BASE PROSPECTUS

BANCA FARMAFACTORING S.P.A.

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

€1,000,000,000
Euro Medium Term Note Programme

This base prospectus (the "**Base Prospectus**") constitutes a base prospectus for the purposes of Article 8 of Regulation (EU) No. 2017/1129 of 14 June 2017 (the "**Prospectus Regulation**"). Under this €1,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Banca Farmafactoring S.p.A. (the "**Issuer**" or the "**Bank**" or "**Banca Farmafactoring**" or "**us**" or "**we**") may from time to time issue non-equity securities, which may be governed by English law (the "**English Law Notes**") or Italian law (the "**Italian Law Notes**" and together with the English Law Notes, the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €1,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

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

Interest and/or other amounts payable under the Notes may be calculated by reference to benchmarks including EURIBOR, LIBOR or WIBOR, in each case as specified in the relevant Final Terms or Drawdown Prospectus (as defined below) as the case may be. As at the date of this Base Prospectus, EURIBOR is provided and administered by the European Money Markets Institute ("**EMMI**"), LIBOR is provided and administered by ICE Benchmark Administration Limited ("**ICE**") and WIBOR is provided and administered by GPW Benchmark S.A. ("**GPW**"). At the date of this Base Prospectus, ICE and EMMI are authorised as benchmark administrators, and included on, whereas GPW is not included 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 far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that GPW is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence). An investment in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" below.

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Regulation. The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the quality of the Notes that are the subject of this Base Prospectus and investors should make their own assessment as to the suitability of investing in the Notes. This Base Prospectus is valid for a period of twelve months from the date of approval. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Base Prospectus after the end of its 12-month validity period. This Base Prospectus comprises a Base Prospectus for the purposes of Article 8 of the Prospectus Regulation. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for notes ("**Notes**") issued under the Euro Medium Term Note Programme described herein (the "**Programme**") within twelve months after the date hereof to be admitted to the Official List of Euronext Dublin (the "**Official List**") and trading on its regulated market (the "**Regulated Market**"). The Regulated Market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of MiFID II and/or which are to be offered to the public in any Member State of the European Economic Area (the "**EEA**"). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

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

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

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and notes in bearer form are

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

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

Prohibition of Sales to EEA Retail Investors – If the Final Terms or Drawdown Prospectus, as the case may be in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of 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 MiFID II. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

ARRANGER AND SOLE DEALER

Banca IMI

The date of this Base Prospectus is 17 January 2020.

IMPORTANT NOTICES

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

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

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

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

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

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

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

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Fiscal Agent expressly do not undertake to review the financial condition or affairs of the Issuer or the

Issuer and the Group during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

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

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

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

This Base Prospectus includes forward-looking statements. These include statements relating to, among other things, the future financial performance of the Issuer and the Group, plans and expectations regarding developments in the business, growth and profitability of the Group and general industry and business conditions applicable to the Group. The Issuer has based these forward-looking statements on its current expectations, assumptions, estimates and projections about future events. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results, performance or achievements of the Group or those of its industry to be materially different from or worse than these forward-looking statements. The Issuer does

not assume any obligation to update such forward-looking statements and to adapt them to future events or developments except to the extent required by law.

In this Base Prospectus, references to websites are included for information purposes only. The contents of any websites (except for the documents (or portions thereof) incorporated by reference into this Base Prospectus to the extent set out on any such website) referenced in this Base Prospectus do not constitute a part of or are incorporated into this Base Prospectus and have not been scrutinised or approved by the Central Bank of Ireland.

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

STABILISATION

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

SUITABILITY

The Notes may not be a suitable investment for all investors.

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;

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

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in 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 value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

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

In making an investment decision, investors must rely on their own independent examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved. None of the Arranger, the Dealers, or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

CONTENTS

Page

RISK FACTORS

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

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

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

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

RISK FACTORS RELATED TO THE ISSUER

(A) Risks related to our business activities

The sectors in which we primarily operate are 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 (each as defined in "*Description of the Issuer and the Group*") 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. Furthermore, the implementation of such measures may also be accelerated as a consequence of the initiatives that the European Commission has commenced towards those Member States that have traditionally longer delays in the payment process and the introduction of electronic invoicing across the European Union pursuant to Directive 2014/55/EU. In particular, the European Commission has warned Italy, Spain, Greece, Slovakia and Portugal with respect to this specific matter and in some cases commenced infringement procedures against Member States. In 2017, the Italian government introduced, on an experimental basis, a system called SIOPE + (Information System on Public Operations) in order to improve the monitoring of the timing of payment of commercial debts by public administrations. The system matches the information collected by the entities with that contained in invoices and, potentially, to follow

the entire revenue and expenses cycle. SIOPE + is fully applicable to public administration entities. It is intended that SIOPE+ will have a positive impact on the efficiency of the system of public payments as the complete dematerialization of collections and payments improves the quality of treasury services.

Public administration creditors will also benefit from the reporting system set up through the integration of the information collected by SIOPE+ with those of invoices payable, recorded by the electronic platform (PCC).

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 (with respect to sub-central contracting authorities and contracting entities, the requirement may be postponed to 18 April 2020).

A significant reduction in delays in public sector payments 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. For example, starting from 2014 the Italian and Spanish governments have implemented measures aimed at making the relationship between the national health system/public sector and their suppliers more efficient by providing funds to the relevant public entities, thus shortening the timing for payment and ensuring the payment of receivables. In Italy, these measures were implemented through Legislative Decree No. 35 of 8 April 2013 (converted into Law No. 64 of 6 June 2013) and Legislative Decree No. 66 of 24 April 2014, and in Spain the "*Fondo de Liquidez Autonomico*" and the "*Plan de Pago*" were introduced in 2012. In addition, the Government of Slovakia has approved a debt relief plan for hospitals, which provides for payment to hospitals' creditors for an amount up to €585 million for the period 2017-2019. The debt relief plan is available for all types of hospitals and creditors, and it was carried out in three rounds: (i) the first round was for debts overdue more than two years, as at 31 December 2016; (ii) the second round was for debts overdue 0-2 years, and (iii) the third round was for debts referring to invoices issued after 1 January 2017. In each round of the debt relief plan, the payments covered a smaller amount of debt, increasing competition between suppliers in electronic auctions. In 2018, for the first round, €336 million, including suppliers (€200 million) and social security had already been allocated. €54 million and €95 million, respectively, and in total €149 million were paid for the second and third round. As there is a residual unused amount of €100 million, if hospitals' creditors continue to accept the debt relief plan, the demand for our services in Slovakia could suffer also during the financial year 2020, which could have a material adverse effect on our business, results of operations and financial condition.

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, (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 key markets 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 business primarily 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.

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 receivables that are not certain and due from the debtors.

In 2014, we expanded our non-recourse factoring business by purchasing receivables owed by financially vulnerable public entities (including municipalities, provinces, and island and mountain communities), which at the time of purchase were already impaired assets, which however 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, as well as 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 eliminate Italian provinces and carry out mergers of municipalities, 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.

We derive a significant portion of our revenue from a limited range of services provided in a limited number of countries.

The activity of the Group is subject to concentration risks both in the limited range of services we offer (Non-Recourse Factoring, Credit Collection Management and lending) and the limited number of countries in which the majority of our business activities are still concentrated (primarily Italy, Spain and Poland) despite our expansion into a number of other European markets (Portugal, Greece, Croatia, France, Slovakia and the Czech Republic).

As a consequence of such concentration, possible changes to the political situation and/or to local regulations, as well as a possible deterioration of the Italian economy and/or of the other national markets where we operate by purchasing receivables owed to suppliers by public administration entities, could have a material adverse effect on our business, results of operations and financial condition.

There is no certainty whether in the future the Issuer will be able to pursue the strategy of diversifying its activities, in terms of both offered services and geographical markets, which 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 our Traditional Activities (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 maintained strong commercial relationships. For the year ended 31 December 2018, almost 40% of the total volume of receivables intermediated in 2018 with regard to Traditional Activities (both Non-Recourse Factoring and Credit Collection Management services) derived from our top ten customers to whom we provide our Traditional Activities. These clients have been our customers for an average period of almost twenty years as of 31 December 2018 and approximately more than fifteen years with respect to our non-recourse factoring business. 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, and therefore we have limited visibility with respect to future volumes. Therefore, we may not be able to achieve the same volume of receivables in the future, and 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.

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, for example following a breach of contract. 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 counterparty risk is inherent in the temporary investment of liquidity with maximum durations not exceeding one month and derivative contracts entered into to hedge our interest rate and exchange rate risk. Our application of the "standardised" methods of calculating counterparties' risk entails a low degree of risk. 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 where such business activities are carried out (the so called "country risk" under Pillar 2).

Furthermore, in relation to the factoring activities carried out by BFF Polska and its subsidiaries (BFF Central Europe in Slovakia and BFF Ceska Republika), we purchase overdue receivables from the suppliers of public healthcare entities (the "**Centres**"). The execution of the assignment contracts in Poland is conditional upon the acceptance of the assignment by the founding entity of the Centres. BFF Polska also offers solutions consisting of factoring-like products, assuming all risks connected to the receivables, including the commitment to finance them and paying the supplier regardless of an unsuccessful payment collection, as well as the risk of possible disputes. This activity therefore entails the risks connected to non-recourse factoring, including the assumption of the risk of the assigned debtor becoming insolvent (and therefore failing to pay) and, secondly, of the client becoming insolvent.

The credit risk assessment procedures that BFF Polska Group uses to assess creditworthiness are tailored to its business model. It cannot be ruled out that, despite passing the verification process, debtors do not meet their obligations toward BFF Polska Group. A failure of a debtor may have a negative impact on BFF Polska Group's financial condition and its ability to fulfil its own obligations, which in turn could have a material adverse effect on our business, results of operations and financial condition.

From 2014 we extended our non-recourse factoring to receivables due from: (i) Italian local authorities that have been subject to a procedure of financial distress or a financial recovery scheme; (ii) Italian local authorities that might be subject to such procedures; or (iii) Italian Public Entities that may be subject to compulsory administrative liquidation. We also purchase receivables from such authorities, which are already impaired at the moment of the purchase. Such extension of our business exposes us to the risk of not recovering the capital invested in the purchase of the receivables due from such entities, and might result in a lengthening of either the estimated collection times or negotiations with debtors. This situation could drive us to a material increase in the number of our (net and gross) non-performing loans and therefore could lead to potential losses in case of compulsory administrative liquidation, which could have a material adverse effect on our business, results of operations and financial condition.

In 2015, the Issuer started the activity of non-recourse factoring concerning tax receivables which are owed by the Italian tax authorities.

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 debtors do not meet their obligations and there could in future be a deterioration of our credit portfolio. Failure of our 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.

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 (representing 65% of our revenues) 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.

In Italy, Spain and Portugal and, following the acquisition of the BFF Polska Group, in Poland, the Czech Republic and Slovakia, we also carry out with-recourse factoring to private debtors (mostly belonging to the healthcare sector), although to a lesser extent. We decided to exit the private sector factoring business for Small and Medium-sized Enterprises ("**SME**") in Poland and we are managing the recovery of the run-off portfolio.

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.

We operate in an increasingly competitive 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 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 characterized by a high level of competitiveness.

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. This situation, combined with the features of non-binding contracts on a long-term basis, may constitute a risk in relation to the maintenance of our market share and the realisable profit margins, with a consequent negative impact on our expectations and on our financial, economic and capital situation, as well as on the Group's results.

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 masses 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 and Business Plan (each as defined in "*Description of the Issuer and the Group*"), we pursue a growth strategy designed to expand our business into different segments of the national health system and public administration in Italy, Spain and Portugal, and into new or similar European markets organically (as we did in Spain, Portugal, Greece, Croatia and France) or through acquisitions, as was the case in the Eastern European Market with the acquisition of the BFF Polska Group (operating in Poland, Slovakia and Czech Republic).

We cannot accurately predict whether such actions and the investments we have made to support our growth strategy will be effective or profitable. For example: (i) increasing volumes in order to strengthen our market share, (ii) introducing our services to new foreign markets (such as Greece, Croatia and France) and new segments of public administration, and/or (iii) opening of new branches (such as our new banking branch in Poland which we opened for the collection of deposits in September 2019) may not produce the results we expected since we do not have extensive experience or a database with sufficient information on payment procedures in the new markets and business sectors.

Not meeting our expectations for growth could affect not only our annual revenues but could eventually also have the effect of shrinking our forecasted investments in our business.

We intend to continue to improve our funding structure through the diversification of our funding resources, including via the collection of deposits in six countries (Italy, Spain, Holland, Germany, Poland and Ireland). Deposit taking is a highly regulated activity and there is a risk that those regulations, and in particular any changes to those regulations, may cause our business to be affected. In addition, the market for deposit taking is highly competitive and our competitors may be able to offer more favourable terms to our customers than we can. We have a more limited track record in the sector, compared to our Traditional Activities, because we have been active for a shorter period of time. We could fail to maintain or expand our deposit taking activities, especially in those markets where we have no experience in collecting deposits (especially from retail clients), such as the Polish market. This could have a material adverse effect on our business, results of operations and financial condition. A low level of funding from deposits could negatively affect our funding structure because the forecasted volumes would then require a different and potentially more expensive source of funding.

In addition, an excessive level of funding sources compared to our financial needs could lead to a return on liquidity lower than its cost, which could impact our profitability, and thus could have a material adverse effect on our business, results of operations and financial condition.

Furthermore, since 2014 we have established a strategy aimed at diversifying and expanding our distribution channels for our Traditional Activities. We have entered into agreements with banks, brokers and other financial institutions including insurance and reinsurance companies ("**Intermediaries**") in order to promote our services amongst such Intermediaries' customers. We are exposed to the risk that the pool of targeted customers has not been identified correctly and that the resources invested for the development of commercial relations do not generate the expected results. The agreements entered into with Intermediaries include confidentiality clauses. However, we cannot rule out that Intermediaries may breach their confidentiality undertakings and disclose confidential information regarding our services to third parties. In addition, these agreements do not contain exclusivity clauses in our favour, and therefore Intermediaries may also endorse the services provided by our competitors amongst the same pool of customers. Furthermore, we are exposed to reputational risks if Intermediaries do not properly represent our products, services and activities to customers, or conduct their activities in a way which is not in line with applicable law and our code of ethics.

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.

The seasonality in our business volumes 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.

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 and Financial Plan, may in the future make, material acquisitions or enter into strategic partnerships or other material transactions. Such transactions could result in the incurrence of additional debt and related interest expense or contingent liabilities and amortisation expenses related to intangible assets,

which, in each case or in the aggregate, could have a material adverse effect on our business, results of operations and financial condition.

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.

(B) Liquidity and other financial risks

Our business model is based on cash flow estimates and any incorrect evaluations of DSO relative to the payments of debtors may impact on our liquidity.

In our Traditional Activities, we estimate the income that we can generate from our receivables portfolio on the basis of our past experience.

The pricing of each receivable acquired in the context of our Traditional Activities is set on the DSO and the creditworthiness of the relevant customer and debtors. This metric allows us to manage the liquidity we need to run our business and determine our margins. Therefore, 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 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.

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, at the same time, 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 reorganization 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 (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 the 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 Farmafactoring España 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.

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. In the six month period ended 30 June 2019 and the year ended 31 December 2018, we set aside a fund for risk and charges, respectively, of €4,352,123 and €4,980,559 of which, respectively, €684,620 and €805,820 related to provisions for pending legal proceedings. See "*Description of the Issuer and the Group — Legal Proceedings*" below.

Risks related to our indebtedness.

Our business relies heavily on our access to funding resources consistent with the quality and cost criteria established by our business plan. As of 30 June 2019, our Group had outstanding indebtedness of €3,511 million, of which €879 million related to deposits, utilised loans and credit limits including overdraft facilities in the total amount of €1,394 million, securitisations of €150 million and bonds of €652 million.

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 in our debt documentation; (ii) exposure to the risk of increased interest rates as certain of our loans have variable rates of interest; (iii) a requirement to dedicate a portion of our cash flow to repay commitments / make payments under the BFF Polska loan agreements, reducing the funds available for working capital, capital expenditures, investments, acquisitions and other general corporate purposes; and (iv) a limitation on our ability to obtain additional financing 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 or to comply with the terms and conditions of the Notes 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. There is a risk that on the repayment dates of the Notes and/or the loan agreements, or should the lenders and/or noteholders demand immediate repayment/redemption of the outstanding amounts, we may not have sufficient funds to make such payments. 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 indebtedness and the restrictive covenants, 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.

Downgrade 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 Base Prospectus, our credit ratings assigned by Moody's France SAS are as follows:

- Long-term issuer rating: Ba1, positive outlook;
- Long-term deposit rating: Baa3, positive outlook;

- Short-term deposit rating: P-3; and
- Baseline credit assessment (BCA): Ba3.

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) 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. 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.

In addition, a downgrade by our ECAI of the sovereign rating in one or more countries in which we operate could negatively affect the capital absorption required deriving from the higher risk weighting associated with our credits toward public sector entities according to the credit standardized approach of the relevant European regulations.

Our dependence on access to the capital markets and ability to monetise assets in order to maintain certain levels of liquidity and to obtain long-term financing could have a material adverse effect on our business, financial condition, or results of operations.

In order to carry out all our businesses, with the exception of our credit management business, we rely on stable and high quality funding resources. As part of our regular non-recourse factoring business, we may not receive payments within the time frame we had estimated, especially with regard to healthcare debtors and other debtors with whom we only have a recent track record. This gives rise to the risk that we may not be able to rely on the liquidity we need to run our business, including the ongoing acquisition of receivables. Therefore we may need to access the capital markets in order to support our capital needs.

Our ability to access funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside of our control, such as liquidity constraints, general market conditions and confidence in the Italian and European banking system.

Since obtaining a banking license, we have been able to diversify and expand our sources of funding, while also significantly reducing the corresponding funding costs. There is no assurance that in the future we will be able to maintain the same conditions which permit us to access existing financing sources at comparable terms of cost and availability, or that we will be able to renew our existing financing at equal terms and conditions.

The global financial crisis significantly reduced liquidity levels and medium to long term financing. Any downgrade of the public rating in the countries in which we operate (Italy, Spain, Portugal, Poland, Czech Republic, Slovakia, Greece, Croatia and France) could result in an increase of the financing cost at a sovereign debt level which, in turn, could impact on the financing cost of our business and thus limit available liquidity and our business profitability.

In addition, we carry out refinancing transactions with the ECB using trade eligible credits deriving from factoring activities with the public administration through the Collateralized Banks Assets (*Attivi Bancari Collaterali*) platform ("**ABACO**") which allows us to access the Eurosystem by securing receivables owed by the public administration purchased as part of our non-recourse factoring business. So far we have only minimally used the ABACO platform (approximately €4 million as of 30 June 2019). However, we cannot exclude that our use may increase in the future. If the rules relating to the access to the ABACO platform and/or the type of eligible credit were to change in a way that is prejudicial to us (for example by excluding receivables owed by the public administration from the definition of eligible assets) this could negatively affect our business and we may need to access different types of financing and/or

rely more heavily on the sources of funding we currently use. This could have a material adverse impact on our business, results of operations and financial condition.

In addition to securing receivables through the ABACO platform, we carry out secured financing transactions with the banking system by using receivables owed by the public administration purchased as part of our non-recourse factoring business as collateral (in particular, the financial sources granted by the banking system in favour of BFF Polska are mainly represented by secured financing). Furthermore, we may have access to liquidity guaranteed by the ECB by offering as collateral Italian government bonds.

Should the Italian state not be able to repay the government bonds making up part of the collateral used to have access to liquidity guaranteed by the ECB, and/or to repay receivables due from the public authorities forming part of the collateral used with the ABACO platform or the banking system, and/or should one or more of the public authorities or the third-party debtors, with regard to which we have granted a pledge over receivables due as collateral, not be able to repay their debts, in full or in part, it may become difficult or impossible for us (in the absence of equivalent forms of refinancing) to repay the abovementioned forms of financing, or we may be forced to access more costly forms of refinancing and/or burdensome conditions than usual. In addition, such circumstance may cause us to incur losses and our capital could decrease significantly. Any of these circumstances could have a material adverse effect on our business, results of operations and financial condition.

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. Default interest is limited 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 will increase in the future. 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 regards to refinancing transactions and the profitability of the Group.

The BFF Polska Group's assets pay interest based on fixed and floating rates. The main funding sources of the BFF Polska Group consist of floating rate bank loans and funding from the Issuer. Therefore, there is a risk of a mismatch. 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.

A significant portion of our business is done in currencies other than the Euro, predominantly in Polish Zloty. This means that 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.

Any change in exchange rates could have major negative effects on our activity, operating results and capital and financial position.

(C) Operational Risks

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 procedures implemented and the measures adopted may prove to be inadequate and/or not in compliance with the laws and regulations in force from time to time, and/or may not be promptly or properly implemented by employees and associates (also due to frequent changes in the rules and procedures themselves). Thus, 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.

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 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, 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.

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 this Base Prospectus, we are not implicated in any proceeding commenced under Decree 231, which applies also to our Spanish, Polish and Portuguese 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 Traditional Activities.

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.

Our risk management policies, procedures and methods may leave us exposed to 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.

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

Furthermore, even if our internal procedures for the identification and management of risk are 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.

In the future there could be changes to the classification of "past due" exposures of which we are not aware which could lead us to incorrectly classify, or not classify, exposures as "past due". In addition, in the future we may incorrectly interpret the new provisions introduced by the EU Banking Reform Package (as defined below), including, by way of example, the rules relating to the calculation of the net stable funding ratio ("**NSFR**"), the calculation of assets connected with market and counterparty risks, limitations on large exposures and the leverage ratio. Any such failure of our risk management systems could lead to a disruption of our operations and have a material adverse effect on our business, results of operations and financial condition.

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, and in particular our factoring system and platform for the collection of deposits. We have made significant investments to develop our IT system and guarantee its continuity following exceptional events (e.g. external attacks on our system). Any serious failure of the factoring system or 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.

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.

With respect to our Collection Management and Non-Recourse Factoring businesses, 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) which could lead us to seek to recover receivables from the wrong parties. In addition to having a negative impact on our liquidity and capital, this would expose us to a risk of serious damage to our reputation due to not being able to reliably manage the receivables of our customers and a risk of mispricing new Non-Recourse Factoring business volumes.

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.

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 competitively purchase or manage receivables, 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) 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), and (ii) certain services relating to the opening of term deposit accounts and customer background checks.

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.

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 2019, we had 477 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 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.

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

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

We may be unable to meet minimum capital adequacy requirements.

Capital adequacy rules for banks set out the prudential requirements for minimum capital and asset quality, as well as risk mitigation instruments.

With respect to "Pillar I" 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 are the following:

- *capital conservation buffer* – pursuant to Circular No. 285 the capital conservation buffer is equal to 2.5% of risk-weighted assets ("**RWAs**") starting from 1 January 2019;

- *counter-cyclical capital buffer* – this buffer is set by the Relevant Authority between 0% and 2.5% of RWAs (but may be set at a level higher than 2.5% where the competent national authority considers that the conditions in the Member State justify such increase), and shall apply temporarily in the periods when the competent national authorities judge the credit growth excessive. On 20 September 2019 the Bank of Italy confirmed that the counter-cyclical capital buffer for the fourth quarter of 2019 was set at 0%;

- *capital buffers for global systemically important institutions ("**G-SIIs**")* – this capital buffer does not apply to Banca Farmafactoring; and

- *capital buffers for other systemically important institutions at domestic level ("**O-SIIs**")* – this buffer, does not apply to Banca Farmafactoring.

The total amount of such capital buffers is referred to as the combined capital buffer requirement (the "**Combined Capital Buffer Requirement**"). The Combined Capital Buffer Requirement must be met using CET1 Capital items. A failure to satisfy the Combined Capital Buffer Requirement (or the capital conservation buffer) triggers the application of capital conservation measures, such as restrictions to dividend distributions. In addition, banks must present to the relevant authority a capital conservation plan indicating the measures (including additional capital increases) that they intend to adopt in order to comply with the Combined Capital Buffer Requirement.

As we do not qualify as G-SII or O-SII, we are required to comply only with the requirements concerning the capital conservation buffer and the counter-cyclical capital buffer. As of 30 June 2019, we were compliant with such requirements.

In 2019, we were subject to the Bank of Italy's SREP in accordance with applicable regulations. Based on the outcome of the annual SREP process concluded on 28 June 2019, the Group (with reference to the consolidation perimeter for the purposes of the CRR) must comply with the following minimum capital ratios, each of which including the capital conservation buffer component: (i) 7.80% in relation to the Common Equity Tier 1 ratio, previously set at 7.175%; (ii) 9.60% in relation to the Tier 1 Ratio, previously set at 8.975%; and (iii) 12% in relation to the Total Capital Ratio, previously set at 11.375%. We cannot exclude that the SREP process carried out by the Bank of Italy, along with the entry into force of new regulatory requirements, may lead to the application of more stringent capital requirements with regard to the Group in the future.

As of 30 June 2019, the Common Equity Tier 1 capital ratio, the Tier 1 Capital ratio and the Total Capital Ratio of the banking group – as defined under Article 64 of Legislative Decree No. 385 of 1 September 1993 (as amended) (the "**Italian Banking Act**") – (the "**Banking Group**") were respectively equal to 11.5%, 11.5% and 16.08%. The same ratios determined in accordance with the criteria for prudential consolidation set out under the CRR – according to which BFF Luxembourg S.à r.l. ("**BFF Luxembourg**") and the entities of the BFF Polska Group shall be included in the consolidation perimeter for the purposes of the CRR – amounted to 13.40% (Common Equity Tier 1 capital ratio), 14.58% (Tier 1 Capital ratio) and 17.64% (Total Capital Ratio) as of 30 June 2019. As of the date of this Base Prospectus our capital adequacy levels, at a consolidated level, exceed the regulatory limit.

Despite being higher than the minimum levels set by the Bank of Italy, the solvency indicators have shown a downward trend connected to the development of our business (*i.e.* the increase of risk positions due to business expansion). Negative impacts on capital levels may also arise from the incidence of other factors like the deterioration of credit quality, changes in regulation, downgrades of the ECAI sovereign rating of the countries where we operate, changes to the criteria for "past due" classification, an increase of assets, increase in litigation, as well as external factors and unforeseeable events that are out of our control or following further Supervisory Authority requests. We cannot exclude the possibility of future changes concerning the current calculation risks of our assets in relation to the countries in which we operate.

Also in consideration of the foregoing, no assurance can be given that we will be able to maintain the capital adequacy level as of 30 June 2019 or that our capital ratios will not fall below the minimum requirement in the future. Under such circumstances, we may be forced to adopt measures to strengthen our capital, reach appropriate capital adequacy levels for our business operation or meet standards established by applicable prudential requirements or required by supervisory authorities. If this were to occur, the Bank of Italy or other Relevant

Authorities may take actions that could have a material adverse effect on our business, financial condition and results of operation.

In addition, due to the rules on prudential consolidation applying under the CRR, our compliance with the capital adequacy requirements also depends on the economic and financial position of BFF Luxembourg. Even if BFF Luxembourg is a financial holding company which does not perform any additional business, and has undertaken to maintain a dividend distribution policy capable of keeping a Total Capital Ratio not lower than 15%, at both the levels of the Group and the consolidation perimeter for the purposes of the CRR, we cannot exclude that the worsening of the financial position of BFF Luxembourg might have a negative impact on our compliance with the capital adequacy requirements. This could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we cannot accurately predict whether future changes may be made to certain criteria established by the Relevant Authority in the countries in which we operate and in particular, whether changes will be made to the exposure classes established by the CRR for states and central administrations (currently 0%) as well as local authorities (20%). Accordingly, such changes could make it more difficult for us to satisfy and comply with capital adequacy levels, standards and/or regulations.

A negative impact on RWAs may also derive from the occurrence of other factors – in addition to future credit rating downgrades by multiple notches regarding the Republic of Italy or other countries were we operate – such as loan impairment, asset value deterioration, increases in litigation expenses or any other external or unpredictable factors beyond our control, including further request from the relevant Supervisory Authorities. Should we fail to meet the required capital adequacy levels for these or any other reason, it could have a material adverse effect on our business, financial condition and results of operations.

Any downgrade related to the debt of the Republic of Italy may also affect the ability of the Bank to use the liquidity granted by the European Central Bank to fund its operations. In particular, should we decide to use our portfolio of Italian sovereign debt securities in order to enter into repurchase ("repo") transactions with the European Central Bank for liquidity purposes, any such downgrade may determine the application of increased haircuts, with a consequent reduction, albeit limited, on the liquidity generated by such securities.

We are subject to extensive regulation in the banking sector and may in the future be adversely affected by regulatory measures applicable to our business, including potential changes in the method of calculation of "past due" exposures or requirements on minimum loss coverage for non-performing exposures (also known as calendar provisioning).

We operate in a highly regulated environment for banks and the laws and government regulations related to our industry may change from time to time. In particular, we are subject to extensive regulation and supervision by the Bank of Italy and the European Central Bank within the context of the Single Supervisory Mechanism and the European System of Central Banks. We are subject to law and regulations that govern the activities carried out by banks and are aimed at maintaining banks' safety and soundness and limiting their exposure to risk. In addition, we must comply with any financial services law which may apply to our marketing and selling activities.

Our failure to comply with applicable laws or regulations, and/or the negative outcome of inspections carried out by the Bank of Italy, could disrupt our operations and have a material adverse effect on our business, results of operations and financial condition.

In particular, we are subject to an extensive set of rules governing our capital adequacy, liquidity levels and leverage, which derive from the requirements approved by the Basel Committee on Banking Supervision following the recent financial crisis ("**Basel III**"). The Basel III proposals were implemented in the European Union by the Capital Requirements

Directive 2013/36/EU (the "**CRD IV**") and Capital Requirements Regulation (Regulation (EU) No 575/2013) (the "**CRR**"), which were enacted in June 2013. In Italy, the CRD IV has been implemented through Legislative Decree No. 72 of 12 May 2015, which entered into force on 27 June 2015, as well as with the Bank of Italy Circular No. 285 of 17 December 2013 ("**Circular No. 285**"). See "*—We may be unable to meet the minimum capital adequacy requirements*" above.

In November 2016, the European Commission announced a comprehensive package of reforms to amend the CRD IV, the CRR, the Bank Recovery and Resolution Directive (Directive 2014/59/EU) (the "**BRRD**") and Regulation (EU) No 806/2014 (the "**SRM Regulation**") to further strengthen the resilience of EU banks (the "**EU Banking Reform Package**"). The final text of the EU Banking Reform Package was published in the Official Journal of the European Union on 7 June 2019 and entered into force 20 days thereafter, on 27 June 2019.

Many of the changes to the CRR are directly applicable to the Bank from that date, with the remainder to apply in phases beginning in December 2020. The majority of the CRD IV amendments and the amendments to the BRRD will need to be transposed into Italian law within 18 months before taking effect, while the changes to the SRM Regulation will also apply from December 2020.

The EU Banking Reform Package includes, among other things, a binding 3% leverage ratio and a binding detailed NSFR.

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 CET1 capital that they use to meet their leverage-related requirements to also meet their risk-based own funds requirements, including the combined buffer requirement.

The NSFR requires 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. The NSFR is additional to the 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).

Some of the rules set forth in the EU Banking Reform Package will have to be implemented by EU Member States and/or further supplemented by EU institutions or national competent authorities by way of implementing or regulatory technical standards, guidelines or second-level regulations. More generally, some of the banking laws and regulations which apply to our business have only recently been adopted, or are still due to be implemented and supplemented by additional rules or regulations. As a consequence, the manner in which those laws and regulations are applied to the operations of financial institutions is still evolving. There can be no assurance that such laws and regulations will be adopted, implemented, supplemented, enforced or interpreted in a manner that will not have an adverse effect on our business, financial condition and results of operations.

With respect to *"past due"* exposures, the following proposed changes, *inter alia*, could affect our business:

- amendments to the legislation on "past due" criteria for the determination of past due resulting in more stringent rules for the classification of credit for private and public administration exposures;

- the EBA guidelines on the application of the definition of default for the purposes of the rules applying to "past due" exposures, which are expected to take effect from 30 December 2020 (the so called "new definition of default"). Under the guidelines the exposures would be "past due" if exceeding a certain threshold of the total exposure towards the same debtor which must still be identified by competent authorities. A special regime is provided in relation to certain exposures towards public sector entities, which become past due when overdue by more than 180 days. Additional changes relate to the potential removal of the preference treatment whereby a single payment interrupts the past due calculation, and the criteria applied to determine the past due period;

- Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amending Regulation (EU) 575/2013 as regards minimum loss coverage for non-performing exposures. This regulation, which is already in force, is aimed at addressing issues connected with the stock of NPLs held by European banks.

The potential application of different and more stringent criteria and/or the adoption of different and more stringent interpretations by competent authorities to determine the risk weight of exposures to entities belonging to the Italian national health system and/or to the public administration, also on the basis of the proposals mentioned above, could significantly increase the amount of our exposures classified as "past due" and, as a consequence, our risk weighted assets and the capital absorption deriving from such exposures. In addition, the more stringent classification of the exposures with the minimum loss coverage provided for by the regulation could have a negative effect on the own funds of the Group. The effect could be even worse in the event of a long persistence of the non-performing exposures following the new definition of default.

In addition, the introduction of new regulations in the future or any changes to the legislation currently in force in the countries in which we operate may require us to comply with new standards in ways that we cannot currently predict or restrict our ability to do business in those countries and may require us to further strengthen our capital. As a result, we could incur additional costs for having to adapt the features of our products and services or distribution and control structures to comply with such new regulations. As a result, we may also have to limit our business operations. This could have a material adverse effect on our business, financial condition and results of operations.

Our business and capital ratios may be affected by the new regulatory measures on NPLs.

On 14 March 2018 the European Commission 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 (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 European Commission's "Second Progress Report" on NPLs.

In parallel with the regulatory initiatives of the European Commission mentioned above, on 15 March 2018 the ECB issued an addendum (the "**ECB Addendum**") to its "Guidance to banks on NPLs of March 2017" (the "**NPLs Guidance**"). The ECB Addendum detailed the ECB supervisory expectations as regards the minimum levels of NPLs provisioning by significant credit institutions subject to direct ECB supervision within the context of the Single Supervisory Mechanism. The ECB Addendum set 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 new secured NPLs, a certain level of provisioning was expected after three years of classification as an NPL, or "NPL vintage", which then increases over time until year seven.

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.

As a consequence of the minimum statutory backstop for prudential provisioning on NPLs, we could be required to increase our coverage ratios in respect of exposures classified as NPLs.

Furthermore, even though the higher requirements provided under the ECB Addendum, as further clarified through the ECB communication of 22 August 2019, do not apply to our Group (as the Group is not subject to the direct supervision of the ECB), we cannot exclude that the same (or similar) requirements will be introduced by the Bank of Italy in the future on the basis of the ECB Addendum. This could have a material adverse effect on our business, financial condition and results of operations.

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 eligible 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 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 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.

Our capital structure may be affected by the implementation of the MREL requirements or possible future amendments to the current regulatory framework on MREL.

Under the BRRD, credit institutions are required to comply at all times with a minimum requirement for own funds and eligible liabilities ("**MREL**"). Unlike the "Pillar I" minimum capital requirements set forth in the CRR, the appropriate MREL requirement shall be determined by the competent resolution authorities on an institution-by-institution basis. Such determination shall be made by the resolution authority taking into account, *inter alia*, the resolvability, risk profile, systemic importance and other characteristics of any such institution.

The MREL requirements have been recently subject to significant review as a consequence of the enactment of the EU Banking Reform Package.

The EU Banking Reform Package introduces a minimum harmonised "Pillar 1" MREL requirement which will exclusively apply to major credit institutions, while the MREL requirements applying to other credit institutions should follow the same "Pillar 2" approach currently envisaged under the EU legislation. The EU Banking Reform Package introduces the

concept of "MREL guidance" and provides that any breach of applicable MREL requirements may lead to a breach of the combined capital buffer requirement (thereby triggering possible restrictions on distributions and discretionary payments to the holders of regulatory capital instruments and employees, in consideration of the rules on the maximum distributable amount). The EU Banking Reform Package also provides for the introduction of an external MREL requirement and an internal MREL requirement applying to entities belonging to a banking group.

However, the full implementation of the MREL requirements and full implementation and entry into force of the new rules introduced by the EU Banking Reform Package may affect our capital structure as well as the value of the Notes. In particular, we may be requested in the future to issue capital instruments or additional liabilities that are eligible for the purposes of MREL (including Tier 2 Capital instruments) in order to meet such new requirements. There is currently no assurance that we will be able to raise such additional capital and any failure to do so may have a material adverse effect on our business, financial condition or results of operations.

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*) 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 2018, the ordinary contribution due from us to the Italian Interbank Deposit Guarantee Fund was €653 thousand.

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 2019 was €1,734 thousand and was paid in May 2019 (and was completely booked in the first half 2019). The ordinary annual contribution required in 2018 was €1,872 thousand.

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 June 2019, we were required to pay an extraordinary contribution of €310 thousand for the 2017 contribution.

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 prevented from the possibility to offset VAT paid on their input with output VAT (which is no longer received from their customers on said 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 will be applicable until 30 June 2020. By that date, adequate controls should have been developed based on the data acquired through electronic invoicing.

We cannot exclude that application of the Split Payment Mechanism will be extended by the Council of the European Union for a further period after 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 2020, volumes to be sold to us by our clients will increase by an estimated 18%, 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 connection with the authorization of the BFF Polska acquisition, the Bank of Italy recommended the adoption of specific measures aimed, in particular, at ensuring the full direction and coordination of the Polish subsidiary, with the simultaneous reinforcement of the internal controls system and the extension of our policies to BFF Polska and its subsidiaries. The Bank of Italy also requested the definition of a capital plan – for a minimum basis of three years – that takes into account all of the planned strategic initiatives and describing the capital management initiatives capable of ensuring the current and future compliance with the supervisory requirements.

[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 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).

The Bank of Italy also recommended the adoption of specific measures in relation to our establishment of a branch in Portugal.

In September 2017, the Bank of Italy started another inspection in relation to the procedures used by us to manage loans granted as collateral for the Euro-system credit operations, the outcome of which was positive.

Between September and December 2018, the Bank of Italy carried out a general inspection in respect of our business, the outcome of which was partially favourable. In May 2019, we submitted to the Bank of Italy our feedback on the findings set out in its inspection report which was presented to our board of directors in April 2019.

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%.

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;

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

(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.

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

Our exposure to Italian government sovereign debt is significant and we may be adversely impacted by any negative change in the creditworthiness of the Italian government.

We are exposed to the sovereign debt of the Italian government. As of 30 June 2019, the Group's securities portfolio consists of Italian government securities, recorded in the Group financial statements as financial activities under "hold to collect and sell" ("**HTC&S**") and "hold to collect" ("**HTC**").

The nominal and book value of Italian government securities held by the Group as of the six-month period ended 30 June 2019 were equal respectively to €1,070 million and €1,094 million. The fair value of securities as of 30 June 2019 amounted to €162 million for HTC&S and €936

million for HTC. As of the year ended 31 December 2018, the nominal and book value of Italian government securities held by the Group were equal respectively to €1,082 million and €1,109 million. The fair value of securities as of 31 December 2018 amounted to €940.9 million for HTC (formerly HTM) and €161 million for HTC&S (formerly AFS). The incidence of Italian government securities on our total assets (using the book value) had increased from 22.44% at 31 December 2018 to 23.17% at 30 June 2019. We are 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 June 2019, we did not hold any structured securities in our 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 government, 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 "*— Our business and results are impacted by the current volatile macroeconomic environment globally and in the countries in which we operate*" and "*— Our business may be affected by economic conditions and political instability in the countries in which we operate, particularly Italy*" below.

Any increase in the cost of financing at a sovereign debt level could negatively impact the financing costs of our business and limit the liquidity on which our business depends. 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 government. We have ample excess of liquidity, with undrawn funding available approximately equal to €0.4 billion at the end of June 2019. Additionally, we have only €2 million of bonds expiring before June 2020 and we have not drawn targeted long-term refinancing operation (TLTRO) or other ECB's emergency liquidity measure. None of our funding lines is linked to the Italian Government's funding cost or rating. We can also rely on the Programme to benefit promptly from potential funding opportunities in

the international capital markets. Notwithstanding the above, we could be forced to dispose of, in full or in part, our own securities portfolio (including HTC) at prices well below the book value and/or materially increase the share of securities it has to refinance using own funds, which could have a material adverse effect on our business, financial condition, or results of operations.

Our business and results are impacted by the current volatile macroeconomic environment globally and in the countries in which we operate.

The global economy, the condition of the financial markets, adverse macroeconomic developments in our primary markets and any future sovereign debt crisis in Europe may all significantly influence our performance. Our earning capacity and stability can be affected by the overall economic situation and by the dynamics of the financial markets.

Following the global financial crisis, the markets have continued operating under difficult and unstable conditions that have required actions by governments, central banks and supranational organizations to support financial institutions, including the injection of liquidity and direct intervention in the recapitalization of some of these entities. This situation has negatively affected the financial markets and has subsequently impacted the wider economy as well. This negative context, in addition to having contributed to and accelerated deterioration in the state of public finances of European Union ("**EU**") countries, has particularly penalised banking systems such as those of Italy, Spain, Portugal and Greece, where the banks' exposure to sovereign debt is higher than the EU average.

In an effort to address the volatility and turbulence in financial markets, the depressed macroeconomic environment and to support distressed financial institutions, national governments and international organisations have intervened on an unprecedented scale.

There can be no assurance that the measures put in place to address the volatility and turbulence in financial markets, the depressed macroeconomic environments and the debt of certain sovereigns in Europe will be successful. New turmoil in the banking system and financial markets, further consolidation in the banking and financial services industry, or market failures, could trigger further unavailability of credit, low liquidity levels, and significant volatility in the financial markets. Such factors could have a number of effects on our operations, including bankruptcy of our counterparties and increase our costs of funding. Therefore, should Italian or global economic conditions worsen, our services and products may consequently decline due to a variety of factors, including a decrease in the government expenditure in goods and services.

If conditions in the EU deteriorate again and European policy makers are unable to contain any future sovereign debt crisis, we could see a reduction of, or reduced growth in our ordinary business, an increase in our cost of credit, declines in our asset values, accelerated loan impairment losses and decreased profitability, in addition to being required to take further write-downs on our sovereign exposures or other assets. Furthermore, any material defaults, nationalizations or similar adverse events or disruptions that occur in the future (which could include one or more members leaving the Eurozone or the EU) could have a material adverse effect on our business, financial condition or results of operations.

Our business may be affected by economic conditions and political instability in the countries in which we operate, particularly Italy.

We generate a significant percentage of our revenue in Italy and, therefore, our results depend in particular on Italian economic conditions which, in turn, are affected by European and global economic trends. Economic performance in Italy has been significantly influenced by the global financial crisis and has been characterised by economic stagnation. In particular, since the second half of 2011, the Italian economy went through a prolonged phase of recession that culminated at the end of 2014. Beginning in 2015, the Italian economy entered a phase of recovery, albeit weak, due to a number of factors including a gradual stabilization in domestic

demand, moderately favourable dynamics in foreign trade, and an improved level of production with positive effects on employment levels.

On 9 August 2019, Fitch Ratings Limited ("**Fitch**") maintained the rating relating to the Republic of Italy's Long-Term Currency and Local Currency Issuer Ratings at BBB, with negative outlook. Furthermore, on 10 September 2019, Moody's Investors Service, Inc. ("**Moody's**") confirmed the Republic of Italy's rating at Baa3, with stable outlook. On 25 October 2019, Standard & Poor's Credit Markets Services Europe Limited ("**S&P**") assigned a rating of BBB, with negative outlook. On 15 November 2019, DBRS Rating Limited ("**DBRS**") – which is the Group's External Credit Assessment Institution ("**ECAI**") – confirmed the Republic of Italy's rating at BBB, with stable outlook.

Several government crises, internal divisions and alliances between political parties led to the formation of the so-called government "Conte bis" on 5 September 2019. The political developments in Italy have recently caused a volatility in the value of Italian government securities and a corresponding volatility in the risk premium to be paid by the Italian government on its debt compared to other benchmark securities. However, the developments of Italian fiscal policy and the economic implications of the policies of the new Italian government remain uncertain. For example, new government policies may materially change the outlook for our business in terms of decisions regarding taxation, acceleration or lengthening of payment terms for public administration entities, additional funding costs for Italian banks and therefore us. In addition, such developments may potentially lead to further downgrades of Italy's sovereign credit rating by other credit rating agencies. Any such additional downgrades may potentially affect our capital ratios, due to the nature of our business and our exposure towards Italian public sector entities. Furthermore, political instability, if material, could negatively affect the country's economic recovery, and it cannot be ruled out that changes to economic policies and/or political instability could have a material adverse effect on the Group's business, results of operations and financial condition.

Moreover, in Spain, where as of 30 June 2019 we generated 6% of revenue through our subsidiary BFF Finance Iberia S.A. (formerly Farmafactoring España S.A.) ("**BFF Finance Iberia**"), an internal risk to the economy has arisen due to political fragmentation and uncertainties arising from the political situation, which may slow the pace of reform and fiscal adjustments or result in changes to laws, regulations and policies or impact economic growth in Spain that could affect the Group's business, financial condition and results of operations. This applies not only to specific Spanish regions such as Catalonia, where considerable uncertainty exists regarding the outcome of political tensions between Spain's central government and the regional government of Catalonia that, if unchecked, could start to weigh on business confidence and investment, and could weaken Spain's current growth prospects, but also to the central Spanish government. Beyond political factors, there is a consensus that, despite the sustained improvement in the labour market, the unemployment rate will remain high in the months to come. To the degree that the Spanish economy is particularly sensitive to economic conditions in the Eurozone, the main market for Spanish goods and services exports, a marked slowdown of the recovery in the euro area might also have a negative impact on the Spanish economy.

Our subsidiary BFF Polska S.A. (formerly Magellan S.A.) ("**BFF Polska**" or "**Magellan**") and its subsidiaries (the "**BFF Polska Group**") as of 30 June 2019 generated 18% of revenue in Poland and Slovakia. Therefore, the results of the BFF Polska Group depend in particular on Polish and Slovakian economic conditions which, in turn, are affected by European and global economic trends. In particular, since the October 2019 parliamentary elections in Poland, the new government has initiated a number of new legislative measures affecting key institutions in Poland. These developments and any further legislative changes may adversely affect BFF Polska's business, results of operations or financial condition, which in turn could have a material adverse effect on our business, results of operations and financial condition.

In addition to the above, we are exposed to the risk that the legal framework applying to judicial proceedings and the judicial system in the countries where we operate may be changed in the future. This could have a material adverse effect on our business, results of operations and financial condition.

Our business may be affected by the United Kingdom leaving the European Union.

On 23 June 2016, the United Kingdom held a referendum to leave the European Union ("**Brexit**"). The result of the referendum was to leave the European Union, which has created a number of uncertainties within the United Kingdom and its relationship within the European Union. Under Article 50 of the 2009 Lisbon Treaty ("**Article 50**"), the United Kingdom will cease to be a member state when a withdrawal agreement is entered into, or failing that, two years following the notification of an intention to leave under Article 50, unless the European Council (together with the United Kingdom) unanimously decides to extend this period. On 29 March 2017, the United Kingdom formally notified the European Council of its intention to leave the European Union. The UK and the European Council have agreed to extend the period of Article 50 negotiations until 31 January 2020. In the event the parties fail to reach an agreement within the proposed period, all European Union treaties will cease to apply to the United Kingdom, unless the European Council, in agreement with the United Kingdom, unanimously decides to extend this period again or the United Kingdom decides to revoke the notice served in accordance with Article 50 and remain in the European Union.

There are a number of uncertainties in connection with the Brexit process, including the timing and the future of the United Kingdom's relationship with the European Union. In addition, the United Kingdom's decision to withdraw from the European Union has given rise to calls for the governments of other EU member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets, which could in turn depress economic activity and restrict the access to capital of the Issuer. Until the terms and timing of Brexit become clearer, it is not possible to determine the impact that Brexit and/or any related matters may have on the stability of the Eurozone or the European Union and, ultimately, on our business, since our performance is dependent on the global economy and the condition of the financial markets.

In addition, we have entered into English law governed agreements in the context of our securitization transactions and bond issuances. Brexit may result in the adoption of divergent national laws and regulations in the United Kingdom, should European Union laws and regulations be replaced, in whole or in part, by United Kingdom laws which differ from those applicable in the European Union. Therefore, as at the date of this Base Prospectus, there is significant uncertainty as to the impact any such legal changes could have on our securitization transactions and bond issuances.

As such, no assurance can be given that such matters would not have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS RELATED TO THE NOTES

(A) Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

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

EURIBOR and other indices which are deemed "benchmarks", including WIBOR, are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These

reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to a "benchmark".

Key international reforms of "benchmarks" include IOSCO's proposed Principles for Financial Market Benchmarks (July 2013) (the "**IOSCO Benchmark Principles**") and the 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**").

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.

For example, the sustainability of the London interbank offered rate ("**LIBOR**") has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such "benchmarks". On 27 July 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR "benchmark" after 2021 (the "**2017 FCA Announcement**"). The 2017 FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Subsequently, the UK Financial Conduct Authority announced on 12 July 2018 that the LIBOR benchmark may cease to be a regulated benchmark under the Benchmarks Regulation. Whilst the 2017 FCA Announcement related to LIBOR, similar concerns may be applicable to EURIBOR or WIBOR. The potential elimination of the LIBOR "benchmark" or any other "benchmark", or changes in the manner of administration of any "benchmark", could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes referencing such "benchmark". Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks". 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 any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes referencing a "benchmark".

Pursuant to the terms and conditions of any applicable Floating Rate Notes or any other Notes whose return is determined by reference to any benchmark, if the Issuer or Calculation Agent determines at any time that the Relevant Screen Page on which the Reference Rate for such Notes appears has been discontinued or following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation or any other benchmark administrator previously authorised to publish any Replacement Reference Rate under any applicable laws or regulations, the Issuer will appoint a Reference Rate Determination Agent (which may be (i) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include the Dealers involved in the issue of such Notes) as appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (but in which case any such determination shall be made in consultation with an independent financial advisor), (iii) the Calculation Agent (if agreed in writing by the relevant Calculation Agent with the Issuer) or (iv) any other entity which the Issuer considers has the necessary competences to carry out such role) who will determine a Replacement Reference Rate, as well as any necessary changes to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement

Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the Relevant Screen Page on which the Reference Rate appears. Such Replacement Reference Rate and any such other changes will (in the absence of manifest error) be final and binding on the Noteholders, the Issuer, the Calculation Agent and the Paying Agent and any other person, and will apply to the relevant Notes without any requirement that the Issuer obtain consent of any Noteholders. These provisions will not apply if this would cause the occurrence of a Regulatory Event.

The Replacement Reference Rate may have no or very limited trading history and accordingly its general evolution and/or interaction with other relevant market forces or elements may be difficult to determine or measure. In addition, the replacement rate may perform differently from the discontinued benchmark. For example, there are currently proposals to replace LIBOR (which generally has a term of one, three or six months) with an overnight rate. Similarly, proposals have been made to use a rate on highly rated government obligations to replace LIBOR, which is currently based on interbank lending rates and carries an implicit element of credit risk of the banking sector. These and other changes could significantly affect the performance of an alternative rate compared to the historical and expected performance of LIBOR or any other relevant benchmark. There can be no assurance that any adjustment factor applied to any Series of Notes will adequately compensate for this impact. This could in turn impact the rate of interest on, and trading value of, the affected Notes. Moreover, any holders of such Notes that enter into hedging instruments based on the Relevant Screen Page on which appears the Reference Rate may find their hedges to be ineffective, and they may incur costs replacing such hedges with instruments tied to the Replacement Reference Rate.

If (i) the Reference Rate Determination Agent is unable to determine an appropriate Replacement Reference Rate for any discontinued Reference Rate, or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, or any other benchmark administrator previously authorised to publish any Replacement Reference Rate under any applicable laws or regulations is adopted but for any reason a Replacement Reference Rate is not determined or (ii) if the provisions relating to the occurrence of a Regulatory Event in case of a Replacement Reference Rate are specified as "applicable" in the relevant Final Terms, and the above provisions would cause the occurrence of a Regulatory Event, then the provisions for the determination of the rate of interest on the affected Notes will not be changed. In such cases, the Terms and Conditions of the English Law Notes and the Terms and Conditions of the Italian Law Notes provide that the relevant Interest Rate on such Notes will be the last Reference Rate available for the immediately preceding Interest Period on the Relevant Screen Page as determined by the Calculation Agent, effectively converting such Notes into fixed rate Notes.

Furthermore, in the event that no Replacement Reference Rate is determined by the Reference Rate Determination Agent and the affected Notes are effectively converted to fixed rate Notes as described above, investors holding such Notes might incur costs from unwinding hedges. Moreover, in a rising interest rate environment, holders of such Notes will not benefit from any increase in rates. The trading value of such Notes could therefore be adversely affected.

The Bank Recovery and Resolution Directive may affect the Notes.

The BRRD provides the competent resolution 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.

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.

Legislative Decree No. 181/2015 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 will 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.

Following the entry into force of the BRRD, Article 108 of the BRRD has been 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.

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 Italian government may request the European Commission to allow it to grant "state aid" in order to combat the impact of the financial crisis.

Since the start of the financial crisis in 2007, the attention of the European Union has focused on the need for a European single rulebook on the resolution of banking crises. With effect from 1 August 2013, the European Commission issued a new communication regarding state aid to credit institutions. State aid must be compatible with the law of the European Union (according to Article 107, paragraph 3, letter b), of the Treaty on the Functioning of the European Union).

The granting of any such aid, where the prerequisites are satisfied, may be conditional on a prior "burden sharing", both by shareholders and by some of those who have subscribed subordinated debt or hybrid capital securities, with a parallel curtailment of the rights of such parties, to the extent to which it is legally possible.

The Italian government has granted State aid to rescue some failing Italian banks, imposing "burden sharing" on shareholders and holders of subordinated debt instruments in accordance with the EU framework. It is possible that similar measures will be adopted by the Italian government in the future, subject to the approval of the European Commission.

Moreover, it is not possible to rule out that, as the regulatory framework for state aid is constantly evolving, there could be further restrictions to the rights of shareholders and bond holders during the lifetime of the respective securities, which could have a material adverse effect on our business, results of operations and financial condition.

Risks related to the structure of a particular issue of Notes

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

Potential conflicts of interest.

Any Calculation Agent appointed under the Programme (whether a Paying Agent or otherwise) is the agent of the Issuer and not the agent of the Noteholders. Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a Calculation Agent), including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Conditions, for example determining the Relevant Swap Rate (in the case of CSM Linked Interest Notes) or ISDA Rate (in the case of Floating Rate Notes), that may negatively influence and thereby reduce amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

Notes subject to optional redemption by the Issuer.

If in the case of any particular Tranche of Notes the relevant Final Terms specifies that the Notes are redeemable at the Issuer's option pursuant to Condition 6.5 (*Redemption at the option of the Issuer* (*Issuer Call*)), the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low.

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. 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 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.

Redemption for tax reasons.

In the event that the Issuer were obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction (as defined in Condition 7 (*Taxation*)), as a result of any change in, or amendment to, the laws or regulations of any Tax Jurisdiction (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 date on which agreement is reached to issue the first Tranche of the Notes and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer may redeem all outstanding Notes in accordance with Condition 6.2 (*Redemption for tax reasons*). In such circumstances the investor may find that its investment terminates sooner than expected and may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

CMS Linked Interest Notes and Floating Rate Notes linked to a Multiplier.

The Issuer may issue Notes with interest determined by reference to the CMS Rate or a Multiplier (the "**Relevant Factors**"). Potential investors should be aware that:

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

(ii) they may receive no interest;

(iii) the Relevant Factors may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(iv) if the Relevant Factors are applied to Notes in conjunction with a Multiplier greater than one, or it contains some other leverage factor, the effect of changes in the Relevant Factors on interest payable is likely to be magnified; and

(v) the timing of changes in the Relevant Factors may affect the actual yield provided to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factors, the greater the effect on the yield.

The historical experience of a Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any CMS Linked Interest Notes or Floating Rate Notes linked to a Multiplier. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any CMS Linked Interest Notes or Floating Rate Notes linked to a Multiplier and the suitability of such Notes in light of its particular circumstances.

Fixed/Floating Rate Notes.

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a

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

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

Floating Rate Notes.

Where the reference rate used to calculate the applicable interest rate turns negative, the interest rate will be below the margin, if any, or may be zero. Accordingly, where the rate of interest is equal to zero, the holders of such Floating Rate Notes may not be entitled to interest payments for certain or all interest periods. In addition, if Floating Rate Notes are structured to include caps or floors, or a combination of both or other similar related features, their market values may be even more volatile than those for securities that do not include those features. If the Issuer issues Floating Rate Notes, investors are not able to determine a definite yield of Floating Rate Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods.

Risks relating to Senior Preferred Notes and Senior Non-Preferred Notes

Regulatory classification of the Senior Preferred Notes and Senior Non-Preferred Notes.

The Senior Preferred Notes and Senior Non-Preferred Notes (together the "**Senior Notes**") are intended to be eligible liabilities for the purposes of the MREL Requirements (as defined in Condition 2 (*Definitions*)). Current regulatory practice by the Relevant Authorities does not require (or customarily provide) a confirmation prior to the issuance of Senior Notes that the Notes will be treated as such. In addition, as the EU Banking Reform Package has only recently come into force, there may be uncertainty regarding the interpretation of the MREL Requirements, and the Issuer cannot provide any assurance that the Senior Notes will be or remain MREL eligible liabilities.

If the Senior Notes are not MREL eligible liabilities (or if they initially are MREL eligible liabilities and subsequently become ineligible due to a change in MREL Requirements), then a MREL Disqualification Event (as defined in Condition 2 (*Definitions*)) will occur.

Redemption of the Senior Notes following a MREL Disqualification Event.

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

A MREL Disqualification Event shall be deemed to have occurred if, by reason of the introduction of, or a change in, the MREL Requirements, which was not reasonably foreseeable by the Issuer at the Issue Date of the relevant Series of Notes, all or part of the aggregate outstanding nominal amount of such Series of Senior Preferred Notes and/or of Senior Non-Preferred Notes (as the case may be) is or will be excluded fully or partially from the liabilities that are eligible to meet the MREL Requirements, subject to the provisions set forth in Condition 6 (*Redemption, Purchase and Cancellation*).

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

Early redemption and purchase of the Senior Notes may be restricted.

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

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

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

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

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

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

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

Risks relating to Senior Non-Preferred Notes only

Risk of classification of the Senior Non-Preferred Notes.

The intention of the Issuer is for Senior Non-Preferred Notes to qualify on issue as *strumenti di debito chirografario di secondo livello* in accordance with, and for the purposes of, the rules set forth in Articles 12-bis and 91, paragraph 1-*bis*, letter c-*bis*) of the Italian Banking Act and any relevant implementing regulations which may be enacted for such purposes by any Relevant Authority, and also qualify as eligible liabilities available to meet the MREL Requirements. The rules mentioned above were introduced under Law No. 2015 of 27 December 2017 on the

budget of the Italian Government for 2018 (the "**2018 Budget Law**"), which entered into force on 1 January 2018.

Current regulatory practice by the Relevant Authorities does not require (or customarily provide) a confirmation prior to the issuance of the Senior Non-Preferred Notes that the Senior Non-Preferred Notes will comply with such provisions.

Although it is the Issuer's expectation that the Senior Non-Preferred Notes will qualify as *strumenti di debito chirografario di secondo livello* pursuant to and for the purposes of Articles 12-bis and 91, paragraph 1-*bis*, letter c-*bis*) of the Italian Banking Act and any relevant implementing regulation which may be enacted for such purposes by any Relevant Authority and also qualify as eligible liabilities available to meet the MREL Requirements, there can be no representation that this is or will remain the case during the life of the Senior Non-Preferred Notes. Should a MREL Disqualification Event occur, the Issuer would have the ability to redeem the Notes, which could adversely affect the price of the Notes, and if redeemed there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Senior Notes.

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

Senior Non-Preferred Notes are novel and complex financial instruments and may not be a suitable investment for certain investors. Each potential investor in such Notes should determine the suitability of such investment in light of its own circumstances and have sufficient financial resources and liquidity to bear the risks of an investment in the Senior Non-Preferred Notes, including the possibility that the entire amount invested in the Senior Non-Preferred Notes could be lost. A potential investor should not invest in the Senior Non-Preferred Notes unless it has the knowledge and expertise (either alone or with a financial advisor) to evaluate how Senior Non-Preferred Notes will perform under changing conditions, the resulting effects on the market value of the Senior Non-Preferred Notes, and the impact of this investment on the potential investor's overall investment portfolio. It is possible that, over time, the value of the Senior Non-Preferred Notes will be lower than those expected by investors at the time of issuance of the Senior Non-Preferred Notes. If so, investors may incur losses in respect of their investments in the Senior Non-Preferred Notes.

Senior Non-Preferred Notes are new types of instruments for which there is no trading history.

Prior to the adoption of the 2018 Budget Law and its entry into force, Italian issuers were not able to issue senior non-preferred securities, so there is no trading history for securities of Italian banks with this ranking. Market participants, including credit rating agencies, are in the initial stages of evaluating the risks associated with senior non-preferred obligations. The credit ratings assigned to senior non-preferred securities such as the Senior Non-Preferred Notes may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value of senior non-preferred securities such as the Senior Non-Preferred Notes will be lower than those expected by investors at the time of issuance of the Senior Non-Preferred Notes since it reflects the increased risk of loss in the event of the Issuer's insolvency. If so, investors may incur losses in respect of their investments in the Senior Non-Preferred Notes.

The Issuer's obligations under Senior Non-Preferred Notes rank junior to unsecured and unsubordinated preferred obligations of the Issuer.

The Issuer's obligations under Senior Non-Preferred Notes will be unsecured, unsubordinated and non-preferred obligations and will rank junior to Senior Preferred Notes and any other

unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes and *pari passu* among themselves, and with all other present or future obligations of the Issuer which do not rank junior or senior to the relevant Senior Non-Preferred Notes. Although Senior Non-Preferred Notes may pay a higher rate of interest than comparable Notes which rank senior to the Senior Non-Preferred Notes, there is a real risk that an investor in Senior Non-Preferred Notes will lose all or some of its investment should the Issuer be judged by the Relevant Authority to be failing or likely to fail, or insolvent. In addition, except where the Issuer is wound up or dissolved, holders of Senior Non-Preferred Notes are not entitled to accelerate the maturity of their Senior Non-Preferred Notes.

Risks relating to Subordinated Notes

The Issuer's obligations under Subordinated Notes are subordinated to all its unsubordinated obligations.

If the Issuer is declared insolvent and a winding up is initiated, or in the event that the Issuer becomes subject to an order for "*liquidazione coatta amministrativa*" as defined in the Italian Banking Act, 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) in full before it can make any payments on the Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay the amounts due under the Subordinated Notes.

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

Regulatory classification of the Subordinated Notes.

The intention of the Issuer is for Subordinated Notes to qualify on issue as "Tier 2 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 Subordinated Notes that the Notes will be treated as such.

Although it is the Issuer's expectation that any such Subordinated Notes qualify as "Tier 2 capital", there can be no representation that this is or will remain the case during the life of the Subordinated Notes or that the Subordinated Notes will be grandfathered under the implementation of future EU capital requirement regulations. If the Subordinated Notes cease to qualify as "Tier 2 capital" as a result of a change in Italian law or Applicable Banking Regulations or any change in the official application or interpretation thereof, the Issuer will (if so specified in the relevant Final Terms) have the right to redeem the Subordinated Notes in accordance with Condition 6.3 (*Redemption of Subordinated Notes 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 such Subordinated Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Subordinated Notes.

Early redemption of the Subordinated Notes may be restricted.

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

(i) on or before such call, redemption, repayment or repurchase (as applicable), the Issuer replaces the Subordinated 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 and Eligible Liabilities would, following such call, redemption, repayment or repurchase, exceed the requirements laid down in the Applicable Banking Regulations by a margin that the Relevant Authority considers necessary.

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

(i) either of the conditions listed in paragraph (i) or (ii) above are met; and

(ii) in the case of redemption pursuant to Condition 6.2 (*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 Subordinated Notes is material and was not reasonably foreseeable as at the Issue Date; or

(iii) in the case of redemption pursuant to Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as 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 Subordinated Notes are repurchased for market making purposes,

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

Risks related to Notes generally

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

Modification, waivers and substitution under the Notes governed by English law.

Each of the Agency Agreement and the Agency Agreement for the Italian Law Notes, respectively (as defined in "*Terms and Conditions of the English Law Notes*" and "*Terms and Conditions of the Italian Law Notes*" below) and the 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.

In addition, the Issuer may without the consent of the Noteholders, in accordance with the provisions of Condition 14.2 (*Substitution or modification of the Notes*) of the Terms and

Conditions of the English Law Notes, modify the terms of the Notes, or substitute all (but not some only) of such Notes, in order, *inter alia*, to ensure the effectiveness and enforceability of the Bail-In Power. However, this could include changes that would be materially less favourable to holders, including but not limited to a change in governing law and/or to the jurisdiction and service of process provisions. See also "*—Notes may be subject to substitution and modification without Noteholder consent*" below.

Change of law and administrative practice.

The Conditions of the English Law Notes are expressed to be governed by English law or, as regards the loss-absorption provisions described in Condition 3 (*Status of the Notes*) and Condition 18 (*Contractual recognition of Bail-In Power*), Italian law, and in both cases have effect from the date of this Base Prospectus. The conditions of the Italian Law Notes are governed by Italian law as of the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law, Italian law or their respective administrative practice after the date of this Base Prospectus. See also "*— Notes may be subject to substitution and modification without Noteholder consent*" below.

Risk relating to the governing law of the Italian Law Notes.

The Terms and Conditions for the Italian Law Notes are governed by Italian law and Condition 16.1 (*Governing Law*) of the Terms and Conditions for the Italian Law Notes provides that contractual and non-contractual obligations arising out or in connection with them are governed by, and shall be construed in accordance with, Italian law. The Global Notes representing the Italian Law Notes provide that all contractual and non-contractual obligations arising out of or in connection with the Global Notes representing the Italian Law Notes are governed by Italian law, save for the form and transferability of the Global Notes which are governed by English law. Furthermore, Temporary Global Notes or the Permanent Global Notes, whether issued in CGN or NGN form, as the case may be, representing the Italian Law Notes are signed by the Issuer in the United Kingdom and, thereafter, delivered to Citibank, N.A., London Branch as Fiscal Agent, being the entity in charge for, inter alia, completing, authenticating and delivering the Temporary Global Notes and Permanent Global Notes and (if required) authenticating and delivering Definitive Notes, hence the Italian Law Notes would be deemed to be issued in England according to Italian law. Article 59 of Law No. 218 of 31 May 1995 (regarding the Italian international private law rules) provides that "other debt securities (*titoli di credito*) are governed by the law of the State in which the security was issued".

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

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

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary or common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes 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 but will have to rely upon their rights under the Deed of Covenant.

Notes where denominations involve integral multiples: definitive Notes.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples, of such minimum Specified Denomination. Where a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in their 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 a Specified Denomination.

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.

English Law Notes may be subject to substitution and modification without Noteholder consent.

In relation to the English Law Notes only, if a substitution or modification of the Notes is specified as being applicable in the relevant Final Terms, (i) in cases where a Regulatory Event or a Tax Law Change has occurred and is continuing (with respect to Subordinated Notes), or a MREL Disqualification Event or a Tax Law Change has occurred and is continuing (with respect to Senior Notes), and/or (ii) with respect to all Notes, in order to ensure the effectiveness and enforceability of the Bail-In Power in accordance with Condition 18 (*Contractual recognition of Bail-In Power*) or applicable law, the Issuer shall be entitled to modify the terms of the Notes of such Series, or substitute all (but not some only) of such Notes, provided that certain conditions set out in the Terms and Conditions are met. Any substitution or modification made in accordance with these conditions can also determine a change in the governing law from English to Italian law and/or in the jurisdiction and service of process provisions, if the Issuer determines that such changes are necessary to ensure that the Notes remain or, as appropriate, become, eligible for the purposes of the MREL Requirements.

While it is difficult to foresee the exact impact of any such changes, a modification or substitution 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 3.1 (*Status of the Senior Preferred Notes*) in respect of Senior Preferred Notes, in Condition 3.2 (*Status of the Senior Non-Preferred Notes*) in respect of Senior Non-Preferred Notes and in Condition 3.3 (*Status of the Subordinated Notes*) in respect of Subordinated Notes, the holder of a Note will unconditionally and irrevocably waive any right of set-off, 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 Events of Default and remedies.

The Events of Default in respect of Notes, being events upon which the holders of the Notes may declare the Notes to be immediately due and repayable, are limited to circumstances in which the Issuer becomes subject to winding-up or an analogous event as set out in Condition 9.1 (*Events of Default*). Accordingly, other than following the occurrence of an Event of Default, even if the Issuer fails to meet any of its obligations under the Notes, including the payment of any interest, the 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.

Payments under the Notes may be made subject to withholding or deduction of tax.

All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. The Issuer's obligation to gross up is, however, subject to a number of exceptions, including in particular withholding or deduction of Italian substitute tax (*imposta sostitutiva*), pursuant to Italian Legislative Decree No. 239 of 1 April 1996.

Prospective purchasers of Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws of any country or territory. See also the section of this Base Prospectus entitled "*Taxation*" below.

FATCA may affect payments made in respect of the Notes.

With respect to Notes issued after the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payment" are filed with the U.S. Federal Register (such applicable date the "**Grandfathering Date**") (and any Notes which are treated as equity for U.S. federal tax purposes, whenever issued), the Issuer may, under certain circumstances, be required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**FATCA**") to withhold U.S. tax at a rate of 30% on all or a portion of payments of principal and interest which are treated as "foreign passthru payments" made on or after 1 January 2019 to an investor or any other non-U.S. financial institution through which payment on the Notes is made that is not in compliance with FATCA. As of the date of this Base Prospectus, final U.S. Treasury regulations defining the term "foreign passthru payments" have not been filed with the U.S. Federal Register. If the Issuer issues further Notes after the Grandfathering Date that were originally issued on or before the Grandfathering Date, payments on such further Notes may be subject to withholding under FATCA and, should the originally issued Notes of that series and the further Notes be indistinguishable (as would likely be the case in such a "tap" issue), such payments on the originally issued Notes may also become subject to withholding under FATCA, unless such further Notes are issued pursuant to a "qualified reopening" for U.S. federal income tax purposes.

The United States and Italy have entered into a Model 1 intergovernmental agreement to implement FATCA (the "**Italian IGA**"). Under the Italian IGA, an entity classified as a non-U.S. financial institution (an "**FFI**") that is treated as resident in Italy is expected to provide the Italian tax authorities with certain information on certain U.S. holders of its securities. Information on U.S. holders will be automatically exchanged with the U.S. taxing authorities. The Issuer is classified as an FFI and provided it complies with the requirements of the Italian IGA and the Italian legislation implementing the Italian IGA, it should not be subject to FATCA

withholding on any payments it receives and it is not currently required to withhold tax on any "foreign passthru payments" that it makes. Although the Issuer may not be required to withhold FATCA taxes in respect of any foreign passthru payments it makes under the Italian IGA, FATCA withholding may apply in respect of any payments made on the Notes by any paying agent.

The application of FATCA to interest, principal or other amounts paid on or with respect to the Notes is not currently clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of a holder's failure to comply with FATCA, none of the Issuer, any paying agent or any other person would pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax.

(B) Risks related to the market generally

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

The secondary market generally.

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. In addition, Notes issued under the Programme might not be listed on a stock exchange or regulated market and, in these circumstances, pricing information may be more difficult to obtain and the liquidity and market prices of such Notes may be adversely affected. In an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

Transfers of the Notes may be restricted, which may adversely affect the secondary market liquidity and/or trading prices of the Notes.

The ability to transfer the Notes may also be restricted by securities laws or regulations of certain countries or regulatory bodies. The Notes have not been, and will not be, registered under the Securities Act or any state securities laws in the U.S. or the securities laws of any other jurisdiction. Noteholders may not offer the Notes in the United States to or for the account or benefit of a U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. It is the obligation of each Noteholder to ensure that offers and sales of Notes comply with all applicable securities laws. In addition, transfers to certain persons in certain other jurisdictions may be limited by law, or may result in the imposition of penalties or liability. For a description of restrictions which may be applicable to transfers of the Notes, see "*Subscription and Sale*" below.

Credit ratings.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A credit rating

is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time. Any change in the credit ratings of Notes issued under the Programme or the Issuer could adversely affect the price that a subsequent purchaser will be willing to pay for investments in the Notes. The significance of each rating should be analysed independently from any other rating.

In general, EEA regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the CRA Regulation (as defined in "*Description of the Programme*") unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation. The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Exchange rate risks and exchange controls.

For each issue of Notes, the Issuer will pay principal and interest on the Notes in the Specified Currency, which is likely to be either euro, Polish zloty, U.S. dollar or sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may change significantly (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

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

DESCRIPTION OF THE PROGRAMME

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

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

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

their Issue Date.

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

Notes having a maturity of less than one year

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

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

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

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

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

Issuance in Series: Notes will be issued in series (each, a "**Series**"). Each Series may comprise one or more tranches ("**Tranches**" and, each, a

	"**Tranche**") issued on different issue dates. The Notes of each Series will be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations (of at least €100,000 or its equivalent in another currency).
Form of Notes:	The Notes will be in bearer form and will on issue be represented by either a Temporary Global Note or a Permanent Global Note as specified in the relevant Final Terms. Temporary Global Notes will be exchangeable for either (i) interests in a Permanent Global Note or (ii) definitive Notes, as indicated in the relevant Final Terms. Permanent Global Notes will be exchangeable for definitive Notes upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Fiscal Agent as described therein or (ii) only upon the occurrence of an Exchange Event as described under "*Form of the Notes*" below.
Interest:	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate, or interest may initially accrue at a fixed rate and then switch to a floating rate, or interest may initially accrue at a floating rate and then switch to a fixed rate. The method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series) (the "**ISDA Definitions**"); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) by reference to the benchmark as may be specified in the relevant Final Terms as adjusted for any applicable margin/multiplier; or (d) on the basis of the CMS Rate. Investors should consult the Issuer should they require further

information in respect of the ISDA Definitions.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Other provisions in relation to Floating Rate Notes: Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Fixed-Floating and Floating-Fixed Rate Notes: Fixed-Floating Rate Notes will initially bear interest in accordance with the Fixed Rate Note provisions and will then switch to bear interest in accordance with the Floating Rate Note provisions, as specified in the relevant Final Terms.

Floating-Fixed Rate Notes will initially bear interest in accordance with the Floating Rate Note provisions and will then switch to bear interest in accordance with the Fixed Rate Note provisions, as specified in the relevant Final Terms.

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption: Unless previously redeemed or purchased and cancelled in accordance with the Conditions, each Note (including each CMS Linked Interest Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the relevant Final Terms. The Final Redemption Amount will always be equal to at least 100 per cent. of the aggregate principal amount of the Notes.

The relevant Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default or, in the case of Subordinated Notes, for regulatory reasons) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

The redemption at maturity of Subordinated Notes shall, to the extent required by the Applicable Banking Regulations, be subject to the prior approval of the Relevant Authority. If such approval is not given on or prior to the relevant redemption date, the Issuer will re-apply to the Relevant Authority for its consent to such redemption forthwith upon its having again satisfied, by whatever means, such conditions. The Issuer will use reasonable endeavours to satisfy such conditions and to obtain such approval. Amounts that would otherwise be payable on the

Maturity Date will continue to bear interest as provided in the Agency Agreement.

Denomination of Notes: Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Senior Non-Preferred Notes will have a denomination of at least €250,000 (or, where the Senior Non-Preferred Notes are denominated in a Specified Currency other than Euro, the equivalent amount in such other Specified Currency).

Taxation: All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by the Republic of Italy subject as provided in Condition 7 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7, be required to pay additional amounts to cover the amounts so deducted.

As more fully described under "*Taxation — Italian Taxation*" below, interest, premium and other income paid under Notes that qualify as (a) *obbligazioni* (b) *titoli similari alle obbligazioni*, pursuant to Article 44 of Italian Presidential Decree No. 917 of 22 December 1986, as amended, or (c) *capital adequacy financial instruments* are subject to a substitute tax (*imposta sostitutiva*) levied at the tax rate of 26 per cent. stated by Italian Legislative Decree No. 239 of 1 April 1996, as subsequently amended. Different rules could apply to non-Italian resident Noteholders.

Interest payments relating to Notes that do not qualify as *obbligazioni, titoli similari alle obbligazioni* or *capital adequacy financial instruments* but qualify as *titoli atipici* (atypical securities) for Italian tax purposes, are subject to a withholding tax levied at the rate of 26 per cent. stated by Italian Law Decree No. 512 of 30 September 1983 (converted by Law No. 649 of 25 November 1983), as amended.

Negative Pledge: None

Status of Notes: Notes issued by the Issuer may be either senior preferred ("**Senior Preferred Notes**"), senior non-preferred ("**Senior Non-Preferred Notes**" and, together with the Senior Preferred Notes, the "**Senior Notes**") or subordinated ("**Subordinated**

Notes") as described below.

The Senior Preferred Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer, present and future (other than obligations ranking junior to the Senior Preferred Notes from time to time (including Senior Non-Preferred Notes and any further obligations permitted by law to rank junior to the Senior Preferred Notes following the Issue Date) if any) from time to time outstanding, as described in Condition 3.1 (*Status of the Senior Preferred Notes*).

The Senior Non-Preferred Notes will constitute direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer and will rank junior to Senior Preferred Notes and any other unsecured and unsubordinated obligations of the Issuer which rank, or are expressed to rank by their terms, senior to the Senior Non-Preferred Notes, *pari passu* without any preference among themselves, and with all other present or future obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the relevant Senior Non-Preferred Notes and in priority to any subordinated instruments and to the claims of shareholders of the Issuer, pursuant to Article 91, paragraph 1-*bis*, letter c-*bis* of the Italian Banking Act, as amended from time to time, as described in Condition 3.2 (*Status of the Senior Non-Preferred Notes*).

The Subordinated Notes will constitute direct, unsecured and subordinated obligations of the Issuer and will rank *pari passu* and without any preference among themselves and after all unsubordinated and unsecured creditors (including depositors and holders of Senior Preferred Notes and Senior Non-Preferred Notes) of the Issuer but *pari passu* with all of the present and future subordinated obligations of the Issuer that are not expressed by their terms to rank junior to or senior to the Subordinated Notes, and in priority to the claims of shareholders of the Issuer, as described in Condition 3.3 (*Status of the Subordinated Notes*).

In the event of a voluntary winding-up (*liquidazione volontaria*), or compulsory winding-up (*liquidazione coatta amministrativa*) of the Issuer, any holder of a Note may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare any such Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at its principal amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice.

Terms and Conditions: Final Terms will be prepared in respect of each Tranche of Notes to be listed on Euronext Dublin, and admitted to trading

	on the regulated market of Euronext Dublin. A copy of such Final Terms will be filed with the Central Bank of Ireland (the "**CBI**") and delivered to Euronext Dublin on or before the date of issue of such Notes. The terms and conditions applicable to the Notes of each Tranche will be those set out herein under the Terms and Conditions of the English Law Notes or the Terms and Conditions of the Italian Law Notes, as the case may be, as completed and/or modified by the relevant Final Terms.
Risk Factors:	There are certain risks related to the holding of any Notes issued under the Programme which investors should ensure they fully understand. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under "*Risk Factors*" above.
Rating:	The rating (if any) of the Notes to be issued under the Programme will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Series of Notes will be (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) issued by a credit rating agency which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation will be disclosed in the Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes unless (1) such rating is issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").
Approval, Listing and Admission to Trading:	The CBI has approved this document as a base prospectus. Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to trading on the regulated market of Euronext Dublin and to be listed on the Official List. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The relevant Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Clearing Systems:	Euroclear, Clearstream, Luxembourg and/or, in relation to any Notes, any other clearing system as may be specified in the

	relevant Final Terms.
Governing Law of the English Law Notes:	The Notes and the Coupons and any non-contractual obligations arising out of or in connection with the English Law Notes and the Coupons, will be governed by, and shall be construed in accordance with, English law, save that (i) Condition 3 (*Status of the Notes*), and (ii) Condition 18 (*Contractual recognition of Bail-In Power*), together with any non-contractual obligations arising out of or in connection with (i) and (ii) will be governed by, and construed in accordance with, Italian law.
Governing Law of the Italian Law Notes:	The Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Italian Law Notes and the Coupons, will be governed by, and shall be construed in accordance with, Italian law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the Republic of Italy, France and the United Kingdom) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale*" below.
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D, as specified in the relevant Final Terms.
Prohibition of Sales to EEA Retail Investors:	If the Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Notes include a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the press release containing the unaudited consolidated interim results of the Group as at and for the nine months ended on 30 September 2019, prepared in accordance with IFRS, which can be found on the Issuer's website at:

https://it.bffgroup.com/documents/20152/0/BFF+-+PR+9M+2019+financial+results_08.11.2019+%5BENG%5D.pdf/7cf7c08a-e8e8-64a6-ec26-4db9ffa06875

(b) the unaudited consolidated condensed interim financial statements of the Group as at and for the six months ended on 30 June 2019, prepared in accordance with IFRS and together with the accompanying notes and auditors' reports which can be found on the Issuer's website at:

https://investor.bffgroup.com/documents/956773/0/1H+2019+consolidated+financial+report.pdf/

(c) the press release entitled "*BFF BANKING GROUP 1H 2019 FINANCIAL RESULTS - ERRATA CORRIGE for amendment to the Liquidity Coverage Ratio*" dated 9 August 2019 which can be found on the Issuer's website at:

https://investor.bffgroup.com/documents/20152/0/ERRATA+CORRIGE+This+nullifies+and+replaces+the+previous+one+for+amendment+to+LCR_BFF+-+PR+1H+2019+financial+results+%5BENG%5D.pdf/e687bc14-58f4-22b2-a2ae-6b9dd9c0b518

(d) the audited consolidated annual financial statements of the Group as at and for the year ended 31 December 2018, prepared in accordance with IFRS and together with the accompanying notes and auditors' reports which can be found on the Issuer's website at:

https://investor.bffgroup.com/documents/20152/1041339/Bilancio_Consolidato_Eng+rev04.pdf/e807715a-35f3-4f66-e4e1-a2d22e169b53

(e) the audited consolidated annual financial statements of the Group as at and for the year ended 31 December 2017, prepared in accordance with IFRS and together with the accompanying notes and auditors' reports which can be found on the Issuer's website at:

https://investor.bffgroup.com/documents/956773/1184795/reports_2017-440.pdf/5974671f-509f-595c-9eca-fb78da93afbb

(f) the articles of association (*statuto*) of the Issuer (incorporated for information purposes):

https://www.bffgroup.com/documents/20152/0/2019-09-27-Statuto+BFF-ENG-clean.pdf/ffc75fb1-29ee-3f6a-84ac-85054e09d051

(g) the section "Terms and Conditions of the Notes" from the Base Prospectus dated 30 November 2018 which can be found on the Issuer's website at:

https://investor.bffgroup.com/documents/956773/1184804/BFF+EMTN+bond_2019+EN.pdf/f4385804-46f9-f27a-ed15-422881ab1467

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

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

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

The tables below set out the relevant page references for the notes and the auditor's report in respect of the consolidated condensed interim financial statements of Banca Farmafactoring as at and for the period ended 30 June 2019 and for each of the annual consolidated financial statements of Banca Farmafactoring as at and for the years ended 31 December 2018 and 31 December 2017.

Cross Reference List

(A) Banca Farmafactoring S.p.A.

Document	Information incorporated	Page numbers
Banca Farmafactoring S.p.A. unaudited consolidated interim report as at and for the six months ended 30 June 2019	Unaudited consolidated condensed interim financial statements:	
	Consolidated Balance Sheet	*61-62*
	Consolidated Income Statement	*63*
	Consolidated Comprehensive Income	*64*
	Consolidated Statement of Changes in Equity	*65*
	Consolidated Statement of Cash Flows	*66-67*
	Notes to the Consolidated Financial Statements	*69-161*
	Independent Auditors' Report	*173-175*

Document	Information incorporated	Page numbers
Banca Farmafactoring S.p.A. audited consolidated financial statements as at and for the financial year ended 31 December 2018	Audited consolidated annual financial statements:	
	Consolidated Balance Sheet	*68-69*
	Consolidated Income Statement	*70*
	Consolidated Comprehensive Income	*71*
	Consolidated Statement of Changes in Equity	*72-73*
	Consolidated Statement of Cash Flows	*74-75*
	Notes to the Consolidated Financial Statements	*76-247*

Document	Information incorporated	Page numbers
	Independent Auditors' Report	*253-261*

Document	Information incorporated	Page numbers
Banca Farmafactoring S.p.A. audited consolidated financial statements as at and for the financial year ended 31 December 2017	Audited consolidated annual financial statements:	
	Consolidated Balance Sheet	*70-71*
	Consolidated Income Statement	*72*
	Consolidated Comprehensive Income	*73*
	Consolidated Statement of Changes in Equity	*74-75*
	Consolidated Statement of Cash Flows	*76-77*
	Notes to the Consolidated Financial Statements	*78-243*
	Independent Auditors' Report	*249-255*

The information incorporated by reference that is not included in the cross-reference list, is considered as additional information and is not required by the relevant schedules of Commission Regulation (EU) No. 2019/980 (as amended).

FINAL TERMS AND DRAWDOWN PROSPECTUSES

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

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

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

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

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

TERMS AND CONDITIONS OF THE ENGLISH LAW NOTES

*The following are the Terms and Conditions of the Notes governed by English law (the "**English Law Notes**" or the "**Notes**") which, as completed by the relevant Final Terms, will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The relevant Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" below for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

In these "Terms and Conditions", references to the "Notes" shall be to the English Law Notes (as defined above) and references to "Receipts" and "Talons" (both as defined below) shall be to the "Receipts" and "Talons" connected to the English Law Notes (as defined below), and references to "Noteholders" (as defined below) shall be to the Noteholders of the English Law Notes only.

This Note is one of a Series of Notes issued by Banca Farmafactoring S.p.A. (the "**Issuer**") constituted by a deed of covenant (such deed of covenant as modified and/or supplemented and/or restated from time to time, the "**Deed of Covenant**") dated 17 January 2020 made between the Issuer and the Fiscal Agent (as defined below). References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

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 17 January 2020 and made between the Issuer and Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor fiscal agent appointed from time to time in connection with the Notes) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any successor or additional paying agents appointed from time to time in connection with the Notes).

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which completes these Terms and Conditions of the English Law Notes (the "**Conditions**"). References to the "**relevant Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Notes have interest coupons ("**Coupons**") and, if indicated in the relevant Final Terms, 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 do not have Coupons or Talons attached on issue.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading)

except for their respective Issue Dates (as set out in the relevant Final Terms), Interest Commencement Dates and/or Issue Prices.

Copies of the Agency Agreement are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the relevant Final Terms are available for viewing at, and copies can be obtained from, the registered office of the Issuer at Via Domenichino, 5, 20149 – Milan (MI), Italy, and will be published on the website of Euronext Dublin (https://www.ise.ie/) save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Regulation, the relevant Final Terms will only be obtainable by any holder of the Notes ("**Noteholder**") holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity.

The Noteholders and the holders of the related Coupons (the "**Couponholders**") are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the relevant Final Terms which are 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 or used in the relevant Final Terms 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 the relevant Final Terms, the relevant Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

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

The Notes may be Fixed Rate Notes, Floating Rate Notes, CMS Linked Interest Notes, Fixed-Floating Rate Notes, Floating-Fixed Rate Notes or Zero Coupon Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the relevant Final Terms.

The Notes may also be senior preferred notes ("**Senior Preferred Notes**"), senior non-preferred notes ("**Senior Non-Preferred Notes**" and, together with the Senior Preferred Notes, the "**Senior Notes**") or subordinated notes ("**Subordinated Notes**"), depending on the status of the Notes specified in the relevant Final Terms.

The Notes are denominated in such currency as may be specified in the relevant Final Terms (the "**Specified Currency**") and in the denomination or denominations specified in the relevant Final Terms (a "**Specified Denomination**"), provided that Senior Non-Preferred Notes will have a denomination of at least Euro 250,000 (or, where the Senior Non-Preferred Notes are denominated in a Specified Currency other than Euro, the equivalent amount in such other Specified Currency). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer and the 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, 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 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 Paying 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 Paying 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**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Notes which are represented by a Global Note 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 specified in the relevant Final Terms or as may otherwise be approved by the Issuer and the Paying Agent.

2. DEFINITIONS

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

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

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

regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms and Directive 98/26/EC.

"**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;

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

"**Benchmarks Regulation**" means 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;

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

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council 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 (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

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

"**Business Day**" means 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 each business centre specified in the relevant Final Terms (each a "**Business Centre**"); and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, 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 principal financial centre of the country of the relevant Specified Currency (if other than London and any Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (ii) in relation to any sum payable in euro, 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 or such other person specified in the relevant Final Terms;

"**Capital Instruments Regulations**" means the Delegated Regulation and any other rules or regulations of the Relevant Authority or of the institutions of the European Union or which are otherwise applicable to the Issuer or the Group (as the case may be), 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 (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

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

"**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 (including, without limitation, as a consequence of the transposition of the Banking Reform Package into Italian law);

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

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

"**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 (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

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

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

"**Day Count Fraction**" means:

(a) in respect of the calculation of an amount of interest in accordance with Condition 4.1 (*Interest on Fixed Rate Notes*):

(i) if "**Actual/Actual (ICMA)**" is specified in the relevant Final Terms:

(A) in the case of Notes 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 (as specified in the relevant Final Terms) that would occur in one calendar year; or

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

(1) 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

(2) 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; and

(ii) if "**30/360**" is **specified** in the relevant Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(b) in respect of the calculation of an amount of interest in accordance with Condition 4.2 (*Interest on Floating Rate Notes and CMS Linked Interest Notes*):

(i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365;

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

(iv) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

Where:

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

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

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

Day Count Fraction =

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

Where:

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

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 in which case D2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

Where:

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

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 in which case and D2 will be 30,

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

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

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

"**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);

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

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

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

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

"**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;

"**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);

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

"**Interest Determination Cut-off Date**" means the date which falls fifteen (15) calendar days before the end of the Interest Period relating to the Interest Determination Date in respect of which the provisions of paragraphs (z) to (cc) of Condition 4.2 (b)(ii) shall be applied by the Issuer;

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

"**Interest Payment Date**" means the first Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms;

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

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

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

MREL Requirements due to the remaining maturity of such Notes being less than any period prescribed thereunder does not constitute a MREL Disqualification Event; (b) the exclusion of all or some of a Series of Notes from the MREL Requirements due to there being insufficient headroom for such Notes within any prescribed exception to the otherwise applicable general requirements for liabilities that are eligible to meet the MREL Requirements does not constitute a MREL Disqualification Event; and (c) any exclusion shall not be "reasonably foreseeable" by the Issuer at the Issue Date where such exclusion arises as a result of (i) any EU and/or national legislation implementing and/or supplementing the Banking Reform Package differing, as it applies to the Issuer and/or the Group, in any respect from the drafts of proposal for the implementation of the Banking Reform Package, if any, in place as at the Issue Date of the first Series of the Senior Notes, or (ii) the official interpretation or application of the Banking Reform Package as applicable to the Issuer and/or the Group (including any interpretation or pronouncement by any relevant court or tribunal or by the Relevant Authority) differing in any respect from the official interpretation or application, if any, in place as at the Issue Date of the relevant Series of Senior Notes;

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

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

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

"**Reference Bank(s)**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market and, in the case of a determination of EURIBOR, the principal Euro zone office of four major banks in the Euro zone interbank market, in each case selected by the Issuer or as specified in the relevant Final Terms;

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

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

"**Relevant Authority**" means, as the context may require, (i) the European Central Bank or the Bank of Italy, acting within the framework of the Single Supervisory Mechanism,

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

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

"**Relevant Swap Rate**" means:

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

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

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

(d) where the Reference Currency is any other currency or if the relevant Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the relevant Final Terms;

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

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

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, as amended, supplemented or replaced from time to time (including as a consequence of the entry into force of the Banking Reform Package);

"**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;

"**Tax Law Change**" means any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 (*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 date on which agreement is reached to issue the first Tranche of the Notes. 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 1 Capital**" means at any time tier 1 capital as interpreted and applied in accordance with the Applicable Banking Regulations;

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

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

3. STATUS OF THE NOTES

3.1 Status of the Senior Preferred Notes

This Condition 3.1 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes.

The Senior Preferred Notes and any related Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves.

The payment obligations of the Issuer under the Senior Preferred Notes and the Coupons related to them shall at all times rank (save for certain obligations required to be preferred by law, including any obligations permitted by law to rank senior to the Senior Preferred Notes following the Issue Date, if any) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding (other than

obligations ranking junior to the Senior Preferred Notes from time to time, including any obligations under Senior Non-Preferred Notes and any further obligations permitted by law or by their terms to rank junior to the Senior Preferred Notes following the Issue Date, if any).

In relation to each Series of Senior Preferred Notes, all Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and/or interest thereon will be paid *pro rata* on all Notes of such Series.

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

3.2 **Status of the Senior Non-Preferred Notes**

This Condition 3.2 applies only to Notes specified in the relevant Final Terms as being Senior Non-Preferred Notes.

The Senior Non-Preferred Notes and any related Coupons are direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer that are intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer in accordance with, and for the purposes of, Article 12-*bis* of the Italian Banking Act.

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

(a) junior to Senior Preferred Notes and all present or future unsecured and unsubordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Senior Non-Preferred Notes (including, without limitation, any obligations under the Senior Preferred Notes);

(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 Senior Non-Preferred Notes; 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 Senior Non-Preferred Notes (including, without limitation, the claims of the shareholders of the Issuer and any other obligations under the Subordinated Notes or any other obligations under instruments or items included in the Tier 1 Capital or Tier 2 Capital of the Issuer),

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

In relation to each Series of Senior Non-Preferred Notes, all Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and/or interest thereon will be paid *pro rata* on all Notes of such Series.

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

3.3 **Status of the Subordinated Notes**

This Condition 3.3 applies only to Notes specified in the relevant Final Terms as being Subordinated Notes.

The Subordinated Notes and any related Coupons are direct, unsecured and subordinated obligations of the Issuer that are intended to qualify for regulatory purposes as Tier 2 Instruments to be included in the Tier 2 Capital of the Issuer in accordance with Article 63 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 Subordinated Notes and the Coupons related to them shall at all times rank:

(a) junior to all present or future unsecured and unsubordinated obligations of the Issuer (including, without limitation, any obligations under the Senior Notes) or any other present or future subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Subordinated Notes;

(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 Subordinated Notes; 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 Subordinated Notes (including, without limitation, the claims of the shareholders of the Issuer and any other obligations under instruments or items included in the Tier 1 Capital of the Issuer).

In relation to each Series of Subordinated Notes, all Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and/or interest thereon will be paid *pro rata* on all Notes of such Series.

Each holder of a Subordinated 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 Subordinated Note.

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

4. **INTEREST**

4.1 **Interest on Fixed Rate Notes**

This Condition 4.1 (Interest on Fixed Rate Notes) applies to the Notes: (a) if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable; and (b) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Fixed Interest Periods for which the Fixed Rate Note Provisions are stated to apply.

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the

Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. The Rate of Interest may be specified in the relevant Final Terms either (i) as the same Rate of Interest for all Fixed Interest Periods or (ii) as a different Rate of Interest in respect of one or more Fixed Interest Periods.

If the Notes are in definitive form, except as provided in the relevant Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the relevant Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

4.2 **Interest on Floating Rate Notes and CMS Linked Interest Notes**

This Condition 4.2 (Interest on Floating Rate Notes and CMS Linked Interest Notes) applies to the Notes (a) if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable; and (b) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Interest Periods for which the Floating Rate Note Provisions are stated to apply.

(a) **Interest Payment Dates**

Each Floating Rate Note and CMS Linked Interest Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the date or dates specified as a specified interest payment date in each year specified in the relevant Final Terms (a "**Specified Interest Payment Date**"); or

(ii) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the specified period in the relevant Final Terms (the "**Specified Period**") after the preceding Interest Payment Date or, in the case of the First Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date) (the "**Interest Period**").

If a Business Day Convention is specified in the relevant Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(i) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(iii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(iv) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes and CMS Linked Interest Notes will be determined in the manner specified in the relevant Final Terms.

(i) ***ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be:

(A) if "Multiplier" is specified in the relevant Final Terms as not being applicable, the relevant ISDA Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any);

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

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

where "**Multiplier**" and "**Reference Rate Multiplier**" each has the meaning given in the relevant Final Terms and where "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be

determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the relevant Final Terms;

(B) the Designated Maturity is a period specified in the relevant Final Terms; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate ("**LIBOR**") or on the Euro zone interbank offered rate ("**EURIBOR**"), the first day of that Interest Period or (b) if the applicable Floating Rate Option is based on the Warsaw Interbank Offered Rate ("**WIBOR**") or in any other case, as specified in the relevant Final Terms.

For the purposes of this subparagraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(ii) ***Screen Rate Determination for Floating Rate Notes (other than for Floating Rate Notes linked to the CMS Rate)***

(w) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the time specified in the relevant Final Terms (the "**Specified Time**") on the Interest Determination Date in question plus or minus (as indicated in the relevant Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(x) If the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of

(B) above, fewer than three such offered quotations appear, in each case as at the Specified Time, the Calculation Agent, in consultation with the Issuer, shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; and

(y) (1) If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be:

(A) if "Multiplier" is specified in the relevant Final Terms as not being applicable, the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) (the "**Determined Rate**"), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be

applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period). Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero;

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

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

where "**Multiplier**" and "**Reference Rate Multiplier**" each has the meaning given in the relevant Final Terms **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period),

(2) **except that**, (i) if the Issuer or Calculation Agent determines that the absence of quotation is due to the discontinuation of the Relevant Screen Page, or (ii) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Reference Rate will be determined in accordance with paragraph (z) below.

(z) (1) If the Issuer or the Calculation Agent determines at any time prior to, on or following any Interest Determination Date, that the Relevant Screen Page on which appears the Reference Rate has been discontinued, or (2) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Issuer will as soon as reasonably practicable (and in any event prior to the next relevant Interest Determination Date) appoint an agent (the "**Reference Rate Determination Agent**"), which will not later than the Interest Determination Cut-off Date determine in a commercially reasonable manner whether a substitute or successor rate for purposes of determining the Reference Rate on each Interest Determination Date falling on such date or thereafter that is substantially comparable to the discontinued Reference Rate is available. If the Reference Rate Determination Agent determines that there is an industry accepted successor rate, the Reference Rate Determination Agent will use such successor rate to determine the Reference Rate. If the Reference Rate Determination Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the "**Replacement Reference Rate**"), for purposes of determining

the Reference Rate on each Interest Determination Date falling on or after such determination: (i) the Reference Rate Determination Agent will also determine changes (if any) to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the discontinued Reference Rate, in each case in a manner that is consistent with industry-accepted practices for such Replacement Reference Rate; (ii) references to the Reference Rate in the Conditions and the Final Terms applicable to the relevant Notes will be deemed to be references to the Replacement Reference Rate, including any alternative method for determining such rate as described in (i) above; (iii) the Reference Rate Determination Agent will notify the Issuer of the foregoing as soon as reasonably practicable; and (iv) the Issuer will give notice as soon as reasonably practicable to the Noteholders, the relevant Paying Agent and the Calculation Agent specifying the Replacement Reference Rate, as well as the details described in (i) above, provided in each case that, if so specified in the Final Terms, the provisions under this paragraph will not apply if this would cause the occurrence of a Regulatory Event.

(2) The determination of the Replacement Reference Rate and the other matters referred to above by the Reference Rate Determination Agent will (in the absence of manifest error) be final and binding on the Issuer, the Calculation Agent, the Fiscal Agent, and the Noteholders, unless the Issuer considers at a later date that the Replacement Reference Rate is no longer substantially comparable to the Reference Rate or does not constitute an industry accepted successor rate, in which case the Issuer shall re-appoint a Reference Rate Determination Agent (which may or may not be the same entity as the original Reference Rate Determination Agent) for the purpose of confirming the Replacement Reference Rate or determining a substitute Replacement Reference Rate in an identical manner as described in paragraph (z) above, which will then (in the absence of manifest error) be final and binding on the Issuer, the Calculation Agent, the Fiscal Agent and the Noteholders. If the Reference Rate Determination Agent is unable to or otherwise does not determine a substitute Replacement Reference Rate, then the last known Replacement Reference Rate will apply.

(3) If (i) the Reference Rate Determination Agent determines that the Relevant Screen Page on which the Reference Rate appears has been discontinued, or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation has been adopted, but for any reason a Replacement Reference Rate has not been determined by the Interest Determination Cut-off Date or (ii) if the provisions relating to the occurrence of a Regulatory Event in case of a Replacement Reference Rate are specified as "applicable" in the relevant Final Terms, and the provisions under paragraphs (1) and (2) above would cause the occurrence of a Regulatory Event,

then no Replacement Reference Rate will be adopted, and the Reference Rate for the relevant Interest Period will be equal to the last Reference Rate available at the immediately preceding Interest Period on the Relevant Screen Page as determined by the Calculation Agent.

(4) The Reference Rate Determination Agent may be (i) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include one of the Dealers involved in the issue of the Notes) as appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (in which case any such determination shall be made in consultation with an independent financial advisor), (iii) the Calculation Agent (if agreed in writing by the relevant Calculation Agent) or (iv) any other entity which the Issuer considers has the necessary competences to carry out such role.

(iii) ***Screen Rate Determination for Floating Rate Notes which are linked to the CMS Rate***

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

CMS Rate plus Margin

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

If on any Interest Determination Date fewer than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period). Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the relevant Final Terms specifies a Minimum Rate of Interest for any Interest Period, then in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the relevant Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Unless otherwise stated in the relevant Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(d) **Linear Interpolation**

Where "Linear Interpolation" is specified as being applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line interpolation by reference to two rates:

(i) (where "Screen Rate Determination" is specified as being applicable in the relevant Final Terms) which appear on the Relevant Screen Page as of the Specified Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the relevant Interest Period or (where "CMS Rate" is specified as the Reference Rate in the relevant Final Terms) the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period or (where "CMS Rate" is specified as the Reference Rate in the relevant Final Terms) the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter or, as the case may be, next longer the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate; or

(ii) (where "ISDA Determination" is specified as being applicable in the relevant Final Terms) based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter or, as the case may be, next longer the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

The Rate of Interest for such Interest Period shall be the sum of the Margin (if any) and the rate so determined.

(e) **Determination of Rate of Interest and calculation of Interest Amounts**

The Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. Where the Calculation Agent is not the Fiscal Agent, the Calculation Agent shall notify the Fiscal Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or CMS Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or a CMS Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of all the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(f) **Notification of Rate of Interest and Interest Amounts**

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Fiscal Agent (if the Calculation Agent is not itself the Fiscal Agent) and any stock exchange or listing agent (if any) on which the relevant Floating Rate Notes or CMS Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter (or in the case of such Notes admitted to the official list and traded on the Official List, notification shall be given to Euronext Dublin or the Irish Listing Agent on the first day of each Interest Period). Each 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 each stock exchange or listing agent (if any) on which the relevant Floating Rate Notes or CMS Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 13 (*Notices*). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **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 4.2 by the Calculation Agent, shall (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent, the Calculation Agent 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 Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 **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 as provided in the Agency Agreement.

5. **PAYMENTS**

5.1 **Method of Payment**

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively); and

(b) payments in euro 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 7 (*Taxation*).

5.2 **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 5.1 (*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)).

Fixed Rate Notes in definitive form (other than CMS Linked Interest Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the related missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal

(whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, CMS Linked Interest Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect 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.

5.3 **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 (if such Global Note is not intended to be issued in NGN form) at the specified office of any Paying Agent outside the United States. On the occasion of each payment, (i) in the case of any Global Note which is not issued in new global note ("**NGN**") form, 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 and (ii) in the case of any Global Note which is a NGN, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

5.4 **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.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to

make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

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 7 (*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.

5.5 **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 8 (*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:

(i) the relevant place of presentation (if applicable);

(ii) each Additional Financial Centre specified in the relevant Final Terms; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, 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 principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 **Interpretation of principal and interest**

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*);

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*).

6. REDEMPTION, PURCHASE AND CANCELLATION

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each CMS Linked Interest Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the relevant Final Terms in the relevant Specified Currency on the date specified as the maturity date in the relevant Final Terms (the "**Maturity Date**").

The Issuer shall have the right to call, redeem, repay or repurchase the Senior Notes only in accordance with and subject to the conditions set out in Articles 77(2) and 78a of the CRR being met (see Condition 6.2 (*Redemption for tax reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*), Condition 6.5 (*Redemption at the option of the Issuer*), Condition 6.8 (*Purchases*) and Condition 6.12 (*Regulatory conditions for call, redemption, repayment and repurchase of Senior Notes*)).

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

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

6.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if this Note is neither a Floating Rate Note, a CMS Linked Interest Note, a Floating-Fixed Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) nor a Fixed-Floating Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions)); or

(b) on any Interest Payment Date (if this Note is either a Floating Rate Note, a CMS Linked Interest Note, a Fixed-Floating Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) or a Floating-Fixed Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions)),

on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

(a) 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 7 (*Taxation*) as a result of any Tax Law Change; and

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

Prior to the publication of any notice of redemption pursuant to this Condition 6.2, 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 sufficient to the Fiscal Agent and conclusive and binding on the Noteholders and the Couponholders).

Notes redeemed pursuant to this Condition 6.2 will be redeemed at the Early Redemption Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the case of Senior Notes, any redemption pursuant to this Condition 6.2 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*).

In the case of Subordinated Notes, any redemption pursuant to this Condition 6.2 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.3 **Redemption of Subordinated Notes for regulatory reasons**

This Condition 6.3 applies only to Notes specified in the relevant Final Terms as being Subordinated Notes.

If a Regulatory Call is specified in the relevant Final Terms as being applicable, upon the occurrence of a Regulatory Event any Series of Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if neither the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) nor the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable); or

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

on giving not less than 15 nor more than 30 days' notice to the Fiscal Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable).

Upon the expiry of any such notice as referred to in this Condition 6.3, the Issuer shall be bound to redeem the Notes in accordance with this Condition 6.3, at their early regulatory redemption amount (the "**Early Redemption Amount (Regulatory)**") which shall be their Final Redemption Amount or such other redemption amount as may be

specified in, or determined in accordance with the provisions of, the relevant Final Terms, together with accrued interest (if any) thereon.

Prior to the publication of any notice of redemption pursuant to this Condition 6.3, 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).

Any redemption pursuant to this Condition 6.3 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.4 **Redemption of Senior Notes due to a MREL Disqualification Event**

This Condition 6.4 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes or Senior Non-Preferred Notes.

If an Issuer Call due to a MREL Disqualification Event is specified in the relevant Final Terms as being applicable, then in cases where the Issuer determines that a MREL Disqualification Event has occurred and is continuing with respect to a Series of Senior Preferred Notes or Senior Non-Preferred Notes, any such Series may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if neither the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) nor the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable); or

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

on giving not less than 30 days nor more than the maximum period of notice specified in the applicable Final Terms to the Fiscal Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable).

Upon the expiry of any such notice as is referred to in this Condition 6.4, the Issuer shall be bound to redeem the Notes in accordance with this Condition 6.4, at their Early Redemption Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 6.4, 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).

Any redemption pursuant to this Condition 6.4 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*).

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

If an Issuer Call is specified in the relevant Final Terms as being applicable, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice (or such other notice period stated in the relevant Final Terms) to the Noteholders in accordance with Condition 13 (*Notices*); and

(b) not less than 15 days before the giving of the notice referred to in paragraph (a) above, notice to the Fiscal Agent,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or, if partial redemption is stated to be applicable in the relevant Final Terms, some only, of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the relevant Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the relevant Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot on a *pro rata* basis, in the case of Redeemed Notes represented by definitive Notes, and on a *pro rata* basis and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 (*Notices*) not less than 15 days prior to the date fixed for redemption (or such other notice period stated in the relevant Final Terms). The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, **provided that** such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.5 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*) at least five days prior to the Selection Date.

In the case of Senior Notes, the call option pursuant to this Condition 6.5 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*).

In the case of Subordinated Notes, no call option in accordance with this Condition 6.5 may be exercised by the Issuer to redeem, in whole or in part, such Notes prior to the fifth anniversary of their Issue Date. Starting from the fifth anniversary of their Issue Date, the redemption pursuant to this Condition 6.5 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.6 **Redemption at the option of the Noteholders (Investor Put)**

This Condition 6.6 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes or Senior Non-Preferred Notes.

If an Investor Put is specified in the relevant Final Terms as being applicable, upon the holder of any Note giving to the Issuer in accordance with Condition 13 (*Notices*) not less than 15 nor more than 30 days' notice (or such other notice period stated in the relevant Final Terms), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the relevant Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or, as the case may be, common safekeeper for them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note which has not been issued in NGN form, at the same time present or procure the presentation of the relevant Global Note to the Fiscal Agent for notation accordingly.

Any Put Notice given by a holder of any Note pursuant to this Condition 6.6 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Notes have become due and payable pursuant to Condition 9 (*Events of Default and enforcement*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.6.

6.7 **Early Redemption Amounts**

For the purpose of Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*) and Condition 9 (*Events of Default and enforcement*), each Note will be redeemed at its "**Early Redemption Amount**" calculated by (or on behalf of) the Issuer as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified

in, the relevant Final Terms or, if no such amount or manner is so specified in the relevant Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1 + AY)^y$

where:

RP means the reference price as defined in the relevant Final Terms (the "**Reference Price**");

AY means the accrual yield, as specified in the relevant Final Terms (the "**Accrual Yield**"), expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the relevant Final Terms.

6.8 **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.

In the case of Senior Notes, any purchase pursuant to this Condition 6.8 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*).

The Issuer may not purchase Subordinated Notes prior to the fifth anniversary of their Issue Date, except in the cases contemplated under Article 78(4) of the CRR, including, without limitation, repurchases made for market making purposes (where applicable), where the conditions set out in Article 29(3) of the Delegated Regulation are met and in particular with respect to the predetermined amount defined by the Relevant Authority, which according to Article 29(3)(b) of the Delegated Regulation may not exceed the lower of: (i) 10% of the amount of the relevant issuance; and (ii) 3% of the total amount of Tier 2 Instruments of the Issuer from time to time outstanding, or such other amount permitted to be purchased for market making purposes under the Applicable Banking Regulations. Starting from the fifth anniversary of their Issue Date, any purchase pursuant to this Condition 6.8 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.9 **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 6.8 (*Purchases*) (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

6.10 **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1 (*Redemption at maturity*), Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*), Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*) or Condition 6.6 (*Redemption at the option of the Noteholders (Investor Put)*) or upon its becoming due and repayable as provided in Condition 9 (*Events of Default and enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.7(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

6.11 **Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes**

This Condition 6.11 applies only to Notes specified in the relevant Final Terms as being Subordinated Notes.

In the case of Subordinated Notes, any call, redemption, repayment or repurchase pursuant to Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*) or Condition 6.8 (*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 relevant 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 6.2 (*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

(ii) in case of redemption pursuant to Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as 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 Subordinated Notes are repurchased for market making purposes,

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

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.

6.12 **Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes**

This Condition 6.12 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes or Senior Non-Preferred Notes.

In the case of Senior Notes, any call, redemption, repayment or repurchase pursuant to Condition 6.2 (*Redemption for tax reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*), Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*), Condition 6.6 (*Redemption at the option of the Noteholders (Investor Put)*) or Condition 6.8 (*Purchases*) is subject, to the extent such Senior Notes qualify at such time as liabilities that are eligible to meet the MREL Requirements or, in case of a redemption pursuant to Condition 6.4, qualified as liabilities that are eligible to meet the MREL Requirements before the occurrence of the MREL Disqualification Event, to the condition that the Issuer has obtained the prior permission of the Relevant Authority in accordance with Article 78a of the CRR, where one of the following conditions is met:

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

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

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

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

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

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts 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 respective amounts of principal and interest (in case of Senior Notes and to the extent permitted by the MREL Requirements) or the respective amounts of interest only (in case of Subordinated Notes) 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 the Italian tax authorities to obtain an adequate exchange of information in respect of the beneficiary of the payments made from Italy; or

(d) in all circumstances in which the requirements and procedures set forth in Legislative Decree No. 239 (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 5.5 (*Payment Day*)); or

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

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

(h) 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:

(i) "**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

(j) 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 by the Paying 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 13 (*Notices*).

8. 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 7 (*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 5.2 (*Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 5.2 (*Presentation of definitive Notes and Coupons*).

9. EVENTS OF DEFAULT AND ENFORCEMENT

9.1 Events of Default

The Notes are, and they shall immediately become, due and repayable at their Early Redemption Amount together with, if appropriate, accrued interest thereon 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.

Proceedings for the opening of a compulsory winding-up (*liquidazione coatta amministrativa*) in respect of the Issuer may only be initiated in the Republic of Italy (and not elsewhere) by the Noteholders, in accordance with the laws of the Republic of Italy.

No remedy against the Issuer other than as specifically provided by this Condition 9.1, Condition 9.2 (*Enforcement*) or the Agency Agreement shall be available to the holders of the Notes and the related Coupons, whether for the recovery of amounts owing under the Agency Agreement, 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 Agency Agreement, the Notes and the related Coupons or otherwise.

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

9.2 **Enforcement**

Each Noteholder may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Agency Agreement, the Notes and the Coupons, provided that the Issuer shall not by virtue of the institution of any such proceedings, other than proceedings for the compulsory winding-up (*liquidazione coatta amministrativa*) or voluntary winding-up (*liquidazione volontaria*) of the Issuer, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it pursuant to these Conditions and the Agency Agreement.

10. 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 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.

11. 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, **provided that**:

(a) there will at all times be a 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.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4 (*General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13 (*Notices*).

Notification of any change in the Paying Agents or the Calculation Agent or their specified offices will be made in accordance with Condition 13 (*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.

12. 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 8 (*Prescription*).

13. 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, and listed on the to the Official List and/or admitted to trading on the regulated market of Euronext Dublin, if filed within the Companies Announcement Office of Euronext Dublin or published in a leading English language daily newspaper of general circulation in the Republic of Ireland and approved by Euronext Dublin (which is expected to be the Irish Times) and/or the Euronext Dublin's website (http://www.ise.ie/). 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. If publication as provided above is not reasonably practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Issuer may determine. 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. 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.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

14.1 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 or the Agency Agreement (including 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.

With respect to the Senior Non-Preferred Notes, any waiver or modification of the Notes or the Agency Agreement may be sanctioned in accordance with the provisions of this Condition 14 only to the extent permitted under Article 12-*bis*, paragraph 4, of the Italian Banking Act, and the Issuer shall deliver to the Fiscal Agent a certificate signed by two duly authorised signatories of the Issuer stating that such waiver or modification of the Notes or the Agency Agreement is permitted under Article 12-*bis*, paragraph 4, of the Italian Banking Act.

14.2 **Substitution or modification of the Notes**

If a Substitution or Modification of the Notes is specified as being applicable in the relevant Final Terms, (i) in cases where a Regulatory Event or a Tax Law Change has occurred and is continuing (with respect to Subordinated Notes), or a MREL Disqualification Event or a Tax Law Change has occurred and is continuing (with respect to Senior Notes), and/or (ii) with respect to all Notes, in order to ensure the effectiveness and enforceability of the Bail-In Power in accordance with Condition 18 (*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 13 (*Notices*), the Noteholders (which notice shall be irrevocable), at any time either to modify the provisions of the Agency Agreement and/or the terms and conditions of the Notes of such Series, or substitute all (but not some only) of such Notes with other securities, which substitution or modification, for the avoidance of doubt, in each case shall be treated as being outside the scope of the Reserved Matters, **provided that**:

(a) such substitution or modification is reasonably necessary in the sole opinion of the Issuer to ensure, as applicable, that no Regulatory Event, Tax Law Change or MREL Disqualification Event would exist thereafter, or that the effectiveness and enforceability of the Bail-In Power in accordance with Condition 18 (*Contractual recognition of Bail-In Power*) or in accordance with applicable law is ensured;

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

(A) the terms and conditions of the Notes, as so modified (the "**Modified Notes**"), or the terms and conditions of the securities issued to substitute the Existing Notes (the "**New Securities**"), as applicable, 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 18 (*Contractual recognition of Bail-In Power*) or in accordance with applicable law and any provisions referred to under paragraph (e) below) than the terms and conditions applicable to the Existing Notes prior to such substitution or modification;

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

(C) the Modified Notes or the New Securities, as applicable, are assigned (or maintain) the same solicited credit ratings (if any) as were assigned to the Existing Notes immediately prior to such substitution or modification, provided that such change in rating, if any, shall only be relevant for the purposes of this Condition 14.2(b)(C), if related specifically to the substitution or modification;

(D) the Modified Notes or the New Securities, as applicable, continue to be listed on a recognised stock exchange, if the Existing Notes were listed immediately prior to such substitution or modification;

(c) the substitution or modification does not itself give rise to any right of the Issuer to redeem the Existing Notes prior to their Maturity Date, without prejudice to the provisions under Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*);

(d) the Relevant Authority has approved such substitution or modification (if such approval is required under the Applicable Banking Regulations or the MREL Requirements applicable at that time), or has received prior written notice thereof (if such notice is required under the Applicable Banking Regulations or the MREL Requirements 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 substitution or modification; and

(e) any substitution or modification made under this Condition 14.2 can also determine a change in the governing law provided under Condition 17.1 (*Governing law*) from English law to Italian law and/or in the jurisdiction and service of process provisions set out in Conditions 17.2 (*Submission to jurisdiction*) and 17.3 (*Appointment of process agent*), if the Issuer determines that such changes are necessary to ensure that the Notes remain or, as appropriate, become, eligible for the purposes of the MREL Requirements.

In connection with any substitution or modification made in this Condition 14.2, 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 substitution or 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 13 (*Notices*).

15. 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.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 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, English law, save that (i) Condition 3 (*Status of the Notes*), and (ii) Condition 18 (*Contractual recognition of Bail-In Power*), together with any non-contractual obligations arising out of or in connection with (i) and (ii), are governed by, and shall be construed in accordance with, Italian law.

17.2 Submission to jurisdiction

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

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.

17.3 Appointment of process agent

The Issuer has, in the Agency Agreement, appointed Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process, and undertakes that, in the event of the Law Debenture Corporate Services Limited ceasing so to act or ceasing to be located in England, it will appoint another person as its agent for service of process in England in respect of any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Agency Agreement, the Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes and the Coupons). Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law.

18. 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 13 (*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 18.

The exercise of the Bail-In Power by the Relevant Authority with respect to the Notes shall not constitute an Event of Default and the terms and conditions of the Notes shall continue to apply to the outstanding principal amount of the Notes subject to any modification of the amount of interest payments to reflect the reduction of the outstanding principal amount, and any further modification of the terms that the Relevant Authority may decide in accordance with applicable laws and regulations, including in particular the BRRD and the SRM Regulation, and any other relevant provisions under the Applicable Banking Regulations.

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

TERMS AND CONDITIONS OF THE ITALIAN LAW NOTES

*The following are the Terms and Conditions of the Notes governed by Italian law (the "**Italian Law Notes**" or the "**Notes**") which, as completed by the relevant Final Terms, will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The relevant Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" below for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

In these "Terms and Conditions", references to the "Notes" shall be to the Italian Law Notes (as defined above) and references to "Receipt" and "Talons" (both as defined below) shall be to the "Receipt" and "Talons" connected to the Italian Law Notes (as defined below), and references to "Noteholders" (as defined below) shall be to the Noteholders of the Italian Law Notes only.

This Note is one of a Series of the Italian Law Notes issued by Banca Farmafactoring S.p.A. (the "**Issuer**") pursuant to an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement for the Italian Law Notes**") dated 17 January 2020 and made between the Issuer and Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression shall include any successor fiscal agent appointed from time to time in connection with the Notes) and the other paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression shall include any successor or additional paying agents appointed from time to time in connection with the Notes).

References herein to the "Notes" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency;

(b) any Global Note; and

(c) any definitive Notes issued in exchange for a Global Note.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which completes these Terms and Conditions of the Italian Law Notes (the "**Conditions**"). References to the "**relevant Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Notes have interest coupons ("**Coupons**") and, if indicated in the relevant Final Terms, 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 do not have Coupons or Talons attached on issue.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates (as set out in the relevant Final Terms), Interest Commencement Dates and/or Issue Prices.

Copies of the Agency Agreement for the Italian Law Notes are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the relevant Final Terms are available for viewing at, and copies can be obtained from, the registered office of the Issuer at Via Domenichino, 5, 20149 – Milan (MI), Italy, and will be published on the website of Euronext Dublin (https://www.euronext.com/en/euronext-dublin) save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Regulation, the relevant Final Terms will only be obtainable by any holder of the Notes ("**Noteholder**") holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity.

The Noteholders and the holders of the related Coupons (the "**Couponholders**") are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement for the Italian Law Notes and the relevant Final Terms which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement for the Italian Law Notes.

Words and expressions defined in the Agency Agreement for the Italian Law Notes or used in the relevant Final Terms 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 for the Italian Law Notes and the relevant Final Terms, the relevant Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

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

The Notes may be Fixed Rate Notes, Floating Rate Notes, CMS Linked Interest Notes, Fixed-Floating Rate Notes, Floating-Fixed Rate Notes or Zero Coupon Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the relevant Final Terms.

The Notes may also be senior preferred notes ("**Senior Preferred Notes**"), senior non-preferred notes ("**Senior Non-Preferred Notes**" and, together with the Senior Preferred Notes, the "**Senior Notes**") or subordinated notes ("**Subordinated Notes**"), depending on the status of the Notes specified in the relevant Final Terms.

The Notes are denominated in such currency as may be specified in the relevant Final Terms (the "**Specified Currency**") and in the denomination or denominations specified in the relevant Final Terms (a "**Specified Denomination**"), provided that Senior Non-Preferred Notes will have a denomination of at least Euro 250,000 (or, where the Senior Non-Preferred Notes are denominated in a Specified Currency other than Euro, the equivalent amount in such other Specified Currency). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer and the 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, 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 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 Paying 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 Paying 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**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Notes which are represented by a Global Note 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 specified in the relevant Final Terms or as may otherwise be approved by the Issuer and the Fiscal Agent.

2. DEFINITIONS

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

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

"**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 a the Issuer (and/or other entities of the Group, where applicable) can be reduced, cancelled, transferred, modified, suspended for a temporary period and/or converted into shares or obligations of the obligor or any other person, whether in combination with a resolution action or otherwise;

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

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

"**Benchmarks Regulation**" means 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;

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

"**BRRD**" means Directive 2014/59/EU of the European Parliament and of the Council 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 (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

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

"**Business Day**" means 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 each business centre specified in the relevant Final Terms (each an "**Business Centre**"); and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, 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 principal financial centre of the country of the relevant Specified Currency (if other than London and any Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (ii) in relation to any sum payable in euro, 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 or such other person specified in the relevant Final Terms;

"**Capital Instruments Regulations**" means the Delegated Regulation and any other rules or regulations of the Relevant Authority or of the institutions of the European Union or which are otherwise applicable to the Issuer or the Group (as the case may be), 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 (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

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

"**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 (including, without limitation, as a consequence of the transposition of the Banking Reform Package into Italian law);

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

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

"**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 (including, without limitation, as a consequence of the entry into force of the Banking Reform Package);

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

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

"**Day Count Fraction**" means:

(a) in respect of the calculation of an amount of interest in accordance with Condition 4.1 (*Interest on Fixed Rate Notes*):

(i) if "**Actual/Actual (ICMA)**" is specified in the relevant Final Terms:

(A) in the case of Notes 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 (as specified in the relevant Final Terms) that would occur in one calendar year; or

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

(1) 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

(2) 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; and

(ii) if "**30/360**" is **specified** in the relevant Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

(b) in respect of the calculation of an amount of interest in accordance with Condition 4.2 (*Interest on Floating Rate Notes and CMS Linked Interest Notes*):

(i) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 365;

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

(iv) if "**Actual/360**" is specified in the relevant Final Terms, the actual number of days in the Interest Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

Where:

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

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

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

Day Count Fraction =

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

Where:

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

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 in which case D2 will be 30;

(vii) if "**30E/360 (ISDA)**" is specified in the relevant Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

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

Where:

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

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 in which case and D2 will be 30,

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

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

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

"**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);

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

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

"**First Interest Payment Date**" means the date specified in the relevant Final Terms;

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

"**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;

"**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);

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

"**Interest Determination Cut-off Date**" means the date which falls fifteen (15) calendar days before the end of the Interest Period relating to the Interest Determination Date in respect of which the provisions of paragraphs (z) to (cc) of Condition 4.2 (b)(ii) shall be applied by the Issuer;

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

"**Interest Payment Date**" means the first Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms;

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

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

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

MREL Requirements due to the remaining maturity of such Notes being less than any period prescribed thereunder does not constitute a MREL Disqualification Event; (b) the exclusion of all or some of a Series of Notes from the MREL Requirements due to there being insufficient headroom for such Notes within any prescribed exception to the otherwise applicable general requirements for liabilities that are eligible to meet the MREL Requirements does not constitute a MREL Disqualification Event; and (c) any exclusion shall not be "reasonably foreseeable" by the Issuer at the Issue Date where such exclusion arises as a result of (i) any EU and/or national legislation implementing and/or supplementing the Banking Reform Package differing, as it applies to the Issuer and/or the Group, in any respect from the drafts of proposal for the implementation of the Banking Reform Package, if any, in place as at the Issue Date of the first Series of the Senior Notes, or (ii) the official interpretation or application of the Banking Reform Package as applicable to the Issuer and/or the Group (including any interpretation or pronouncement by any relevant court or tribunal or by the Relevant Authority) differing in any respect from the official interpretation or application, if any, in place as at the Issue Date of the relevant Series of Senior Notes;

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

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

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

"**Reference Bank(s)**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market and, in the case of a determination of EURIBOR, the principal Euro zone office of four major banks in the Euro zone interbank market, in each case selected by the Issuer or as specified in the relevant Final Terms;

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

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

"**Relevant Authority**" means, as the context may require, (i) the European Central Bank or the Bank of Italy, acting within the framework of the Single Supervisory Mechanism,

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

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

"**Relevant Swap Rate**" means:

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

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

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

(d) where the Reference Currency is any other currency or if the relevant Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the relevant Final Terms;

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

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

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund, as amended, supplemented or replaced from time to time (including as a consequence of the entry into force of the Banking Reform Package);

"**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;

"**Tax Law Change**" means any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 7 (*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 date on which agreement is reached to issue the first Tranche of the Notes. 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 1 Capital**" means at any time tier 1 capital as interpreted and applied in accordance with the Applicable Banking Regulations;

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

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

3. STATUS OF THE NOTES

3.1 Status of the Senior Preferred Notes

This Condition 3.1 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes.

The Senior Preferred Notes and any related Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves.

The payment obligations of the Issuer under the Senior Preferred Notes and the Coupons related to them shall at all times rank (save for certain obligations required to be preferred by law, including any obligations permitted by law to rank senior to the Senior Preferred Notes following the Issue Date, if any) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding (other than

obligations ranking junior to the Senior Preferred Notes from time to time, including any obligations under Senior Non-Preferred Notes and any further obligations permitted by law or by their terms to rank junior to the Senior Preferred Notes following the Issue Date, if any).

In relation to each Series of Senior Preferred Notes, all Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and/or interest thereon will be paid *pro rata* on all Notes of such Series.

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

3.2 **Status of the Senior Non-Preferred Notes**

This Condition 3.2 applies only to Notes specified in the relevant Final Terms as being Senior Non-Preferred Notes.

The Senior Non-Preferred Notes and any related Coupons are direct, unconditional, unsubordinated, unsecured and non-preferred obligations of the Issuer that are intended to qualify as *strumenti di debito chirografario di secondo livello* of the Issuer in accordance with, and for the purposes of, Article 12-*bis* of the Italian Banking Act.

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

(a) junior to Senior Preferred Notes and all present or future unsecured and unsubordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Senior Non-Preferred Notes (including, without limitation, any obligations under the Senior Preferred Notes);

(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 Senior Non-Preferred Notes; 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 Senior Non-Preferred Notes (including, without limitation, the claims of the shareholders of the Issuer and any other obligations under the Subordinated Notes or any other obligations under instruments or items included in the Tier 1 Capital or Tier 2 Capital of the Issuer),

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

In relation to each Series of Senior Non-Preferred Notes, all Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and/or interest thereon will be paid *pro rata* on all Notes of such Series.

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

3.3 **Status of the Subordinated Notes**

This Condition 3.3 applies only to Notes specified in the relevant Final Terms as being Subordinated Notes.

The Subordinated Notes and any related Coupons are direct, unsecured and subordinated obligations of the Issuer that are intended to qualify for regulatory purposes as Tier 2 Instruments to be included in the Tier 2 Capital of the Issuer in accordance with Article 63 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 Subordinated Notes and the Coupons related to them shall at all times rank:

(a) junior to all present or future unsecured and unsubordinated obligations of the Issuer (including, without limitation, any obligations under the Senior Notes) or any other present or future subordinated obligations of the Issuer which rank, or are expressed by their terms to rank, senior to the Subordinated Notes;

(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 Subordinated Notes; 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 Subordinated Notes (including, without limitation, the claims of the shareholders of the Issuer and any other obligations under instruments or items included in the Tier 1 Capital of the Issuer).

In relation to each Series of Subordinated Notes, all Notes of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and/or interest thereon will be paid *pro rata* on all Notes of such Series.

Each holder of a Subordinated 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 Subordinated Note.

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

4. **INTEREST**

4.1 **Interest on Fixed Rate Notes**

This Condition 4.1 (Interest on Fixed Rate Notes) applies to the Notes: (a) if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable; and (b) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Fixed Interest Periods for which the Fixed Rate Note Provisions are stated to apply.

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the

Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date. The Rate of Interest may be specified in the relevant Final Terms either (i) as the same Rate of Interest for all Fixed Interest Periods or (ii) as a different Rate of Interest in respect of one or more Fixed Interest Periods.

If the Notes are in definitive form, except as provided in the relevant Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the relevant Final Terms, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the relevant Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

4.2 **Interest on Floating Rate Notes and CMS Linked Interest Notes**

This Condition 4.2 (Interest on Floating Rate Notes and CMS Linked Interest Notes) applies to the Notes (a) if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable; and (b) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Interest Periods for which the Floating Rate Note Provisions are stated to apply.

(a) **Interest Payment Dates**

Each Floating Rate Note and CMS Linked Interest Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the date or dates specified as a specified interest payment date in each year specified in the relevant Final Terms (a "**Specified Interest Payment Date**"); or

(ii) if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the specified period in the relevant Final Terms (the "**Specified Period**") after the preceding Interest Payment Date or, in the case of the First Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date) (the "**Interest Period**").

If a Business Day Convention is specified in the relevant Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(i) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(ii) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(iii) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(iv) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes and CMS Linked Interest Notes will be determined in the manner specified in the relevant Final Terms.

(i) ***ISDA Determination for Floating Rate Notes***

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be:

(A) if "Multiplier" is specified in the relevant Final Terms as not being applicable, the relevant ISDA Rate plus or minus (as indicated in the relevant Final Terms) the Margin (if any);

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

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

where "**Multiplier**" and "**Reference Rate Multiplier**" each has the meaning given in the relevant Final Terms and where "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be

determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "**ISDA Definitions**") and under which:

(A) the Floating Rate Option is as specified in the relevant Final Terms;

(B) the Designated Maturity is a period specified in the relevant Final Terms; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate ("**LIBOR**") or on the Euro zone interbank offered rate ("**EURIBOR**"), the first day of that Interest Period or (b) if the applicable Floating Rate Option is based on the Warsaw Interbank Offered Rate ("**WIBOR**") or in any other case, as specified in the relevant Final Terms.

For the purposes of this subparagraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(ii) ***Screen Rate Determination for Floating Rate Notes (other than for Floating Rate Notes linked to the CMS Rate)***

(w) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the time specified in the relevant Final Terms (the "**Specified Time**") on the Interest Determination Date in question plus or minus (as indicated in the relevant Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(x) If the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of

(B) above, fewer than three such offered quotations appear, in each case as at the Specified Time, the Calculation Agent, in consultation with the Issuer, shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent; and

(y) (1) If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be:

(A) if "Multiplier" is specified in the relevant Final Terms as not being applicable, the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro zone inter-bank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) (the "**Determined Rate**"), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be

applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period). Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero;

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

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

where "**Multiplier**" and "**Reference Rate Multiplier**" each has the meaning given in the relevant Final Terms **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period),

(2) **except that**, (i) if the Issuer or Calculation Agent determines that the absence of quotation is due to the discontinuation of the Relevant Screen Page, or (ii) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Reference Rate will be determined in accordance with paragraph (z) below.

(z) (1) If the Issuer or the Calculation Agent determines at any time prior to, on or following any Interest Determination Date, that the Relevant Screen Page on which appears the Reference Rate has been discontinued, or (2) following the adoption of a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation, the Issuer will as soon as reasonably practicable (and in any event prior to the next relevant Interest Determination Date) appoint an agent (the "**Reference Rate Determination Agent**"), which will not later than the Interest Determination Cut-off Date determine in a commercially reasonable manner whether a substitute or successor rate for purposes of determining the Reference Rate on each Interest Determination Date falling on such date or thereafter that is substantially comparable to the discontinued Reference Rate is available. If the Reference Rate Determination Agent determines that there is an industry accepted successor rate, the Reference Rate Determination Agent will use such successor rate to determine the Reference Rate. If the Reference Rate Determination Agent has determined a substitute or successor rate in accordance with the foregoing (such rate, the "**Replacement Reference Rate**"), for purposes of determining

the Reference Rate on each Interest Determination Date falling on or after such determination: (i) the Reference Rate Determination Agent will also determine changes (if any) to the business day convention, the definition of business day, the interest determination date, the day count fraction, and any method for obtaining the Replacement Reference Rate, including any adjustment factor needed to make such Replacement Reference Rate comparable to the discontinued Reference Rate, in each case in a manner that is consistent with industry-accepted practices for such Replacement Reference Rate; (ii) references to the Reference Rate in the Conditions and the Final Terms applicable to the relevant Notes will be deemed to be references to the Replacement Reference Rate, including any alternative method for determining such rate as described in (i) above; (iii) the Reference Rate Determination Agent will notify the Issuer of the foregoing as soon as reasonably practicable; and (iv) the Issuer will give notice as soon as reasonably practicable to the Noteholders, the relevant Paying Agent and the Calculation Agent specifying the Replacement Reference Rate, as well as the details described in (i) above, provided in each case that, if so specified in the Final Terms, the provisions under this paragraph will not apply if this would cause the occurrence of a Regulatory Event.

(2) The determination of the Replacement Reference Rate and the other matters referred to above by the Reference Rate Determination Agent will (in the absence of manifest error) be final and binding on the Issuer, the Calculation Agent, the Fiscal Agent, and the Noteholders, unless the Issuer considers at a later date that the Replacement Reference Rate is no longer substantially comparable to the Reference Rate or does not constitute an industry accepted successor rate, in which case the Issuer shall re-appoint a Reference Rate Determination Agent (which may or may not be the same entity as the original Reference Rate Determination Agent) for the purpose of confirming the Replacement Reference Rate or determining a substitute Replacement Reference Rate in an identical manner as described in paragraph (z) above, which will then (in the absence of manifest error) be final and binding on the Issuer, the Calculation Agent, the Fiscal Agent and the Noteholders. If the Reference Rate Determination Agent is unable to or otherwise does not determine a substitute Replacement Reference Rate, then the last known Replacement Reference Rate will apply.

(3) If (i) the Reference Rate Determination Agent determines that the Relevant Screen Page on which the Reference Rate appears has been discontinued or a decision to withdraw the authorisation or registration as set out in Article 35 of the Benchmarks Regulation has been adopted but for any reason a Replacement Reference Rate has not been determined by the Interest Determination Cut-off Date or (ii) if the provisions relating to the occurrence of a Regulatory Event in case of a Replacement Reference Rate are specified as "applicable" in the relevant Final Terms and the provisions under paragraph (1) above would cause the occurrence of a Regulatory Event, then no

Replacement Reference Rate will be adopted, and the Reference Rate for the relevant Interest Period will be equal to the last Reference Rate available at the immediately preceding Interest Period on the Relevant Screen Page as determined by the Calculation Agent.

(4) The Reference Rate Determination Agent may be (i) a leading bank or a broker-dealer in the principal financial centre of the Specified Currency (which may include one of the Dealers involved in the issue of the Notes) as appointed by the Issuer, (ii) the Issuer or an affiliate of the Issuer (in which case any such determination shall be made in consultation with an independent financial advisor), (iii) the Calculation Agent (if agreed in writing by the relevant Calculation Agent) or (iv) any other entity which the Issuer considers has the necessary competences to carry out such role.

(iii) ***Screen Rate Determination for Floating Rate Notes which are linked to the CMS Rate***

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

CMS Rate plus Margin

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

If on any Interest Determination Date fewer than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period). Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the relevant Final Terms specifies a Minimum Rate of Interest for any Interest Period, then in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the relevant Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Unless otherwise stated in the relevant Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(d) **Linear Interpolation**

Where "Linear Interpolation" is specified as being applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line interpolation by reference to two rates:

(i) (where "Screen Rate Determination" is specified as being applicable in the relevant Final Terms) which appear on the Relevant Screen Page as of the Specified Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the relevant Interest Period or (where "CMS Rate" is specified as the Reference Rate in the relevant Final Terms) the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period or (where "CMS Rate" is specified as the Reference Rate in the relevant Final Terms) the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter or, as the case may be, next longer the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate; or

(ii) (where "ISDA Determination" is specified as being applicable in the relevant Final Terms) based on the relevant Floating Rate Option, where:

(A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter or, as the case may be, next longer the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

The Rate of Interest for such Interest Period shall be the sum of the Margin (if any) and the rate so determined.

(e) **Determination of Rate of Interest and calculation of Interest Amounts**

The Calculation Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. Where the Calculation Agent is not the Fiscal Agent, the Calculation Agent shall notify the Fiscal Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or CMS Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or a CMS Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of all the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

(f) **Notification of Rate of Interest and Interest Amounts**

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Fiscal Agent (if the Calculation Agent is not itself the Fiscal Agent) and any stock exchange or listing agent (if any) on which the relevant Floating Rate Notes or CMS Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter (or in the case of such Notes admitted to the official list and traded on the Official List, notification shall be given to Euronext Dublin or the Irish Listing Agent on the first day of each Interest Period). Each 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 each stock exchange or listing agent (if any) on which the relevant Floating Rate Notes or CMS Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 13 (*Notices*). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(g) **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 4.2 by the Calculation Agent, shall (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent, the Calculation Agent 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 Fiscal Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

4.3 **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 as provided in the Agency Agreement for the Italian Law Notes.

5. **PAYMENTS**

5.1 **Method of Payment**

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Melbourne and Wellington, respectively); and

(b) payments in euro 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 7 (*Taxation*).

5.2 **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 5.1 (*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)).

Fixed Rate Notes in definitive form (other than CMS Linked Interest Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the related missing Coupon at any time before the expiry of 10 years after

the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, CMS Linked Interest Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon **provided that** such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect 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.

5.3 **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 (if such Global Note is not intended to be issued in NGN form) at the specified office of any Paying Agent outside the United States. On the occasion of each payment, (i) in the case of any Global Note which is not issued in new global note ("**NGN**") form, 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 and (ii) in the case of any Global Note which is a NGN, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

5.4 **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.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

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 7 (*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.

5.5 **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 8 (*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:

(i) the relevant place of presentation (if applicable);

(ii) each Additional Financial Centre specified in the relevant Final Terms; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, 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 principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Melbourne and Wellington, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

5.6 **Interpretation of principal and interest**

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*);

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*).

6. REDEMPTION, PURCHASE AND CANCELLATION

6.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each CMS Linked Interest Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the relevant Final Terms in the relevant Specified Currency on the date specified as the maturity date in the relevant Final Terms (the "**Maturity Date**").

The Issuer shall have the right to call, redeem, repay or repurchase the Senior Notes only in accordance with and subject to the conditions set out in Articles 77(2) and 78a of the CRR being met (see Condition 6.2 (*Redemption for tax reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*), Condition 6.5 (*Redemption at the option of the Issuer*), Condition 6.8 (*Purchases*) and Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*)).

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

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

6.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if this Note is neither a Floating Rate Note, a CMS Linked Interest Note, a Floating-Fixed Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) nor a Fixed-Floating Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions)); or

(b) on any Interest Payment Date (if this Note is either a Floating Rate Note, a CMS Linked Interest Note, a Fixed-Floating Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) or a Floating-Fixed Rate Note (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions)),

on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

(a) 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 7 (*Taxation*) as a result of any Tax Law Change; and

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

Prior to the publication of any notice of redemption pursuant to this Condition 6.2, 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 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 6.2 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 6.2 will be redeemed at the Early Redemption Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

In the case of Senior Notes, any redemption pursuant to this Condition 6.2 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*).

In the case of Subordinated Notes, any redemption pursuant to this Condition 6.2 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.3 **Redemption of Subordinated Notes for regulatory reasons**

This Condition 6.3 applies only to Notes specified in the relevant Final Terms as being Subordinated Notes.

If a Regulatory Call is specified in the relevant Final Terms as being applicable, upon the occurrence of a Regulatory Event any Series of Subordinated Notes may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if neither the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) nor the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable); or

(b) on any Interest Payment Date (if either the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) or the Floating-Fixed Rate Note Provisions (in respect of the

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

on giving not less than 15 nor more than 30 days' notice to the Fiscal Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable).

Upon the expiry of any such notice as referred to in this Condition 6.3, the Issuer shall be bound to redeem the Notes in accordance with this Condition 6.3, at their early regulatory redemption amount (the "**Early Redemption Amount (Regulatory)**") which shall be their Final Redemption Amount or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms, together with accrued interest (if any) thereon.

Prior to the publication of any notice of redemption pursuant to this Condition 6.3, 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 6.3 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 6.3 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.4 **Redemption of Senior Notes due to a MREL Disqualification Event**

This Condition 6.4 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes or Senior Non-Preferred Notes.

If an Issuer Call due to a MREL Disqualification Event is specified in the relevant Final Terms as being applicable, then in cases where the Issuer determines that a MREL Disqualification Event has occurred and is continuing with respect to a Series of Senior Preferred Notes or Senior Non-Preferred Notes, any such Series may be redeemed at the option of the Issuer in whole, but not in part:

(a) at any time (if neither the Floating Rate Note Provisions, the CMS Linked Interest Note Provisions, the Fixed-Floating Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) nor the Floating-Fixed Rate Note Provisions (in respect of the Interest Period calculated in accordance with the Floating Rate Note Provisions) are specified in the relevant Final Terms as being applicable); or

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

on giving not less than 30 days nor more than the maximum period of notice specified in the applicable Final Terms to the Fiscal Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable).

Upon the expiry of any such notice as is referred to in this Condition 6.4, the Issuer shall be bound to redeem the Notes in accordance with this Condition 6.4, at their Early Redemption Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 6.4, 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 6.4 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 6.4 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*).

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

If an Issuer Call is specified in the relevant Final Terms as being applicable, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice (or such other notice period stated in the relevant Final Terms) to the Noteholders in accordance with Condition 13 (*Notices*); and

(b) not less than 15 days before the giving of the notice referred to in paragraph (a) above, notice to the Fiscal Agent,

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or, if partial redemption is stated to be applicable in the relevant Final Terms, some only, of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the relevant Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the relevant Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot on a *pro rata* basis, in the case of Redeemed Notes represented by definitive Notes, and on a *pro rata* basis and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 (*Notices*) not less than 15 days prior to the date fixed for redemption (or such other notice period stated in the relevant Final Terms). The aggregate nominal amount of Redeemed Notes

represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, **provided that** such first mentioned nominal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.5 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*) at least five days prior to the Selection Date.

In the case of Senior Notes, the call option pursuant to this Condition 6.5 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*).

In the case of Subordinated Notes, no call option in accordance with this Condition 6.5 may be exercised by the Issuer to redeem, in whole or in part, such Notes prior to the fifth anniversary of their Issue Date. Starting from the fifth anniversary of their Issue Date, the redemption pursuant to this Condition 6.5 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.6 **Redemption at the option of the Noteholders (Investor Put)**

This Condition 6.6 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes or Senior Non-Preferred Notes.

If an Investor Put is specified in the relevant Final Terms as being applicable, upon the holder of any Note giving to the Issuer in accordance with Condition 13 (*Notices*) not less than 15 nor more than 30 days' notice (or such other notice period stated in the relevant Final Terms), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the relevant Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Fiscal Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or, as the case may be, common safekeeper for them to the Fiscal Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note which has not been issued in NGN form, at the same time present or procure the presentation of the relevant Global Note to the Fiscal Agent for

notation accordingly.

Any Put Notice given by a holder of any Note pursuant to this Condition 6.6 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Notes become due and payable pursuant to Condition 9 (*Events of Default and enforcement*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6.6.

6.7 **Early Redemption Amounts**

For the purpose of Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*) and Condition 9 (*Events of Default and enforcement*), each Note will be redeemed at its "**Early Redemption Amount**" calculated by (or on behalf of) the Issuer as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the relevant Final Terms or, if no such amount or manner is so specified in the relevant Final Terms, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1 + AY)^{y}$

where:

RP means the reference price as defined in the relevant Final Terms (the "**Reference Price**");

AY means the accrual yield, as specified in the relevant Final Terms (the "**Accrual Yield**"), expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the relevant Final Terms.

6.8 **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.

In the case of Senior Notes, any purchase pursuant to this Condition 6.8 shall be subject to Condition 6.12 (*Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes*).

The Issuer may not purchase Subordinated Notes prior to the fifth anniversary of their Issue Date, except in the cases contemplated under Article 78(4) of the CRR, including, without limitation, repurchases made for market making purposes (where applicable), where the conditions set out in Article 29(3) of the Delegated Regulation are met and in particular with respect to the predetermined amount defined by the Relevant Authority, which according to Article 29(3)(b) of the Delegated Regulation may not exceed the lower of: (i) 10% of the amount of the relevant issuance; and (ii) 3% of the total amount of Tier 2 Instruments of the Issuer from time to time outstanding, or such other amount permitted to be purchased for market making purposes under the Applicable Banking Regulations. Starting from the fifth anniversary of their Issue Date, any purchase pursuant to this Condition 6.8 shall be subject to Condition 6.11 (*Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes*).

6.9 **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 6.8 (*Purchases*) (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

6.10 **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1 (*Redemption at maturity*), Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*), Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*) or Condition 6.6 (*Redemption at the option of the Noteholders (Investor Put)*) or upon its becoming due and repayable as provided in Condition 9 (*Events of Default and enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.7(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Fiscal Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

6.11 **Regulatory conditions for call, redemption, repayment or repurchase of Subordinated Notes**

This Condition 6.11 applies only to Notes specified in the relevant Final Terms as being Subordinated Notes.

In the case of Subordinated Notes, any call, redemption, repayment or repurchase pursuant to Condition 6.2 (*Redemption for tax reasons*), Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), Condition 6.5 (*Redemption at the option of*

the Issuer (Issuer Call)) or Condition 6.8 (*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 relevant 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 6.2 (*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

(ii) in case of redemption pursuant to Condition 6.3 (*Redemption of Subordinated Notes for regulatory reasons*), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as 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 Subordinated Notes are repurchased for market making purposes,

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

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.

6.12 **Regulatory conditions for call, redemption, repayment or repurchase of Senior Notes**

This Condition 6.12 applies only to Notes specified in the relevant Final Terms as being Senior Preferred Notes or Senior Non-Preferred Notes.

In the case of Senior Notes, any call, redemption, repayment or repurchase pursuant to Condition 6.2 (*Redemption for tax reasons*), Condition 6.4 (*Redemption of Senior Notes due to a MREL Disqualification Event*), Condition 6.5 (*Redemption at the option of the*

Issuer (Issuer Call)), Condition 6.6 (*Redemption at the option of the Noteholders (Investors Put)*) or Condition 6.8 (*Purchases*) is subject, to the extent such Senior Notes qualify at such time as liabilities that are eligible to meet the MREL Requirements or, in case of a redemption pursuant to Condition 6.4, qualified as liabilities that are eligible to meet the MREL Requirements before the occurrence of the MREL Disqualification Event, to the condition that the Issuer has obtained the prior permission of the Relevant Authority in accordance with Article 78a of the CRR, where one of the following conditions is met:

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

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

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

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

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

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts 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 respective amounts of principal and interest (in case of Senior Notes and to the extent permitted by the MREL Requirements) or the respective amounts of interest only (in case of Subordinated Notes) 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 the Italian tax authorities to obtain an adequate exchange of information in respect of the beneficiary of the payments made from Italy; or

(d) in all circumstances in which the requirements and procedures set forth in Legislative Decree No. 239 (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 5.5 (*Payment Day*)); or

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

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

(h) 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:

(i) "**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

(j) 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 by the Paying 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 13 (*Notices*).

8. 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 7 (*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 5.2 (*Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 5.2 (*Presentation of definitive Notes and Coupons*).

9. EVENTS OF DEFAULT AND ENFORCEMENT

9.1 Events of Default

The Notes are, and they shall immediately become, due and repayable at their Early Redemption Amount together with, if appropriate, accrued interest thereon 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 (the "**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 9.1 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, is not an Event of Default.

10. 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 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.

11. 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, **provided that**:

(a) there will at all times be 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.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4 (*General provisions applicable to payments*). Any variation, termination, appointment or change shall only

take effect after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13 (*Notices*).

Notification of any change in the Paying Agents or the Calculation Agent or their specified offices will be made in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement for the Italian Law Notes, 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 for the Italian Law Notes 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.

12. 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 8 (*Prescription*).

13. 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, and listed on the to the Official List and/or admitted to trading on the regulated market of Euronext Dublin, if filed within the Companies Announcement Office of Euronext Dublin or published in a leading English language daily newspaper of general circulation in the Republic of Ireland and approved by Euronext Dublin (which is expected to be the Irish Times) and/or the Euronext Dublin's website (http://www.ise.ie/). 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. 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.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

14.1 Meeting of the Noteholders, modification and waiver

The Agency Agreement for the Italian Law Notes 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 for the Italian Law Notes. 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 or the Agency Agreement for the Italian Law Notes (including 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.

The Issuer and the Fiscal Agent may agree, without the consent of the Noteholders or Couponholders, to any modification of the Notes or the Agency Agreement for the Italian Law Notes 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. In addition, no consent of the Noteholders or Couponholders shall be required in connection with effecting the Replacement Reference Rate as described in Condition 4.2 (b) or such other relevant changes. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) as soon as reasonably practicable thereafter.

14.2 Modification of the Notes

If a Modification of the Notes is specified as being applicable in the relevant Final Terms, (i) in cases where a Regulatory Event or a Tax Law Change has occurred and is continuing (with respect to Subordinated Notes), or a MREL Disqualification Event or a Tax Law Change has occurred and is continuing (with respect to Senior Notes), and/or (ii) with respect to all Notes, in order to ensure the effectiveness and enforceability of the Bail-In Power in accordance with Condition 17 (*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 13 (*Notices*), the Noteholders (which notice shall be irrevocable), at any time either to modify the provisions of the Agency Agreement for the Italian Law Notes

and/or the terms and conditions of the Notes of such Series, or substitute all (but not some only) of such Notes with other securities, which substitution or modification, for the avoidance of doubt, in each case 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, Tax Law Change or MREL Disqualification Event would exist thereafter, or that the effectiveness and enforceability of the Bail-In Power in accordance with Condition 17 (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 17 (Contractual Recognition of Bail-In Power) or in accordance with applicable law and any provisions referred to under (e) below) 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, 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 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 14.2(b)(C), if related specifically to the substitution or modification;

(D) 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 prior to their Maturity Date, without prejudice to the provisions under Condition 6.5 (*Redemption at the option of the Issuer (Issuer Call)*);

(d) the Relevant Authority has approved such modification (if such approval is required under the Applicable Banking Regulations or the MREL Requirements applicable at that time), or has received prior written notice thereof (if such notice is required under the Applicable Banking Regulations or the MREL Requirements 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; and

(e) any modification made under this Condition 14.2 can also determine a change in the governing law provided under Condition 16.1 (*Governing* law) from Italian law and/or in the jurisdiction and service of process provisions set out in Condition 16.2 (*Submission to jurisdiction*), if the Issuer determines that such

changes are necessary to ensure that the Notes remain or, as appropriate, become, eligible for the purposes of the MREL Requirements.

In connection with any modification made in this Condition 14.2, 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 13 (*Notices*).

15. 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.

16. GOVERNING LAW AND SUBMISSION TO JURISDICTION

16.1 Governing law

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

16.2 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 non-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.

17. 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 13 (*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 17.

The exercise of the Bail-In Power by the Relevant Authority with respect to the Notes shall not constitute an Event of Default and the terms and conditions of the Notes shall continue to apply to the outstanding principal amount of the Notes subject to any modification of the amount of interest payments to reflect the reduction of the outstanding principal amount, and any further modification of the terms that the Relevant Authority may decide in accordance with applicable laws and regulations, including in particular the BRRD and the SRM Regulation, and any other relevant provisions under the Applicable Banking Regulations.

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

FORM OF THE NOTES

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

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

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

Temporary Global Note exchangeable for Permanent Global Note

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

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

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

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

(iii) within 7 days of the bearer requesting such exchange.

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

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

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) at any time, if so specified in the relevant Final Terms; or

(iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 9 (*Events of Default and enforcement*) occurs.

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

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

Temporary Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note without Coupons, interests in which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

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

U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

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

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

Permanent Global Note exchangeable for Definitive Notes

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note without Coupons, interests in which will be exchangeable in whole, but not in part, for Definitive Notes:

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) at any time, if so specified in the relevant Final Terms; or

(iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 9 (*Events of Default and enforcement*) occurs.

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

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange. Where the Notes are listed on the Luxembourg Stock Exchange and its rules so require, the Issuer will give notice of the exchange of the Permanent Global Note for Definitive Notes pursuant to Condition 13 (*Notices*).

Rights under Deed of Covenant

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

Terms and Conditions applicable to the Notes

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

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

Legend concerning United States persons

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

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

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

FORM OF FINAL TERMS

Set out below is the form of Final Terms which the Issuer expects will be completed for each Tranche of Notes issued under the Programme.

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive (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 Regulation (EU) No. 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

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

Final Terms dated [●]

Banca Farmafactoring S.p.A.
(incorporated with limited liability in the Republic of Italy with its registered office in Milan; number 07960110158 in the Register of Companies)

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

under the €1,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the [Terms and Conditions of the English Law Notes] [Terms and Conditions of the Italian Law Notes] set forth in the Base Prospectus dated 17 January 2020 [and the Supplement to the Base Prospectus dated [*date*]] [which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**")][3]. This document constitutes the Final Terms of the Notes described herein [for the purposes of Article 8 of the Prospectus Regulation][4] and must be read in conjunction with the Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented].

[3] Delete for unlisted Notes

[4] Delete for unlisted Notes

The Base Prospectus [and the supplement to the Base Prospectus dated [*date*]] is available for viewing at, and copies of it may be obtained from, the registered office of the Issuer, and will be published on the website of Euronext Dublin (http://www.ise.ie/).

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under the 2018 Base Prospectus*]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 30 November 2018 which are incorporated by reference in the Base Prospectus dated 17 January 2020. This document constitutes the Final Terms of the Notes described herein [for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**")][5]. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated 17 January 2020 [and the supplement to the Base Prospectus dated [●]], save in respect of the Conditions which are extracted from the Base Prospectus dated 30 November 2018.

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectuses dated 30 November 2018 and 17 January 2020 [as so supplemented]. The Base Prospectuses [and the supplement to the Base Prospectus dated [*date*]] are available for viewing at, and copies may be obtained from, the registered office of the Issuer, and will be published on the website of Euronext Dublin (http://www.ise.ie/).

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

(*When completing the final terms consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.*)

(*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be €100,000 or its equivalent in any other currency. Senior Non-Preferred Notes must have a denomination of at least €250,000 – or, where the Senior Non-Preferred Notes are denominated in a Specified Currency other than Euro, the equivalent amount in such other Specified Currency.*)

1.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●]
	[(c)	Date on which Notes become fungible:]	[Not Applicable]/[The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below [which is expected to be on or about [●].]
2.	Specified Currency or Currencies: (Condition 1)		[Euro ("**EUR**")] / [Polish Zloty ("**PLN**")] / [●]

[5] Delete for unlisted Notes

3.	Aggregate Nominal Amount:		
	(a)	[Series:	[●]]
	(b)	[Tranche:	[●]]
4.	Issue Price:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]] (*insert date if applicable*)]
5.	(a)	Specified Denominations:	[●]
	(Condition 1)		(*Senior Non-Preferred Notes must have a denomination of at least €250,000 (or, where the Senior Non-Preferred Notes are denominated in a Specified Currency other than Euro, the equivalent amount in such other Specified Currency)*) (*N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Regulation the €100,000 minimum denomination is not required.*) *(Note — where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:* "*€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No Notes in definitive form will be issued with a denomination above €199,000 or below €100,000.*")
	(b)	Calculation Amount:	[●] (*If only one Specified Denomination, insert the Specified Denomination. If more than one specified Denomination, insert the highest common factor. Note: there must be a common factor in the case of two or more Specified Denominations.*)
6.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable]
	(Condition 2)		(*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)

7.	Maturity Date: (Condition 6.1)	[*Fixed Rate – specify date/Floating Rate* – Interest Payment Date falling in or nearest to [*specify month and year*]] (*Unless otherwise permitted by current laws, regulations, directives and/or the Relevant Authority's requirements applicable to the Issuer or the Group (as the case may be) (i) Senior Non-Preferred Notes must have a minimum maturity of twelve months and (ii) Subordinated Notes must have a minimum maturity of five years*).
8.	Interest Basis: (Condition 4)	[[●] per cent. Fixed Rate] [[LIBOR/EURIBOR/WIBOR] +/- [●] per cent. Floating Rate] [Floating Rate: CMS Linked Interest] [Fixed-Floating Rate] [Floating-Fixed Rate] [Zero Coupon] (further particulars specified in paragraphs 12-16 below)
9.	Change of Interest Basis or Change of Redemption/Payment Basis:	[Fixed Rate to Floating Rate] / [Floating Rate to Fixed Rate] / [Applicable/Not Applicable] (*If applicable, specify details of the relevant basis change (and in the case of a change of Interest Basis the relevant Interest Periods to which the change(s) in Interest Basis applies)*)
10.	Put/Call Options: (Condition 6.5 or 6.6)	[Issuer Call] [Investor Put] [(further particulars specified in paragraphs 17-20 below)]
11.	(i) Status of the Notes: (Condition 3.2, 3.3, or 3.4)	[Senior Preferred Notes/Senior Non-Preferred Notes/Subordinated Notes]
	(ii) Date [Board] approval for issuance of Notes obtained:	[●] / Not Applicable (*Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12.	Fixed Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period starting from [●] [and including] [●] ending on [but excluding] [●]]

	(*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a) Rate(s) of Interest: (Condition 4)	[●] per cent. per annum [payable [annually/semi-annually/quarterly/*specify* other] in arrear] [*specify other in case of different Rates of Interest in respect of different Fixed Interest Periods*]
(b) Interest Payment Date(s): (Condition 4)	[●] in each year up to and including [the Maturity Date/[●]] (*N.B. This will need to be amended in the case of long or short coupons*)
(c) Fixed Coupon Amount(s):	[●] per Calculation Amount (*Applicable to Notes in definitive form*) *(Specify different Fixed Coupon Amounts if different Rates of Interest are specified as being applicable in respect of different Fixed Interest Periods)*
(d) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] (*Applicable to Notes in definitive form*)
(e) Day Count Fraction: (Condition 2)	[Actual/Actual (ISDA) Actual/Actual (ICMA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 360/360 Bond Basis 30E/360 Eurobond Basis 30E/360 (ISDA)]
(f) Interest Determination Date(s): (Condition 2)	[●] in each year (*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*) (*N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration*) (*N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)*)

13.	Floating Rate Note Provisions:	[Applicable/Not Applicable/Applicable for the period starting from [●] [and including] [●] ending on [but excluding] [●]] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Specified Period(s)/Specified Interest Payment Dates: (Condition 4.2)	[●]
	(b) First Interest Payment Date: (Condition 2)	[●]
	(c) Business Day Convention: (Condition 2)	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(d) Relevant Financial Centre(s): (Condition 2)	[●]
	(e) Business Centre(s): (Condition 2)	[●]
	(f) Manner in which the Rate of Interest and Interest Amount is to be determined: (Condition 4)	[Screen Rate Determination/ISDA Determination]
	(g) Calculation Agent responsible for calculating the Rate of Interest and Interest Amount (if not the Fiscal Agent):	[●]
	(h) Screen Rate Determination: (Condition 4)	
	(i) Reference Rate:	[[EURIBOR]/[LIBOR] / [WIBOR] / [CMS Rate]]
	In the case of CMS Rate:	
	- Reference Currency:	[●]
	- Designated Maturity:	[●]
	- Calculation Agent / Fiscal Agent:	[●]

(ii)	Interest Determination Date(s):	[●] (*in the case of a CMS Rate where the Reference Currency is Euro*):[Second day on which the TARGET2 System is open prior to the start of each Interest Period] *(in the case of a CMS Rate where the Reference Currency is other than Euro*):[Second [specify type of day] prior to the start of each Interest Period] (*Second London Business Day prior to the start of each Interest Period if LIBOR (other than Sterling or Euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR)*
(iii)	Specified Time:	[●]
(iv)	Multiplier:	[●] / [Not Applicable]
(v)	Reference Rate Multiplier:	[●] / [Not Applicable]
(vi)	Relevant Screen Page:	(*In the case of a CMS Rate*): [ICESWAP2]
(Condition 4)		(*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*) *(In the case of CMS Linked Interest Note, specify relevant screen page and any applicable headings and captions)*
[(vii)	Provisions relating to the occurrence of a Regulatory Event in case of Replacement Reference Rate:	[Applicable/Not Applicable] / [TBC]

(i) ISDA Determination:

(Condition 4)

(i)	Floating Rate Option:	[●]
(ii)	Designated Maturity:	[●]
(iii)	Reset Date:	[●] (*In the case of a LIBOR or EURIBOR or*

			CMS Rate based option, the first day of the Interest Period)
	(j)	Margin(s):	[+/-] [●] per cent. per annum
	(k)	Minimum Rate of Interest:	[●] per cent. per annum
	(l)	Maximum Rate of Interest:	[●] per cent. per annum
	(m)	Multiplier:	[●] / [Not Applicable]
	(n)	Reference Rate Multiplier:	[●] / [Not Applicable]
	(o)	Day Count Fraction: (Condition 2)	[Actual/Actual (ISDA) Actual/Actual (ICMA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 360/360 Bond Basis 30E/360 Eurobond Basis 30E/360 (ISDA)]
	(p)	Linear Interpolation: (Condition 4)	[Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each long or short interest period*)]
14.	Fixed-Floating Rate Note Provisions:		[Applicable/Not Applicable] [[●] per cent. Fixed Rate in respect of the Fixed Interest Period(s) ending on (but excluding) [●], then calculated in accordance with paragraph 13 above.]
15.	Floating-Fixed Rate Note Provisions:		[Applicable/Not Applicable] [[*Floating Rate*] in respect of the Interest Period(s) ending on (but excluding) [●], then calculated in accordance with paragraph 12 above.]
16.	Zero Coupon Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Accrual Yield: (Condition 6.7)	[●] per cent. per annum
	(b)	Reference Price: (Condition 6.7)	[●]

	(c)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 6.7 applies] (C*onsider applicable day count fraction if not U.S. dollar denominated*)

PROVISIONS RELATING TO REDEMPTION

17.	Issuer Call:		[Applicable/Not Applicable]
	(Condition 6.5)		(*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	(*If the Notes are Subordinated Notes, unless otherwise permitted by current laws, regulations, directives and/or the Relevant Authority's requirements applicable to the issue of Subordinated Notes by the Issuer, the Optional Redemption Date shall not be earlier than five years after the Issue Date*)
	(b)	Optional Redemption Amount:	[[●] per Calculation Amount]
	(c)	Partial redemption:	[Applicable/Not Applicable] (*If not applicable, delete the remaining items of this subparagraph*)
		If redeemable in part:	
		(i) Minimum Redemption Amount:	[●]
		(ii) Maximum Redemption Amount:	[●]
	(d)	Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different from those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or Fiscal Agent*)
18.	Regulatory call:		[Condition 6.3 is applicable/Not Applicable]
	(Condition 6.3)		(*Only applicable for Subordinated Notes*)
19.	Issuer Call due to a MREL		[Condition 6.4 is applicable/Not

	Disqualification Event	Applicable]
	(Condition 6.4)	(*Only applicable for Senior Notes*)
	(a) Notice period:	[●]
20.	Investor Put:	[Applicable/Not Applicable]
	(Condition 6.6)	(*Not applicable for Subordinated Notes. If not applicable for Senior Notes, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[●]
	(b) Optional Redemption Amount:	[[●] per Calculation Amount]
	(c) Notice period (if other than as set out in the Conditions):	[●] (*N.B. If setting notice periods which are different from those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or Fiscal Agent*)
21.	Final Redemption Amount:	[[●] per Calculation Amount] (*N.B. The Final Redemption Amount will always be equal to at least 100 per cent. of the aggregate principal amount of the Notes. In relation to any issue of Notes which are expressed at paragraph 5 above to have a minimum denomination and tradeable amounts above such minimum denomination which are smaller than it the following wording should be added: "For the avoidance of doubt, in the case of a holding of Notes in an integral multiple of [●] in excess of [●] as envisaged in paragraph 5 above, such holding will be redeemed at its nominal amount."*)
22.	Early Redemption Amount payable on redemption for taxation, regulatory reasons, MREL Disqualification Event or on event of default: (Condition 6.7)	[Not Applicable (*if Early Redemption Amount (Tax), Early Redemption Amount (Regulatory Event), Early Redemption Amount (MREL Disqualification Event) and Early Termination Amount are the principal amount of the Notes*)*/ specify*

		[●] per Calculation Amount]
23.	Substitution or modification of the Notes (English Law Notes only): (Condition 14.2)	[Condition 14.2 applies/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]* [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]* [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]* (**The exchange upon notice options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 above includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes*.)
25.	New Global Note:	[Yes] [No]
26.	Additional Financial Centre(s) or other special provisions relating to Payment Dates: (Condition 5)	[Not Applicable/*give details*] (*Note that this item relates to the place of payment and not Interest Period end dates to which item 12(d) relates*)
27.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, insert as follows:* One Talon in the event that more than 27 Coupons need to be attached to each Definitive Note. On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of the Paying Agent in exchange for a further Coupon sheet. Each Talon shall

be deemed to mature in the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.]

THIRD PARTY INFORMATION

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

Signed on behalf of Banca Farmafactoring S.p.A.:

By: .....
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i)	Listing and admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of *[Euronext Dublin] and, if relevant, admission to an official list*] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of *[Euronext Dublin] and, if relevant, admission to an official list*] with effect from [●].] [Not Applicable.]
(ii)	Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

Ratings: [The Notes are not expected to be rated/The Notes to be issued have been/are expected to be rated]:

[Moody's: [●]]
[DBRS: [●]]
[[Other]: [●]]

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

(*Insert the following where the relevant credit rating agency is established in the EEA:*)

[[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and [is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at http://www.esma.europa.eu/supervision/credit-rating-agencies/risk as being registered]/[has applied for registration although notification of the corresponding registration decision has not yet been provided by the relevant competent authority]/[is neither registered nor has it applied for registration] under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").]

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

[[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA [but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is

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

In general, European regulated investors are restricted from using a rating for regulatory purposes unless such rating is (1) issued by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

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

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

[Save for any fees payable to the [Dealers/Managers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer]. -*Amend as appropriate if there are other interests*

(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)

4. **REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS**

Reasons for the offer: [●]

Estimated net proceeds: [●]

5. **YIELD** (Fixed Rate Notes only)

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

6. **[Floating Rate Notes and CMS Linked Interest Notes Only – HISTORIC INTEREST RATES**

[Details of historic [LIBOR/EURIBOR/WIBOR/CMS] rates can be obtained from [Reuters]/[●].]

[Benchmarks: | Amounts payable under the Notes will be calculated by reference to [●] which is provided by [●]. As at [●], [●] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) No. 2016/1011) (the "**Benchmarks Regulation**"). [As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that [●] is not currently required to obtain authorisation or registration.]]

7. **OPERATIONAL INFORMATION**

(i)	ISIN Code:	[●]
(ii)	Common Code:	[●]
(iii)	FISN Code	[●]
(iv)	CFI Code	[●]
(v)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s):	[Not Applicable/*give names(s) and number(s)*]
(vi)	Delivery:	Delivery [against/free of] payment
(vii)	Names and addresses of additional Paying Agent(s) (if any):	[●]
(viii)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.] / [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not

necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

8. **DISTRIBUTION**

(i)	Method of distribution:		[Syndicated]/[Non-syndicated]
(ii)	If syndicated:		
	(A)	Names of Managers:	[Not Applicable/*give names and addresses*]
	(B)	Date of Subscription Agreement:	[●]
	(C)	Stabilising Manager(s) (if any):	[Not Applicable/*give name and addresses*]
(iii)	If non-syndicated, name and address of Dealer:		[●]
(iv)	U.S. Selling Restrictions:		[Reg. S Compliance Category 2; [TEFRA C]/[TEFRA D]/[TEFRA Not applicable]]
(v)	Prohibition of Sales to EEA Retail Investors		[Applicable/Not Applicable]

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

SELECTED CONSOLIDATED FINANCIAL DATA

The information set out in this Base Prospectus in relation to the 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 2019, prepared in accordance with IFRS and together with the accompanying notes and auditors' reports which can be found on the Issuer's website at:

https://investor.bffgroup.com/documents/956773/0/1H+2019+consolidated+financial+report.pdf/

(b) the press release entitled "*BFF BANKING GROUP 1H 2019 FINANCIAL RESULTS - ERRATA CORRIGE for amendment to the Liquidity Coverage Ratio*" dated 9 August 2019 which can be found on the Issuer's website at:

https://investor.bffgroup.com/documents/20152/0/ERRATA+CORRIGE+This+nullifies+and+replaces+the+previous+one+for+amendment+to+LCR_BFF+-+PR+1H+2019+financial+results+%5BENG%5D.pdf/e687bc14-58f4-22b2-a2ae-6b9dd9c0b518

(c) the audited consolidated annual financial statements of the Group as at and for the year ended 31 December 2018, prepared in accordance with IFRS and together with the accompanying notes and auditors' reports which can be found on the Issuer's website at:

https://investor.bffgroup.com/documents/20152/1041339/Bilancio_Consolidato_Eng+rev04.pdf/e807715a-35f3-4f66-e4e1-a2d22e169b53

(d) the audited consolidated annual financial statements of the Group as at and for the year ended 31 December 2017, prepared in accordance with IFRS and together with the accompanying notes and auditors' reports which can be found on the Issuer's website at:

https://investor.bffgroup.com/documents/956773/1184795/reports_2017-440.pdf/5974671f-509f-595c-9eca-fb78da93afbb

(e) the articles of association (*statuto*) of the Issuer (incorporated for information purposes):

https://www.bffgroup.com/documents/20152/0/2019-12-19-Statuto+BFF-ENG-clean.pdf/6950faac-8bd1-3ecf-0e9e-4cc75cc432f6

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 2019 and from the Consolidated Financial Statements.

The restated information as at 31 December 2017 has been extracted from the figures as at 31 December 2017 included for comparative purposes in the unaudited condensed interim financial statements as at and for the six months ended 30 June 2018. Such comparative information has

been restated respect to the figures included in the 2017 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 following tables set forth the income statement information for the indicated periods.

(in € thousands)	**For the six-month period ended 30 June**		**For the year ended 31 December**	
Consolidated income statement	**2019**	**2018**	**2018**	**2017 Restated**
Interest and similar income	108,576	108,326	231,603	237,943
Interest and similar expenses	(22,720)	(21,356)	(42,866)	(39,930)
Net interest margin	**85,856**	**86,970**	**188,737**	**198,013**
Fee and commission income	3,217	3,761	7,193	7,713
Fee and commission expenses	(793)	(769)	(1,500)	(1,258)
Net Fees and Commissions	**2,424**	**2,992**	**5,693**	**6,455**
Dividends and similar income	-	2	2	60
Gains/(losses) on trading	(1,205)	4,082	2,535	(5,482)
Gains/(losses) on hedge accounting	-	110	111	32
Gains /(losses) on disposals/repurchases	207	360	385	1,759
Net banking income	**87,282**	**94,516**	**197,463**	**200,837**
Net adjustments/reversal of impairment	(447)	(3,229)	(4,812)	(6,748)
Net profit from financial activities	**86,835**	**91,287**	**192,651**	**194,089**
Net profit from financial and insurance activities	**86,835**	**91,287**	**192,651**	**194,089**
Administrative Expenses				
a) personnel costs	*(18,098)*	*(16,364)*	*(32,577)*	*(27,619)*
b) other administrative expenses	*(17,916)*	*(17,963)*	*(35,579)*	*(34,380)*
Net allocation to provisions for risks and charges	(289)	(549)	(960)	(831)
Net adjustments to/reversal of impairment of property, plant and equipment	(1,463)	(718)	(1,487)	(1,444)
Net adjustments to/reversal of impairment of intangible assets	(938)	(940)	(1,729)	(1,689)
Other operating income/expenses	2,553	1,621	3,946	3,849
Operating costs	**(36,151)**	**(34,913)**	**(68,386)**	**(62,114)**
Profit before tax from continuing operations	**50,684**	**56,374**	**124,265**	**131,975**
Income taxes on profit from continuing operations	(12,596)	(15,053)	(32,112)	(36,427)
Profit after tax from continuing operations	**38,088**	**41,321**	**92,153**	**95,548**
Profit for the period	**38,088**	**41,321**	**92,153**	**95,548**
Profit for the period attributable to owners of the parent	**38,088**	**41,321**	**92,153**	**95,548**
Profit for the period *adjusted in €millions*[(1)]	**41.2**	**39.9**	**91.8**	**83.7**

(1) The following table shows 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 2019 and 2018 and for the year ended 31 December 2018 and 2017 as described above.

	For the six-month period ended 30 June		For the year ended 31 December	
	2019	2018 Restated	2018	2017
		(in € millions)		
Profit for the year	**38.1**	**41.3**	**92.2**	**95.5**
One-off costs for the acquisition of IOS Finance	0.6	-	-	-
IPO expenses	-	-	-	1.7
Stock options / stock grants	1.3	0.9	0.9	1.1
Change in estimate of the late payment interest collection percentage from 40% to 45% - one-off effect	-	-	-	(17.8)
Exchange difference covered by Translation reserve in Equity	0.8	(2.8)	(1.9)	3.3
Resolution fund - non-recurring contribution	0.5	0.5	0.5	-
Adjusted profit	**41.2**	**39.9**	**91.8**	**83.7**

The following tables set forth the balance sheet information for the indicated periods.

(in € thousands)	As of 30 June 2019	As of 31 December 2018
Assets		
Cash and cash equivalents	36,138	99,458
Financial assets measured at *fair value through OCI*	162,257	160,756
Financial assets measured at amortised cost	4,444,071	4,593,770
a) due from banks	*58,745*	*62,758*
b) due from customers	*4,385,326*	*4,531,012*
Equity investments	221	172
Property, plant and equipment	14,662	11,988
Intangible assets	25,609	26,406
of which goodwill	*22,146*	*22,146*
Tax assets	20,900	34,227
a) current	*12,598*	*26,045*
b) deferred	*8,302*	*8,182*
Other assets	16,145	14,748
Total Assets	**4,720,003**	**4,941,525**

(in € thousands)	As of 30 June 2019	As of 31 December 2018
Equity and Liabilities		
Financial liabilities measured at amortised cost	4,247,014	4,403,029
a) due to banks	*1,168,510*	*1,237,996*
b) due to customers	*2,298,787*	*2,349,856*
c) debt Securities issued	*779,717*	*815,177*
Tax liabilities	79,665	88,302
a) current	*10,417*	*22,585*
b) deferred	*69,248*	*65,717*
Other liabilities	72,540	78,124
Employee severance indemnities	906	848
Provisions for risks and charges:	4,352	4,981
a) commitments and guarantees provided	*130*	*198*
b) pensions and other post-employment benefits	*3,538*	*3,977*
c) other provisions	*684*	*806*
Revaluation reserves	3,595	844
Reserves	144,112	142,506
Share premium	297	-
Share capital	131,217	130,983
Treasury shares	(1,783)	(245)
Profit for the period	38,088	92,153
Total Equity and Liabilities	**4,720,003**	**4,941,525**

(in € thousands)	As of 31 December	
	2018	2017 Restated
Assets		
Cash and cash equivalents	99,458	80,933
Financial assets measured at *fair value*	-	546
Financial assets measured at *fair value through OCI*	160,756	101,449
Financial assets measured at amortised cost	4,593,770	4,183,888
due from banks	*62,758*	*44,792*
due from customers	*4,531,012*	*4,139,096*
Hedging derivatives	-	322
Equity investments	172	261
Property, plant and equipment	11,988	12,795
Intangible assets	26,406	26,034
of which goodwill	*22,146*	*22,146*
Tax assets	34,227	30,917
a) current	*26,045*	*25,884*
b) deferred tax assets	*8,182*	*5,033*
Other assets	14,748	9,796
Total Assets	**4,941,525**	**4,446,941**

(in € thousands)	As of 31 December	
	2018	**2017**
Equity and Liabilities		
Financial liabilities measured at amortised cost	4,403,029	3,944,118
due to banks	*1,237,996*	*657,993*
due to customers	*2,349,856*	*2,495,987*
debt Securities issued	*815,177*	*790,138*
Financial liabilities held for trading	-	535
Tax liabilities	88,302	82,456
a) current	*22,585*	*25,628*
b) deferred	*65,717*	*56,828*
Other liabilities	78,124	49,683
Employee severance indemnities	848	848
Provisions for risks and charges:	4,981	5,445
a) commitments and guarantees provided	*198*	-
a) pensions and other post-employment benefits	*3,977*	*4,366*
b) other provisions	*806*	*1,079*
Revaluation reserves	844	7,694
Reserves	142,506	129,621
Share capital	130,983	130,983
Treasury shares	(245)	-
Equity attributable to non-controlling interests	-	10
--Profit for the year	92,153	95,548
Total Equity and Liabilities	**4,941,525**	**4,446,941**

Economic, operating and financial indicators

The table below sets forth certain key economic, operating and financial indicators for the indicated periods.

	For the six-month period ended 30 June		For the years ended 31 December	
	2019	**2018**	**2018**	**2017**
Economic, operating and financial indicators				
ROTE *adjusted* (%) [(1)]	33%	32%	37%	33%
Cost/income ratio *adjusted*	40%	38%	36%	34%

(1) Calculated as the ratio between the "Profit for the year" and "Shareholders' equity (excluding profit for the year)", net of intangible assets.

Prudential Requirements

The table below sets forth our Own Funds and prudential requirements as of 30 June 2019 and as of 31 December 2018 and 2017.

	As of 30 June 2019	As of 31 December 2018	2017
	(in € thousands, except percentages)		
Common Equity Tier 1 CET1 before prudential filters	277,437	272,795	280,003
Common Equity Tier 1 CET1 after prudential filters	251,665	246,390	253,969
Additional Tier 1 Capital (AT1)	-	-	-
Tier 2 Capital (T2)	98,224	98,224	98,224
Own Funds	**349,889**	**344,614**	**352,193**
Credit and counterparty risk	144,422	151,346	133,426
Credit valuation risk	-	-	24
Market risks:	-	-	-
a) Standardized approach	-	-	-
b) Internal models	-	-	-
c) Concentration risk	-	-	-
Operational risk:	-	-	-
a) Basic indicator approach	*29,644*	*29,644*	*27,983*
b) Standardized models	-	-	-
c) Advanced measurement approach	-	-	-
Total capital requirements	**174,066**	**180,990**	**161,433**
	2,175,821	2,262,37	2,017,91
Risk-weighted assets (RWA)		1	0
RWA/total assets	46.1%	45.8%	45.4%

The table below sets forth the Own Funds attributable to our Group and minority interest shareholders as of 30 June 2019 and as of 31 December 2018 and 2017, under the Basel III framework.

	As of 30 June 2019	As of 31 December 2018	2017
Group Regulatory Capital Ratios			
Common Equity Tier 1/Risk-weighted assets (CET1 Capital Ratio)	11.6%	10.9%	12.6%
Tier 1 Capital/ Risk-weighted assets (Tier 1 Capital Ratio)	11.6%	10.9%	12.6%
Total Own Funds/ Risk-weighted assets (Total Capital Ratio)	16.1%	15.2%	17.5%
Leverage ratio (Pillar III)	6.6%	5.3%	5.0%
Risk-weighted assets (in € thousand)	2,175,821	2,262,371	2,017,910

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 (ii) 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 31 December 2018.

(in € thousands)	As of 31 December 2018		
	Gross	**Provisions**	**Net**
Bad Loans	65,106	(24,762)	40,344
Unlikely to pay	8,680	(1,906)	6,774
Past due	73,845	(1,272)	72,573
Total	**147,631**	**(27,940)**	**119,960**

Alternative Performance Measures

This Base Prospectus contains the following alternative performance measures as defined by the European Securities and Markets Authority's Guidelines on Alternative Performance Measures (ESMA/2015/1415), ("**APMs**") which are used by our management to monitor our financial and operating performance:

- Adjusted profit for the year: calculated as reported in the table above.
- Cost/income ratio adjusted is calculated as the ratio between (i) the sum of "Administrative expenses" net of "adjustment related to non-recurring administrative expenses" and the line items presented in the Group financial statements, (ii) "Impairment on tangible and intangible assets" and (iii) "Net Banking Income" net of adjustments related to non-recurring items.
- ROTE adjusted is calculated as the ratio between (i) "Adjusted profit for the year" (see above) and (ii) the line items presented in the Group financial statements and "Shareholders' equity" excluding the income for the period and including the portion of the income that we do not intend to distribute related to one-off events, net of "Intangible assets".
- Return on Risk weighted Assets (RoRWA), calculated as the ratio between (i) "Adjusted net interest income" and (ii) the average RWA (as the average of the values at the beginning and at the end of the period).
- Adjusted cost/loans ratio calculated as the ratio between (i) the sum of annualised "Administrative expenses" net of "adjustment related to non-recurring administrative expenses" and the line items presented in the Group financial statements, (ii) "Impairment on tangible and intangible assets" and (iii) average loans.

It should be noted that APMs are non-IFRS financial measures and are not recognised as measure of performance or liquidity under IFRS and should not be recognised as alternative to performance measure derived in accordance with IFRS or any other generally accepted accounting principles. APMs are not indicative of the Group's (as such term is defined in the "*Terms and Conditions of the Notes*" above) historical operating results, nor are they meant to be predictive of future results. Since all companies do not calculate APMs in an identical manner, the Group's presentation may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on these data."

DESCRIPTION OF THE ISSUER AND THE GROUP

Overview

Banca Farmafactoring S.p.A. ("**Banca Farmafactoring**", the "**Issuer**", "**us**" or "**we**", and together with its subsidiaries the "**Banca Farmafactoring Group**" or the "**Group**") specializes in 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. Our traditional activities consist of: (i) credit collection management ("**Credit Collection Management**") and (ii) non-recourse factoring ("**Non-Recourse Factoring**") (jointly, the "**Traditional Activities**"). We operate in Italy, Spain, Portugal, Greece, Croatia and France (jointly the "**Southern European Markets**") directly through the Issuer and our subsidiary BFF Finance Iberia S.A. (formerly Farmafactoring España S.A.) ("**BFF Finance Iberia**").

Through the BFF Polska Group, we also offer a wide range of financial services (including factoring) in Poland, Slovakia and the Czech Republic (jointly the "**Eastern European Market**").

The following table sets forth the main indicators of our business volumes and the financial solidity as of the six-month period ended 30 June 2019 and the years ended 31 December 2018 and 31 December 2017.

	As of 30 June	As of 31 December	
	2019	2018	2017
	(in € millions, except percentages)		
Receivables due from customers	3,454	3,583	3,018
Deposits	879	924	999
Net profit for the year	38.1	92.2	95.5
Common Equity Tier 1/Risk weighted assets (CET1)	11.6%	10.9%	12.6%

We have been operating in the Italian market since 1985, which is our primary market (approximately 66% of customer loans, generating 76% of our net interest margin for the six-month period ended 30 June 2019). We are one of the leading operators in the Italian factoring market for non-recourse factoring of receivables owed by the public administration with a market share in Italy of 22.5% as of 31 December 2018 (*Source*: *Company analysis on internal data and 2018 Assifact data on Outstanding Non-Recourse Factoring Receivables from public entities*). 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 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. For the year ended 31 December 2018, we managed €3,107 million in new receivables and collected on €3,010 million under our Credit Collection Management business.

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. For the year ended 31 December 2018, we purchased €4,148 million in new receivables (of which €3,162 million in Italy, €701 million in Spain and €266 million in Portugal, €17 million in Greece and €2 million in Croatia), collected on €3,677 million (of which €2,846 million in Italy, €643 million in Spain, €178 million in Portugal and €10 million in Greece) and had €2,842 million outstanding under management under our Non-Recourse Factoring business.

For the period ended 30 June 2019, we purchased €1,722 million in new receivables (of which €1,337 million in Italy, €313 million in Spain, €51 million in Portugal and €21 million in Greece), collected on €2,008 million (of which €1,503 million in Italy, €379 million in Spain, €115 million in Portugal, €11 million in Greece and €1 million in Croatia) and had €2,554 million outstanding under management under our Non-Recourse Factoring business.

Through the BFF Polska Group, we operate in Poland, Slovakia and the Czech Republic in the alternative financing market ("**AFM**"), which offers a diversified range of financial services (including non-recourse and with recourse factoring), 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. The BFF Polska Group operates 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 2018, Poland represented approximately 16% of total customer loans, while the rest of the Eastern European Market represented approximately 5%.

We remain in compliance with the various capital requirements regulatory indicators imposed on us as a bank. Our Group's Own Funds, as of 31 December 2018, stood at €344.6 million and our Group's overall exposure to risks was considered adequate for our risk profile and capital resources available.

With reference to the Banking Group, the supervisory capital coefficients CET1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio, stood, respectively, at 11.6%, 11.6% and 16.1% as of 30 June 2019, if we do not record the profit for the period under capital. Our Group's overall exposure to risks is compliant with the applicable legal framework.

The Issuer's website is www.bffgroup.com. The information on the Issuer's website does not form part of this Base Prospectus unless such information is incorporated by reference into this Base Prospectus.

Our Business Strategies

On 29 May 2019, our Board of Directors approved the Group's strategic plan for the period from 2019 to 2023 (the "**Strategic Plan**").

Pursuant to the Strategic Plan, we seek to operate our business by implementing the following strategies:

- *Continuing to develop our current core business and to improve operating efficiency by:*
    - further strengthening our leadership position in Italy
    - expanding our business in Southern Europe
    - capturing the growth potential of the BFF Polska Group's business in Central Eastern Europe
    - strengthening our relationship with clients' headquarters and increasing cross-border deals
    - expanding our business into other countries

- expanding our target customer base to include smaller suppliers by leveraging on digital platforms
- widening our product offering to segments/business lines which are adjacent to our current operations

- *Continuing to optimise funding and capital*
- *Consolidating our existing business and/or expanding into other underserved markets, potentially through merger and acquisition transactions*

We have identified the following growth opportunities for our Non-Recourse Factoring, Credit Collection Management and lending businesses:

Non-Recourse Factoring

- increasing our market penetration
- identifying new markets (such as France, Romania, Bulgaria and Hungary)
- expanding our product coverage to private hospitals and pharmacies with trade receivables due from the healthcare sector and to suppliers with trade receivables due from pharmacies and distributors

Credit Collection Management

- extending our offering to other countries in which we already operate (for example, Spain and Portugal)
- in Italy, extending our services to include trade receivables due from pharmacies and distributors
- allowing customers to outsource to us the entire credit management and collection process for all public administration entities
- including additional services in our current offering

Lending

- further developing our offering to Polish local entities
- acquiring niche lending platforms or operators

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 sources of financing used 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 for a nominal amount of approximately €10.0 million.

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). The offer price for the shares was set at €4.7 per share. Trading on the Mercato Telematico Azionario started on 7 April 2017. Also in April 2017, a rebranding project was launched, with a single brand being adopted for all Group companies. Since May 2016 the brand "BFF Banking Group" has been adopted for all Group companies.

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.

On 29 March 2019, Centerbridge Capital Partners III (PEI) L.P. sold a 13% stake in our share capital, thus reducing BFF Luxembourg's stake in our share capital to 32.80%.

On 29 May 2019, our Board of Directors approved the Strategic Plan, as well as the Group's three-year financial plan which sets certain targets for volume and loan growth, adjusted net profit growth and return on average tangible equity (RoTE) (the "**Financial Plan**").

In August 2019, after receiving the Bank of Italy's approval, we began operations in France 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.

On 30 September 2019, we completed the acquisition of IOS Finance, E.F.C., S.A. ("**IOS Finance**") for a total consideration of €26.4 million.

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.

At the beginning of October 2019, the Issuer received its first official rating by Moody's France SAS, which assigned to it a long-term issuer rating of "Ba1" with positive outlook.

Starting from 1 January 2020, BFF Finance Iberia took over all the assets and liabilities belonging to IOS Finance, following the merger by incorporation of the latter company into the former one.

The Issuer is incorporated and operates under the laws of Italy, and is registered with the Milan 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 5751 and on the register of banking groups (*registro dei gruppi bancari*) under registration number 3435. 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.

Shareholders, share capital and subsidiaries

Share Capital

As of 30 June 2019, the Issuer had an authorised share capital of €138,897,170.72, €131,216,500.80 of which had been subscribed for and paid in, represented by 170,411,040 ordinary shares without nominal value and in dematerialised form. The remaining €7,680,669.92 of the authorised share capital may be issued and paid up through:

- the issuance of a maximum residual number of new shares equal to 8,879,360, in one or more tranches until 5 December 2028, in execution of the share capital increase with payment resolved upon by the Extraordinary Shareholders' Meeting held on 28 March 2019, with the exclusion of the option right pursuant to article 2441, fifth and sixth paragraphs, of the Italian Civil Code, for a remaining amount of the authorised share capital equal to €6,837,107.20;

- the issuance of a maximum residual number of new shares equal to 1,095,536, in one or more tranches until 27 March 2024, in execution of the share capital increase without payment resolved upon by the Board Meeting held on 8 April 2019, under the mandate granted, pursuant to article 2443 of the Italian Civil Code, by the Extraordinary Shareholders' Meeting held on 28 March 2019, for a remaining amount of the authorised share capital equal to €843,562.72.

We are not subject to direction, management and control functions by BFF Luxembourg pursuant to Article 2497 of the Italian Civil Code.

For the sole purposes of prudential supervision reporting under the CRR, our parent company BFF Luxembourg is included in a consolidation perimeter and is consolidated into our financial statements.

Shareholders

The table below sets out the shareholders of the Issuer, as of 31 December 2019, including each shareholder's approximate percentage shareholding, based on communications pursuant to Article 120 of Legislative Decree No. 58 of 24 February 1998 as amended:

Name[(1)]	**Percentage of share capital**
BFF Luxembourg. S.à. r.l.[(2)]	32.77
Free Float[(3)]	62.63
Management[(4)]	4.60
Total	**100.000**

(1) Source: official communication to the Issuer (Modello 120A – 120B) and "*Annual report on remuneration and incentive policy of Banca Farmafactoring Banking Group*" available on our website. The percentage stake is calculated on the total issued share capital as of 18 December 2019.

(2) Stake indirectly controlled by Centerbridge Capital Partners III (PEI) L.P.

(3) Includes treasury shares.

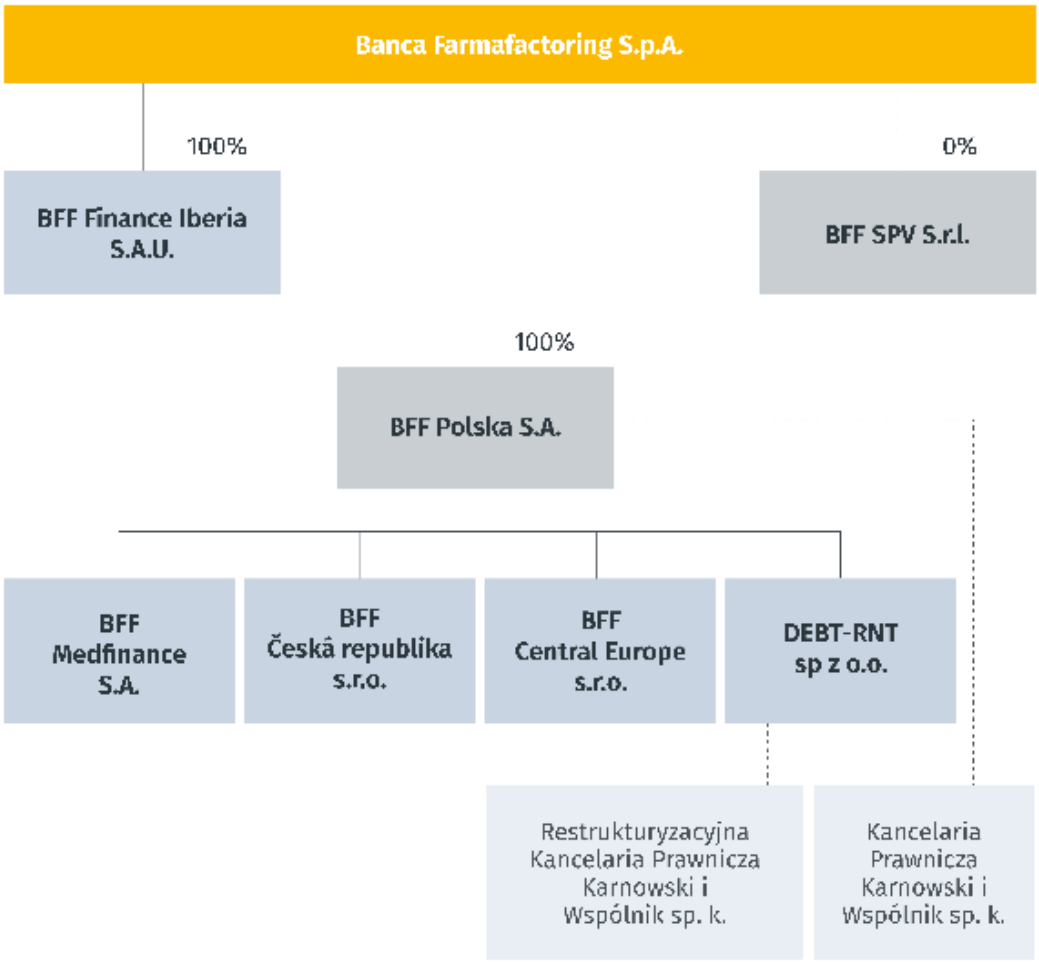
(4) Shares held by the Group CEO and another 6 managers with strategic responsibilities as at 31 December 2018, as indicated in the "*Annual report on remuneration and incentive policy of Banca Farmafactoring Banking Group*" available on our website.

Subsidiaries

The Issuer, which is the parent company of the Group, holds 100% of the share capital of BFF Finance Iberia, 100% of the share capital of BFF Polska and exercises control over the special purpose entity BFF SPV.

The business of BFF SPV 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, 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 Base Prospectus, we are the parent company of the following companies:

Company	Registered office	Share capital	Shareholding
BFF Finance Iberia S.A.	Calle Luchana No. 23 28010 Madrid (Spain)	€ 6,100,000.00	100%
BFF Polska S.A.	Al. Marszałka Jòzefa Piłsudskiego 7690-330 Łódź (Poland)	PLN 38,487,503.10	100%
BFF Central Europe s.r.o.	Mostova 2 811 02 Bratislava (Slovakia)	€ 6,500	100%
BFF Česká republika s.r.o.	Roztylská 1860/1 Prague (Czech Republic)	CZK 700,000	100%
BFF Medfinance S.A.	Al. Marszałka Jòzefa Piłsudskiego 7690-330 Łódź (Poland)	PLN 8,500,000	100%

In addition, as of the date of this Base Prospectus, BFF Polska owns 100% of the certificates issued by Komunalny FIZ and Medico NSFIZ (the "**Medico Fund**"), which are two closed-ended investment funds established in Poland.

Description of Our Business Activities by Service Segments

Southern European Markets

We are an independent operator in the Credit Collection Management and Non-Recourse Factoring segments with reference to our Traditional Activities. Our clients 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 31 December 2018, 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 2018 with regard to Traditional Activities (both Non-Recourse Factoring and Credit Collection Management services).

In 2018, in the context of our Credit Collection Management and Non-Recourse Factoring activities, we managed €4.82 million of accounting documents. 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
2018 Turnover	€3.107 billion	€4.148 billion

Credit Collection Management

We offer Credit Collection Management services in Italy 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 and private sector healthcare operators in Italy.

The following table shows the receivables and commission income that we have generated through our Credit Collection Management activities for the six-month period ended 30 June 2019 and the years ended 31 December 2018 and 2017, respectively.

	As of 30 June 2019	As of 31 December 2018	As of 31 December 2017
		(in € millions)	
Receivables (Credit Collection Management).....	1.6	3.1	2.6
Commission income.....	3.2	7.2	7.7
Of which commissions for credit collection management.	1.3	3.4	3.9
Of which commissions for collection.....	1.6	2.7	3.2
Of which other expenses and commissions	1.0	1.1	0.6

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 or BFF Finance Iberia, receivables are managed by us 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 2018, we recorded in our income statement € 175million in Maturity Commission and late payment interest. 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 at Group level was equal to €562.7 million and €534 million, respectively, for the years ended 31 December 2018 and 2017, in each case, before tax. As of 31 December 2018, part of such late payment interest fund, equal to €207 million, had already been recognised in our income statement, either in the current or in the previous years (€184 million as of 31 December 2017). At the end of June 2019, the late payment interest fund was equal to €616 million, and €225 million had already been recognised in our income statement.

The amounts of late payment interest which have not been reflected in our income statement for the years ended 31 December 2017 and 2018 (equal to, respectively, €350 million and €356 million) and the six-month period ended 30 June 2019 (equal to €358 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.

The table below shows our purchased non-recourse receivables and interest income generated by us, with reference to Traditional Activities, in the context of our Non-Recourse Factoring activities for the six-month period ended 30 June 2019 and the years ended 31 December 2018 and 2017, respectively.

	As of 30 June 2019	As of 31 December 2018	As of 31 December 2017
		(in € millions)	
Receivables (**Non-Recourse Purchases**)	1,969	4,148	3,455
Interest income	108.6	174.6	189.8

The table below shows, with reference to Traditional Activities, the new purchases in our Credit Collection Management and Non-Recourse Factoring segments during the six-month period ended 30 June 2019 and the years ended 31 December 2018 and 2017.

	For the six month period ended 30 June		For the years ended 31 December			
	2019		2018		2017	
	amount	%total	amount	% total	amount	% total
			(in € millions except percentages)			
Credit Collection Management	1,551	47.4%	3,107	42.8%	2,596	42.9%
Non-Recourse Factoring	1,722	52.6%	4,148	57.2%	3,455	57.1%

The table below shows, with reference to Traditional Activities, the collections we made in our Credit Collection Management and Non-Recourse Factoring segments during the six-month period ended 30 June 2019 and the years ended 31 December 2018 and 2017.

	For the six month period ended 30 June		For the years ended 31 December			
	2019		2018		2017	
	amount	%total	amount	% total	amount	% total
			(in € millions except percentages)			
Credit Collection Management	1,486	42.5%	3,010	45.0%	2,963	48.9%
Non-Recourse Factoring	2,008	57.5%	3,677	55.0%	3,101	51.1%

The table below shows, with reference to Traditional Activities, the total amount of our Outstanding Receivables in the context of our Non-Recourse Factoring activities for the years ended 31 December 2018 and 2017, respectively, divided by country.

	For the six month period ended 30 June 2019	As of 31 December 2018	As of 31 December 2017
		(in € billions)	
Outstanding Non-Recourse Factoring Receivables	**3.3**	**3.6**	**3.0**
Italy	2.2	2.4	2.0
Spain	0.2	0.3	0.2
Portugal	0.1	0.2	0.12
Greece	0.02	0.02	0.01
Croatia	0.00	0.002	n/a
Poland	0.6	0.6	0.5
Czech Republic	n/a	n/a	n/a
Slovakia	0.16	0.16	0.12

The tables below show the customer loans breakdown by geography of the Group, divided by country.

	For the six month period ended 30 June 2019	As of 31 December 2018	As of 31 December 2017
		(in € millions)	
Italy	2,271	2,345	2.056
Spain	204	268	213
Portugal	157	192	114
Greece	27	15	9
Poland	626	589	494
Slovakia	165	164	131
Czech Republic	4	7	2

Collection of deposits ("Conto Facto" and "Cuenta Facto")

In September 2014, we launched the term deposit account "*Conto Facto*" on the Italian market. In August 2015, we started performing the collection of deposits also in Spain through our Spanish branch, by launching the term deposit account "*Cuenta Facto*". In June 2016, we launched the collection of deposits in Germany through the platform *Welstparen.de*, using our Spanish branch. In September 2019, we opened a branch in Poland and launched "*Lokata Facto*", our on-line term deposit. In September and at the beginning of October 2019, we started operations for the collection of online deposits in the Netherlands and Ireland, respectively. We perform the collection of savings through these fixed-rate term deposit accounts.

"*Conto Facto*" and "*Cuenta Facto*" allow us to: (i) improve the funding of our core business through a further diversification of our funding resources, (ii) optimise the structure and cost of our funding, (iii) simplify product management, (iv) achieve greater liquidity control and improvement of the relevant indicators, and (v) by raising fixed rate deposits, reduce interest rate risk and, consequently, the absorption of capital and/or the cost of derivatives hedging for the risks connected with our receivables portfolio.

Once our term deposit accounts are opened, clients can choose to deposit their savings from a minimum of 3 months to a maximum of 36 months in Italy and 60 months in Spain (36 months for Spanish corporate customers). In Italy, customers may also choose between: (i) "*Vincolo Facto*", where the amounts deposited are tied up for the entire term and may not be withdrawn sooner, and (ii) "*Vincolo Facto Plus*", where customers are allowed to withdraw deposited amounts before the end of the term. In order to withdraw sums, customers must submit a release request through our website, for an amount which cannot be higher than the maximum amount or lower than the minimum amount specified in the applicable information sheet. The release will be effective on the date on which we receive the request, and we will make the relevant sums available from the day following receipt of the request. Customers may choose only "*Vincoli*" corresponding to "*Vincolo Facto*", where the amounts deposited will be tied up for the entire term and may not be withdrawn sooner. In Poland, customers may request that their deposits are returned to them before the end of the term, and we must return the amounts deposited without interest within 35 days of such request.

Customers who are classified as "consumers" may exercise the right of withdrawal, without penalty, within 14 days of the date of the execution of the agreement (the "cooling-off period"). During this period, the withdrawal will become effective upon receipt of notice of withdrawal from the relevant customer (to be sent via registered post). We will subsequently return the sums deposited without interest.

Customers may, on expiry of the agreed term, choose to leave the sums in the accounts and benefit from the payment of interest by us calculated on the basis of a predetermined rate.

After having chosen between the "*Vincolo Facto*" and "*Vincolo Facto Plus*", customers may withdraw from the contract at any time, without having to pay any penalties or expenses, by giving notice of withdrawal by registered post or via the personal area of the website. If the deposits are tied up for a given period, withdrawal from the agreement will become effective upon expiry of the term, and, if not, upon receipt of the withdrawal notice.

We are entitled to withdraw from the agreement at any time by giving two months' prior written notice to the customer, except where we terminate for just cause in which case the withdrawal will be immediately effective. If deposits are tied up for a given period, the withdrawal will be effective from the term expiry date.

As of 31 December 2018, in Italy, Spain and Germany we had 19,179 "*Conto Facto*" and "*Cuenta Facto*" deposits. Our deposits totaled €924 million, while average deposits per customer were equal to €48 thousand.

Eastern European Market

Business of the BFF Polska Group

While the BFF Polska Group's subsidiaries in the Czech Republic and Slovakia offer mostly similar services to the Traditional Activities, BFF Polska and Medfinance in particular 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. BFF Polska and Medfinance 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. We operate on the Slovakian market through BFF Central Europe s.r.o. and on the Czech Market through BFF Česká republika s.r.o, which are wholly owned subsidiaries of BFF Polska.

(i) Overdue debt position financing and debt management

BFF Polska and its subsidiaries (in Poland, the Czech Republic and Slovakia) offer factoring (receivables assignment) to suppliers and clear any overdue debt positions as well as factoring-like products (only on the Polish market). The offer in Poland is additionally extended due to the fact that we cooperate there with both, suppliers and buyers in the healthcare market. BFF Polska and Medfinance offer long-term loans to public healthcare providers and other public sector entities to allow them to pay any overdue debt.

- *Non-recourse factoring*

BFF Polska and its subsidiaries purchase overdue receivables from suppliers to independent public healthcare centres controlled by public authorities ("**Centres**") and/or non-public healthcare centres ("**Private Hospitals**", and together with Centres, "**Healthcare Providers**") and to municipalities. Where receivables are owed by Centres, the assignment of contracts is conditional on the Centre's founding body giving consent to the assignment.

BFF Polska and Medfinance are in charge of financing the receivables and carrying out management and collection services. In addition, BFF Polska and Medfinance normally carry out assignment of receivables on a non-recourse basis and will assume the risk of non-payment by the debtor. BFF Polska and Medfinance allow customers to extend their commercial loans beyond the due date of the invoice.

Our profit consists in commission or a discount on the purchase price of the receivables, and also in interest accruing on the receivables.

- *Factoring-like products*

BFF Polska offers factoring-like products where it is not possible to obtain the consent of a Centre's founding body to the assignment of a receivable. Products are offered directly by BFF Polska or by the Medico Fund, which is a securitization closed-ended fund offering sub-participation agreements on the Polish market.

BFF Polska (or the Medico Fund) provides financing to suppliers of Centres and/or Private Hospitals, and manages their receivables in return for a commission. The "professional proxy" (i.e. the legal office in BFF Polska's group) collects the receivables directly from Healthcare Providers on behalf of suppliers.

BFF Polska assumes all risks connected with the receivables, as well as the obligation to finance them, and must pay the relevant supplier even if it fails to recover the receivables. After acquiring the receivables, BFF Polska (or the Medico Fund) will enter into an agreement with

the original debtor (i.e. the Healthcare Provider) setting out the terms and deadlines for repayment.

BFF Polska's (or the Medico Fund's) profit consists in the commission due from the supplier and interest on the receivables due from the Healthcare Providers pursuant to the agreement entered into with them.

- *Debt refinancing*

BFF Polska and its subsidiaries undertake to repay a Healthcare Provider's due and payable debt vis-à-vis its creditor(s). In return, the Healthcare Provider agrees that BFF Polska will become its creditor and that the interest under the relevant debt will be capitalised and undertakes to repay the debt (with interest) in instalments, and to pay a restructuring fee.

If a contract is entered into with a Centre, the Centre is required to confirm that it has obtained its founding body's consent to the change of creditor.

- *Long and medium-term loans*

BFF Polska grants loans (in tranches) to Centres, Private Hospitals and municipalities. Borrowers undertake to repay the loan together with interest in instalments. BFF Polska also receives a commission.

(ii)Liquidity management

BFF Polska offers liquidity management services to operators on the healthcare and local government units ("**LGU**") markets to cover their short-term liquidity problems or secure their short-term cash positions.

- *Factoring involving receivables which have not yet matured for suppliers of LGU*

Suppliers of LGU transfer receivables which are not yet due to BFF Polska and its subsidiaries pursuant to assignment contracts.

The profit of BFF Polska and its subsidiaries consists of commission or a discount on the purchase price of the receivables.

- *Revolving loans for hospitals*

BFF Polska grants revolving loans (with a total limit and limit per tranche, tranches paid on demand and repaid within agreed deadlines) and overdraft loans (with a total limit which can be freely drawn and repaid during the loan period) to Healthcare Providers, LGUs, or other private entities (including suppliers), and borrowers undertake to repay the loans on agreed terms. In certain cases, in addition to interest/commission on drawn tranches, BFF Polska is also entitled to a commission on execution of the loan agreement.

- *Investment and equipment financing*

The investments and equipment financing of healthcare providers is carried out by Medfinance.

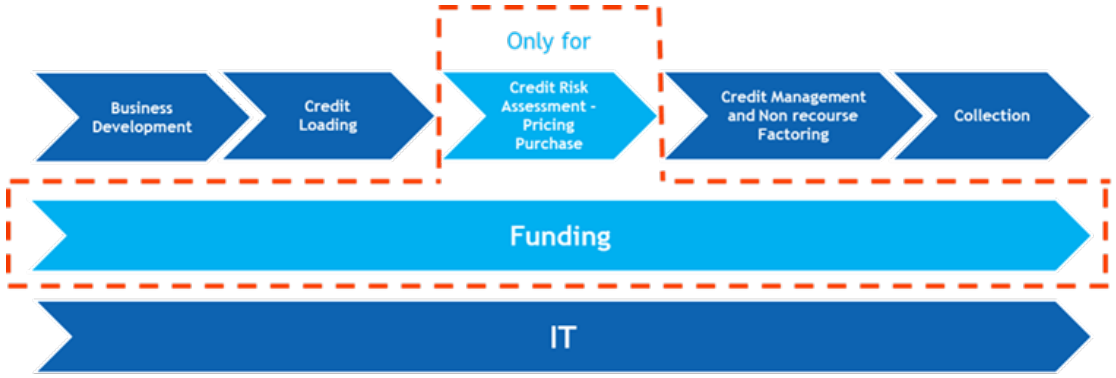
Medfinance cooperates closely with suppliers or sellers in the healthcare market and helps healthcare providers (both public and private) finance their development (equipment and infrastructure). In this context, Medfinance offers the following services: (i) instalment sales; (ii) leasing; and (iii) sales and parallel loans.

Our Traditional Activities and Business Model

We operate according to a single organizational model across Italy, Spain, Portugal, Greece, Croatia and France. Our traditional business model is also largely uniform, while our Credit

Collection Management activities differ from our Non-Recourse Factoring activities only by virtue of certain activities, which are specific to Non-Recourse Factoring.

The following chart shows the various stages of our value chain:



The value chain of our Credit Collection Management and Non-Recourse Factoring activities is composed of the following main stages: business development; credit loading; credit risk assessment-pricing-purchase (for Non-Recourse Factoring only); credit collection management; and collection. The entire value chain is supported by our information system, and for Non-Recourse Factoring activities only, our funding.

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.

In order to acquire new clients by expanding our services into new business segments, we have strengthened our commercial structure to support such expansion. In Italy and in Spain we have entered into distribution agreements with other financial institutions, brokers, other factors, insurers and reinsurers.

In Italy, we have carried out a reorganisation of the sales team through the appointment of a new Head of Sales and the reallocation of the team into different areas, including the consolidation of the role of the international department to which, as a result of the reorganisation, all credit departments outside of Italy, including BFF Polska and its subsidiaries, must report directly. In this context, a new "**Cross Border Sales**" unit was established within the international department to drive sales to multinational companies and the "**Cross Border Business**", responsible for driving growth in the freedom of service markets and preparing the relevant activities to be transferred to local branches or companies in the future, was created to work alongside credit management in the factoring department for services that will continue to be provided centrally.

In the Italian market, our commercial relationship with clients has traditionally arisen from a contract for the provision of Credit Collection Management services pursuant to which the client issues in our favour a mandate for the management, recovery and collection of one or more receivables due from Debtors. Thanks to our knowledge of our clients, their specific financial needs and the types of receivables due from Debtors, we are able to extend our relationship arising from our Credit Collection Management activity to also encompass our Non-Recourse Factoring activities.

Our clients usually execute, in addition to the contract for the provision of Credit Collection Management services, a framework agreement relating to our Non-Recourse Factoring services, which does not normally impose any obligations on us to acquire the receivables under management, and instead regulates our relationship with clients on an ongoing basis in the event that all or part of the receivables are assigned to us.

Less frequently, clients will only require either our Credit Collection Management services or our Non-Recourse Factoring services.

Any client who receives our Credit Collection Management services and does not require our Non-Recourse Factoring services, will normally only enter into a management contract and a framework agreement with us.

Credit Loading

At the beginning of our relationship, a client sends us details of the receivables to be transferred. Subsequently, the invoices relating to such receivables are loaded onto our factoring system (the "**Factoring System**").

The Factoring System verifies the accuracy of the documentation received and reports any anomalies to be corrected. Therefore, already during the credit loading phase, we are able to proceed with the client to verify the accuracy of the information and documents received.

Following completion of the credit loading stage, we manage and update our accounting ledgers through our Factoring System.

Non-Recourse Factoring: Credit Risk Assessment-Pricing-Purchase

Our business model contemplates, in respect of our Non-Recourse Factoring business only, a phase that entails credit risk assessment, pricing and purchase activities, as described in more detail below:

Credit Risk Assessment

We manage the credit risk of Debtors (*i.e.* the risk of insolvency of assigned debtors, which are mainly entities belonging to the national healthcare services and public administration sectors) as well as the credit risk of assignors (*i.e.* the risk connected with the existence and/or with the value of transferred receivables) in accordance with the applicable regulations (the "**Credit Regulations**"), which describe the technical rules and determine the organizational and control safeguards.

This activity comprises the following phases, the outcome of which must be successful before we can proceed with the offer to purchase a receivable:

(i) preliminary assessment of the potential assignor;

(ii) selection of the eligible Debtors;

(iii) credit risk assessment; and

(iv) credit risk monitoring.

After the credit approval, the Credit Risk Assessment unit monitors both assignors and debtors on an ongoing basis. This is done through a monitoring system that has been developed in-house and that collects data and alerts, both from external databases and from internal systems, in order to foresee, as much as possible, the default of assignors and of those debtors which are subject to default or restructuring plans.

Pricing

Following the risk assessment phase, we set the price of the receivables to be transferred to us, which we then propose to each client in each country in which we operate in the context of our Non-Recourse Factoring business.

During this process, we analyse the portfolios to be acquired on the basis of: (i) the assessment made by our business units responsible for assessing the quality of our clients and assigned Debtors, and (ii) the payment history contained in our database.

We pay particular attention to the DSO of each entity belonging to the national healthcare services and public administration in order to correctly determine the pricing and value of the acquired receivables. For Italian Public Healthcare Debtors, we have detailed and extensive historical data on payment delays which we have recorded in thirty years of activity.

Our pricing activities are carried out by a specialised business unit which has a reporting function which is separate from the commercial and credit management functions and relies on our Factoring System for any data flows received from other business units, including data relating to: (i) management costs, (ii) assessments of the timing for the collection of receivables, (iii) assessments of the quality of the credit exposure, and (iv) the availability and cost of funding.

With respect to receivables due from the tax authorities, we rely on due diligence activities carried out by external experts in order to estimate the timing for payment and assess their credit quality.

As a result of this application we are able to determine the price of the receivables to be acquired through an objective assessment. The price is generally equal to the nominal value of the receivables net of our commission fees, calculated as described above.

If the client accepts our initial indicative pricing proposal, we send them our final proposal and, if this is accepted, we proceed with the purchase.

Purchase of receivables

On average, the receivables we purchase are overdue; when we purchase a portfolio of invoices, a maximum expected collection period is set for each receivable. The expired exposures therefore refer to receivables that haven't yet been collected within the timeframe estimated when they were purchased.

Credit Collection 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.

Third parties credit management activities specifically involve: (i) the management of the administrative aspects of the credit management process, including the disclosure provided to clients in relation to potential issues in connection with the receivable, (ii) the identification and removal of any obstacles to payment (for example, where invoices are challenged by Debtors), and (iii) discussions with clients of any actions that need to be taken with respect to Debtors, including returning receivables to clients, as contractually provided in the context of our Non-Recourse Factoring business.

The communication and exchange of documents and information between us and our clients can take place through *Farm@link*, our application platform that interfaces directly with the clients' information systems through the exchange of structured data flows.

The main activities performed for credit collection management are:

- *Electronic invoicing.* In Italy we offer our clients the option to use the "*SmartFlowPA*" platform to transmit electronic invoices directly to the Interchange System ("**SDI**") and to

Debtors. This platform is specifically developed to make the transmission and monitoring easier and is managed directly by us internally. Through this platform we also offer clients the option to use systems for the storage of invoices in electronic format. Assuring the quality of the invoicing is a basic requirement to ease the credit collection from debtors.

- *Certification of receivables*. This service, introduced in 2008 and re-launched in 2012 (falling within the scope of Italian Legislative Decree No. 35/2013 and Italian Legislative Decree No. 66/2014), is aimed at: (i) enabling the central government to quantify with a greater degree of certainty the amount of the public administration's debt, and (ii) assisting creditors in the management and collection of their receivables, also through the sale of certified receivables. We are able to follow the entire certification process on the platform for the certification of receivables (PCC).

- *Verification of receivables*. We regularly carry out the verification of receivables, which involves: (i) checking the relevant documentation, (ii) sending payment reminders, (iii) reconciling ledgers, (iv) managing any dispute regarding the documentation relating to the receivables, (v) on-site visits to the Debtors' facilities, and (vi) preparing settlement proposals and/or repayment plans.

- *Monitoring*. We perform timely, efficient and constant monitoring of receivables through a dedicated reporting system analysing such receivables in the required level of detail. The Credit Regulations require the constant monitoring of the credit risk of each Debtor, in order to verify our maximum exposure to them and, in particular, to those deemed to be riskier.

- *Reminder*. We send reminders and define repayment plans in respect of principal amounts and late payment interest. The reminder is sent to Debtors through a document which is automatically generated by the Factoring System and highlights the overdue invoices for which a reminder has not yet been sent. Moreover, each year the Factoring System automatically generates for each Debtor a reminder document for all receivables not paid. In addition to these annual and intra-annual reminders, when necessary, we transmit additional *ad hoc* reminders by various means, for example by telephone, email or fax:

  (a) *Italy*: we send reminders to Debtors either directly or through Sovec, in both cases based on a specific and consolidated territorial competence;

  (b) *Spain*: BFF Finance Iberia sends reminders to Debtors directly through internal business units;

  (c) *Portuga*l: at the end of each calendar year, we send payment reminders to all Debtors, providing a list of overdue invoices;

  (d) *Greece, Croatia and France*: we send reminders directly through the internal business unit; at the end of the year, we will send reminders to all Debtors providing a list of overdue invoices.

- *Settlement Agreements*. In order to collect receivables, we may enter into settlement agreements with Debtors pursuant to which we may grant payment extensions or agree to reduce the amount of late payment interest due from them. The procedure for starting the negotiations aimed at reaching a settlement differs depending on whether the receivables are managed on our own behalf, or on behalf of our clients. If we manage receivables acquired in the context of our Non-Recourse Factoring business on our own behalf, we can independently weigh up the advantages of starting negotiations with Debtors, whereas if we manage receivables on behalf of third parties, the settlement will take place on terms agreed upon with the client. Where the relevant receivable has been acquired by us, the settlement will take place on terms determined by us in advance for each position.

Settlement agreements in respect of receivables acquired by us will never include waivers or discounts of the principal amount due.

- *Legal Actions*. We rely on our internal structure as well as (for Italy, France, Croatia, Greece, Spain and Portugal) a network of professionals who deal with the following activities: (i) commencing legal proceedings, (ii) recording the proceedings in the Factoring System and continuously updating their status, (iii) identifying the best route from a legal perspective to collect the receivable, (iv) identifying the law firms to be involved, (v) monitoring the progress of the proceedings, and (vi) recording in the Factoring System the amounts collected in respect of principal, interest and legal expenses at the end of the proceedings. Even if we have already taken legal action against a Debtor, we may still reach a settlement with them.

Collection

We carry out this activity in the context of both our Credit Collection Management and Non-Recourse Factoring businesses. In particular, we: (i) manage and update the tables containing the conditions relating to our relationship with assignor clients, (ii) reconcile the collections, and (iii) resolve outstanding amounts and process credited amounts in respect of receivables on a daily basis. In order to carry out this activity, we also use the "Expert" system, which supports the reconciliation of collections carried out in the context of our Non-Recourse Factoring business (that remain within the Group) and of those carried out in the context of our Credit Collection Management business (that are credited to the client). Collection management also entails invoicing commission and/or expenses to clients. The Data Processing Unit of BFF Polska supports the back office functions of the Factoring Department of Banca Farmafactoring.

Information System

With respect to our Traditional Activities, 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.

In recent years, we have made significant investments to support our expansion in Spain and Portugal and the development of new products (such as term deposit accounts in Italy, Spain , Poland, the Netherlands, Ireland and Germany) which have additional efficiency margins before reaching full capacity.

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 application infrastructure relating to factoring services and our "*Conto Facto*" term deposit account consists of: (i) proprietary or internally developed software systems for the management of factoring, (ii) third party systems acquired under user license for the management of all activities supporting our core business, and (iii) services performed by Consorzio Servizi Bancari Soc. Cons. a r. l. ("**CSE**") for the management of our banking activities and, in particular: our "*Conto Facto*" term deposit account, the *Archivio Unico Informatico* ("**AUI**"), anti-money laundering, supervisory reports to the Bank of Italy, communications to the Italian taxation authorities (*Agenzia delle Entrate*), payments and data regarding clients and Debtors.

With the launch of our "*Cuenta Facto*" term deposit account in Spain in August 2015, we added to the above infrastructure the integrated services provided by the outsourcer *Rural Servicios Informatico Sociedad Civil* ("**RSI**"). A front-end system interacts with the services provided by RSI for the management of banking activities and, in particular, of our "*Cuenta Facto*" term deposit account, the supervisory reports to the Bank of Spain, anti-money laundering and the management of payments.

With the launch of our "*Lokata Facto*" term deposit account in Poland in September 2019, we added to the above infrastructure the integrated services provided by the outsourcer SoftNET sp.zo.o ("**SoftNET**").

A front-end system interacts with the services provided by SoftNET for the management of our banking activities and, in particular, of our "*Lokata Facto*" term deposit account, the supervisory reports to the Bank of Poland, anti-money laundering and the management of payments.

The software application systems acquired under a user license and ICT banking services provided by RSI and SoftNET are fully integrated with the proprietary modules, assuring the efficiency of the operating processes and the mitigation of corporate operational risks. The integration is accomplished both through real time connections and through "batch" procedures, depending on operational needs.

Following the acquisition of BFF Polska in 2016, we started a further implementation of a data warehouse in Poland to integrate and merge all data and systems which is underway. Thanks to this system integration implemented internally, data is shared among all legal entities. Our current focus is on obtaining further automatizations in order support process enhancements.

Employees

The table below sets forth the number of employees of the Group at year end for the six months ended 30 June 2019 and the years ended 31 December 2018.

Category	**2019**	**2018**
Senior Executives and Executives	25	23
Managers/Middle Managers/Professionals	139	118
Specialists	312	300
Total	**477**	**441**

As of 30 June 2019, the Group (excluding *Kancelaria Prawnicza Karnowski i Wspólnik spółka komandytowa and Restrukturyzacyjna Kancelaria Parawnicza Karnoski I Wspólnik spółka komandytowa*) had 477 employees of which 246 are employed by us (229 in Italy, 7 in Lisbon and 10 in Madrid), 28 by BFF Finance Iberia and 203 by the BFF Polska Group. Of the BFF Polska Group employees, 187 are employees of BFF Polska and Medfinance in Poland, 13 are employees of BFF Central Europe s.r.o. in Slovakia and 3 are employees of BFF Czech Republic s.r.o. 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.

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. In the six-month period ended 30 June 2019 and the year ended 31 December 2018, we set aside a fund for risk

and charges, respectively, of €4,352,123 and €4,980,559 of which, respectively, €684,620 and €805,820 related to provisions for pending legal proceedings.

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 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 Base Prospectus the members of the *Organismo di Vigilanza* are Franco Fondi, Silvio Necchi and Marina Corsi.

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 secretary 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*" (the "**Eleventh Circular Update**"). Pursuant to the Eleventh Circular Update, 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 Base Prospectus, the Group has already implemented the Eleventh Circular Update.

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 5 April 2018. 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 2020.

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
Federico Fornari Luswergh	Vice Chairman and Independent 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	Chairman of BFF Finance Iberia S.A. Member of the Supervisory Board of BFF Polska S.A.
Isabel Aguilera	Independent Director	Director of Lar España Real Estate SOCIMI S.A.
Michaela Aumann	Independent Director	N/A
Giorgia Rodigari	Director	Director of Fortuna Holdings Limited Director of Fortuna Midco Limited Director of Fortuna Topco Limited Director of Fidentia Fortuna Holdings Limited Director of Hospital TopCo Limited; Director of Blizzard Parent, LLC. Director of BFF Luxembourg S.à r.l.
Carlo Paris	Independent Director	Director of ENAV S.p.A
Barbara Poggiali	Independent Director	Director of Falck Renewable S.p.A. Director of ASTM S.p.A.

Name	Position	Principal Activities Outside the Issuer
		Director of Elica S.p.A. Director of Fabrick S.p.A.
Ben Carlton Langworthy	Director	Director of FB Lux Holdings S.C.A. Director of Resort Finance America LLC Director of Senvion S.A. Director of Cepal Holdings S.A.

The business address of the members of the Board of Directors is, for each director, Via Domenichino, 5, 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 5 April 2018, 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 2020:

Name	Position
Paola Carrara	Chairman and Statutory Auditor
Marco Lori	Statutory Auditor
Patrizia Paleologo Oriundi	Statutory Auditor
Giancarlo de Marchi	Alternate Auditor
Fabrizio Riccardo Di Giusto	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, Milan, Italy.

Conflicts of Interest

As of the date of this Base Prospectus, 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

Acquisition of 100% of the share capital of IOS Finance

On 10 April 2019, we entered into a sale and purchase agreement for the acquisition of the entire share capital of IOS Finance for a cash only consideration of €25 million (subject to a price adjustment mechanism based on the net asset value at closing) with IOS Finance's shareholders, as sellers.

IOS Finance provides credit management and non-recourse factoring services to suppliers of the national healthcare system and other public administration entities in Spain. It mainly focuses on the national healthcare system segment and works with debtors across all the autonomous regions of Spain, covering more than 710 hospitals (public and private), 70 public administration entities and offering clients both tailor-made credit management and non-recourse factoring solutions.

The acquisition was completed on 30 September 2019, following the non-opposition of the Bank of Spain and of the Bank of Italy, for a total cash only consideration of €26.4 million (equal to €25 million in cash consideration plus €1.4 million in price adjustment). We also fully repaid the loan provided by Deutsche Bank AG to IOS Finance, for an amount equal to €81 million. As of 30 September 2019, the Group's capital absorption was equal to €11 million, of which €9 million related to goodwill and €1 million related to IOS Finance's risk-weighted assets (equal to €13 million).

On 31 December 2019, the deed of merger by incorporation of IOS Finance in BFF Finance Iberia was filed and registered with the Madrid *Registro Mercantil* and has become effective. Starting from 1 January 2020, BFF Finance Iberia took over all the assets and liabilities belonging to IOS Finance.

As a result of the acquisition, we aim to strengthen our leadership position in the Iberian market. This will permit us to gear-up growth in Spain, which is an underpenetrated market for national healthcare system and public administration factoring, where the current political environment could result in longer DSO. In addition to increasing our geographical diversification, we will be able to expand our credit management offering to Spain. As we will be integrating IOS Finance's experienced team into our growing Spanish business, we expect to benefit from potential synergies.

Approval by the Polish financial supervision authority of our application to open a branch in Poland

In July 2019, our application to open a branch in Poland for the collection of deposits was approved by the Polish financial supervision authority (Komisja Nadzoru Finansowego - KNF). On 19 September 2019, we opened a branch in Poland and launched Facto, our on-line term deposit.

Granting by the Polish financial supervision authority to BFF Polska of a licence to act as an authorised Portfolio Manager of Securitisation Funds in Poland

We have applied for and expect to receive from the Polish financial supervision authority (Komisja Nadzoru Finansowego - KNF) a licence for BFF Polska to act as an authorised Portfolio Manager of Securitisation Funds in Poland by January 2020. Such licence will allow BFF Polska to strengthen its position in servicing the client through a sub-participation structure.

New organisational structure

In the first quarter of 2019, we adopted a new organisational structure which introduced the following changes: (i) the reorganisation of the sales team in Italy, through the appointment of a new Head of Sales and the reallocation of the team into three different areas, (ii) the

consolidation of the international department's role by requiring all credit business outside of Italy, including BFF Polska and its subsidiaries, to report directly to such department and by creating a new "Cross Border Sales" unit within such department to drive sales to multinational companies, (iii) the "Cross Border Business", responsible for driving growth in the freedom of service markets and preparing the relevant activities to be transferred to local branches or companies in the future and (iv) the creation of the Group's Chief Financial Officer position responsible for pricing, credits evaluation, finance & treasury and planning, administration & control.

Collection of online deposits in the Netherlands and Ireland

In July 2019, we filed an application with the Bank of Italy and the Bank of Spain for the collection of online deposits in the Netherlands and Ireland. After receiving the relevant authorisations, we started operations in September and at the beginning of October 2019, respectively, following the model of the "*Cuenta Facto*" term deposit account service in Germany (*i.e.* by carrying out the collection of deposits through a third party platform, using our Spanish branch).

Rating

On 2 October 2019, the Issuer received its first official rating by Moody's France SAS, which assigned to it a long-term issuer rating of "Ba1" with positive outlook.

In particular, Moody's France SAS assigned to the Issuer the following ratings:

- Long-term issuer rating: "Ba1", positive outlook;
- Long-term deposit rating: "Baa3", positive outlook;
- Short-term deposit rating: "P-3";
- Baseline credit assessment (BCA): "Ba3".

Issue of €300,000,000 1.750% Senior Preferred Notes due 23 May 2023 under the Programme

On 23 October 2019, we issued a series of Senior Preferred Notes under the Programme, for a total principal amount of euro 300 million and having a fixed rate of 1.75% per annum payable from 23 May 2020, a maturity date falling on 23 May 2023, an issue price of 100% and a yield of 1.751% (the "**2023 Notes**"). The 2023 Notes were admitted to trading on the regulated market of, and listed on the official list of, the Irish Stock Exchange (trading as Euronext Dublin) and on 29 October 2019 were admitted to trading on the Professional Segment of the non-regulated market ExtraMOT PRO, organised and managed by the Italian Stock Exchange (Borsa Italiana S.p.A.).

Appointment by co-optation of a new director

On 11 December 2019, our Board of Directors appointed by co-optation, approved by the Board of Statutory Auditors, Eng. Giorgia Rodigari as non-executive and non-indipendent director, as well as member of our Remuneration Committee and of our Risk and Control Committee, replacing Mr. Luigi Sbrozzi who resigned from the office with immediate effect on 9 December 2019.

TAXATION

ITALIAN TAXATION

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

Tax treatment of Notes issued by the Issuer

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, ("**Decree 239**") provides for the applicable regime with respect to the tax treatment of interest, premium and other income, including the difference between the redemption amount and the issue price ("**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.

Pursuant to Article 44 of Decree No. 917 of 22 December 1986, for securities to qualify as titoli similari alle obbligazioni (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not lower than their nominal value or principal amount ("*valore nominale*") and (ii) attribute to the Noteholders no direct or indirect right to control or participate to the management of the Issuer.

The tax regime set forth by Decree 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory laws and regulations in effect since the Issue Date, issued by, inter alia, Italian banks, other than shares and assimilated instruments, as set out by Article 2, paragraphs 22, of Law Decree No. 138 of 13 August 2011, as converted with amendments by Law No. 148 of 14 September 2011.

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 corportation 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.

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 Notesholder to comply in due time with the procedures set forth in Decree 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-resident Noteholder.

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 issued by the Issuer", 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, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;

transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and

any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (i), (ii) and (iii) on the value exceeding, for each beneficiary, €1,500,000.

Pursuant to article 6 Law no. 112/2016 ("*Legge sul Dopo di Noi*") as amended by article 89, paragraph 8, Legislative Decree 3 July 2017, no.117, asset or other rights (a) contributed to a trust, or (b) subject to a scope restriction ex article 2645-ter Italian Civil Code, or (c) contributed to a special fund ruled by *contratto di affidamento fiduciario*, in favor of persons with severe disabilities, are exempt from inheritance and gift tax. Upon the death of the person with severe disabilities, inheritance and gift tax will be due by the last beneficiary of the transfer, to be specifically identified within the deed.

Transfer tax

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200.00; and (ii) private deeds are subject to registration tax only in the case of use or voluntary registration or occurrence of the so-called cross-reference (*enunciazione)*.

Italian financial transaction tax (so-called "Tobin Tax")

Article 1, paragraphs from 491 to 500, of Law No. 228 of 24 December 2012, as implemented by Ministerial Decree 21 February 2013 (the "**IFTT Decree**"), introduced a tax on financial transactions that applies to (i) the transfer of ownership in shares issued by companies having their registered office ("*sede legale*") located in Italy (the "**Chargeable Equity**"); and (ii) transactions in derivative financial instruments over Chargeable Equity, and (iii) transactions in transferable securities giving the right to acquire or sell mainly one or more Chargeable Equity, or giving rise to a cash settlement determined mainly by reference to one or more Chargeable Equity, and (iv) high frequency trading transactions relating to shares or equity securitised or un-securitised derivatives, effected on the Italian financial market.

Transactions related to financial instruments (other than shares and assimilated instruments pursuant to Article 44 of Decree No. 917), issued by Italian supervised banks, that qualify as bonds or are eligible as Additional Tier 1 Capital at the level of the issuer, under EU and Italian regulatory laws and regulations in effect, since the Issue Date, such as the Notes, are excluded from IFTT pursuant to art. 15(1)(b-bis) of the IFTT Decree.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("**Decree 201**"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.20 per cent.; and cannot exceed €14,000 for taxpayers other than individuals; this stamp duty is determined on the basis of the market value or, if no market value figure is available, the nominal value or redemption amount or in the case the nominal or redemption values cannot be determined, on the purchase value of the Notes held. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the

regulations issued by the Bank of Italy) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals, non-profit entities, including also trust and foundations, *società semplici* and similar partnerships (pursuant to art. 5 of Italian Presidential Decree No. 917 of 22 December 1986) holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent ("**IVAFE**").

This tax is calculated on the market value of the Notes at the end of the relevant year or, if no market value figure is available, the nominal value or the redemption value or in the case the nominal or redemption values cannot be determined, on the purchase value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Tax Monitoring Obligations

Pursuant to Italian Law Decree No. 167 of 28 June 1990, converted by Italian Law No. 227 of 4 August 1990, as amended by Italian Law No. 97 of 6 August 2013 and subsequently amended by Italian Law No. 50 of 28 March 2014 and Italian Law No. 225 of 1 December 2016, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships) resident in Italy who hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument under the Italian money-laundering law.

Furthermore, the above reporting requirement is not required to comply with respect to Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries and with respect to foreign investments which are only composed by deposits and/or bank accounts when their aggregate value never exceeds a €15,000 threshold throughout the year.

OECD 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 ceased to participate.

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

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

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

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

Foreign Account Tax Compliance Act ("FATCA")

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" ("**FFI**") may be required to withhold on certain payments it makes ("foreign pass-through payments") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions, including the Republic of Italy, have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. In particular, with the Law 18 July 2015 No. 95, the Republic of Italy ratified and enacted the IGA with the 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

The original Dealer has, in a dealer agreement dated 17 January 2020 (the "**Dealer Agreement**"), agreed with the Issuer a basis upon which it or any other Dealer may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*" above. In the Dealer Agreement, the Issuer has agreed to reimburse the relevant Dealer for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the relevant Dealer against certain liabilities incurred by them in connection therewith. The Dealer Agreement makes provision for the resignation or termination of appointment of the existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes. For the purposes of this section, references in this section to "Dealer" and "Dealers" also refers to any Dealer or Dealers appointed subsequently. The Dealers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States

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

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche, (a) as part of their distribution at any time or (b) otherwise until 40 days after completion of the distribution of such Tranche as determined and certified to the Issuer by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act, if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further

Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area.

For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(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.

If the Final Terms (or the Drawdown Prospectus, as the case may be) in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may make an offer of such Notes to the public in that Relevant Member State:

(a) ***Qualified investors***: at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) ***Fewer than 150 offerees***: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) ***Other exempt offers***: at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation.

provided that no such offer of Notes referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) **no deposit-taking**: in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business, and (ii)

it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) **financial promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

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

Republic of Italy

The offering of the Notes has not been registered with the CONSOB pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that 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.

Each Dealer has represented and agreed that, save as set out below, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-*ter*, first paragraph, letter b) of 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 Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with 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

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in the Republic of France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Base Prospectus, the relevant Final Terms or any other offering material

relating to the Notes and such offers, sales and distributions have been and will be made in the Republic of France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

GENERAL INFORMATION

Name and Legal Form of the Issuer

The Issuer is incorporated as a joint stock company (*società per azioni*) in the Republic of Italy, is registered with number 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**").

Corporate Purpose

The purpose of the Issuer, pursuant to Article 4 of the By-laws, is to collect savings and provide loans in various forms, both directly and through subsidiaries. In compliance with applicable regulations and after obtaining the necessary authorisations, the Issuer may carry out, directly or through its subsidiaries, all banking, financial and insurance transactions and services, including the establishment and management of open or closed-end pension schemes, and other activities that may be performed by lending institutions, including the issuance of bonds, the exercise of financing activities regulated by special laws and the sale and purchase of company receivables.

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, as at 30 June 2019 the authorised share capital of the Issuer was Euro €138,897,170.72, which had been subscribed for and paid in for €131,216,500.80 and was represented by 170,411,040 ordinary shares without nominal value.

Authorisation

The establishment of the Programme was duly authorised by resolutions of the management board of the Issuer dated 26 July 2018. The update of the Programme was duly authorised on 24 October 2019.

Legal Entity Identifier

The Legal Entity Identifier (LEI) of Banca Farmafactoring is 815600522538355AE429.

Approval, Listing of Notes and Admission to Trading

The CBI has approved this document as a base prospectus. Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to trading on the regulated market of the Euronext Dublin and to be listed on the Official List. Euronext Dublin's regulated market is a regulated market for the purposes of MiFID II.

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

Listing Agent

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 or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Regulation.

Documents Available

For as long as this Base Prospectus remains valid, copies of the following documents will, when published, be available for inspection in physical form from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in London:

(a) the unaudited consolidated condensed interim financial statements of the Group as at and for the six months ended on 30 June 2019, prepared in accordance with IFRS and together with the accompanying notes and auditors' reports, which can be found on the Issuer's website at:

https://investor.bffgroup.com/documents/956773/0/1H+2019+consolidated+financial+report.pdf/

(b) the audited consolidated annual financial statements of the Group as at and for the year ended 31 December 2018, prepared in accordance with IFRS and together with the accompanying notes and auditors' reports, which can be found on the Issuer's website at:

https://investor.bffgroup.com/documents/20152/1041339/Bilancio_Consolidato_Eng+rev04.pdf/e807715a-35f3-4f66-e4e1-a2d22e169b53

(c) the audited consolidated annual financial statements of the Group as at and for the year ended 31 December 2017, prepared in accordance with IFRS and together with the accompanying notes and auditors' reports, which can be found on the Issuer's website at:

https://investor.bffgroup.com/documents/956773/1184795/reports_2017-440.pdf/5974671f-509f-595c-9eca-fb78da93afbb

(d) the articles of association (*statuto*) of the Issuer, which can be found on the Issuer's website at:

https://www.bffgroup.com/documents/20152/0/2019-09-27-Statuto+BFF-ENG-clean.pdf/ffc75fb1-29ee-3f6a-84ac-85054e09d051

The consolidated financial statements of the Group as at and for the years ended 31 December 2018 and 2017 have been audited without qualification by PricewaterhouseCoopers S.p.A.

In addition copies of this Base Prospectus, any supplements thereto, each Final Terms relating to Notes which are admitted to trading on Euronext Dublin's regulated market and each document incorporated by reference are available on Euronext Dublin's website (http://www.ise.ie/).

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the relevant Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the relevant Final Terms. The address of Euroclear is Euroclear Bank 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.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

Save as described under "*Description of the Issuer and the Group — Recent Developments*", there has been no significant change in the financial performance of the Issuer or the Group since 30 June 2019 and there has been no material adverse change in the prospects of the Issuer since 31 December 2018.

Litigation

Save as described under "*Description of the Issuer and the Group – Legal Proceedings*", 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

Save as described under "*Description of the Issuer and the Group — Recent Developments*", 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 liability to meet its obligations under the Notes, other than those contracts entered into the ordinary course of business.

Independent Auditors

PricewaterhouseCoopers S.p.A. was appointed by the shareholders' meetings of Banca Farmafactoring held on 3 May 2012 in the context of the Merger as independent auditor of the Issuer for its consolidated and non-consolidated annual financial statements as well as for its interim consolidated financial statements. The engagement of PricewaterhouseCoopers S.p.A. will expire upon approval of the Issuer's financial statements as at and for the year ending 31 December 2020.

PricewaterhouseCoopers S.p.A. is registered in the Register of the Statutory Auditors, in compliance with the provisions of Legislative Decree No. 39/2010 as implemented by the MEF (Decree No. 144 of 20 June 2012). The registered office of PricewaterhouseCoopers S.p.A. is at Via Monte Rosa, 91, Milan, Italy.

Interests of natural and legal persons involved in the issue/offer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in financing, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or

related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions, which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. The relevant Final Terms will specify any other interests of natural and legal persons involved in each issue/offer of Notes under the Programme. For the avoidance of doubt, for the purpose of this paragraph the term "**affiliates**" also includes a parent company.

THE ISSUER

BANCA FARMAFACTORING S.p.A.
Via Domenichino, 5
20149 Milan
Italy

FISCAL AGENT AND PAYING AGENT

Citibank, N.A., London Branch
6th Floor Citigroup Centre
Canada Square
Canary Wharf, London E14 5LB
United Kingdom

LEGAL ADVISORS

To the Issuer as to English law and Italian law

White & Case LLP
Piazza Diaz, 2
20123 Milan
Italy

To the Issuer as to Italian tax law

Ludovici Piccone & Partners
Via Sant'Andrea, 19
20121 Milan
Italy

To the Arranger and Sole Dealer as to English and Italian law

Clifford Chance Studio Legale Associato
Via Broletto, 16
20121 Milan
Italy

AUDITORS

PricewaterhouseCoopers S.p.A.
Via Monte Rosa, 91
Milan
Italy

ARRANGER AND SOLE DEALER

Banca IMI S.p.A.
Largo Mattioli, 3
20121 Milan
Italy

IRISH LISTING AGENT

Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland