regulated by European regulations, and clearing services for non-SEPA products, which regulated by the national convention "Interbank system of data transmission networks".

Corporate and other client payments payment and collection services are mainly related to, respectively, the payments of pensions, management of the payment flows in favour of Telepass S.p.A. with regard to its invoices, and for other corporate clients. Such services are provided in favour for approximately 80 client banks. Furthermore, we provide payment services for the Italian public administration as the agencies of the Ministry of Agricultural, Food and Forestry Policies (to pay aids from the European community) and large corporates.

We also provide check and receivables services, such as: (i) issuing of bank drafts, (ii) cash letters, (iii) management/provision in outsourcing of the "Check Image Truncation" (CIT) procedure, for the electronic payments of checks, (iv) issuing/management of promissory notes on behalf of its clients and (v) caveau services.

Finally, our payment services and products are marketed and distributed by Nexi Payments S.p.A. on the basis of an agreement which is set to expire in 2026. More specifically, BFF have a long standing relationship with Nexi for the management of payments from acquiring and issuing of credit cards. BFF is a key layer for Nexi payments management and collections respectively of the acquiring (merchant payments) and issuing of credit cards (card collections), both for medium small customer banks (which are intermediated) and large banks (direct members) for the settlement of the cards.

Corporate Center

The Corporate Center incorporates all the staff and control functions, as well as our Technology & Processes Improvement and Finance and Administration departments. More in details, the Corporate Center business unit's purpose is to support our business operations and to provide funding to the Business units Factoring and Lending, Securities Services and Payments Services.

The main actions taken by our Corporate Center business unit are aimed at achieving funding and cost synergies, including in connection with the operational integration of DEPObank within the Group.

In this regard, the Group has adopted a transfer pricing mechanism in order to regulate the funding flows between its segments and apply remuneration / penalty mechanisms for proper management representation. This mechanism envisages, (i) that the Securities Services and Payments Services segments make the funding collected available to the Corporate Center; (ii) that the Corporate Center manages the funding received from Securities Services, Payments Services, retail deposits and wholesale sources and makes it available to the Factoring and Lending segment, or, for the excess part, uses it in alternative ways; (iii) that the Factoring and Lending segment uses the funding received in the forms of use specific to its business; (iv) that the Corporate Center remunerates the Securities Services and Payments Services segments and is remunerated by the Factoring and Lending segment for the funding made available through an internal proprietary mechanism.

Funding

Following the DEPOBank's Acquisition, we carried out a rationalisation of our funding sources, pursuant to which we reduced significantly the funding from securities issued, customer deposits and loans (including repurchase agreements).

As of 30 June 2021, our main source of funding is represented by funds credited on client accounts at our Securities Services and Payment Services (are related to the provision of investment and payment), totalling approximately €8.5 billion.

We offer an online deposit account on the Italian market ("*Conto Facto*"), on the Spanish market ("*Cuenta Facto*") and on the Polish market ("*Lokata Facto*"), which aimed at retail and corporate customers and guaranteed by the Interbank Deposit Protection Fund. In addition, "*Cuenta Facto*" is offered to German and Dutch retail clients through the platform *Weltsparen.de*. At 30 June 2021, the total funding from our online deposits amounted to €724 million.

Additionally, at 30 June 2021 we had €182 million in securities issued outstanding, of which €82 million were senior securities (expiring in 2022 and 2023) and €100 million were tier 2 securities (expiring in 2027).

The following table sets forth our total funding by sources as of 30 June 2021, 31 December 2020 and 31 December 2019.

	As of 30 June	**As of 31 December** [(1)]	
	2021	**2020**	**2019**
		(in € millions)	
Due to customers	8,284.7	3,604.5	2,813.0
- Loans (including repurchase agreements)	*100.4*	*1,864.4*	*1,253.9*
- Current accounts and time deposits	*7,660.6*	*1,653.9*	*1,382.7*
- Lease payables	*6.7*	*4.1*	*1.9*
- other	*517.0*	*82.1*	*174.5*
Due to banks	926.2	755.3	582.0
- Due to central banks	*4.3*	-	-
- Due to banks	*921.8*	*755.3*	*582.0*
Securities issued	182.2	758.9	955.7
Total Funding	**9,393.1**	**5,118.7**	**4,350.7**

(1) The DEPOBank's Acquisition was completed on 5 March 2021. Therefore, data shown as of 31 December 2020 and 2019 does not include the assets held by DEPOBank at that times.

Employees

The table below sets forth the number of employees of the Group at 30 June 2021 and 31 December 2020.

Category	30 June 2021	31 December 2020
Senior Executives and Executives	26	25
Managers/Coordinators	153	102
Professionals/Specialists	688	308
Total	**867**	**535**

As of 30 June 2021, the Group (excluding *Kancelaria Prawnicza Karnowski i Wspólnik spółka komandytowa and Restrukturyzacyjna Kancelaria Parawnicza Karnoski I Wspólnik spółka komandytowa*) had 867 employees (583 in Italy, 9 at BFF's Portugal branch, 6 at BFF's Greece branch, 56 in Spain (of which 9 at BFF's Madrid branch, 47 at BFF Finance Iberia), 196 in Poland (of which 41 at the branch), 14 in Slovakia and 3 in the Czech Republic. The Issuer has trade unions and has entered into collective labour contracts with its employees; BFF Polska and its subsidiaries have no trade unions and have not entered into any collective labour (or similar) contracts with its employees.

Our full-time employees are normally employed under contracts of indefinite term.

Information Technology

With respect to our Factoring and Lending operations, we manage our receivables through a specialised and efficient IT platform. We have developed internally an *ad hoc* IT system which gives us a competitive advantage in the Southern European Markets in terms of (i) speed and efficiency of our activities and (ii) integration with information systems of creditors (or assignors) and debtors. This has allowed us to reduce management costs and to benefit from economies of scale.

The technological architecture of our systems is a competitive advantage of our business, both in terms of hardware and software, and was designed to ensure continuity in the provision of services, operational stability and the provision of high quality services for end users, including us internally and clients and Debtors externally. Our technological architecture also supports the activities of BFF Finance Iberia and our activities in Portugal, Greece and Croatia and France.

Our Securities Services activities rely almost exclusively on outsourced IT systems.

The information technology system underpinning our Payment Services leverages on the infrastructures developed by Nexi. Nexi also provides us with the technical solutions for the provision of payment services.

Legal Proceedings

We are subject as defendant to a number of legal proceedings arising in the ordinary course of our business. We assess the potential losses that we could incur in connection with pending legal proceedings and make provisions in application of prudential criteria. As of 30 June 2021, our fund for risks and charges in relation to legal matters amounted to Euro 12.3 million, which is included in item "*Other provisions for risks and charges –others*" in Section 10 of the Liabilities of the 2021 Half-Year Financial Statements. As of 31 December 2020, we did not set aside a fund for risks and charges in relation to legal matters.

Corporate Governance

The constitutional documents of the Issuer conform to the provisions contained in the Italian Civil Code and other special regulations regarding banks. The Issuer is structured according to the traditional Italian business corporate governance model with (i) a Board of Directors responsible for overseeing business management, and (ii) a board of statutory auditors (the "**Board of Statutory Auditors**") responsible for supervising compliance with laws and statutes, and monitoring the adequacy and the proper functioning of the organisational structure, the Issuer's internal controls and the Issuer's accounting and administrative system. Moreover the Issuer complies with the Corporate Governance Code for listed companies promoted by Borsa Italiana S.p.A.

Pursuant to Legislative Decree No. 231 of 8 June 2001, as amended ("**Decree 231**"), that applies also to our Spanish, Portuguese, Greek and Polish branches, provides for the direct liability of legal entities, companies and associations for certain crimes committed by their representatives and encourages companies to adopt corporate governance structures and risk prevention systems to stop managers, executives, employees and external collaborators from committing crimes, the Board of Directors appoints an independent supervisory body ("**Organismo di Vigilanza**") composed by three members (two of which are independent from the company), which is charged with the task of (i) monitoring compliance with Decree 231 and (ii) proposing necessary updates to the organisational model of the Issuer. In order to supervise the actions of top management adequately, the *Organismo di Vigilanza* must remain fully autonomous. As of the date of this Offering Circular the members of the *Organismo di Vigilanza* are Marina Corsi, Silvio Necchi and Claudio Ceccaroni.

In addition, pursuant to Article 31-bis of the Spanish Criminal Code, as amended by the Organic Law 1/2019 of February 2020 ("**Ley Orgánica**") which regulates the administrative liability of legal entities, including companies, the Board of Directors of BFF Finance Iberia approved the "BFF Finance Iberia. Organizational, Management and Control Model pursuant to art 31-bis of the Criminal Code" (the "**Model**").

The Model provides for the appointment by the Board of Directors of BFF Finance Iberia of a Supervisory Body in charge of supervising the activities of the company and of ensuring compliance with the Model, as well as of taking care of the update of the Model. The Supervisory Body of BFF Finance Iberia solely consists of the second Vice-Secretary, non-member of the Board of Directors of BFF Finance Iberia.

In addition, BFF Polska adopted specific guidelines on anti-corruption, applicable to the company and its subsidiaries, and appointed its Compliance Chief Officer to oversee compliance with anti-corruption provisions.

Directive No. 2013/36/EU (CRD IV Directive) was implemented in Italy by Legislative Decree No. 72 of 12 May 2015, which introduced a new Article 52—*bis* in the Italian Banking Act, entitled "*internal systems for the reporting of violations*". The Bank of Italy implemented Article 52—*bis* of the Italian Banking Act by publishing, on 21 July 2015, the eleventh update to Circular No. 285 of 17 December 2013, entitled "*Supervisory Provisions for Banks*" as subsequently amended and supplemented (the "**Circular 285**"). Pursuant to Circular 285, banks are required to have an internal reporting system in place allowing their staff to report acts or facts that may constitute a breach of the rules governing banking activities (as defined by Article 10 of the Italian Banking Act). In particular, banks are required to (i) identify the person responsible for the internal reporting system; (ii) define the internal reporting procedure and the timing of all stages of the procedure transposed into operating procedures and approved by the Board of Directors; and (iii) circulate in a clear and exhaustive way to all the staff the reporting procedure adopted, including the measures adopted to ensure protection of privacy. As of the date of this Offering Circular, the Group has already implemented the Circular 285.

Board of Directors

The members of the Board of Directors are elected by the shareholder's meeting for three-year terms (unless elected upon the resignation or removal of another member) on the basis of lists submitted by shareholders, each of which sets out a number of candidates not greater than the number of members to be appointed, listed sequentially. At the end of the voting operations, the candidates of the two lists which obtained the higher number of votes are appointed. The appointment of the Board of Directors shall take place in accordance with the balance between genders regime. Pursuant to the Consolidated Banking Law, the members of the Board of Directors are required to abide by specific professional, ethical and independency requirements.

The following table sets forth the names, positions and principal activities of the current members of the Board of Directors appointed by the Shareholders' Meeting on 25 March 2021. Each member's term will expire at the annual shareholders' meeting called for the approval of the Issuer's annual financial statements as at and for the year ending 31 December 2023.

Name	Position	Principal Activities Outside the Issuer
Salvatore Messina	Chairman and Independent Director	Chairman of Diners Club Italia S.p.A. Director of Fondazione Farmafactoring

Name	Position	Principal Activities Outside the Issuer
Federico Fornari Luswergh	Vice Chairman and Non-executive Director	Director of Merck Serono S.p.A. Director of Istituto di Ricerche Biomediche Antoine Marxer "RBM S.p.A." CEO of Merck S.p.A. Director of Allergopharma S.p.A. Director of Sigma Aldrich S.r.l. Chairman of Fondo Pensione Dirigenti Gruppo Merck Serono Italia
Massimiliano Belingheri	Chief Executive Officer and Executive Director	Chairman of BFF Finance Iberia S.A. Member of the Supervisory Board of BFF Polska S.A.
Amélie Scaramozzino	Independent Director	Assistant Director in private equity at Advent International.
Michaela Aumann	Independent Director	N/A
Piotr Henryk Stępniak	Non-executive Director	Member of the Supervisory Board of BFF Polska, KRUK S.A., Grupa Kety, and VRG S.A.
Domenico Gammaldi	Independent Director	Strategic advisor to the CEO of PagoPA
Barbara Poggiali	Independent Director	Non-executive board member of Falck Renewables S.p.A. (since 2012), SnaiTech S.p.A. (since 2013), ASTM (since 2013) Elica S.p.A. (since 2018) Fabrick S.p.A. (since 2018). Director of Bocconi University. Head of cybersecurity division of Leonardo S.p.A.
Giovanna Villa	Independent Director	Statutory Auditor at Lenovo group, Cometa S.p.A., Skylink S.p.A. and Eolo Group.

The business address of the members of the Board of Directors is, for each director, Via Domenichino, 5, 20149 Milan, Italy.

Board of Statutory Auditors

Each member of the Board of Statutory Auditors is appointed by the shareholders and the board is composed of three regular auditors, one of whom is appointed as chairman, and two alternate auditors. Members of the Board of Statutory Auditors are elected on the basis of lists submitted by shareholders, in which candidates are listed sequentially, for a term of three years until the date of the shareholders' meeting called for the approval of the financial statements relating to the third year of such appointment. The appointment of the Board of Statutory Auditors shall take place in accordance with the balance between genders regime.

The Board of Statutory Auditors is part of the internal control system and its activities are carried out in compliance with the relevant regulatory requirements, including those set out by the Bank of Italy.

The following table sets forth the names and positions of the current members of the Board of Statutory Auditors appointed by the Shareholders' Meeting on 25 March 2021, all of whose appointments will expire at the annual shareholders' meeting called for the approval of the Issuer's annual financial statements as at and for the year ending 31 December 2023:

Name	Position
Paola Carrara	Chairman and Statutory Auditor
Fabrizio Riccardo Di Giusto	Statutory Auditor
Paola Carbone	Statutory Auditor
Claudia Mezzabotta	Alternate Auditor
Carlo Carrera	Alternate Auditor

In accordance with Italian law, members of the Board of Statutory Auditors are registered members of the registry of certified public accountants (*Revisori Contabili*) held by the Italian Ministry of Justice.

The business address of the members of the Board of Statutory Auditors is Via Domenichino, 5 20149 Milan, Italy.

Conflicts of Interest

As of the date of this Offering Circular, there is no actual or potential conflict of interest between the duties of any of the members of the Board of Directors or Board of Statutory Auditors of the Issuer and their respective private interests or other duties.

Recent Developments

Inspection by the Bank of Italy

On 8 March 2021 the Bank of Italy initiated an inspection of the Group pursuant to articles 54 and 68 of Italian Legislative Decree no. 385/83. On 4 November 2021, the Issuer received the inspection report with the results of the investigations conducted by the Bank of Italy. Within the timeframe required by the authority, the Issuer has provided the Bank of Italy with its considerations regarding the inspection report, and the measures it has already taken and will take in connection thereto.

BFF Banking Group 2021-2023 Financial Plan

On 15 March 2021, the "BFF Banking Group 2021-2023 Financial Plan" was approved by the Board of Directors and presented to the market. The Plan illustrates the economic and financial objectives for 2023, identifies the funding synergies and presents BFF's different lines of business: Factoring & Lending, Securities Services, Payment Services and Corporate Center. It also explains the competitive positioning, opportunities and growth guidelines. The Plan also includes a focus on business sustainability issues.

2019-2020 dividend distribution.

On 31 March 2021, BFF distributed a unit dividend before withholding taxes of € 0.017495 per share, for a total of €3.2 million, corresponding to a small fraction of the total amount of 2019-2020 dividends accrued, equal to €168.5 million ("**2019-2020 Total Dividends**"), in line with the recommendations of the European Central Bank and the Bank of Italy.

In addition, on 13 October 2021 BFF distributed an additional dividend paid out of retained earnings for an aggregate amount of Euro 165.3 million.

Ranking growth with regard to Long-term Bank Deposit Rating among Italian Banks, following Moody's upgrade

On 21 April 2021, Moody's raised BFF's Long-Term Bank Deposit rating to "Baa2" and the BCA to "Ba2", and changed the long-term rating outlook to Stable. The Long-term Issuer rating changed to "Ba2" as a result of the greater size of the balance sheet. At the date of Moody's upgrade, BFF has the 2nd-highest rating class among Italian banks for its Long-Term Bank Deposit rating.

Launch of a cash tender offer on existing notes.

On 15 June 2021, BFF launched a cash tender for the holders of its senior bonds in circulation for the repurchase thereof against consideration in cash in order to allow the Bank to optimise its capital structure and to proactively use its liquidity. The transaction was completed on 25 June, allowing the repurchase and simultaneous cancellation of a nominal € 154,701,000 for the senior preferred unsecured bond maturing in June 2022, and a nominal € 261,031,000 for the senior preferred unsecured bond maturing in May 2023.

Moody's periodic review of the Issuer's rating

On 13 December 2021, Moody's announced that it has completed a periodic review of the credit ratings assigned to the Issuer. The review was conducted through a portfolio review discussion held on 2 December 2021 in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review has not resulted in any action in connection with the credit ratings assigned to the Issuer, nor on the outlook of such ratings.

SELECTED CONSOLIDATED FINANCIAL DATA

The information set out in this Offering Circular in relation to the Group has been derived from, and should be read in conjunction with, and is qualified by reference to:

(a) the unaudited consolidated condensed interim financial statements of the Group as at and for the six months ended on 30 June 2021, prepared in accordance with IFRS applicable to interim financial reporting, International Accounting Standards 34, Interim Financial Reporting, and together with the accompanying notes and auditors' reports which can be found on the Issuer's website at:

https://investor.bff.com/documents/2212197/0/BFF_2021_HalfYearly_Consolidated_Financial_Report.pdf/3f493b98-2ad0-c269-1a11-7bfbd674ec81.

(b) the audited consolidated annual financial statements of the Group as at and for the year ended 31 December 2020, prepared in accordance with IFRS and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and together with the accompanying notes and auditors' reports which can be found on the Issuer's website at:

https://investor.bff.com/documents/2212197/0/BFF_Consolidated_Financial_Statements_2020.pdf/185407ae-ccf6-3faf-9428-bb392f0f2f4d.

(c) the audited consolidated annual financial statements of the Group as at and for the year ended 31 December 2019, prepared in accordance with IFRS and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and together with the accompanying notes and auditors' reports which can be found on the Issuer's website at:

https://investor.bff.com/documents/2212197/0/BFF+-+Consolidated+Annual+Report+2019.pdf/403b4fe5-a68c-9847-cce8-1d465e613f1a.

(d) the Condensed Half-Yearly Consolidated Financial Statements of the Issuer as at and for the six months ended 30 June 2020, prepared in accordance with IFRS applicable to interim financial reporting, International Accounting Standards 34, Interim Financial Reporting, and together with the accompanying notes and auditors' report which can be found on the Issuer's website at:

https://investor.bff.com/documents/2212197/0/BFF+1H2020+-+Consolidated+Condensed+Interim+Financial+Statement+-+Final.pdf/b7d55b7b-4447-9c0d-b43c-a6e77e83b984

(e) the Q3 2021 Results Press Release which can be found on the Issuer's website at:

https://investor.bff.com/documents/20152/0/2021.11.11_BFF+-+PR_9M+2021+consolidated+financial+results.pdf/53d97807-adfa-714b-aa42-1bea3c8476d6

(f) the articles of association (*statuto*) of the Issuer (incorporated for information purposes):

https://investor.bff.com/documents/20152/0/2021-09-16+-+Statuto+-+BFF+Bank+S.p.A._ENG.pdf/1fb45d0b-258b-b62c-1d41-55541c639d0e.

So long as any of the Notes remain outstanding copies of the above-mentioned consolidated financial statements will be made available at the office of the Fiscal Agent and at the registered office of the Issuer, in each case free of charge.

The statistical information presented herein may differ from information included in the historical consolidated financial statements and interim financial reports. In certain cases, the financial and statistical information is derived from financial and statistical information reported to the Bank of Italy or from internal management reporting.

The information set out below is taken from the unaudited condensed interim financial statements as at and for the six months ended 30 June 2021, the Consolidated Financial Statements and the Q3 2021 Results Press Release.

The restated information as at 31 December 2019 has been extracted from the figures as at 31 December 2019 included for comparative purposes in the unaudited condensed interim financial statements as at and for the six months ended 30 June 2019. Such comparative information has been restated respect to the figures included in the 2019 Financial Statements, in order to take into account the new format provided by the fifth update of the Bank of Italy's Circular 262/2005 (effective from 1 January 2018).

The DEPOBank's Acquisition was completed on 5 March 2021. Therefore, the results for the Securities Services and Payment Services for the years ended 31 December 2020 and 2019 are derived from DEPOBank's financial statements and not the consolidated financial statements of the Group. In addition, the income statement for the six months ended 30 June 2021 reflects the contribution of the Securities Services and Payment Services starting from 1 March 2021 to 30 June 2021. For additional information, see "*Business Description of the Issuer and the Group – History – DEPObank's Acquisition*".

The following table sets forth the income statement information for the indicated periods.

(in € thousands)	**For the six-month period ended 30 June (Unaudited)**		**For the year ended 31 December (Audited)**	
Consolidated income statement[1]	**2021**	**2020**	**2020**	**2019**
Interest income and similar income	102,193	116,536	245,253	248,957
Interest expenses and similar charges	(24,509)	(26,039)	(46,873)	(48,449)
Interest margin	**77,684**	**90,497**	**198,380**	**200,508**
Fee and commission income	43,304	3,268	6,333	6,298
Fee and commission expense	(11,379)	(936)	(1,723)	(1,800)
Net Fee and Commission income	**31,924**	**2,332**	**4,610**	**4,498**
Dividends and similar income	3,671	-	-	-
Profits/(losses) on trading	2,678	3,956	5,931	(753)
Profits/(losses) on hedge accounting	(1,847)	-	-	-
Profits /(losses) on disposals/repurchases	(12,662)	77	419	370
Profits (losses) on other financial assets and liabilities at fair value through profit or loss	993	-	-	-
Net interest and other banking income	**102,440**	**96,862**	**209,340**	**204,623**
Net losses/recoveries for credit risks	249	(2,329)	(3,139)	(2,371)
Net result from banking activities	**102,690**	**94,533**	**206,201**	**202,252**
Profit (losses) of banking and insurance management	**102,690**	**94,533**	**206,201**	**202,252**
Administrative expenses				
a) personnel expenses	*(34,069)*	*(20,594)*	*(41,353)*	*(40,098)*
b) other administrative expenses	*(47,946)*	*(21,660)*	*(45,061)*	*(39,427)*
Net provisions for risks and charges	1,690	-	(989)	(3,190)
Net write-downs/write-backs on tangible assets	(2,306)	(1,872)	(3,430)	(3,174)
Net write-downs/write-backs on intangible assets	(4,234)	(1,035)	(2,090)	(1,887)
Other operating income/expenses	175,221	2,967	10,435	7,234
Operating expenses	**88,356**	**(42,194)**	**(82,488)**	**(80,542)**
Profit (losses) on equity investments	103	-	-	-
Profit before tax from continuing operations	**191,149**	**52,339**	**123,713**	**121,710**
Income taxes on profit from continuing operations	19,170	(14,800)	(32,640)	(28,553)
Profit after tax from continuing operations	**210,319**	**37,539**	**91,073**	**93,157**

(in € thousands)	For the six-month period ended 30 June (Unaudited)		For the year ended 31 December (Audited)	
Consolidated income statement[1]	**2021**	**2020**	**2020**	**2019**
Profit for the period	**210,319**	**37,539**	**91,073**	**93,157**
Profit for the period attributable to owners of the parent	**210,319**	**37,539**	**91,073**	**93,157**

[1] Reported Values.

The following tables set forth a comparison between the income statement information as of 30 September 2021, 2020 and 2019 (adjusted and reported values, respectively).

	Adjusted values		
(*in € million*)	**As of 30 September**	**As of 30 September**	**As of 30 September**
	2021	**2020**	**2019**
Net Interest Income	**131.3**	**162.0**	**151.1**
Net Fee and Commission Income	70.5	63.3	62.9
Other Income	11.1	6.0	14.4
Net Banking Income	**212.9**	**231.3**	**228.4**
Other Operating Income (Expenses)	20.5	12.1	13.0
Total Net Revenues	**233.5**	**243.3**	**241.4**
Operating costs & D&A	(132.4)	(138.5)	(129.1)
Loan Loss Provision	1.4	(2.7)	2.0
Net provisions for risks and charges	1.4	(1.8)	(1.7)
Profit Before Taxes	**103.8**	**100.4**	**112.6**

	Reported values		
(*in € million*)	**As of 30 September**	**As of 30 September**	**As of 30 September**
	2021	**2020**	**2019**
Net Interest Income	**127.5**	**134.1**	**128.9**
Net Fee and Commission Income	57.0	3.4	3.6
Other Income	(3.0)	5.9	1.8
Net Banking Income	**181.4**	**143.4**	**134.3**
Other Operating Income (Expenses)	181.3	4.8	4.0
Total Net Revenues	**362.8**	**148.2**	**138.3**
Operating costs & D&A	(133.6)	(68.6)	(57.9)
Loan Loss Provision	0.3	(2.8)	(0.9)
Net provisions for risks and charges	1.2	(0.6)	(1.5)
Profit Before Taxes	**230.7**	**76.2**	**78.0**

The following tables set forth the balance sheet information for the indicated periods.

(in € thousands)	**As of 30 June**	**As of 31 December**
	2021 (Unaudited)	**2020 (Audited)**
Assets		
Cash and cash equivalents	787,469	173,280
Financial assets measured at fair value through other comprehensive income	37,773	164

(in € thousands)	As of 30 June	As of 31 December
	2021 (Unaudited)	2020 (Audited)
Financial assets measured at amortised cost	9,626,631	5,780,580
a) due from banks	*911,644*	*31,079*
b) loans to customers	*8,714,987*	*5,749,501*
Equity investments	13,209	88
Tangible assets	37,452	18,014
Intangible assets	135,679	36,675
of which goodwill	*111,891*	*30,874*
Tax assets	119,914	15,333
a) current	*45,316*	*4,090*
b) deferred	*74,598*	*11,243*
Other assets	193,147	27,180
Total Assets	**11,039,012**	**6,051,314**

(in € thousands)	As of 30 June	As of 31 December
	2021 (Unaudited)	2020 (Audited)
Equity and Liabilities		
Financial liabilities measured at amortised cost	9,393,105	5,415,184
a) due to banks	*926,160*	*1,034,655*
b) due to customers	*8,284,710*	*3,571,621*
c) debt securities issued	*182,235*	*808,908*
Tax liabilities	106,957	83,697
a) current	*5,683*	*5,824*
b) deferred	*101,274*	*77,873*
Other liabilities	757,575	82,805
Employee severance pay	3,843	667
Provisions for risks and charges:	21,538	6,382
a) commitments and guarantees given	*219*	*527*
b) post-employment benefits and similar obligations	*5,471*	*4,777*
c) other allowances for risks and charges	*15,848*	*1,078*
Valuation reserves	6,320	1,456
Reserves	330,477	241,473
Share premium reserve	66,443	693
Share capital	142,626	131,401
Treasury shares	(1,392)	(3,517)
Profit for the period	210,320	91,073
Total Liabilities and Shareholders' Equity	**11,039,012**	**6,051,314**

(in € thousands)	As of 31 December	
	2020 (Audited)	2019 (Audited)
Assets		
Cash and cash equivalents	173,280	78,305
Financial assets measured at fair value other comprehensive income	164	82,912
Financial assets measured at amortised cost	5,780,580	5,250,717
a) due from banks	*31,079*	*136,680*
b) due from customers	*5,749,501*	*5,114,037*
Equity investments	88	94
Tangible assets	18,014	17,109
Intangible assets	36,675	35,268
of which goodwill	*30,874*	*30,874*

(in € thousands)	As of 31 December	
	2020	**2019**
	(Audited)	**(Audited)**
Tax assets	15,333	13,319
a) current	*4,090*	*1,754*
b) deferred tax assets	*11,243*	*11,565*
Other assets	27,180	11,562
Total Assets	**6,051,314**	**5,489,286**

(in € thousands)	As of 31 December	
	2020	**2019**
	(Audited)	**(Audited)**
Equity and Liabilities		
Financial liabilities measured at amortised cost	5,415,184	4,962,196
a) due to banks	*1,034,655*	*1,142,841*
b) due to customers	*3,571,621*	*2,713,663*
c) debt securities issued	*808,908*	*1,105,692*
Tax liabilities	83,697	77,259
a) current	*5,824*	*7,143*
b) deferred	*77,873*	*70,116*
Other liabilities	82,805	65,324
Employee severance pay	667	843
Provisions for risks and charges:	6,382	6,412
a) commitments and guarantees given	*527*	*580*
b) post-employment benefits and similar obligations	*4,777*	*4,313*
c) other allowances for risks and charges	*1,078*	*1,519*
Valuation reserves	1,456	6,570
Reserves	241,473	147,269
Share premium reserve	693	693
Share capital	131,401	131,326
Treasury shares	(3,517)	(1,763)
Profit for the year	91,073	93,157
Total Liabilities and Shareholders' Equity	**6,051,314**	**5,489,286**

The following tables set forth the balance sheet information of the Group as of 30 September 2021, 2020 and 2019 and as of 31 December 2020.

(in € million)

	As of 30 September 2021	As of 31 December 2020	As of 30 September 2020	As of 30 September 2019
	(Unaudited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Cash and cash equivalents	363.0	173.3	74.2	26.0
Financial assets measured at fair value through profit or loss	42.5	-	-	-
a) financial assets held for trading	*8.8*	-	-	-
b) financial assets designated at fair value	*0.0*	-	-	-
c) other financial assets mandatorily measured at fair value	*33.7*	-	-	-
Financial assets measured at fair value through other comprehensive income	83.5	0.2	30.2	131.2
Financial assets measured at amortized cost	10,092.6	5,780.6	5,500.0	4,590.6
a) due from banks	*815.8*	*31.1*	*37.6*	*102.5*
b) loans to customers	*9,276.8*	*5,749.5*	*5,462.4*	*4,488.1*
Hedging derivatives	5.8	-	-	-
Equity Investments	13.1	0.1	0.2	0.3
Tangible assets	37.4	18.0	15.9	15.4
Intangible assets	134.2	36.7	34.9	34.3
Tax assets	113.5	15.3	27.7	25.0
Other assets	177.6	27.1	12.9	15.9
Total Assets	**11,063.3**	**6,051.3**	**5,696.0**	**4,838.5**

(in € million)

	As of 30 September 2021	As of 31 December 2020	As of 30 September 2020	As of 30 September 2019
	(Unaudited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Financial liabilities measured at amortized cost	9,695.7	5,415.2	5,095.0	4,311.7
a) due to banks	*773.5*	*1,034.7*	*742.8*	*1,131.2*
b) due to customers	*8,737.9*	*3,571.6*	*3,547.8*	*2,404.1*
c) debt securities issued	*184.2*	*808.9*	*804.3*	*776.4*
Financial liabilities held for trading	0.7	-	-	-
Hedging derivatives	0.2	-	-	-
Tax liabilities	103.8	83.7	92.0	88.8
Other liabilities	454.5	82.7	75.2	94.9
Employees severance pay	3.7	0.7	0.7	0.8
Provision for risks and charges	21.6	6.4	6.4	5.3
Equity	543.2	371.5	370.9	276.9
Profits for the period	240.0	91.1	55.8	60.1
Total Liabilities and Equity	**11,063.3**	**6,051.3**	**5,696.0**	**4,838.5**

The following tables sets forth a summary and comparative breakdown of the Group's balance sheet as of 30 September and 30 June 2021.

(*in € million*)	As of 30 September 2021	As of 30 June 2021
	(Unaudited)	
BFF Banking Group		

(*in € million*)	As of 30 September 2021	As of 30 June 2021
	(Unaudited)	
Cash and cash balances	363.0	787.5
Loans & receivables with banks	815.8	911.6
Loans & receivables with customers	3,661.3	3,571.0
Amortized Cost Portfolio (HTC)	5,615.5	5,144.0
Investments	83.5	83.6
Other Assets	524.2	541.4
Total Assets	**11,063.3**	**11,039.0**

(*in € million*)	As of 30 September 2021	As of 30 June 2021
	(Unaudited)	
BFF Banking Group		
Deposits from transaction services	7,809.7	8,485.6
Wholesale funding	0.4	1.4
Retail deposits	367.6	724.4
Securitization	-	-
Repurchase Agreements	1,336.2	-
Tier II & bonds	181.8	181.8
Other Liabilities	584.5	891.1
Equity	783.2	754.8
Total Liabilities	**11,063.3**	**11,039.0**

Economic, operating and financial indicators

The following tables shows the adjusted income statement of the Group, broken down by business unit, for the nine month periods ended 30 September 2021, 2020 and 2019, together with a reconciliation with the reported values.

	For the nine-month period ended 30 September 2021						
	Factoring and Lending	Securities Services	Payments	Corporate Centre	Adjusted	Adjustments	Reported
Interest Income	**134.2**	**8.3**	**5.4**	**12.1**	**159.9**	**(2.8)**	**157.1**
Interest Expenses	(36.8)	(1.8)		9.9	(28.6)	(1.0)	(29.6)
Net Interest Income	**97.4**	**6.6**	**5.4**	**22.0**	**131.3**	**(3.9)**	**127.5**
Net Fee and Commission Income	4.6	34.0	33.1	(1.2)	70.5	(13.5)	57.0
Dividends	-	-	-	3.7	3.7	-	3.7
Gains/Losses on Trading	-	-	-	(4.2)	(4.2)	(1.5)	(5.6)
Fair value adjustments in hedge accounting	-	-	-	8.8	8.8	-	8.8
Gains/losses on disposal/repurchase of	-	-	-	-	(0.0)	(12.6)	(12.6)
a) financial assets measured at amortized cost	-	-	-	-	(0.0)	-	(0.0)
b) financial assets measured at fair value through OCI	-	-	-	-	-	-	-
c) financial liabilities	-	-	-	-	(0.0)	(12.6)	(12.6)
Gains (losses) on other financial assets and liabilities measured at fair value through profit or loss	-	-	-	2.8	2.8	-	2.8
a) financial assets and liabilities designated at fair value	-	-	-	-	-	-	-
b) other financial assets mandatorily measured at fair value	-	-	-	2.8	2.8	-	2.8
Net Banking Income	**102.0**	**40.6**	**38.5**	**31.9**	**212.9**	**(31.5)**	**181.4**
Net adjustments/reversals of impairment for credit risk concerning:	(0.4)	-	-	1.8	1.4	(1.0)	0.3
a) financial assets measured at amortized cost	(0.6)	-	-	1.9	1.4	(1.0)	0.3

	For the nine-month period ended 30 September 2021						
	Factoring and Lending	Securities Services	Payments	Corporate Centre	Adjusted	Adjustments	Reported
b) financial assets measured at fair value through OCI	0.2	-	-	(0.1)	0.0	-	0.0
Administrative and Personnel Expenses	(27.0)	(21.1)	(23.2)	(53.5)	(124.8)	2.2	(122.7)
Net provisions for risks and charges	0.3	-	-	1.1	1.4	(0.2)	1.2
a) commitments and guarantees provided	0.1	-	-	0.0	0.1	0.2	0.3
b) other net allocations	0.2	-	-	1.1	1.3	(0.4)	0.9
Net Adjustments to/ Writebacks on Property, Plan and Equipment and Intangible Assets	(1.1)	(0.7)	(0.6)	(5.2)	(7.6)	(3.3)	(10.9)
Other Operating Income (Expenses)	4.0	0.5	8.3	7.7	20.5	160.8	181.3
Profit Before Income Taxes from Continuing Operations	**77.8**	**19.2**	**23.0**	**(16.2)**	**103.8**	**126.9**	**230.7**
Income Taxes	-	-	-	-	(24.5)	33.7	9.3
Net Income	**-**	**-**	**-**	**-**	**79.4**	160.6	**240.0**

	For the nine-month period ended 30 September 2020						
	Factoring and Lending	Securities Services	Payments	Corporate Centre	Adjusted	Adjustments	Reported
Interest Income	**156.6**	**10.6**	**1.3**	**40.8**	**209.2**	**(38.5)**	**170.7**
Interest Expenses	(52.8)	(2.7)	0.0	8.2	(47.2)	10.7	(36.6)
Net Interest Income	**103.8**	**7.9**	**1.3**	**49.0**	**162.0**	**(27.8)**	**134.1**
Net Fee and Commission Income	3.2	31.1	29.6	(0.5)	63.3	(60.0)	3.4
Dividends	-	-	-	0.0	0.0	(0.0)	-
Gains/Losses on Trading	0.1	-	-	5.2	5.2	0.6	5.8
Fair value adjustments in hedge accounting	-	-	-	-	-	-	-
Gains/losses on disposal/repurchase of...	-	-	-	0.7	0.7	(0.6)	0.1
a) financial assets measured at amortized cost	-	-	-	0.6	0.6	(0.6)	-
b) financial assets measured at fair value through OCI	-	-	-	0.0	0.0	-	0.0
c) financial liabilities	-	-	-	0.1	0.1	-	0.1
Gains (losses) on other financial assets and liabilities measured at fair value through profit or loss	-	-	-	-	-	-	-
a) financial assets and liabilities designated at fair value	-	-	-	-	-	-	-
b) other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
Net Banking Income	**107.0**	**39.0**	**30.9**	**54.4**	**231.3**	**(87.9)**	**143.4**
Net adjustments/reversals of impairment for credit risk concerning:	(2.8)	-	-	0.1	(2.7)	(0.1)	(2.8)
a) financial assets measured at amortized cost	(2.8)	-	-	0.1	(2.7)	(0.1)	(2.8)
b) financial assets measured at fair value through OCI	-	-	-	0.0	0.0	-	0.0
Administrative and Personnel Expenses	(26.1)	(21.5)	(21.6)	(60.8)	(130.0)	65.6	(64.4)
Net provisions for risks and charges	(0.0)	(1.0)	(0.0)	(0.7)	(1.8)	1.2	(0.6)
a) commitments and guarantees provided	(0.0)	-	-	(0.1)	(0.1)	(0.0)	(0.1)
b) other net allocations	-	(1.0)	(0.0)	(0.7)	(1.7)	1.2	(0.5)
Net Adjustments to/ Writebacks on Property, Plan and Equipment and Intangible Assets	(0.3)	(1.1)	(0.9)	(6.2)	(8.5)	4.3	(4.2)
Other Operating Income (Expenses)	5.4	0.9	5.5	0.2	12.1	(7.3)	4.8
Profit Before Income Taxes from Continuing Operations	**83.1**	**16.3**	**13.9**	**(12.9)**	**100.4**	**(24.2)**	**76.2**
Income Taxes	-	-	-	-	(25.3)	4.9	(20.4)
Net Income	**-**	**-**	**-**	**-**	**75.1**	**(19.3)**	**55.8**

	For the nine-month period ended 30 September 2019						
	Factoring and Lending	Securities Services	Payments	Corporate Centre	Adjusted	Adjustments	Reported
Interest Income	**159.2**	**21.9**	**1.2**	**36.2**	**218.4**	**(54.5)**	**163.9**
Interest Expenses	(56.6)	(11.0)	(0.0)	0.4	(67.3)	32.3	(35.0)

For the nine-month period ended 30 September 2019

	Factoring and Lending	Securities Services	Payments	Corporate Centre	Adjusted	Adjustments	Reported
Net Interest Income	**102.5**	**10.8**	**1.2**	**36.6**	**151.1**	**(22.2)**	**128.9**
Net Fee and Commission Income...........	3.2	32.2	28.7	(1.2)	62.9	(59.3)	3.6
Dividends..	-	-	-	1.9	1.9	(1.9)	-
Gains/Losses on Trading	-	-	-	12.3	12.3	(10.6)	1.6
Fair value adjustments in hedge accounting..	-	-	-	0.0	-	-	-
Gains/losses on disposal/repurchase of..	-	-	-	0.1	0.1	-	0.1
a) financial assets measured at amortized cost..	-	-	-	0.0	-	-	-
b) financial assets measured at fair value through OCI.......................................	-	-	-	0.1	0.1	-	0.1
c) financial liabilities	-	-	-	0.0	-	-	-
Gains (losses) on other financial assets and liabilities measured at fair value through profit or loss	-	-	-	0.0	-	-	-
a) financial assets and liabilities designated at fair value.......................	-	-	-	0.0	-	-	-
b) other financial assets mandatorily measured at fair value.........................	-	-	-	0.0	-	-	-
Net Banking Income.............................	**105.7**	**43.0**	**29.9**	**49.8**	**228.4**	**(94.1)**	**134.3**
Net adjustments/reversals of impairment for credit risk concerning:	(0.9)	-	-	2.9	2.0	(2.9)	(0.9)
a) financial assets measured at amortized cost..	(0.9)	-	-	2.9	1.9	(2.9)	(0.9)
b) financial assets measured at fair value through OCI.......................................	-	-	-	0.0	0.0	-	0.0
Administrative and Personnel Expenses	(22.9)	(20.6)	(23.4)	(54.9)	(121.7)	67.4	(54.3)
Net provisions for risks and charges	-	(0.1)	(0.0)	(1.6)	(1.7)	0.2	(1.5)
a) commitments and guarantees provided	-	-	-	0.0	0.0	-	0.0
b) other net allocations	-	(0.1)	(0.0)	(1.6)	(1.7)	0.2	(1.5)
Net Adjustments to/ Writebacks on Property, Plan and Equipment and Intangible Assets	(0.1)	(1.0)	(0.5)	(5.7)	(7.3)	3.7	(3.6)
Other Operating Income (Expenses)......	4.0	0.9	7.0	0.9	13.0	(9.0)	4.0
Profit Before Income Taxes from Continuing Operations.....................	**85.9**	**22.2**	**13.0**	**(8.5)**	**112.6**	**(34.6)**	**78.0**
Income Taxes..	-	-	-	-	(32.3)	14.5	(17.8)
Net Income..	-	-	-	-	**80.3**	**(20.1)**	**60.1**

The following tables show the adjusted profit for the period as determined by the Issuer's management taking into account the effects on the Group's results arising from both costs and the non-recurring income in the income statement for the six-month period ended 30 June 2021 and 2020 and for the year ended 31 December 2020 and 2019 as described above.

	For the six-month period ended 30 June (Unaudited)		**For the year ended 31 December (Audited)**	
	2021	**2020**	**2020**	**2019**
	(in € million)			
Group BFF Reported Net income	**210.3**	**37.5**	**91.1**	**93.2**
Ex-DEPObank non-consolidated adjusted result................................	5.1	6.9	-	-
Exchange rates movement (offset at the comprehensive income and equity level)....................................	0.6	(2.7)	(4.1)	0.5
Stock Options & Stock Grant............	2.2	1.1	1.0	1.3
Badwill & transaction and restructuring costs...........................	(161.1)	-	-	-
Extraordinary Resolution Fund contribution	2.0	0.5	0.9	0.5
Liability Management one-off costs...	9.5	-	-	-
M&A costs	-	2.5	8.1	3.2

	For the six-month period ended 30 June (Unaudited)		For the year ended 31 December (Audited)	
	2021	2020	2020	2019
	(in € million)			
Taxes on one-off dividend distribution from subsidiaries..........	-	1.3	1.7	-
DEPObank Goodwill tax relief..........	(23.7)	-	-	-
IOS goodwill tax step-up....................	-	-	-	(1.5)
Building value tax step-up..................	-	-	(1.2)	-
CEO post IPO retention bonus...........	-	-	-	1.7
Customer contract amortization.........	1.7	-	-	-
Adjusted net income[(1)].....................	**46.6**	**47.1**	**97.6**	**98.8**

(1) Non-IFRS financial measure calculated as the reported net income, adjusted to reflect the occurrence of the events set out in the chart above.

The table below sets forth certain key economic, operating and financial indicators for the indicated periods.

	For the nine-month period ended 30 September	For the year ended 31 December	For the nine-month period ended 30 September	For the year ended 31 December
	2021	2020	2020	2019
Economic, operating and financial indicators....................				
ROTE *adjusted* (%)[(1)]......	43%	36%	30%	38%
Customer Loans (€/mln) .	3,467	4,067	3,683	4,118
Depository Bank (AuD) €/bn..............................	82.9	75.7	71.7	70.5
Global Custody (AuC) €/bn..............................	172,2	144,6	140,6	143,4
Transfer and Collections (#operations/mln).........	227,9	281,7	206,2	282,9
Card and Other Settlement (#operations/mln).........	138.6	188.3	140.1	227.2

(1) Non-IFRS financial measure calculated as the ratio between: 1) adjusted net profit for the relevant period (on an annualized basis for the ROTE for the nine-month period ended 30 September 2021 and 2020) and 2) the average "tangible equity" at the end of the relevant period (calculated as shareholders' equity (including the part of the profit for the period which is not distributable, if any)), net of intangible assets. The average "tangible equity" is calculated as (i) with respect to the ROTE as of 31 December 2020 and 2019, the average of the tangible equity as of 31 December of the relevant year and the immediately previous year and (ii) with respect to the ROTE as of 30 September 2021 and 2020, the average of the tangible equity as of 31 December of the immediately previous year, 31 March of the relevant year, 30 June of the relevant year and 30 September of the relevant year.

Prudential Requirements

The table below sets forth our Own Funds and prudential requirements as of 30 June 2021 and as of 31 December 2020 and 2019.

	As of 30 June	As of 31 December	
	2021	2020	2019
	(in € thousands, except percentages)		
Common Equity Tier 1 CET1 before prudential filters..	556,840	287,817	336,910
Filters	(126)	-	(83)
Additional Tier 1 Capital (AT1)....................................	**-**	**-**	**-**
Deductions...	(146,263)	(36,675)	(35,268)
Tier 2 Capital (T2)...	98,224	98,224	98,224
Own Funds..	**508,674**	**349,366**	**399,783**

	As of 30 June	As of 31 December	
	2021	2020	2019
	(in € thousands, except percentages)		
Credit and counterparty risk	123,649	96,642	160,632
Credit valuation risk	1,110	-	-
Market risks:	-	-	-
a) Standardized approach	-	-	-
b) Internal models	90	-	-
c) Concentration risk	-	-	-
Operational risk:	-	-	-
a) Basic indicator approach	*51,950*	*32,613*	*32,453*
b) Standardized models	-	-	-
c) Advanced measurement approach	-	-	-
Total capital requirements	**176,798**	**129,256**	**193,085**
Risk-weighted assets (RWA)	**2,209,979**	**1,615,694**	**2,413,558**
RWA/total assets	23.0%	21.6%	16.6%

The table below sets forth the Own Funds attributable to our Group as of 30 September 2021, 31 December 2020 and 2019, under the Basel III framework.

	As of 30 September	As of 31 December	
	2021	2020	2019
Group Regulatory Capital Ratio			
Common Equity Tier 1/Risk-weighted assets (CET1 Capital Ratio)	18.5%	15.5%	12.5%
Tier 1 Capital/ Risk-weighted assets (Tier 1 Capital Ratio)	18.5%	15.5%	12.5%
Total Own Funds/ Risk-weighted assets (Total Capital Ratio)	22.9%	21.6%	16.6%
Leverage ratio (Pillar III)	3.81%	4.122%	4.676%
Risk-weighted assets (in € thousand)	2,227,844	1,615,694	2,413,558

The following tables show - with reference to the standalone and consolidated capital ratios of the Group as at 30 September 2021 - the buffer of CET1 Ratio to Contingency Event under the Notes as well as the buffer to trigger of restrictions by reference to Maximum Distributable Amount pursuant to Article 141 of the CRD IV Directive.

	As of 30 September 2021	% buffer to Maximum Distributable Amount at 30 September 2021 (SREP 2021) [(a) (b)]	€ buffer to Maximum Distributable Amount at 30 September 2021 (SREP 2021) [(a) (b)]	% buffer to 5.125% trigger level at 30 September 2021	€ buffer to 5.125% trigger level at 30 September 2021
Consolidated ratios					
CET 1 ratio (fully loaded)	18.5%	10.64%	€237.1 million	13.37%	€297.8 million
Tier 1 ratio (fully loaded)	18.5%	8.84%	€197.0 million	N/A	N/A
Total capital ratio (fully loaded)	22.9%	8.84%	€197.0 million	N/A	N/A
Standalone ratios					
CET 1 ratio (fully loaded)	14.2%	7.24%	€199.5	9.12%	€251.2
Tier 1 ratio (fully loaded)	14.2%	5.74%	€158.2	N/A	N/A
Total capital ratio (fully loaded)	17.8%	5.74%	€158.2	N/A	N/A

(a) The MDA buffers for the Total Capital ratio have been calculated in accordance with the Relevant Regulations.

(b) The percentage buffer to MDA was recalculated based on the outcome of the Supervisory Review and Evaluation Process (SREP) communicated by the Bank of Italy on 31 March 2020 and confirmed for 2021. The euro amount of buffer was the result of the following formula: (Percentage buffer to MDA multiplied by Risk Weighted Assets (RWAs) as of 30 September 2021).

The distributable items of the Issuer, available for distribution on own funds instruments in accordance with relevant rules and regulations, amounted to approximately €276 million as at 31 December 2020, represented by the sum of (i) the profit for 2020 (item 300 of the non-consolidated income statement of BFF) and (ii) and the distributable reserves booked in line item 140, 150 and 170 "Reserves" of the liabilities of the non-consolidated financial statements of BFF (being the arithmetical sum of (a) the extraordinary reserve, (b) the retained earnings reserve, (c) the treasury share reserve and (iv) the share premium reserve, each as detailed on page 171 of the non-consolidated financial statements of BFF).[5]

With regard to events occurred in 2021 which will or may have an impact on the calculation of the Distributable Items as of 31 December 2021, the Issuer has cumulatively distributed €168.5 million in dividends to its shareholders during 2021, out of the net profits recorded in 2019 and 2020, as well as a portion of available reserves, which were not distributed to shareholders in accordance with the recommendations issued by the European Central Bank and the Bank of Italy (for additional information, see "*Description of the Issuer and the Group – Recent Developments – 2019-2020 dividend distribution*"). Additionally, during the nine-month period ended on 30 September 2021, the Issuer (on a standalone basis) recorded net profits of €209.7 million (for additional information, see the 2021 Half-Year Financial Statements, which are incorporated by reference in this Offering Circular). As a result of the above transactions, the Distributable Items as of 30 September 2021, calculated consistently with the Distributable Items as of 31 December 2020, amounted to approximately €551.0 million; *pro forma* for the distribution of dividends on 13 October 2021, the Distributable Items as of 30 September 2021 were equal to €385.7 million.[5]

Asset Quality

In accordance with Bank of Italy requirements, we perform impairment testing on our receivables portfolio and classify receivables as either "performing" or "non performing exposures". Receivables with a risk of loss are classified as non-performing exposures, while all other receivables are classified as performing.

Non-performing exposures are divided into the following categories: (i) past due exposures; (ii) unlikely to pay; and (iii) bad loans. The definitions of these categories are provided by the Bank of Italy and are as follows:

(i) *Past due exposures.* Those towards a counterparty (i) with at least one exposure expired for more than 90 days from the expiry date and with overdue exposure with a materiality threshold equal to or greater than 5% of the total amount of the exposure. It should be noted that, based on the provisions of Circular n. 272, all the exposures related to the Debtors of the Public Administrations are not "past due" if there is a payment by the debtor in the last 90 days.

(ii) *Unlikely to pay.* Receivables are defined as "unlikely to pay" when the payor is assessed as unlikely to repay his credit obligation in full. The classification within the "unlikely to pay" category is not necessarily related to the explicit presence of anomalies, but rather it is linked to the presence of evidence of a debtor's risk of default. The "unlikely to pay" category combines two categories previously provided for by the Bank of Italy, namely watch list loans and restructured loans.

(iii) *Bad Loans.* Receivables are defined as "bad loans" when the payor is effectively insolvent (although not yet legally insolvent) or in a similarly distressed situation, regardless of any provisions for loss set aside by the Issuer.

The table below shows our performing exposures and non-performing exposures assets as of 30 September 2021, 2020 and 2019 and as of 31 December 2020.

	As of 30 September 2021		
	Gross	**Provisions**	**Net**
Bad Loans	96,068	(16,651)	79,416
Unlikely to pay	17,355	(4,898)	12,457

[5] The calculation of the Distributable Items is an estimate based on the Issuer's current understanding of the Applicable Banking Regulations.

	As of 30 September 2021		
	Gross	Provisions	Net
Past due	1,307	(25)	1,282
Total	**114,729**	**(21,574)**	**93,156**

	As of 31 December 2020		
	Gross	Provisions	Net
Bad Loans	79,960	13,139	66,821
Unlikely to pay	18,743	(3,040)	15,703
Past due	42,232	(127)	42,105
Total	**140,935**	**(16,306)**	**124,629**

	As of 30 September 2020		
	Gross	Provisions	Net
Bad Loans	80,916	(14,106)	66,811
Unlikely to pay	17,984	(2,269)	15,715
Past due	46,531	(1,528)	45,003
Total	**145,432**	**(17,903)**	**127,529**

	As of 30 September 2019		
	Gross	Provisions	Net
Bad Loans	66,936	(12,060)	54,876
Unlikely to pay	12,962	(2,108)	10,854
Past due	34,384	(91)	34,293
Total	**114,282**	**(14,259)**	**100,023**

In connection to the Group's business, asset quality may be assessed also on the basis of the cost of risk (bps). The table below shows the net cost of risk calculated on the basis NPL figures re. Italian Municipalities, Polish factoring SME and others.

(in basis points)	**Cost of Risk**			
	As of 30 Septemb er 2021	**As of 30 Septemb er 2020**	**As of 31 Decemb er 2020**	**As of 30 Septemb er 2019**
Italian Municipalities	-	0.1	0.04	0.2
Polish factoring SME (in run-off)	-	2.6	2.1	2.2
Others	-	7.7	5.7	1.1
Total	***[6]**	**10.3**	**7.7**	**3.5**

More in detail, the tables below shows the net non-performing loans evolution as of 30 September 2021, 2020 and 2019 and as of 31 December 2020 and related NPL and coverage ratio.

(in € million)	**Net Non-Performing Loans evolution**			
	As of 30 Septemb er 2021	**As of 30 Septemb er 2020**	**As of 31 Decemb er 2020**	**As of 30 Septemb er 2019**
Italian Municipalities in conservatorship	70.9	63.6	64.0	50.1

[6] Release of 1.2 basis points.

(in € million)	Net Non-Performing Loans evolution			
	As of 30 September 2021	As of 30 September 2020	As of 31 December 2020	As of 30 September 2019
Others	8.5	3.2	2.8	4.8
Total	**79.4**	**66.8**	**66.8**	**54.9**

	Net Non-Performing Loans evolution			
	As of 30 September 2021	As of 30 September 2020	As of 31 December 2020	As of 30 September 2019
NPL ratio excluding Italian Municipalities	0.2%	0.1%	0.1%	0.1%
Coverage Ratio excluding Italian Municipalities	66%	81%	84%	71%
NPL Ratio	**2.2%**	**1.8%**	**1.6%**	**1.5%**

The table below shows the net impaired loans for BFF and BFF and DEPOBank, both including and excluding Italian municipalities' conservatorship respectively.

	BFF & DEPOBank	BFF stand-alone		
	As of 30 September 2021	As of 30 December 2020	As of 31 September 2020	As of 30 September 2019
Net NPLs	79.4	66.8	66.8	54.9
Net UTP	12.5	15.7	15.7	10.9
Net Past due	1.3	42.1	45.0	34.3
Net impaired loans	**93.1**[7]	**124.6**	**127.5**	**100.0**
Figures excluding Italian municipalities	***22.3***	***60.6***	***63.9***	***49.9***

Non-IFRS financial measures

This Offering Circular includes certain financial measures which are ''non-GAAP financial measures'' as defined under the rules of the ESMA and SEC. This type of key metrics is used by management to assess financial performance. These metrics are not a measurement of our financial performance under IFRS and should not be considered as alternatives to total comprehensive income/(loss) or other performance measures derived in accordance with IFRS, or as alternatives to cash flow from operating activities as measures of liquidity. These amounts have not been audited or reviewed by any independent accounting firm.

It should be noted that these non-IFRS financial measure are not recognised as a measure of performance under IFRS and should not be recognised as an alternative to operating income or net income or any other performance measures recognised as being in accordance with IFRS or any other generally accepted accounting principles. These non-IFRS financial measure are used by management to monitor the underlying performance of the business and operations but are not indicative of the historical operating results of the Issuer, nor are they meant to be predictive of future results. Since all companies do not calculate these measures in an identical manner, the Issuer's presentation may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on any such data it should be exercised caution in comparing this data to similar measures used by other companies.

[7] Of which 79% arising from the public sector.

In particular, the non-IFRS financial measures used in this Offering Circular are:

- Embedded value, calculated as the sum of common equity tier 1 funds, net profits not included in the common equity tier 1 funds and the off-balance sheet stock of late interest payments (calculated on an after-tax basis);
- ROTE adjusted, calculated as the ratio between adjusted net profit (on an annualised basis for the ROTE for the six-month period ended 30 June 2021 and 2020) and the shareholders' equity (excluding the profit for the period), net of intangible assets;
- Adjusted net income, calculated as the reported net income, adjusted to reflect the occurrence of the following events: Ex-DEPObank non-consolidated adjusted result; exchange rates movement (offset at the comprehensive income and equity level); stock options and stock grants; extraordinary resolution fund contribution; M&A costs; taxes on one-off dividend distribution from subsidiaries; IOS goodwill tax step-up; building value tax step-up; CEO post-IPO retention bonus; and customer contract amortization.

REGULATORY

The Group is subject to extensive regulations and to the supervision (being for regulatory, information or inspection purposes, as the case may be) by the Bank of Italy and CONSOB.

Capital and Liquidity Requirements

Following the crisis of the financial markets in the last several years, the Basel Committee on Banking Supervision approved a number of capital adequacy and liquidity requirements ("**Basel III**"), aimed at strengthening the existing capital rules, including raising the quality of CET1 capital in a harmonised manner, introducing also requirements for Additional Tier 1 ("**AT1**") and Tier 2 capital instruments.

At a European level, the Basel III rules have been implemented through two separate legislative instruments: Directive 2013/36/EU of 26 June 2013 (the "**CRD IV**") and Regulation (EU) No. 575 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**" and, together with the CRD IV, the "**CRD IV Package**"), whose provisions are directly binding and applicable in each member state. The CRD IV and the CRR were approved by the European Council on 20 July 2013 and entered into force on 1 January 2014. Furthermore, on 14 March 2016 the European Central Bank (the "**ECB**) adopted Regulation (EU) No. 2016/445 on the exercise of options and discretions available in Union law, published on 24 March 2016 and the ECB Guide on options and discretions available in Union law (the "**ECB Guide**"). This regulation specifies certain of the options and discretions conferred on competent authorities under Union law concerning prudential requirements for credit institutions that the ECB is exercising. It shall apply exclusively with regard to those credit institutions classified as "significant" in accordance with Article 6(4) of Regulation (EU) No 1024/2013, and Part IV and Article 147(1) of Regulation (EU) No 468/2014. Depending on the manner in which these options or discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise such options or discretions in the future, additional or lower capital requirements may be required. Moreover, on 10 August 2016, the ECB published an addendum to the ECB Guide which addresses eight options and discretions and complements the existing ECB Guide and Regulation (EU) No. 2016/445.

In addition, on 13 April 2017, the ECB published a guideline and a recommendation addressed to national competent authorities (the "**NCAs**") concerning the exercise of options and national discretions available in European Union law that affect banks directly supervised by NCAs (*i.e.* the so called "less significant institutions"). Both documents are intended to further harmonise the way banks are supervised by the NCAs. The aim is to ensure a level playing field and the smooth functioning of the Euro area banking system as a whole.

In Italy, implementation of CRDIV Package implied amendments to Legislative Decree No. 385 of 1 September 1993 (the "**Italian Consolidated Banking Act**") and publication of the supervisory regulations on banks with circular No. 285 of 17 December 2013 ("**Circular No. 285**"), which came into force on 1 January 2014, setting out also additional local prudential rules for Italian banks. The Government implemented the CRD IV with Legislative Decree No. 72 of 12 May 2015, which entered into force on 27 June 2015.

With respect to "Pillar 1" minimum capital requirements, Italian banks are currently required to comply with: (a) a CET1 capital ratio of 4.5%; (b) a Tier 1 capital ratio of 6.0%; and (c) a Total Capital Ratio of 8.0%. The Basel III framework also provides for the creation of additional capital buffers in excess of the minimum requirements in order to provide banks with high quality capital resources to be used in times of market stress, to prevent any malfunctioning of the banking system and to avoid disruptions in the credit granting process, as well as to address the risks posed by systemically important banks at the global or domestic level. More specifically, the capital buffers applicable under the CRD IV (to be met with CET1 capital) are the following:

1. *capital conservation buffer*: the capital conservation buffer applies to the Issuer pursuant to Circular No. 285 and, starting from 1 January 2019, is equal to 2.5% of risk-weighted assets ("**RWAs**");

2. *counter-cyclical capital buffer*: set by the relevant competent authority between 0% and 2.5% (but may be set higher than 2.5% where the competent authority considers that the conditions in the Member State justify it), with gradual introduction from 1 January 2016 and applying temporarily

in the periods when the relevant national authorities judge the credit growth excessive. The counter-cyclical capital buffer for the third quarter of 2021 was set by the Bank of Italy at 0%;

3. capital buffers for global systemically important institutions ("G-SIIs"): set as an "additional loss absorbency" buffer ranging from 1.0% to 3.5% determined according to specific indicators (e.g. size, interconnectedness, substitutability of the services provided, global cross-border activity and complexity), and has become fully effective starting from 1 January 2019, which does not apply to the Group; and

4. *capital buffers for other systemically important institutions at domestic level ("**O-SIIs**")*: up to 2.0% as set by the relevant competent authority and must be reviewed at least annually, to compensate for the higher risk that such banks represent to the domestic financial system. Such buffer does not apply to the Group.

In addition, to the above-listed capital buffers, under Article 133 of the CRD IV, each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital for the financial sector or one or more subsets of that sector in order to prevent and mitigate long-term non-cyclical systemic or macroprudential risks not otherwise covered by the CRD IV Package, in the sense of a risk of disruption in the financial system with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. As at the date of these Listing Particulars, no provision has been taken on the systemic risk buffer in Italy.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140, 141 and 141(b) of CRD IV, as amended and integrated by the EU Banking Reform referred to below).

In addition, supervisors, pursuant to the CRD IV Package, may require institutions to maintain capital to cover other risks (so called Pillar 2 capital requirements). The combined buffer represents an additional layer of capital which banks need to hold to counter systemic, macro-prudential and other risks not covered by idiosyncratic Pillar 1 and Pillar 2 minimum capital requirements.

It should be noted that, from March 2020, following the beginning of COVID-19 pandemic, and during 2021, the ECB, taking into account the economic effects of such COVID-19 pandemic, announced certain measures aimed at ensuring that banks, under its direct supervision, are still able to provide credit support to the real economy. With regards to less significant banks (such as the Issuer), the Bank of Italy from time to time has aligned its decisions and recommendations to the ECB measures and indications, suggesting the banks under its supervision to adopt a cautious and perspective approach.

Considering that the European banking sector acquired a significant amount of capital reserves (with the aim of enabling banks to face with stressful situations such as the COVID-19 pandemic), the ECB and, accordingly, the Bank of Italy allow banks to operate temporarily below the capital level defined by the "Pillar 2 Guidance (P2G)" and the "capital conservation buffer".

Liquidity Coverage Ratio and Net Stable Funding Ratio, Leverage Ratio

Further, the Basel III agreements provided for (i) the introduction of a Liquidity Coverage Ratio ("**LCR**"), which expresses the ratio between the amount of available assets readily monetizable, in order to establish and maintain a liquidity buffer which will permit the bank to survive for 30 days in the event of serious stress (as of 1 January 2018, the indicator is subject to a minimum regulatory requirement of 100 per cent) and (ii) a Net Stable Funding Ratio ("**NSFR**"), with a time period of more than one year, introduced to ensure that the assets and liabilities have a sustainable expiry structure. The Commission Delegated Regulation (EU) No. 2015/61, adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015, specifies the calculation rules of the LCR, while the relevant provisions concerning NSFR are included in the amendments to the CRR comprised in the EU Banking Reform referred to below. With reference to the LCR, on 12 March 2020, the ECB, taking into account the economic effects of the COVID-19 pandemic, announced that banks will be allowed to operate temporarily below the minimum LCR.

The Bank of Italy, on 27 March 2020, complied with the above allowing less significant banks, until 1 October 2020 (such term has been extended from time to time considering the spread of the pandemic until 31 December 2021), to carry out their business activities without the LCR reaching the LCR threshold set

out and to allow credit institutions to operate temporarily below the Pillar 2 Guidance level and the capital conservation buffer (CCB).

Basel III agreements provided also for the introduction of leverage ratio, consequently as to the Italian legislative framework, Circular No. 285 imposes banks to adopt internal policies and procedures to identify, manage and monitor excessive leverage risk. The relevant indicators to detect the mentioned risk are the leverage ratio and the mismatches between assets and liabilities. Banks shall manage the risk of excessive leverage by considering potential increases of such risk, for example due to increase of unsecured funding or reductions of the bank's Tier Capital caused by expected or realized losses arising, *inter alia*, from the application of accounting provisions. To this end, banks must be able to deal with various stress situations with respect to the risk of excessive leverage.

The EU Banking Reform

In November 2016, the European Commission announced a comprehensive package of reforms to further strengthen the resilience of EU banks, resulting in the amendment of the CRD IV, the CRR, the BRRD and the SRM by the following:

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

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

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the Bank Recovery and Resolution Directive as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC; and

- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No. 806/2014 as regards the loss absorbing and recapitalisation capacity of credit institutions and investment firms,

published in the Official Journal of the European Union on 7 June 2019 and entered into force 20 days thereafter, on 27 June 2019 (the "**EU Banking Reform**").

Many of the changes to the CRR were directly applicable to the Group from that date, with the remainder to apply in phases beginning in December 2020 the same application date for the changes to the SRM Regulation.

The EU Banking Reform includes, among other things, a binding 3% leverage ratio and a binding 100% NSFR (which will require credit institutions and systemic investment firms to finance their long-term activities (assets and off-balance sheet items) with stable sources of funding (liabilities) in order to increase banks' resilience to funding constraints. In particular, the binding 3% leverage ratio is added to the own funds requirements set forth in Article 92(1) of the CRR. The leverage ratio requirement is a parallel requirement to the risk-based own funds requirements, and will apply - from June 2021 - to all credit institutions and investment firms that fall under the scope of the CRR, subject to selected adjustments. Institutions should be able to use any Tier 1 capital that they use to meet their leverage-related requirements to also meet their risk-based own funds requirements, including the combined buffer requirement.

From time to time, in line with the amendments made to the EU legislative framework, the Consolidated Banking Act and Circular No. 285, applicable also to less significant banks, have been updated to reflect the relevant changes to the provisions of the CRR.

Bank Recovery and Resolution Directive

On 2 July 2014, Directive 2014/59/EU, providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force.

The BRRD provides the competent authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so that it can ensure the continuity of the institution's critical financial and economic functions, whilst minimising the impact of an institution's failure on the economy and financial system.

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 assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in, which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims including Senior Notes and Subordinated Notes into shares or other instruments of ownership (i.e. shares, 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**"), which equity could also be subject to any future application of the General Bail-In Tool.

The BRRD also provides for a Member State as a last resort, after having assessed and made use of the above resolution tools (including the General Bail-In Tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirement of the EU state aid framework and the BRRD. In particular, a single resolution fund financed by bank contributions at a national level is being established and Regulation (EU) No. 806/2014 establishes the modalities for the use of the fund and the general criteria to determine contributions to the fund.

An institution will be considered to be 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 as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

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

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

In the context of these resolution tools, the resolution authorities also have the power – with reference to subordinated debt instruments and other eligible liabilities issued by an institution under resolution – to amend or alter the maturity of such debt instruments and other eligible liabilities or amend the amount of interest payable under such instruments and other eligible liabilities, or the date on which the interest

becomes payable, including by suspending payment for a temporary period, except for those secured liabilities which are subject to Article 44(2) of the BRRD.

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 of 16 November 2015 and 181/2015 (together, the "**BRRD Decrees**"), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015 and amended and supplemented by Legislative Decree No. 183 of 8 November 2021.

With respect to the BRRD Decrees, Legislative Decree No. 180 of 16 November 2015 sets forth provisions regulating resolution plans, the commencement and closing of resolution procedures, the adoption of resolution measures, crisis management related to cross-border groups, powers and functions of the national resolution authority and also the regulation of the national resolution fund. On the other hand, Legislative Decree No. 181 of 16 November 2015 introduces certain amendments to the Italian Banking Act and the Financial Services Act, by introducing provisions regulating recovery plans, intra-group financial support, early intervention measures and changes to creditor hierarchy. Moreover, this decree also amends certain provisions regulating the extraordinary administration procedure (*amministrazione straordinaria*), in order to make them compliant with the European regulation. The regulation on the liquidation procedures applied to banks (*liquidazione coatta amministrativa*) are also amended in compliance with the new regulatory framework and certain new market standard practices.

On 1 June 2016, the Commission Delegated Regulation (EU) No. 2016/860 of 4 February 2016 ("**Delegated Regulation (EU) 2016/860**") specifying further the circumstances where exclusion from the application of write-down or conversion powers is necessary under Article 44(3) of BRRD was published on the Official Journal of the European Union. In particular this regulation lays down rules specifying further the exceptional circumstances provided for in Article 44(3) of BRRD, where the resolution authority may exclude, or partially exclude, certain liabilities from the application of the write down or conversion powers where the General Bail-In Tool is applied. The Delegated Regulation (EU) No. 2016/860 entered into force on 21 June 2016.

Also, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to the Deposit Guarantee Schemes Directive have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 of 16 November 2015 has amended the bail-in creditor hierarchy in the case of admission of Italian banks and investment firms to resolution, by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs benefit from a preference in respect of senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. Article 108 of the BRRD has been further amended further to proposals by the European Commission to introduce a harmonised national insolvency ranking of unsecured debt instruments to facilitate credit institutions' issuance of such loss absorbing debt instruments, by creating, inter alia, a new asset class of "non-preferred" senior debt instruments with a lower rank than ordinary senior unsecured debt instruments in insolvency. In such perspective, Article 108 of the BRRD aims at enhancing the implementation of the bail-in tool and at facilitating the application of the "minimum requirement for own funds and eligible liabilities" requirement concerning the loss absorption and recapitalisation capacity of credit institutions and investment firms described further below. The amendment to Article 108 has been 'fast tracked' through the adoption of Directive (EU) No. 2017/2399 of 12 December 2017 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy which was published in the Official Journal of the EU on 27 December 2017. Italian Law No. 205/2017, approved by the Italian Parliament on 27 December 2017, contains the implementing provisions pertaining to "non-preferred" senior debt instruments.

Pursuant to Article 44 (2) of the BRRD, as implemented by Article 49 of Legislative Decree No. 180 of 16 November 2015, resolution authorities shall not exercise the write down or conversion powers in relation to secured liabilities, including covered bonds or their 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, pledges, lien or collateral which it is secured. In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application

of the General Bail-In Tool, and (ii) the BRRD provides, in Article 44(3), that the resolution authority may partially or fully exclude certain further liabilities from the application of the General Bail-In Tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Accordingly, holders of the Notes may be subject to write-down or conversion upon application of the General Bail-In Tool while other *pari passu* ranking liabilities are partially or fully excluded from such application of the General Bail-In Tool. The safeguard set out in Article 75 of the BRRD would not provide any protection 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 rather than to address any such possible unequal treatment.

Legislative Decree No. 181/2015 of 16 November 2015 has also introduced strict limitations on the exercise of the statutory rights of set-off which are normally available under insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary. Each holder of Subordinated Notes and, in circumstances where the waiver is selected (as applicable in the relevant Final Terms), the Senior Notes will have expressly waived any rights of set-off, netting, counterclaim, abatement or other similar remedies which it might otherwise have had, under the laws of any jurisdiction, in respect of such Senior Notes or Subordinated Notes. Similarly, it is clear that the statutory right of set-off available under Italian insolvency laws will not apply.

The powers set out in the BRRD impact credit institutions and investment firms and how they are managed as well as, in certain circumstances, the rights of creditors. Holders of Senior Notes and Subordinated Notes may be subject to write-down/conversion into equity capital instruments on any application of the General Bail-In Tool and, in the case of Subordinated Notes, non-viability loss absorption, which may result in such holders losing some or all of their investment. The exercise of any power under the BRRD or any suggestion or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of holders of the Notes, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

The legislative decree to implement the revised Deposit Guarantee Schemes Directive in Italy – namely, Legislative Decree No. 30 of 15 February 2016 – has been published in the Italian Official Gazette No. 56 of 8 March 2016. The Decree came into force on 9 March 2016, except for Article 1 comma 3, let. A), which came into force on 1 July 2018. Amongst other things, the Decree amends the Italian Banking Act and: (i) establishes that the maximum amount of reimbursement to depositors is EUR 100,000 (this level of coverage has been harmonised by the Directive and is applicable to all deposit guarantee schemes); (ii) lays down the minimum financial budget that national guarantee schemes should have; (iii) details intervention methods of the national deposit guarantee scheme; and (iv) harmonises the methods of reimbursement to depositors in case of insolvency of a credit institution.

In addition to the capital requirements under the CRD IV Package, the BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of minimum requirement for own funds and eligible liabilities (the "**MREL**"). The aim is that the minimum amount should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding and to ensure adequate capitalisation to continue exercising critical functions post resolution.

The Bank of Italy is responsible for managing the crisis by preparing, in cooperation with the Single Resolution Board for significant banks or independently for less significant banks (including the Group), the resolution plans. The resolution plans focus on identifying the critical business units, assessing and addressing any impediments to resolution, defining an adequate MREL level, and determining the strategy and resolution mechanisms and tools to be used in the event of a crisis (pursuant to article 3 of Legislative Decree 72/2015). In the event of a crisis involving a significant bank, the Bank of Italy is also responsible for carrying out the resolution plan drawn up and approved by the Single Resolution Board; while, for Italian less significant banks, the Bank of Italy prepares the resolution plan for approval by the Minister of Economy and Finance (MEF) and implements it."

The BRRD, as amended by the EU Banking Reform, introduces a minimum harmonized MREL requirement (also referred to as a "**Pillar 1 MREL requirement**") applicable to G-SIIs, to be satisfied only with own funds and eligible liabilities subordinated to excluded liabilities (even if, under specific conditions, part of the requirement may be satisfied with non subordinated liabilities). In addition, all EU banks will be required to comply with a bank specific (in terms of calibration) MREL requirement (a "**Pillar 2 MREL requirement**"), which can be satisfied also through the use of non subordinated liabilities, for the amount exceeding a minimum subordination level equal to 8% of TLOF (total liabilities and own funds)

and applicable to G-SIBs and "Top Tier" banks (banks with assets exceeding Euro 100 billion) only. However, if a bank is identified among the "riskiest" EU institutions, the Resolution Authority can decide to discretionally raise the applicable subordination requirement beyond the minimum level, in any case subject to the resolution authority assessment and determination.

The Financial Stability Board published the "Total Loss-Absorbing Capacity (TLAC) Term Sheet" on 9 November 2015, applicable to G-SIBs (referred to as G-SIIs in the European Union framework). The EU Banking Reform has introduced amendments aimed at implementing and integrating the TLAC requirements into the general MREL rules, thereby avoiding duplication from the application of two parallel requirements and ensuring that both the TLAC and MREL requirements are met with largely similar instruments. The resolution authorities will also be able, on the basis of bank-specific assessments, to require that G-SIIs comply with an institution-specific supplementary MREL requirement (a 'Pillar 2' add-on requirement). The TLAC requirement is at the moment applied only to the G-SIBs and consequently not applicable to the Group.

Under the BRRD, where an entity fails to meet its combined buffer requirement when considered in addition to its minimum requirement for own funds and eligible liabilities, resolution authorities have the power to prohibit certain distributions in accordance with the restrictions on distributions provisions by reference to the Maximum Distributable Amount. The Relevant Authority may furthermore exercise its supervisory powers under Article 104 of the CRD IV in case of breach of the minimum requirement for own funds and eligible liabilities.

Regulatory measures on NPLs

Article n. 178 of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) specifies the definition of default of an obligor. In this regard, Article 178 of the CRR mandates the EBA to detail guidelines on the application of the definition of "default". Consequently the "*Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013*" (the "**Guidelines**" or "**New DoD**") ruled all provisions related to the application of the definition of default of an obligor. The EBA has identified differing practices used by institutions as regards the definition of default and provided detailed clarifications on the application of the definition of default, which includes aspects such as the days past due criterion, indications of unlikeliness to pay, conditions for a return to non-defaulted status, application of the default definition in a banking group and specific aspects related to particular exposures (*e.g.*, public exposures, factoring exposures).

The Bank of Italy subsequently incorporated the guidelines into national regulatory provisions framework (in particular Circular no. 272 of 30 July 2008 and subsequent amendments – "*Matrice dei Conti*"), applicable from 1 of January 2021, as well as having issued some clarifications on the matter.

Moreover, on 14 March 2018, the European Commission (the "**EC**") published certain legislative proposals aimed at addressing the issues connected with the existing stock of NPLs held by European banks – namely (i) a proposal for a Regulation amending the CRR as regards minimum loss coverage for NPLs, which was later enacted through Regulation (EU) 2019/630 of 17 April 2019, as amended by Regulation (EU) 2020/873 (the "**Prudential Backstop Regulation**") (also known as calendar provisioning); (ii) a proposal for a directive on credit servicers, credit purchasers and the recovery of collateral; and (iii) a blueprint on asset management companies, accompanying the EC's "Second Progress Report" on NPLs.

In parallel with the above proposals, on 15 March 2018 the ECB issued an addendum, "Addendum to the Guidance on non-performing loans" (the "**ECB Addendum**") to its "Guidance to banks on NPLs of March 2017" (the "**NPLs Guidance**"). The ECB Addendum details the ECB supervisory expectations as regards the minimum levels of NPLs provisioning by significant credit institutions. These Guidelines (based on a Pillar 2 approach, to be incorporated into SREP decisions) are to be applied to all new non performing exposures (i.e. Past Due, Unlikely to Pay, Bad Loans) classified as such since 1 April 2018. The ECB Addendum sets out an expectation that, as of 1 April 2018, new unsecured NPLs must be fully covered after a period of two years from the date of their classification as NPLs. For example, the supervisor would expect a loan that is classified as an unsecured NPL on 1 May 2018 to be fully provisioned for by May 2020. For new secured NPLs, a certain level of provisioning is expected after three years of classification as an NPL, or "NPL vintage", which then increases over time until year seven. In this case, if a secured loan was classified as an NPL on 1 May 2018, the supervisor would expect these NPLs to be at least 40 per cent. provisioned for by May 2021, and totally provisioned by May 2025. The potential gap between the

coverage envisaged by the new rules and the provisions applied at the reference date can be addressed through a Core Tier 1 deduction or an increase of provisions.

The Prudential Backstop Regulation imposes a "Pillar 1" minimum regulatory backstop for the provisioning of NPLs by EU banks. The minimum provisioning level is calculated by multiplying the value of the relevant NPLs within the portfolio by the factors indicated in the Prudential Backstop Regulation, which differ depending on (i) the number of years after the date on which the exposure was classified as non-performing, and (ii) whether the NPL is classified as "secured" or "unsecured" exposure (and if secured, whether the exposure is secured by immovable collateral or residential loan guaranteed by an eligible protection provider or is secured by other funded or unfunded credit protection), in accordance with the criteria set forth in the Prudential Backstop Regulation. In particular, under the Prudential Backstop Regulation the Issuer is required to apply a minimum provisioning level for NPLs equal to 100% after ten years (in case of exposures secured by immovable property or residential loan), eight years (in case of exposures secured by other funded or unfunded credit protection) or four years (in case of unsecured exposures) from the date when the exposure was classified as non-performing. If the aggregate amount of provisions and other eligible items is lower than such minimum provisioning level, any shortfall (so-called "insufficient coverage amount") shall be fully deducted from CET1 items.

The statutory prudential backstop applies only to exposures originated after the date of entry into force of the regulation and not to prior legacy exposures. However, the Prudential Backstop Regulation specifies that where the terms and conditions of an exposure which was incurred prior to the date of entry into force of the regulation are modified by the institution in a way that increases the institution's exposure to the obligor, the exposure shall be considered as having been incurred on the date of the modification so that such exposure becomes subject to the new regime including the statutory prudential backstop.

On 22 August 2019 the ECB published a revised version of its supervisory expectations for prudential provisioning for NPLs, as set forth in the ECB Addendum, with a view to align such expectations to the regulatory approach followed under the Prudential Backstop Regulation. The main changes introduced by the ECB relate to: (i) the scope of the supervisory expectations for new NPLs, which is now limited to NPLs arising from loans originated before 26 April 2019 (which are not subject to the Pillar 1 treatment provided under the Prudential Backstop Regulation); and (ii) the time frames for the relevant prudential provisioning, the progressive path to full implementation and the split of secured exposures and other guaranteed exposures, which have been aligned to the Prudential Backstop Regulation.

In the context of the actions taken by the supervisory authorities to mitigate the effect of the COVID-19 pandemic on the EU banks' capital requirements, the ECB and the European Banking Authority ("**EBA**") have issued statements in March 2020 aimed at providing clarity on aspects related to (i) the classification of loans in default, (ii) the identification of forborne exposures and (iii) the accounting treatment, with the ultimate goal to support government actions addressing the adverse systemic economic impact of the COVID-19 pandemic, which have mostly taken the form of general moratoria and payment holidays. In this respect, in April 2020 the European Commission has also published (i) a proposal to amend the CRR in order to mitigate the negative effects of the COVID-19 pandemic by adapting the timeline of the application of international accounting standards on EU banks' capital, treating more favourably public guarantees granted during this crisis, postponing the date of application of the leverage ratio buffer and excluding certain exposures from the calculation of the leverage ratio; and (ii) an interpretative communication confirming the flexibility available to EU banks with respect to the classification of loans in connection with public and private moratoria.

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

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

Payment Services Directive

On 13 November 2007, the European Parliament and the Council adopted Directive 2007/64/EC ("**PSD1**") to harmonize the payment services market and remove legal barriers for payments throughout the EU. PSD1 has, among others, introduced a licensing system for market access by payment service providers and regulated the relationship between payment service providers and consumers. PSD1 was intended to improve competition by opening up payment markets to new entrants, thereby encouraging greater efficiency and cost reduction, and, at the same time, to support the creation of a Single European Market for Retail Payment Services ("**SEPA**").

On 25 November 2015, PSD1 was repealed by Directive (EU) No 2015/2366 of the European Parliament and of the Council ("**PSD2**"), in light of the progress made in the integration of the payments market in the EU and the considerable technical innovations that have occurred since the adoption of PSD1. PSD2 seeks to address the evolution of the payments market and respond to certain shortcomings of the previous regime, including, in particular: (i) the uneven application of the relevant rules in the different EU Member States; (ii) the existence of numerous exemptions from the scope of PSD1; and (iii) the regulatory vacuum in which many operators in the sector have operated under PSD1.

To this end, PSD2 has: (i) broadened the scope of application of the provisions on payment services; (ii) introduced new payment services to cover services previously seen as merely complementary, such as the provision of payment orders and account information; and (iii) strengthened safeguards against operational and security risks related to payment services.

The framework outlined by PSD2 supplemented by the implementing regulations of the European Commission that are directly applicable to recipients and by the guidelines established by the EBA ("**EBA**").

Within the framework set out in PSD2, it is envisaged, among others, that:

- unless the payment service user has acted fraudulently, in the case of an unauthorized payment transaction resulting from the use or misappropriation of a lost or stolen payment instrument, the payment service provider[8] shall reimburse the amount of the unauthorized payment transaction that was executed after the loss, theft or misappropriation was reported to him. Notwithstanding the above, the payer may be obliged to bear the loss relating to unauthorized payment transactions resulting from the use of a lost or stolen payment instrument or from its misappropriation up to a maximum of €50,000; and

- in relation to information security, payment service providers are called upon to establish a framework of mitigation measures and appropriate control mechanisms to manage operational and security risks, relating to the payment services they provide, establish and manage effective incident management procedures, including for the identification and classification of serious operational and security incidents. Payment service providers are also required to initiate a process of archiving, monitoring and controlling access to sensitive payment data and are required to implement Strong Customer Authentication (SCA) when a payment service user accesses his payment account online, or makes an online payment, or carries out any action which may imply a risk of payment fraud or other abuse.

In Italy, the fundamental principles governing the provision of payment services are contained in Legislative Decree no. 11 of January 27, 2010 ("**Decree on Payment Service**s"), which implemented PSD1 and the Consolidated Banking Act. Legislative Decree no. 218 of 15 December 2017 ("**Decree no. 218**") implemented PSD2 in Italy, making significant changes to both the Consolidated Banking Act and the Decree on Payment Services SCA is regulated in Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication.

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[8] Credit institutions fall within the definition of "*payment service providers*".

Anti-money laundering

The Group is subject to the provisions of law and regulations aimed at preventing money laundering and terrorist financing. These provisions are mainly contained in:

- Legislative Decree no. 231/07, as amended by:
  - Legislative Decree no. 90 of 25 May 2017, which amended Legislative Decree no. 231 of 21 November 2007 ("Decree 231/2007"), implementing Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, and amending Directives 2005/60/EC and 2006/70/EC and implementing Regulation (EU) no. 2015/847 on information accompanying transfers of funds that repeals Regulation (EC) no. 1781/2006;
  - Legislative Decree no. 125 of 4 October 2019, which amended, inter alia, Legislative Decree no. 90 of 25 May 2017, implementing Directive (EU) 2018/843, amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing and that amends Directives 2009/138/EC and 2013/36/EU;
- The provisions adopted by the Bank of Italy, pursuant to Article 7, paragraph 1, letter a) of Decree 231/2007:
- The provisions adopted by the Bank of Italy, pursuant to Article 7, paragraph 1, letter a) of Decree 231/2007:
  - The provisions adopted on 26 March 2019, regarding the organisation, procedures and internal controls aimed at preventing the use of intermediaries for the purposes of money laundering and terrorist financing;
  - The provisions adopted on 30 July 2019, regarding the adequate verification of clients and for the fight against money laundering and terrorist financing;
- The provisions adopted by the Bank of Italy on 24 March 2020, pursuant to Articles 31, 32 and 34 paragraph 3, regarding the storage and making available of documents, data and information for the fight against money laundering and terrorist financing;
- the provision regarding instructions on objective communications, adopted by the UIF (the Italian Financial Intelligence Unit) on 28 March 2019, pursuant to Article 47 of Decree 231/2007.

The abovementioned regulatory framework determines the requirement for the Issuer and the Group to, among other things, comply with the obligations on: (i) the adequate verification of customers; (ii) retention of data; (iii) reporting of suspicious transactions to the Financial Intelligence Unit set up at the Bank of Italy; (iv) the adequate training of personnel; (v) sending aggregate anti-money laundering reports; and (vi) the implementation of provisions on the limitation of the use of cash and bearer securities; and (vii) carrying out a periodical assessment of the group's exposure to the risk of money laundering and terrorist financing.

Depositary Regulation

In relation to the securities services business carried out by the Issuer, the latter is subject to EU Directive 2011/61/EU on Alternative Investment Fund Managers ("**AIFMD**") and to EU Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("**UCITS Directive**") amending by Directive 2014/91/EU. The AIFMD and UCITS Directive seeks to regulate the activities of asset managers ("**AM**") managing alternative investment fund managers ("**AIFMs**") and undertakings collective investment in transferable securities ("**UCITS**") whether or not marketed in the EU. The EU regulatory framework for the depositary is composed also of the provisions of Chapter IV of the European Commission Delegated Regulation No. 231/2013 supplementing AIFMD with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (the "**Delegated Regulation 231**") and of the provisions of European Commission Delegated Regulation No. 2016/438 UCITS Directive with regard to obligations of depositaries (the "**Delegated Regulation 438**").

In accordance with article 21 of the AIFMD and article 22 of the UCITS Directive, AIFMs (or, as the case may be, AIFs) are required to appoint a depositary (*i.e.* the custodian bank) to exercise depositary functions with respect to AIFs and UCITSs (all together "**Funds**") the appointment of the depositary shall be evidenced by written agreement under article 83 and ff. of the Delegated Regulation 231 and article 2 of the Delegated Regulation 438, regulating, *inter alia*, the flow of information deemed necessary to allow the depositary to perform its functions for the AIF for which it has been appointed as depositary.

The depositary is responsible for the proper monitoring of the Fund's cash flows, and, in particular, for ensuring that investor money and cash belonging to the Fund, or to the AM acting on behalf of the Fund, is booked correctly on accounts opened in the name of the Fund or in the name of the AM acting on behalf of the Fund or in the name of the depositary acting on behalf of the Fund for the safe-keeping of the assets of the Fund, including the holding in custody of financial instruments that can be registered in a financial instruments account opened in the depositary's books and all financial instruments that can be physically delivered to the depositary, and for the verification of ownership of all other assets by the Fund or the AM on behalf of the Fund. The depositary should act honestly, fairly, professionally, independently and in the interest of the Fund or of the investors of the Fund and, in this regard, the depositary shall not carry out activities with regard to the Fund or the AM that may create conflicts of interest between the Fund, the investors in the Fund, the AM and itself.

The assets of the Fund or the AM acting on behalf of the Fund are entrusted to the depositary for safe-keeping, as follows: (a) for financial instruments that can be held in custody: (i) the depositary shall hold in custody all financial instruments that can be registered in a financial instruments account opened in the depositary's books and all financial instruments that can be physically delivered to the depositary; (ii) for that purpose, the depositary shall ensure that all those financial instruments that can be registered in a financial instruments account opened in the depositary's books are registered in the depositary's books within segregated accounts; (b) for other assets: (i) the depositary shall verify the ownership of the Fund or the AM acting on behalf of the Fund of such assets and shall maintain a record of those assets for which it is satisfied that the Fund or the AM acting on behalf of the Fund holds the ownership of such assets; (ii) the assessment whether the Fund or the AM acting on behalf of the Fund holds the ownership shall be based on information or documents provided by the Fund or the AM and, where available, on external evidence; (iii) the depositary shall keep its record up-to-date. In addition to the above, the depositary shall: (a) ensure that the sale, issue, re-purchase, redemption and cancellation of units or shares of the Fund are carried out in accordance with the applicable national law and the Fund rules or instruments of incorporation; (b) ensure that the value of the units or shares of the Fund is calculated in accordance with the applicable national law, the Fund rules or instruments of incorporation; (c) carry out the instructions of the AM, unless they conflict with the applicable national law or the Fund rules or instruments of incorporation; (d) ensure that in transactions involving the Fund's assets any consideration is remitted to the Fund within the usual time limits; (e) ensure that an Fund's income is applied in accordance with the applicable national law and the Fund rules or instruments of incorporation.

In Italy, AIFMD, UCITS Directive, Delegated Regulation 231 and Delegated Regulation 438 were implemented by Legislative Decree No. 58 of 24 February 1998 (the "**Consolidated Financial Act**") and the Bank of Italy's regulation on collective asset management of 19 January 2015, as amended and supplemented from time to time. Moreover, as to the role of the Issuer as custodian bank for Pension Funds, also Directive (EU) 2016/2341 on the activities and supervision of institutions for occupational retirement provision (IORPs) and Legislative Decree 252 of 2005 applies. Such Decree provides for additional requirements to be met by the Issuer in providing custodian and securities services to Pension Funds.

MiFID 2 – Directive 2014/65/EU on markets in financial instruments

In relation to the securities services business carried out by the Issuer, the latter is subject to EU **Directive 2014/65/EU on markets in financial instruments** ("**MiFID II**") and **Regulation EU 600/2014** ("**MIFIR**"). It is a cornerstone of the EU's regulation of financial markets seeking to improve their competitiveness by creating a single market for investment services and activities and to ensure a high degree of harmonised protection for investors in financial instruments. MiFID sets out:

- conduct of business and organisational requirements;
- obligation to provide information;
- regulatory reporting;

- trade transparency obligation;
- record keeping obligation.

For the purposes of this Directive and of Regulation (EU) No 600/2014 the Issuer is involved in the investment service of "Dealing on own account".

The Issuer out its business in bonds, money market instruments and foreign exchange instruments by providing quotes, in response to requests from customers (Request for Quote ('RFQ') with customers classified for MiFID purposes as Eligible Counterparties / Professional Customers.

Measures to counter the impact of the "COVID-19" virus

In recent months, European and national authorities have undertaken several measures to support the banking and financial market to counter the economic effects of COVID-19.

On 10 March 2020, through an addendum to the 2019 credit agreement between ABI and the Business Associations, the possibility of requesting suspension or extension was extended to loans granted until 31 January 2020. The moratorium refers to loans to micro, small and medium-sized companies affected by COVID-19 outbreak. The capital portion of loan repayment instalments may be requested to be suspended for up to one year. The suspension is applicable to medium/long-term loans (mortgages), including those concluded through the issue of agricultural loans, and to property or business assets leasing transactions. In the latter case, the suspension concerns the implicit capital instalments of the leasing. On 21 April 2020, through an agreement entered into with the consumer associations, the moratorium was extended to credit to households, including the suspension of the principal portion of mortgage-backed loans and unsecured loans repayable in instalments.

On 11 March 2020, ESMA, considering the spread of COVID-19 and its impact on the EU financial markets, issued 4 recommendations on the following areas: (1) business continuity planning, (2) market disclosure, (3) financial reporting and (4) fund management.

1. Business Continuity Planning: ESMA has recommended all financial market participants to be ready to apply their contingency plans to ensure operational continuity in line with regulatory obligations.

2. Market disclosure: issuers should disclose as soon as possible any relevant significant information concerning the impacts of COVID-19 on their fundamentals, prospects or financial situation in accordance with their transparency obligations under the Regulation (EU) No. 596/2014 (MAR), as a disclosure obligation contained in Article 17, paragraph 1 of the MAR, pursuant to which issuers are required to disclose to the public without delay any inside information directly concerning them.

3. Financial reporting: ESMA has recommended issuers to provide transparency on the actual and potential impacts of COVID-19, to the extent possible based on both a qualitative and quantitative assessment on their business activities, financial situation and economic performance in their 2019 yearend financial report if these have not yet been finalised or otherwise in their interim financial reporting disclosures.

4. Fund Management: ESMA has encouraged fund managers to continue to apply the requirements on risk management and to react accordingly.

Among the various measures adopted by the Italian government to address the epidemiological emergency due to COVID-19 outbreak, on 17 March 2020 Law Decree No. 18 (Cura Italia Decree) has been adopted. The Cura Italia Decree has introduced special measures derogating from the ordinary proceeding of the Guarantee Fund for SMEs in order to simplify the requirements for access to the guarantee and strengthen the intervention of the Guarantee Fund for SMEs itself, as well as the possibility of transforming the DTA relating to losses that can be carried forward but not yet deducted and to the amount of the ACE notional return exceeding the total net income, to the extent of 20% of the impaired loans sold by 31 December 2020.

As anticipated above, the ECB, at its monetary policy meeting held on 12 March 2020, decided to adopt a comprehensive set of monetary policy measures, consisting of three key elements: first, safeguarding

liquidity conditions in the banking system through a series of favourably-priced longer term refinancing operations (LTROs); second, protecting the continued flow of credit to the real economy through a fundamental recalibration of targeted longer-term refinancing operations (TLTROs); and, third, preventing financing conditions for the economy tightening in a pro-cyclical way via an increase in the asset purchase programme (APP).

As regards LTROs these will be carried out through a fixed rate tender procedure with full allotment. They will be priced very attractively, with an interest rate that is equal to the average rate on the deposit facility of ECB. These new LTROs will provide liquidity on favourable terms to bridge the period until the TLTRO III operation in June 2020.

As regards TLTRO, the Governing Council decided to apply considerably more favourable terms during the period from June 2020 to June 2021 to all TLTRO III operations outstanding during that time. Throughout this period, the interest rate on these TLTRO III operations will be 25 basis points below the average rate applied in the Eurosystem's main refinancing operations.

Lastly, the Governing Council also decided to add a temporary envelope of additional net asset purchases of €120 billion until the end of the year, ensuring a strong contribution from the private sector purchase programmes.

On 12 March 2020, the ECB Banking Supervision leg, the Single Supervisory Mechanism (SSM), published the first supervisory response to provide banks with a temporary capital and operational relief.

According to the ECB statements: i) banks are allowed to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the liquidity coverage ratio (LCR) to release resources for financing households and undertakings; ii) the ECB encourages also national macroprudential authorities to relax the countercyclical capital buffer (CCyB); iii) banks are allowed to partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital to meet the Pillar 2 Requirements (P2R), for example Additional Tier 1 (AT1) or Tier 2 instruments; iv) banks will discuss with the ECB further individual measures, such as modified timetables, processes and deadlines (e.g. for on-site inspections or remedial actions); v) flexibility will be granted for the application of the ECB Guidance to banks on non-performing loans to adjust to bank's specific situation due to Covid19.

On 20 March 2020, the ECB announced additional measures (in addition to those already undertaken on 12 March 2020 on temporary capital and operational relief for banks) to ensure that its directly supervised banks can continue to fulfil their role to fund households and corporations amid the coronavirus-related economic shock to the global economy. The ECB published also a detailed FAQ on the measures adopted with the aim of updating it as needed. In particular, the ECB recommended to:

- give banks further flexibility in prudential treatment of loans backed by public guarantees, by extending to them the preferential treatment foreseen in its Guidance for NPLs for loans guaranteed or insured;
- encourage banks to avoid excessive procyclical effects when applying the IFRS 9 international accounting standard;
- activate capital and operational relief measures announced on 12 March 2020.

On 25 March 2020, the EBA and ESMA published detailed statements to address IFRS 9 accounting issues due to the Covid-19 outbreak and linked to the exceptional measures taken by banks and governments to address the situation, which affected compliance with the EBA Guidelines on the definition of default (DoD) and forbearance/past-due classifications of loans.

The EBA statement of 25 March 2020 explained the functioning of the prudential framework in relation to the exposures in default, the identification of forborne exposures and impaired exposures in accordance with IFRS 9. In particular, EBA has clarified some additional aspects of the operation of the prudential framework concerning:

- the classification of exposures in default;
- the identification of forborne exposures;

- the accounting treatment of the aforesaid exposures

Specifically, the EBA repeated the concept of flexibility in the application of the prudential framework, clarifying that an exposure should not be automatically reclassified as (i) exposure in default, (ii) forborne exposure, or (iii) impaired exposure under International Financial Reporting Standard - IFRS9, in case of adoption of credit tolerance measures (such as debt moratorium) by national governments.

The ESMA statement of 25 March 2020 provided guidance on the application of IFRS 9 (Financial Instruments) addressed to issuers and auditors with regard to the calculation of expected losses and related disclosure requirements, in particular, as regards the suspension (or deferral) of payments established for credit agreements (e.g. moratorium on debt) that impact the calculation of Expected Credit Loss (ECL) under the principles set forth in IFRS 9. On 20 May 2020, ESMA published a Public Statement addressing the implications of the COVID-19 pandemic on the half-yearly financial reports of listed issuers (the "**Public Statement**"). The Public Statement provided recommendations on areas of focus identified by ESMA and highlighted: i) the importance of providing relevant and reliable information, which may require issuers to make use of the time allowed by national law to publish half-yearly financial reports while not unduly delaying the timing of publication; ii) the importance of updating the information included in the latest annual accounts to adequately inform stakeholders of the impacts of COVID-19, in particular in relation to significant uncertainties and risks, going concern, impairment of non-financial assets and presentation in the statement of profit or loss; and iii) the need for entity-specific information on the past and expected future impact of COVID-19 on the strategic orientation and targets, operations, performance of issuers as well as any mitigating actions put in place to address the effects of the pandemic. The Public Statement was conceived to be applicable also to financial statements in other interim periods when IAS 34 Interim Financial Reporting is applied. It called on the management, administrative and supervisory bodies, including audit committees, of issuers and, where applicable, their auditors, to take due consideration of the recommendations included within the statement".

On 27 March 2020, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), has deferred Basel III implementation to increase operational capacity of banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the Covid19 on the global banking system.

The measures endorsed by the GHOS comprise the following changes to the implementation timeline of the outstanding Basel III standards:

- the implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028.

- the implementation date of the revised market risk framework finalised in January 2019 has been deferred by one year to 1 January 2023.

- the implementation date of the revised Pillar 3 disclosure requirements finalised in December 2018 has been deferred by one year to 1 January 2023.

On 27 March 2020, the ECB published a recommendation addressed to significant banks to refrain from paying dividends and from share buy-backs aimed at remunerating shareholders for the duration of the economic shock related to COVID-19. The ECB has decided to extend the recommendation on dividends until 1 January 2021 with the Recommendation ECB/2020/35. This Recommendation has been subsequently repealed by the ECB's Recommendation ECB/2020/62, which requires banks to exercise extreme prudence when deciding on, or paying out, dividends or performing share buy-backs until 30 September 2021. Credit institutions that intend to decide on or pay out dividends or perform share buy-backs aimed at remunerating shareholders should contact their joint supervisory teams, as part of their supervisory dialogue, to discuss whether the level of intended distribution is prudent.

On 27 July 2021, the Bank of Italy issued a new recommendation[9] on dividend distribution and variable remuneration policies. In the relevant press release, the Bank of Italy confirmed that the latest

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[9] Following the recommendations issued, respectively, on *(i)* 27 March 2020 (valid until 1 October 2020), *(ii)* 28 July 2020 (valid until 1 January 2021) and *(iii)* 16 December 2020 (valid until 30 September 2021).

macroeconomic projections show improvement signs in the economy. Therefore, in line with the ECB's decision for significant banks, the Bank of Italy stated that the criteria of capital assessment and dividend distribution plans and share repurchases by banks in the ordinary SREP process can be restated and applied. However, in accordance with the Bank of Italy's decision, less significant banks will need to maintain a prudent approach when deciding on their dividend and share repurchase policies, carefully considering the sustainability of the relevant business model and should not underestimate the risk that, upon expiration of the measures introduced in relation to COVID-19 pandemic, further losses could impact their capital.

On 1 April 2020 the ECB provided banks with further clarifications on the use of forecasts for the Expected Credit Loss (ECL) calculations under IFRS 9, after having invited banks to opt, if not done before, for applying the IFRS 9 five-year transitional arrangements included in the CRR to mitigate the First Time Application (FTA) capital impact of the new accounting principle.

On 2 April 2020, the EBA published more detailed guidance on the criteria to be fulfilled by legislative and non-legislative moratoria applied before 30 June 2020. The Guidelines acknowledged that Member States have implemented a broad range of support measures in order to minimise the medium- and long term economic impacts of the efforts taken to contain the COVID-19 pandemic. In light of this, the EBA Guidelines clarify several aspects of payment moratoria, such as that they do not automatically trigger the classification as forborne or distressed restructuring if the measures taken are based on the applicable national law or on an industry or sector-wide private initiative agreed and applied broadly by the relevant credit institutions. In June 2020, the EBA further extended the application date of its Guidelines by three months, from until 30 September 2020, and on the 21 September, communicated its phasing-out. However, on 2 December 2020 the Guidelines were reactivated until 31 March 2021.

In continuity with the Cura Italia Decree, Law Decree no. 23 of 8 April 2020 (Liquidity Decree) was issued, a further measure deemed necessary to support Italian entrepreneurship. The Liquidity Decree, in addition to providing an additional guarantee managed by SACE Simest (SACE), a company of the Cassa Depositi e Prestiti group, aims to further strengthen the Guarantee Fund for SMEs by redrawing its rules for accessing, by including also companies with no more than 499 employees and professionals, as well as increasing the guarantee coverage percentages already provided by Article 49 of the Cura Italia Decree (provision that is repealed). In the wake of the latter provision, the Liquidity Decree makes further exceptions to the ordinary rules of the Guarantee Fund for SMEs, which will be applicable until 31 December 2020.

On 28 April 2020, the European Commission published a legislative proposal for amending the CRR to ease banking activity during the Covid-19 emergency and ensure the flow of loans to households and businesses.

The Commission has proposed exceptional temporary measures to mitigate the immediate impact of coronavirus-related developments, which imply:

- a revision of transitional arrangements for the application of IFRS 9, adopted in the CRR II to mitigate its impact on banks' capital;

- a preferential treatment for NPLs secured by public guarantees issued as a measure to address the COVID-19 crisis, for the purpose of the application of the prudential provisioning in line with the Regulation (EC) 630/2109;

- the postponement of the date of application of the additional reserve requirement for the leverage ratio of systemic banks ("G-SIB buffer");

- a change in the way of excluding certain exposures towards central banks from the calculation of the leverage ratio, as of 28 June 2021 (CRR2 leverage ratio regulation entry into force). Starting from that date, if an institution excludes such exposures, it shall at all times satisfy the adjusted Leverage Ratio (aLR) requirement for the duration of the exclusion (currently the exclusion has been extended until 31 March 2022).

The Commission also proposed to advance by one year (as of 28 June 2020) the date of application of certain measures agreed in CRR II, i.e. the SMEs (Art. 501) and Infrastructure supporting factors (art.501a), as well as the preferential treatment of loans backed by pensions or salaries (Art. 123) The so-called "CRR quick fix" Regulation (EU) 2020/873) was definitely adopted on 24 June 2020 and published on the Official

Journal of the EU on 26 June 2020 and entered into force the day after. During the interinstitutional negotiation process additional measures were introduced by the co-legislators (i.e. the European Parliament and the Council of the EU), such as the reintroduction of the prudential filter for unrealised gain/losses from sovereign exposures valued at FVOCI; the exclusion of overshootings from the calculation of the back-testing; credit risk and large exposure transitional treatment of euro-denominated public debt issued by non-euro Member States.

On 24 July 2020 the European Commission also adopted a Capital Markets Recovery Package regarding the Securitisation Framework, MIFID II and the Prospectus Regulation. The underlying rationale of these proposals is to help financial markets support Europe's economic recovery from the COVID-19 crisis. The package was approved in March 2021.

TAXATION

ITALIAN TAXATION

The following is a general summary of certain Italian tax consequences of the purchase, the ownership and the disposition of the Notes. It 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. This summary is based upon Italian tax laws and/or practice in force as at the date of this Offering Circular, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis.

Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**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 No. 239 only apply to those notes which qualify as bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented ("**Decree No. 917**").

For these purposes, bonds and debentures similar to bonds are defined as securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower 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 out under Decree No. 239 also applies to Interest paid under financial instruments relevant for capital adequacy purposes under EU legislation and domestic prudential legislation, issued by, *inter alia*, Italian banks (other than shares and securities similar to shares), as set out by Article 2, paragraph 22, of Law Decree No. 138 of 13 August 2011, as subsequently amended ("**Decree No. 138**") as converted with amendments by Law No. 148 of 14 September 2011 and as further amended by Law No. 147 of 27 December 2013 and Law Decree No. 34 of 30 April 2019, as converted into law by Law No. 5 of 28 June 2019.

Italian Resident Noteholders

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected; (b) a non-commercial partnership; (c) a non- commercial private or public institution (other than UCIs as defined below); or (d) an investor exempt from Italian corporate income taxation, unless the Noteholders has opted for the application of the risparmio gestito regime – see "*Taxation of Capital Gains*" below, Interest relating to the Notes, accrued during the relevant holding period, are subject to a substitute tax, referred to as "imposta sostitutiva", levied at the rate of 26 per cent (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes).

In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the imposta sostitutiva applies as a provisional tax and may be deducted from the taxation on income due.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity to which the Notes are connected or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the imposta sostitutiva, on Interest relating to the Notes accrued after the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(88-114) of Law No. 232 of 11 December 2016, as subsequently amended (the "**Finance Act 2017**").

Where a Noteholder is an Italian commercial partnership or an Italian resident corporation or similar commercial entity, or a permanent establishment in Italy of a Non-Italian resident company to which the Notes are effectively connected, and the Notes are deposited in due time, together with the coupons relating to such Notes, with an Intermediary (as defined below), Interest from the Notes will not be subject to imposta sostitutiva, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian income taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities ("**IRAP**")).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree 351**"), and Article 9, par. 1, Legislative Decree No. 44 of 4 March 2014, payments of Interest in respect of the Notes made to Italian resident real estate investment funds (the "**Real Estate Funds**") established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (the "**Financial Services Act**") or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, and Italian real estate investment companies with fixed capital (the "**Real Estate SICAFs**" and, together with the Italian resident real estate investment funds, the "**Real Estate UCIs**") are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate UCI is subject to taxation in the hands of the unitholder or shareholder regardless of distribution.

If the Noteholder is resident in Italy and is an open-ended or closed-ended investment fund (other than Real Estate Funds), a SICAF (an investment company with fixed capital other than a Real Estate SICAF) or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the "UCI"), and the relevant Notes are deposited in due time, together with the coupons relating to such Notes, with an Intermediary (as defined below), Interest accrued during the holding period on such Notes will not be subject to imposta sostitutiva nor to any other income tax in the hands of the UCI, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent. (the "Collective Investment Fund Withholding Tax").

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited in due time, together with the coupons relating to such Notes, with an Intermediary (as defined below), Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if accrued after the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (88-114) of the Finance Act 2017 as subsequently amended. Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, Italian investment companies (*società di intermediazione mobiliare*) (a "**SIM**"), fiduciary companies, Italian asset management companies (*società di gestione del risparmio*) (a "**SGR**"), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an "**Intermediary**").

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non- Italian resident bank or investment company and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary or deposit account where the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld:

(a) by any intermediary paying Interest to the Noteholder; or

(b) by the Issuer,

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

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the imposta sostitutiva applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy in the tax sector as listed in Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 March 2017 and possibly further amended according to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No.147 of 14 September 2015) (the "White List"); or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (d) an institutional investor which is established in a country which allows for a satisfactory exchange of information with Italy, as listed in the White List, even if it does not possess the status of taxpayer therein.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of Interest or an institutional investor and (a) deposit in due time, directly or indirectly, the Notes, together with the coupons relating to such Notes, with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system having appointed an Italian representative for the purposes of Decree 239 (which includes Euroclear and Clearstream), which is in contact, via computer, with the Ministry of Economy and Finance and (b) file with the relevant depository, in due time, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from imposta sostitutiva. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, inter alia, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

Failure of a non-resident Noteholder to comply in due time with the procedures set forth in Decree 239 and in the relevant implementation rules will result in the application of imposta sostitutiva on Interest payments to a non-resident Noteholder.

The imposta sostitutiva will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any, subject to timely filing of required documentation provided by Measure of the Director of Italian Revenue Agency No. 2013/84404 of 10 July 2013) to Interest paid to Noteholders who are resident, for tax purposes, in countries not included in the White List.

Further Issues

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

Tax treatment of atypical securities

Interest relating to Notes that are not deemed to fall within neither the category of bonds (obbligazioni) or debentures similar to bonds (titoli similari alle obbligazioni) nor in the category of regulatory capital financial instruments complying with EU and Italian regulatory laws and regulations issued by Italian banks, other than shares and assimilated instruments, as described under the caption "Tax treatment of Notes", would qualify as atypical securities and, as a consequence thereof such Notes fall out of the scope of Decree 239 and may be subject to a withholding tax, levied at the rate of 26 per cent pursuant to Law Decree No. 512 of 30 September 1983.

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 Italy of a foreign entity; (d) an Italian

commercial partnership; or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax.

In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 or a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) may be exempt from the withholding tax on the proceeds relating to the Notes not falling within the category of bonds (obbligazioni) or debentures similar to bonds (titoli similari alle obbligazioni) and issued by an Italian resident issuer, if such Notes are included in a long-term individual savings account (piano individuale di risparmio a lungo termine) that meets the requirements set forth in Article 1(88-114) of the Finance Act 2017.

Taxation of capital gains

Any gain obtained from the sale or redemption of the Notes, both whether they fall within the category of bonds (obbligazioni) or debentures similar to bonds (titoli similari alle obbligazioni) or in the category of atypical securities, would be subject to the taxation regime described below.

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an imposta sostitutiva, levied at the current rate of 26 per cent. Noteholders may set off losses with gains.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the imposta sostitutiva, on capital gains realised upon sale or redemption of the Notes issued by an Italian resident or White List resident Issuer, if the Notes are included in a long- term individual savings account (piano individuale di risparmio a lungo termine) that meets the requirements set forth in Article 1(88-114) of the Finance Act 2017.

In respect of the application of imposta sostitutiva, taxpayers may choose one of the three regimes described below.

Under the tax declaration regime (regime della dichiarazione), which is the default regime for Noteholders under (i) to (iii) above, the imposta sostitutiva on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Noteholder pursuant to all sales or redemptions of the Notes carried out during any given tax year. The relevant Noteholder must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay imposta sostitutiva on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident Noteholders under (i) to (iii) above may elect to pay the imposta sostitutiva separately on capital gains realised on each sale or redemption of the Notes (the "risparmio amministrato" regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (b) an express election for the risparmio amministrato regime being timely made in writing by the relevant Noteholder. The depository

intermediary is responsible for accounting for imposta sostitutiva in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the risparmio amministrato regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the risparmio amministrato regime, the Noteholder is not required to declare the capital gains in the annual tax return

Any capital gains realised by Italian resident Noteholders under (i) to (iii) above who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "risparmio gestito" regime will be included, together with Interest relating to such Notes, in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a substitute tax at a rate of 26 per cent., to be paid by the managing authorised intermediary. Under the risparmio gestito regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the risparmio gestito regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is a Real Estate UCI will be subject neither to imposta sostitutiva nor to any other income tax at the level of the Real Estate UCI, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate UCI is subject to taxation in the hands of the unitholder or the shareholder regardless of distribution.

Any capital gains realised by a Noteholder which is a Fund will not be subject to imposta sostitutiva. Such result will not be taxed with the UCI, but subsequent distributions in favour of unitholders of shareholders may be subject to the Collective Investment Fund Withholding Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes issued by an Italian resident or White List resident Issuer may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (piano di risparmio a lungo termine) that meets the requirements set forth in Article 1 (88-114) of the Finance Act 2017.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets, or not held in Italy, are neither subject to the imposta sostitutiva nor to any other Italian income tax.

Where the Notes are held in Italy, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer not traded on regulated markets are not subject to the imposta sostitutiva, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy in the tax sector, as listed in the White List; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (d) is an institutional investor which is established in a country which allows for a satisfactory exchange of information with Italy, as listed in the White List, even if it does not possess the status of taxpayer therein.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer not traded on regulated markets, and held in Italy, are subject to the imposta sostitutiva at the current rate of 26 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes issued by an Italian resident issuer are connected that may benefit from a double taxation treaty

with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to imposta sostitutiva in Italy on any capital gains realised upon the sale or redemption of Notes issued by an Italian resident issuer.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006 ("**Decree No. 262**"), converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including bonds or other securities) as a result of death, gift or transfer without consideration are subject to "**Inheritance and Gift Tax**" (*imposta sulle successioni e donazioni*) under the Legislative Decree No. 346 of 31 October 1990, as amended, as follows:

(i) transfers in favour of spouses and direct descendants or direct ancestors are subject to Inheritance and Gift Tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding Euro 1,000,000 for each beneficiary;

(ii) transfers in favour of brothers/sisters are subject to the 6 per cent. Inheritance and Gift Tax on the value of the inheritance or the gift exceeding Euro 100,000 for each beneficiary;

(iii) 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 applied at a rate of 6 per cent. on the entire value of the inheritance or the gift; and

(iv) 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 the gift.

In cases where the beneficiary has a serious disability, inheritance and gift taxes will apply on its portion of the net asset value exceeding Euro 1,500,000.

The transfer of financial instruments (including the Notes) as a result of death is exempt from inheritance tax when such financial instruments are included in an individual long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements applicable under Italian law.

Transfer Tax

Agreements related to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration tax of Euro 200; (ii) private deeds are subject to registration tax of Euro 200 only the case of use or voluntary registration or occurrence of the so-called cross reference (*enunciazione*).

Italian financial tax (so called "Tobin Tax")

Article 1, paragraphs from 491 to 500, of Law No. 228 of December 2012, as implemented by Ministerial Decree 21 February 2013 (the "**IFTT Decree**") introduced a tax on financial transactions that applies to (i) the transfer of ownership in shares issued by companies having their registered office ("*sede legale*") located in Italy (the "**Chargeable Equity**"); and (ii) transactions in derivated financial instruments over Chargeable Equity, and (iii) transactions in transferable securities giving the right to acquire or sell mainly one or more Chargeable Equity, or giving rise to cash settlement determined mainly by reference to one or more Chargeable Equity, and (iv) high frequency trading transactions relating to share or equity securitized or un-securities derivatives, effected on the Italian financial market.

Stamp Duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("Decree 201"), a proportional stamp duty applies on an annual basis to the period reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed Euro 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 the Notes) held.

The statement is deemed to be sent at least once a year, including with respect to the instruments for which is not mandatory nor the deposit, nor the release nor the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable based on the period accounted.

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, as amended and supplemented, Italian resident individuals, non-commercial entities, and non-commercial partnerships and similar institutions, 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 ("**IVAFE**"). This tax is calculated on the market value at the end of the relevant year or, if no market value figure is available, on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes) held abroad by Italian resident individuals. A tax credit is granted for any foreign property tax levied abroad on such financial assets. The financial assets held abroad are excluded from the scope of the wealth tax, if such financial assets are administered by Italian financial intermediaries pursuant to an administration agreement.

Tax Monitoring Obligations

Pursuant to Italian Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990 ("**Decree 167/1990**"), as subsequently amended, Italian resident individuals, non-commercial entities, and non-commercial partnerships and similar institutions who, during a fiscal year, hold investments abroad or have foreign financial assets or are the actual owners, under the Italian anti-money laundering law, provided by Italian Legislative Decree No. 231 of 21 November 2007, of investments abroad or foreign financial assets (including Notes held abroad) must, in certain circumstances, disclose the aforesaid investments and financial assets to the Italian Tax Authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return).

It is not necessary to comply with the above reporting requirement in cases where (i) the financial assets are given in administration or management to Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree 167/1990, (ii) one of such intermediaries intervenes, also as a counterpart, in their transfer, provided that income deriving from such financial assets has been subject to the applicable withholding tax or substitute tax, or (iii) if the foreign investments are only composed of deposits and/or bank accounts and their aggregate value does not exceed a Euro 15,000 threshold throughout the year.

OECD common reporting standards in Italy

The EU Savings Directive adopted on 3 June 2003, by the EU Council of Economic and Finance Ministers (as subsequently amended) on taxation of savings income in the form of interest payments has been repealed from 1 January 2016 to prevent overlap between the Savings Directive and the new automatic exchange of information regime implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard ("CRS") to address the issue of offshore tax evasion on a global basis. Aimed at maximizing efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges are expected to begin in 2017.

Italy has enacted Italian Law No. 95 of 18 June 2015 ("Law 95/2015"), implementing the CRS (and the amended EU Directive on Administrative Cooperation) Italian Ministerial Decree dated 28 December 2015, which has entered into force on 1 January 2016, implemented Law 95/2015 and provides for the exchange of information in relation to the calendar year 2016 and later. In the event that the Noteholder holds the

Notes through an Italian financial institution (as meant in the Italian Ministerial Decree of 28 December 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.

The Proposed Financial Transactions Tax ("FTT")

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

The Proposed FTT has very broad scope and could, if introduced in the form proposed on 14 February 2013, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

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

The FTT proposal remains subject to negotiation between the participating Member States. Additional EU Member States may decide to participate, although certain other Member States have expressed strong objections to the proposal. The FTT proposal may therefore be altered prior to any implementation, the timing of which remains unclear.

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

Foreign Account Tax Compliance Act ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" ("FFI") may be required to withhold on certain payments it makes ("foreign pass-through payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions, including the Republic of Italy, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. In particular, with the Law 18 July 2015 No. 95, the Republic of Italy ratified and enacted the IGA with the Unites State of America signed on 10 January 2014. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes 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 pass-through payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under Condition 16 (Further Issues)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the "ICSDs") in all but the most remote circumstances it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent, the depositary, or to

the order of the common depositary or common safe keeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an "IGA" will be unlikely to affect the Notes. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. In addition, the Programme documentation expressly contemplates the possibility that the Notes may be exchanged into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA withholding. However, definitive notes will only be issued in remote circumstances. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. The Issuer's obligations under the Notes are discharged once it has paid to the order of the common depositary or common safe keeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International plc (the "**Sole Global Coordinator and Sole Bookrunner**") has, in a subscription agreement dated 17 January 2022 (the "**Subscription Agreement**"), agreed to subscribe for the Notes at their issue price of 100 per cent. of their principal amount, less commissions, on the terms and subject to the conditions set out in the Subscription Agreement. In the Subscription Agreement, the Issuer has agreed to reimburse the Sole Global Coordinator and Sole Bookrunner for certain of its expenses in connection with the issue of Notes and to indemnify the Sole Global Coordinator and Sole Bookrunner against certain liabilities incurred by them in connection therewith. The Sole Global Coordinator and Sole Bookrunner is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States

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

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations thereunder.

The Sole Global Coordinator and Sole Bookrunner has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche, (a) as part of their distribution at any time or (b) otherwise until 40 days after completion of the distribution of the Notes, within the United States or to, or for the account or benefit of, U.S. persons. The Sole Global Coordinator and Sole Bookrunner has further agreed that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act, if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

The Sole Global Coordinator and Sole Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area.

For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II;

(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 for the Notes.

Prohibition of Sales to UK Retail Investors

The Sole Global Coordinator and Sole Bookrunner has represented and agreed 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 Offering Circular to any retail investor in the United Kingdom.

For the purposes of this provision the expression retail investor means a person who is one (or more) of the following:

i. a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (EUWA); or

ii. a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

United Kingdom

The Sole Global Coordinator and Sole Bookrunner has represented and agreed that:

(a) **financial promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act ("**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

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

Republic of Italy

The offering of the Notes has not been registered CONSOB pursuant to Italian securities legislation and, accordingly, the Sole Global Coordinator and Sole Bookrunner has represented and agreed that sales of the Notes in Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

The Sole Global Coordinator and Sole Bookrunner has represented and agreed that, save as set out below, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except to qualified investors (*investitori qualificati*), as defined in the Prospectus Regulation; or in other circumstances which are exempted from the rules on public offerings pursuant to the Prospectus Regulation, Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and CONSOB Regulation No. 11971 of 14 May 1999 (as amended from time to time) ("**Regulation No. 11971**").

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

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 and Legislative Decree No. 385 of 1 September 1993 (the "**Italian Banking Act**") (in each case as amended from time to time);

(b) in compliance with Article 129 of the Italian Banking Act, 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 notification requirement or limitation which may be imposed by CONSOB or any other Italian authority.

France

The Sole Global Coordinator and Sole Bookrunner has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Offering Circular or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in the Republic of France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, the Sole Global Coordinator and Sole Bookrunner has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

General

No action has been or will be taken in any jurisdiction by the Issuer or the Sole Global Coordinator and Sole Bookrunner that would or is intended to permit a public offering of the Notes, or possession or distribution of any offering material in relation thereto, or any offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

The Sole Global Coordinator and Sole Bookrunner has represented, warranted and agreed 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 Offering Circular or any related offering material, in all cases at its own expense; and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries, and neither the Issuer nor the Sole Global Coordinator and Sole Bookrunner shall have any responsibility therefor. Other persons into whose hands this Offering Circular comes are required by the Issuer and the Sole Global Coordinator and Sole Bookrunner 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 Offering Circular or any related offering material, in all cases at their own expense.

GENERAL INFORMATION

Name and Legal Form of the Issuer

The Issuer is incorporated as a joint stock company (*società per azioni*) in the Republic of Italy, is registered with number 07960110158 in the companies' register of Milan and operates in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended) (the "**Italian Banking Act**"). Its telephone number is +39 02 499051. According to Article 3 of the Issuer's current by-laws, its duration is set at 31 December 2100, and may be extended.

Corporate Purpose

The purpose of the Issuer, pursuant to Article 4 of the By-laws, is the taking of deposits and granting of credit in its various forms both within Italy and abroad. The Issuer may perform all financial, intermediation and investment transactions or services permitted by law, including financing and other transactions regulated by special provisions of law, as well as any other transaction instrumental to, or connected with, the achievement of its corporate purpose. The Issuer's purpose further includes the organized and coordinated management of transactions aimed at facilitating the disposal, administration and collection of receivables due from the National Health System or public entities supplying healthcare services, as well as the Public Administration, the purchase and assignment of such receivables, with or without recourse, in any form and upon any conditions; the taking of payment failure risks and the giving of any kind of guarantee or collateral; as well as the acceptance and granting to third parties of mandates for the collection of receivables. The above activities may be carried out both at a national and European level. The Issuer may also perform, without limitation and as long as they are connected to its corporate purpose, the following activities: commercial, industrial, financial, security and real property transactions, acquisitions of interests and shareholdings in other companies, enterprises, entities or associations with analogous, similar or connected purpose, both directly and indirectly, both in Italy and abroad, including the provision of guarantees, including collaterals, in its own interest.

The Issuer may carry out any other transaction that is instrumental or in any way related to the achievement of its corporate purpose. To pursue its objectives, the Issuer may adhere to associations and consortia of the banking system, both in Italy and abroad.

In its capacity as parent company of the Group, pursuant to the laws from time to time in force, including Article 61, paragraph 4, of the Italian Banking Act, in exercising the activity of direction and coordination the Issuer issues guidelines to the Group's members, also for the purpose of executing instructions issued by the regulatory authorities and in the interest of the stability of the Group.

Share Capital of the Issuer

Pursuant to Article 5 of the By-laws, the subscribed and paid-up share capital of the Issuer is Euro €142,655,646.13 and is represented by 185,267,073 ordinary shares without nominal value.

Authorisation

The issuance of the Notes has been authorised by resolutions of the board of directors of the Issuer dated 6 August 2021 and 22 December 2021.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of BFF Bank is 815600522538355AE429.

Listing of the Notes

The Notes will be admitted to listing on the GEM of Euronext Dublin.

Documents Available

Copies of the following documents in electronic format (together with English translations thereof (if any)) may be inspected for as long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the GEM during normal business hours for at the offices of the Paying Agent at 13th Floor

Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB or via electronic means at the Paying Agent's discretion:

(a) the by-laws (with an English translation thereof) of the Issuer;

(b) the audited consolidated financial statements of the Issuer for the years ended 31 December 2019 and 2020, the unaudited consolidated condensed interim financial statements of the Group as at and for the six months ended on 30 June 2021 and 2020 and the Q3 2021 Results Press Release;

(c) the most recently published audited consolidated annual financial statements of the Issuer (notably, 2019 and 2020 consolidated annual financial statements) in each case together with the audit report prepared in connection therewith and the most recently published unaudited consolidated condensed interim financial statements of the Issuer (with an English translation thereof) (notably, the 2021 Half-Year Financial Statements), together with the limited review report prepared in connection therewith. The Issuer currently intends to prepare audited consolidated and accounts on an annual basis and unaudited consolidated condensed interim financial information on a semi-annual and quarterly basis;

(d) the Agency Agreement;

(e) this Offering Circular and any information incorporated by reference herein.

The documents listed in (a) to (c) above are also available on the website of BFF Bank (https://investor.bff.com/home).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The Notes bear the ISIN XS2404266848 and the common code 240426684. The address of Euroclear is Euroclear Bank S.A./N.V., 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.

Significant or Material Change

There has been no significant change in the financial or trading position of the Group since 30 June 2021 and there has been no material adverse change in the prospects of the Issuer since 31 December 2020.

Litigation

Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Material Contracts

The Issuer has no material contracts in place which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations under the Notes, other than those contracts entered into in the ordinary course of business.

Third party information

The Issuer confirms that any information that has been sourced from a third party has been accurately reproduced and that, so far as it is aware, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Yield

There is no explicit yield to maturity. The Notes do not carry a fixed date for redemption and the Issuer is not, and under certain circumstances is not permitted, to make payments on the Notes at the full stated rate. The interest rate is also subject to periodic resetting.

For information purposes only, the yield of the Notes calculated on the basis of the Issue Price and the Initial Rate of Interest from (and including) the Issue Date up to (but excluding) the First Reset Date and assuming no Write-Down during such period would be 5.961 per cent. per annum calculated on an annual basis. It is not an indication of the actual yield for such period or of any future yield.

Independent Auditors

The Shareholders' Meeting of Banca Farmafactoring S.p.A. (now BFF Bank S.p.A.) held on April 2, 2020 appointed the auditing firm KPMG S.p.A. to audit the financial statements from 2021 to 2029, pursuant to the provisions of article 2409-bis of the Italian Civil Code and Italian Legislative Decree 39/2010.

The audited consolidated annual financial statements of BFF Bank as at and for the years ended, respectively, 31 December 2019 and 31 December 2020 were audited PricewaterhouseCoopers S.p.A., while the consolidated interim financial report of BFF Bank as at and for the six months ended 30 June 2021 have been subject to limited review by KPMG S.p.A..

KPMG S.p.A and PricewaterhouseCoopers S.p.A. are registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010 as implemented by the MEF (Decree No. 144 of 20 June 2012). The registered office of KPMG S.p.A. is at Via Vittor Pisani, 25, 20124, Milan, Italy. The registered office of PricewaterhouseCoopers S.p.A. is at Piazza Tre Torri n. 2, 20145, Milan, Italy.

Rating Agencies

Moody's France SAS is established in the European Union and registered in accordance with Regulation No. 1060/2009/EC of the European Parliament and the Council dated 16 September 2009 relating to credit rating agencies, and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at http://www.esma.europa.eu/supervision/credit-rating-agencies/risk.

Irish Listing Agent

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the Global Exchange Market of Euronext Dublin.

Interests of natural and legal persons involved in the issue/offer

The Sole Global Coordinator and Sole Bookrunner and its affiliates have engaged, and may in the future engage, in financing, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business. The Sole Global Coordinator and Sole Bookrunner and its affiliates may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Sole Global Coordinator and Sole Bookrunner and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Sole Global Coordinator and Sole Bookrunner or its affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Sole Global Coordinator and Sole Bookrunner and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such positions could adversely affect future trading prices of the Notes. The Sole Global Coordinator and Sole Bookrunner and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the avoidance of doubt, for the purpose of this paragraph the term "**affiliates**" also includes a parent company.

THE ISSUER

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Via Domenichino, 5 20149 Milan
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FISCAL AGENT AND PAYING AGENT

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United Kingdom

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To the Issuer as to Italian and English law
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20123 Milan
Italy

To the Sole Global Coordinator and Sole Bookrunner as to Italian and English law
Clifford Chance
Studio Legale Associato
Via Broletto, 16
20121 Milan, Italy

AUDITORS

From 25 March 2021

KPMG S.p.A.
Via Vittor Pisani, 25
20124 Milan
Italy

With respect to the 2019 and 2020 financial statements and until 24 March 2021

PricewaterhouseCoopers S.p.A.
Piazza Tre Torri n. 2
20145 Milan
Italy

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