



€6,000,000,000

EURO MEDIUM TERM NOTE PROGRAMME

for the issue of notes by

BPER Banca S.p.A.

BPER Banca S.p.A. (the "**Bank**" or the "**Issuer**" or "**BPER**") may from time to time issue instruments in bearer form ("**Notes**") pursuant to the Euro Medium Term Note Programme (the "**Programme**") and denominated in such currencies as may be agreed with the relevant Dealer(s) (as defined below). The Notes may be issued on a continuing basis to one or more of the Dealers. The Notes will have a minimum maturity of one month from the date of issue (except as set out herein) and are constituted under an amended and restated trust deed dated on or around 28 March 2017 (the "**Trust Deed**", which expression shall include any further supplements thereto and/or any restatements thereof) made between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee of the Notes (the "**Trustee**", which expression shall include any successor thereto).

The sum of the aggregate nominal amounts in respect of Notes outstanding at any one time under the Programme will not exceed €6,000,000,000 (or its equivalent in other currencies). The Notes will be issued to one or more of the Dealers specified herein and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "**Dealer**" and, together, the "**Dealers**").

No Notes may be issued under the Programme which have a minimum denomination of less than EUR 100,000 (or equivalent in another currency).

Application has been made for Notes issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purpose of Directive 2004/39/EC on markets in financial instruments. 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 listing authority, market, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer. As at the date hereof, no request has been made for a certificate permitting public offers of the Notes in other member states of the European Union. By approving this Base Prospectus, The *Commission Surveillance du Secteur Financier* (the "**CSSF**") gives no undertaking as to the economic or financial opportuneness of the transaction or the quality and solvency of the Issuer in line with the provisions of Article 7 (7) of the Luxembourg law dated 10 July 2005 on prospectuses for securities.

Any Notes to be issued under the Programme from the date hereof are to be issued subject to the provisions set out herein. This does not affect any Notes already in issue at the date hereof.

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

Lead Arranger
Citigroup

Dealers

Banca IMI
Barclays
Citigroup
Deutsche Bank
Nomura
Société Générale Corporate & Investment

BPER Banca S.p.A.
BNP PARIBAS
Credit Suisse
HSBC
NatWest Markets
UBS Investment Bank

Banking
Goldman Sachs International

Mediobanca - Banca di Credito Finanziario
S.p.A.

28 March 2017

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

Payments of interest, premium and other income relating to the Notes issued by the Issuer are subject to a substitute tax (referred to as "*imposta sostitutiva*") of 26 per cent. pursuant to Legislative Decree No. 239 of 1 April 1996 in certain circumstances. In order to obtain exemption at source from *imposta sostitutiva* in respect of payments of interest, premium and other income relating to the Notes, each Noteholder not resident in the Republic of Italy is required to certify that such Noteholder is (i) deemed to be resident in a country which recognises the Italian fiscal authorities' right to a satisfactory exchange of information and (ii) the beneficial owner of payments of interest or other income relating to the Notes, all as more fully set out in "*Taxation*" on page 135.

Notes that qualify as atypical securities ("*titoli atipici*") are subject to withholding tax levied at the rate of 26 per cent. in respect of premium (if any) and other income pursuant to law Decree No. 512 of September 1983 as amended.

For each Tranche of Notes which are issued under the Programme, final terms will be prepared which contain the information required to complete the information for the relevant issue (each "**Final Terms**") which, with respect to Notes to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange, will be delivered to the Luxembourg Stock Exchange and filed with the CSSF. In relation to each Tranche of Notes issued under the Programme, this Base Prospectus should be read in conjunction with the applicable Final Terms.

The Notes of each Tranche will initially be represented by a temporary global note ("**Temporary Global Note**") which (i) in respect of a Temporary Global Note which is not intended to be issued in new global note form, will be deposited on the issue date thereof with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream Luxembourg**") and/or any other agreed clearance system and (ii) in respect of a Temporary Global Note which is intended to be issued in new global note form, will be deposited on the issue date thereof with a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other agreed clearance system. Each Temporary Global Note will be exchangeable, as specified in the applicable Final Terms, for either a permanent global note ("**Permanent Global Note**") or Notes in definitive form, in each case upon certification as to non-US beneficial ownership as required by US Treasury regulations. A Permanent Global Note will be exchangeable, in whole but not in part, for definitive Notes, upon request, all as further described in "*Form of the Notes*" below.

The Issuer and the Trustee may agree with any Dealer(s) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes respectively, in which case a prospectus specific to such Tranche of Notes (a "**Drawdown Prospectus**"), will be made available which will describe the effect of the agreement reached in relation to such Notes.

Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

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

This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, and amendments thereto (including Directive 2010/73/EU, to the extent implemented in a Member State of the EEA) (the "**Prospectus Directive**").

Neither the Dealers nor the Trustee have independently verified all the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee or any of their respective affiliates as to the accuracy or completeness of the information contained in this Base Prospectus or any other information provided by the Issuer in connection with the Programme or any Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or any Notes 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 Trustee.

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

The delivery of this Base Prospectus does not at any time 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 Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme.

The distribution of this Base Prospectus and the offer, distribution or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Trustee and the Dealers do not represent that this document 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 Trustee or the Dealers which would permit a public offering of any Notes or distribution of this document 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 and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Base Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. For details of certain restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the United Kingdom, the Republic of Italy ("**Italy**"), Japan and France, see "*Subscription and Sale*" below.

The Notes have not been and will not be registered under the United States Securities Act 1933, as amended (the "**Securities Act**"), will be in bearer form and subject to US tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to US persons (see "*Subscription and Sale*" below).

This Base Prospectus has not been submitted to the clearance procedure of Commissione Nazionale per le Società e la Borsa ("**Consob**") and may not be used in connection with any offer of the Notes in Italy other than (i) to "qualified investors" as that term is defined in Article 34-ter of Consob Regulation No 11971 of 14 May 1999, as amended (*investitori qualificati*) or (ii) in circumstances which, although constituting a solicitation of investments in Italy, are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 and Article 34-ter of Consob Regulations No. 11971 of 14 May 1999, as amended.

In this Base Prospectus, unless otherwise specified, or where the context requires otherwise, references to a "**Member State**" are references to a Member State of the EEA, references to "**€**", "**Euro**", "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

All references in this document to "**US dollars**", "**US\$**" and "**\$**" refer to the currency of the United States of America, references to "**Sterling**" and "**£**" refer to the currency of the United Kingdom and references to "**Japanese Yen**", "**Yen**" and "**¥**" refer to the currency of Japan.

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

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Base Prospectus.

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

Certification of the manager responsible for preparing the company's financial report, pursuant to art. 154-bis, para. 2 of decree 58/1998, as subsequently amended (the "Italian Finance Consolidation Act").

The manager responsible for preparing the company's financial report, Emilio Annovi declares in accordance with art. 154-bis, para. 2 of the Italian Finance Consolidation Act, that the accounting data contained in this Base Prospectus agrees with the underlying documents, books of accounting entries.

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RISK FACTORS

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section, unless otherwise stated.

Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with the Notes issued under the Programme

Competition

In recent years, the Italian banking sector has seen increasing price competition as a consequence of the deregulation of the banking sector, resulting in the curtailment of protectionist national laws by EU regulation and a blurring of the distinction between different types of financial services. This has led to a reduction in the difference between borrowing and lending rates and has had an impact on commissions and fees, particularly relating to dealings conducted on behalf of third parties as an intermediary bank.

In addition, downturns in both the global and Italian economy could add to this pressure through increased price competition and lower transaction volumes. If the Issuer is unable to compete with competitors' products and service offerings it may lose market share or incur losses.

Impact of events which are difficult to anticipate

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

Changes in interest rates

Fluctuations in interest rates influence the financial performance of BPER and its subsidiaries (the "**BPER Group**" or the "**Group**"). The results of the BPER Group's banking operations are affected by its management of interest rate sensitivity and, in particular, changes in market interest rates. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. A mismatch of interest-earning assets and interest-bearing liabilities in any given period, which tends to accompany changes in interest rates, may have a material effect on the BPER Group's financial condition or results of operations.

Rising interest rates in line with the yield curve can increase the BPER Group's cost of funding at a higher rate than the yield on its assets due, for example, to a mismatch in the maturities of its assets and liabilities that are sensitive to interest rate changes or a mismatch in the degree of interest rate sensitivity of assets and liabilities with similar maturities. At the same time, decreasing interest rates can also reduce the yield on the BPER Group's assets at a rate which may not correspond to the decrease in the cost of funding.

In addition, in recent years, the Italian banking sector has been characterised by increasing competition which, together with the low level of interest rates, has caused a sharp reduction in the difference between borrowing and lending rates, and has made it difficult for banks to maintain positive growth trends in interest rate margins.

Business Concentration Risk

The Issuer's key market geographically is the Emilia Romagna region, where the Issuer has historically operated and where the majority of its branches are currently located.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Issuer's businesses. Adverse changes in the credit quality of the Issuer's borrowers and counterparties, (as mentioned above) particularly concentrated in the Emilia Romagna region or a general deterioration in either the Italian or global economic conditions, or arising from systemic risks in the financial system, could affect the recoverability and value of the Issuer's assets and require an increase in the Issuer's impairment provision for bad and doubtful debts and other provisions.

Risks relating to the Issuer's business

As a credit institution, the Issuer is exposed to the typical risks associated with the business of a financial intermediary such as credit risk, market risk, interest rate risk, liquidity and operational risk, in addition to a series of other risks typical to such businesses including strategic risk, legal risk, tax and reputational exposure.

Credit risk relates to the risk of loss arising from counterparty default (in particular, recoverability of loans) or in the broadest sense, from a failure to perform contractual obligations, including on the part of any guarantors.

The Issuer's business depends to a substantial degree on the creditworthiness of its customers. Notwithstanding its detailed controls including customer credit checks, it bears normal lending risks and thus may not, for reasons beyond its control (such as, for example, fraudulent behaviour by customers), have access to all relevant information regarding any particular customer, their financial position, or their ability to pay amounts owed or repay amounts borrowed. Any failure of customers to accurately report their financial and credit position or to comply with the terms of their agreements or other contractual provisions could have an adverse effect on the Issuer's business and financial results. During a recession, there may be less demand for loan products and a greater number of the Issuer's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. The risk arising from the impact of the economy and business climate on the credit quality of the BPER Group's borrowers and counterparties can affect the overall credit quality and the recoverability of loans and amounts due from counterparties. In addition, the continued liquidity crisis in other affected economies may create difficulties for the BPER Group's borrowers to refinance or repay loans to the BPER Group's loan portfolio and potentially increase the BPER Group's non-performing loan levels.

Market risk relates to the risk arising from market transactions in connection with financial instruments, currencies and commodities. The Issuer's trading revenues and interest rate risk are dependent upon its ability to effectively identify changes in the value of financial instruments caused by fluctuations in market prices or interest rates. The Issuer's financial results are also dependent upon how effectively the Issuer determines and assesses the cost of credit and manages its own credit risk through portfolio diversification.

Interest rate risk refers to the possibility of the Issuer incurring losses as a result of a poor performance in market interest rates. This risk is monitored through the Asset Liability Management System (the "**ALMS**"), which measures under "*static*" conditions the impact of interest rate changes on financial margins.

Liquidity risk relates to the Issuer's ability or lack thereof to meet cash disbursements in a timely and economic manner. It is quantified as the additional cost arising from asset sales and/or negotiation of new liabilities incurred by the intermediary when required to meet unexpected commitments by way of recourse to the market. The current uncertainty in the global and Italian capital markets and credit conditions has led to the most severe examination of the banking system's capacity to absorb sudden significant changes in the funding and liquidity environment in recent history, and has had an adverse impact on the wider economy. Individual institutions have experienced varying degrees of stress. Faced with the economic slowdown and the financial crisis, the governments and central banks of the most industrialised countries responded with economic and monetary measures of historic magnitude. In

economic terms, fiscal incentives were introduced together with plans for greater public spending, especially on infrastructure. In monetary terms, governments and sector authorities acted to support banks via investment in their capital, injections of liquidity and guarantees for depositors, as well as to support the economy via repeated interest rate cuts.

The activity of the Group may be negatively affected by the availability of liquidity in both the institutional and retail markets. The Group also borrows from the ECB. Accordingly, any adverse change to the ECB's lending policy or funding requirements, including changes to the criteria to identify the asset classes that can be accepted by the ECB as collateral for calculating the value of such assets could affect the Group's results of operations, business and financial condition.

Operational risk relates to the risk of loss arising from shortcomings or failures in internal processes, people or systems and from external events, including the risk of fraud by employees and outsiders, unauthorised transactions by employees or operational errors, including errors resulting from faulty information technology or telecommunication systems. The Issuer's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately monitored. However, any failure or weakness in these systems, could adversely affect the Issuer's financial performance and business activities.

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

Since the second half of 2008, the global credit environment has been adversely affected by significant instances of default and there can be no certainty that further such instances will not occur. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or default by other institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships between institutions. The risk is sometimes referred to as "**systemic risk**" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Issuer interacts on a daily basis and therefore could adversely affect BPER.

In order to get access to more efficient liquidity sources BPER has started a first covered bond programme (the "**First Covered Bond Programme**") on a residential mortgage loan cover pool, currently governed by the base prospectus dated 28 November 2014. For the same purpose BPER has started a second covered bond programme (the "**Second Covered Bond Programme**"), structured on a conditional pass-through basis, on a residential and commercial mortgage cover pool, currently governed by the base prospectus dated 15 December 2015. Risks related to such financial structured instruments are connected to the capacity of BPER to maintain the required over collateralisation ratio between the pools assigned as guarantees and the covered bonds issued under both the First Covered Bond Programme and the Second Covered Bond Programme. Should a combination of a sharp decrease of the residential or commercial mortgage loan production and an appreciable increase of the prepayment rate occur, such circumstance could affect BPER's capacity to ensure a suitable claim substitution according to either the First Covered Bond Programme or the Second Covered Bond Programme provisions.

Failure to satisfy the structure requirements under either the First Covered Bond Programme or the Second Covered Bond Programme could adversely affect the Issuer financial performance and business activities.

Risks connected to a potential rating downgrade

BPER is rated by (i) Moody's Investors Service Limited ("**Moody's**"), and (ii) Fitch Ratings Ltd ("**Fitch**") which are established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, (as amended) (the "**CRA Regulation**") as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation. A downgrade of the Issuer's rating (for whatever reason) might result in higher funding and refinancing costs for the Issuer in the

capital markets. In addition, a downgrade of the Issuer's rating may limit the Issuer's opportunities to extend mortgage loans and may have a particularly adverse effect on the Issuer's image as a participant in the capital markets, as well as in the eyes of its clients. These factors may have an adverse effect on the Issuer's financial condition and/or the results of its operations.

Evolving regulatory environment

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

The Issuer has as its corporate object the raising of funds for investment and the provision of credit in its various forms. The banking laws to which BPER Group is subject govern the activities in which banks may engage and are designed to maintain the safety and soundness of banks, and limit their exposure to risk. In addition, the Issuer must comply with financial services laws that govern its marketing and selling practices. The regulatory framework governing international financial markets is currently being amended in response to the credit crisis, and new legislation and regulations are being introduced in Italy and the European Union that will affect the BPER Group, including proposed regulatory initiatives that could significantly alter the Issuer's capital requirements, as described below.

In the wake of the global financial crisis that began in 2008, the Basel Committee on Banking Supervision (the "**Basel Committee**") approved, in the fourth quarter of 2010, revised global regulatory standards (the "**Basel III**") on bank capital adequacy and liquidity, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards. The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019. Minimum common equity tier 1 (the "**CET1**") will be increased from broadly 2% of risk-weighted assets to 7.0%. The 7.0% includes a "capital conservation buffer" of 2.5% to ensure that banks maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. An additional "countercyclical buffer requirement" of 0-2.5% will be implemented according to national circumstances. The countercyclical buffer requirement will apply in periods of excess lending growth in the economy and can vary for each jurisdiction.

In January 2013, the Basel Committee revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio (i.e. annual increases of 10%, starting with 60% in 2015 and ending with 100% in 2019), and the Basel Committee expanding the definition of high quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities.

The Basel III framework has been implemented in the EU through new banking regulations adopted on 26 June 2013: 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 (the "**CRD IV Directive**") and 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 (the "**CRR**", and together with the CRD IV Directive the "**CRD IV**").

Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements will be largely fully effective by 2019 and some minor transitional provisions provide for the phase-in until 2024) but it is possible that in practice implementation under national laws may be delayed until after such date. Additionally, it is possible that Member States may introduce certain provisions at an earlier date than that set out in the CRD IV.

In Italy, the Government has approved the legislative decree No. 72 of 12 May 2015, implementing the CRD IV Directive. Such decree entered into force on 27 June 2015. The new regulation impacts, inter alia, on:

- i. proposed acquirers of credit institutions' holdings, shareholders and members of the management body requirements (Articles 22, 23 and 91 CRD IV Directive);

- ii. competent authorities' powers to intervene in cases of crisis management (Articles 64, 65, 102 and 104 CRD IV Directive);
- iii. reporting of potential or actual breaches of national provisions (so called whistleblowing, (Article 71 CRD IV Directive); and
- iv. administrative penalties and measures (Article 65 CRD IV Directive).

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular No. 285 - dated 17 December 2013 and constantly updated, the "**Circular No. 285**"), which came into force on 1 January 2014, implementing the CRD IV and setting out additional local prudential rules concerning matters not harmonised at EU level.

Italian banks are required to comply with a minimum CET1 capital ratio of 4.5%, Tier I Capital ratio of 6% and Total Capital Ratio of 8%. These minimum ratios are complemented by the following capital buffers, to be met with CET1 Capital:

1. *Capital conservation buffer*: is set at 2.5% of risk weighted assets (see Part I, Title II, Chapter I, Section II of Circular No. 285). In this respect, on 4 October 2016, the Bank of Italy enacted the 18th update to Circular No. 285 in order to align the domestic transitional regime concerning the capital conservation buffer to the provisions set forth in the CRD IV. According to such update, banks, both at individual and consolidated level, shall apply a minimum capital conservation buffer equal to: (i) 1.25 per cent. from 1 January 2017 to 31 December 2017, (ii) 1.875 per cent. from 1 January 2018 to 31 December 2018 and (iii) 2.5 per cent. starting from 1 January 2019. Such update entered into force on 1 January 2017;
2. *Counter-cyclical capital buffer*: is set by the relevant competent authority between 0% - 2.5% (but may be set higher than 2.5% where the competent authority considers that the conditions in the member state justify this), with gradual introduction from 1 January 2016, and applying temporarily in the periods when the relevant national authorities consider the credit growth to be excessive (pursuant to Article 130 of CRD IV Directive and Part I, Title II, Chapter I, Section III of Circular No. 285);
3. *Capital buffers for globally systemically important banks (G-SIBs)*: set as an "additional loss absorbency" buffer ranging from 1.0% to 3.5% determined according to specific indicators (size, interconnectedness, lack of substitutes for the services provided, global activity and complexity); to be phased in from 1 January 2016 (Article 131 of the CRD IV Directive and Part I, Title II, Chapter I, Section IV of Circular No. 285) becoming fully effective on 1 January 2019; and
4. *Capital buffers for other systemically important banks at a domestic level (O-SIBs)*: up to 2.0% as set by the relevant competent authority and must be reviewed at least annually from 1 January 2016, to compensate for the higher risk that such banks represent to the financial system (Article 131 of the CRD IV Directive). The capital buffer for important banks at domestic level belonging to a group which is a global systemically important financial institution is limited. This buffer shall not exceed the higher of 1% of the total risk exposure amount and the global systemically important financial institution buffer rate applicable to the group at consolidated level.

The Issuer is not currently included in the list of financial institutions of global systemic importance published on 21 November 2016 by the Financial Stability Board. Moreover, the Bank of Italy has not included the Issuer among the systemically important banks at a domestic level for the year 2017.

In addition to the above listed capital buffers, under Article 133 of the CRD IV Directive each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 Capital for the financial sector or one or more subsets of the sector, in order to prevent and mitigate long term non-cyclical systemic or macro-prudential risks with the potential of serious negative consequences to the financial system and the real economy in a specific Member State. From 2015 onwards and for buffer rates between 3% and 5% the Member States setting the buffer will have to notify the Commission, the EBA, and the ESRB. The Commission will provide an opinion on the measure decided and if this opinion is negative, the Member

States will have to "comply or explain". Buffer rates above 5% will need to be authorized by the Commission through an implementing act, taking into account the opinions provided by the ESRB and by the EBA. At this stage no provision is included on the systemic risk buffer under Article 133 of the CRD IV Directive as the Italian level 1 rules for the implementation of the CRD IV Directive on this point have not been enacted yet.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 141 and 142 of the CRD IV Directive).

As part of the CRD IV transitional arrangements, regulatory capital recognition of outstanding instruments which qualified as CET1, Additional Tier 1 and Tier II capital instruments under the framework which CRD IV has replaced (CRD III) that no longer meet the minimum criteria under CRD IV will be gradually phased out. Fixing the base at the nominal amount of such instruments outstanding on 1 January 2013, their recognition was capped at 70% in 2015, with this cap decreasing by 10% in each subsequent year (see, in particular, Part Two, Chapter 14, Section 2 of Circular No. 285).

The new liquidity requirements introduced under the CRD IV are the Liquidity Coverage Ratio and the Net Stable Funding Ratio (the "NSFR"). The Liquidity Coverage Ratio Delegated Regulation (EU) 2015/61 was adopted on 10 October 2014 and published in the Official Journal of the European Union in January 2015. The Liquidity Coverage Ratio is subject to a gradual phase-in, beginning at 60 per cent. in 2015 and increasing by 10 per cent. each year in order to reach 100 per cent. in 2019. On the other hand, the EU Banking Reform (as defined below) includes a proposal aimed at establishing a binding detailed NSFR which will require credit institutions and systemic investment firms to finance their long-term activities with stable sources of funding in order to increase banks' resilience to funding constraints.

CRD IV may also introduce a new leverage ratio with the aim of restricting the level of leverage that an institution can take on to ensure that an institution's assets are in line with its capital. Institutions are required to disclose their leverage ratio from 1 January 2015. Full implementation and European harmonisation, however, is not expected until 1 January 2018 following the European Commission's review in 2016 of whether or not the ratio should be introduced as a binding measure. In this context, it is worth noting that the EU Banking Reform contains a proposal to implement a binding leverage ratio which will prevent institutions from excessively increasing leverage (e.g. to compensate for low profitability).

As a result of the changes described above, there is uncertainty as to the regulatory requirements that the Issuer will be required to comply with. The CRD IV contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports in order to enhance regulatory harmonisation in Europe through the EBA single supervisory rulebook applicable to EU Member States (the "**EBA Single Supervisory Rule Book**"). Specifically, the CRD IV tasks the EBA with advising on appropriate uniform definitions of liquid assets for the Liquidity Coverage Ratio buffer. In addition, the CRD IV states that the EBA shall report to the Commission on the operational requirements for the holdings of liquid assets. The CRD IV also tasks the EBA with advising on the impact of the liquidity coverage requirement, on the business and risk profile of institutions established in the European Union, on the stability of financial markets, on the economy and on the stability of the supply of bank lending.

Should the Issuer not be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV, it may be required to maintain levels of capital which could potentially impact its credit ratings, funding conditions and limit the Issuer's growth opportunities.

The Issuer notes that it is subject to the Pillar 2 requirements for banks imposed under the CRD IV, which will be impacted, on an on-going basis, by the Supervisory Review and Evaluation Process ("**SREP**"). The SREP is aimed at ensuring that institutions have in place adequate arrangements, strategies, processes and mechanisms to maintain the amounts, types and distribution of internal capital commensurate to their risk profile, as well as robust governance and internal control arrangements. The key purpose of the SREP is to ensure that institutions have adequate arrangements as well as capital and liquidity to ensure sound management and coverage of the risks to which they are or might be exposed, including those revealed by stress testing, as well as risks the institution may pose to the financial system.

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. These initiatives include, amongst others, a revised Markets in Financial Instruments Directive and Markets in Financial Instruments Regulation which is expected to apply on 3 January 2018, subject to certain transitional arrangements. The Basel Committee has also published certain proposed changes to the current securitisation framework which may be accepted and implemented in due course. In addition, as already mentioned, the European Commission intends to develop the NSFR, which will require credit institutions and systemic investment firms to finance their long-term activities with stable sources of funding in order to increase banks' resilience to funding constraints.

Moreover, the Basel Committee has embarked on a very significant risk weighted assets (RWA) variability agenda. This includes the Fundamental Review of the Trading Book, revised standardised approaches (credit, market, operational risk), constraints to the use of internal models as well as the introduction of a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance. The new framework is in the process of being finalized. The new framework will have a significant impact on risk modelling. From a credit risk perspective, an impact is expected both on capital held against those exposures assessed via the standardized approach, and those evaluated via an internal ratings based approach (IRB). In addition, significant changes are expected in relation to operational risk modelling, as the Basel Committee is proposing the elimination of the internal models some banks are currently utilising and the introduction of a more standardised approach. Following the finalisation of the Basel framework, the new rules will need to be transposed into European regulation. Implementation of these new rules on risk models is not expected before end of 2018.

For the sake of completeness, it must be noted that, on 23 November 2016, the Commission presented a comprehensive package of reforms to further strengthen the resilience of EU banks ("**EU Banking Reform**"). The proposed new package provides for amendments to the following pieces of legislation:

- (i) the CRD IV (as defined above);
- (ii) the Banks Recovery and Resolution Directive (as defined below);
- (iii) 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.

Moreover, the Commission, in the context of the EU Banking Reform, is considering to create a new category of senior class instruments that are eligible for MREL (as defined below) purposes. Such instruments will be subject to bail-in and are supposed to rank between current senior unsecured liabilities and capital instruments.

In addition, regulators and supervisory authorities are taking an increasingly strict approach to regulations and their enforcement that may not be to the Issuer's benefit. A breach of any regulations by the Issuer could lead to intervention by supervisory authorities and the Issuer could come under investigation and surveillance, and be involved in judicial or administrative proceedings. The Issuer may also become subject to new regulations and guidelines that may require additional investments in systems and people and compliance with which may place additional burdens or restrictions on the Issuer.

As the new framework of banking laws and regulations is currently being implemented, the manner those laws and related regulations will be applied to the operations of financial institutions is still evolving. No assurance can be given that laws and regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the business, financial condition, cash flows and results of operations of the BPER Group. Investors should consult their own advisers as to the consequences for them of the application of the above regulations as implemented by each Member State.

Bank Recovery and Resolution Directive

On 2 July 2014, the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the "**Bank Recovery and Resolution Directive**" or "**BRRD**") entered into force.

The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while 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 impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down certain claims of unsecured creditors (including, *inter alia*, the unsecured notes and the subordinated notes) of a failing institution and to convert certain unsecured debt claims (including, *inter alia*, the unsecured notes and the subordinated notes) to equity (the "**General Bail-in Tool**"), which equity could also be subject to any future application of the general bail-in tool.

The BRRD also provides for a Member State as a last resort, after having assessed and exhausted the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework and the BRRD.

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

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments at the point of non-viability and before any other resolution action is taken ("**Non-Viability Loss Absorption**"). Any shares issued upon any such conversion into equity may also be subject to any application of the general bail-in tool.

For the purposes of the application of any Non-Viability Loss Absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution will no longer be viable unless the relevant capital instruments are written-down or converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution would no longer be viable.

Therefore, also in a non-bankruptcy scenario, in case of application of the bail-in tool, the unsecured notes and the subordinated notes might be written down to zero, or converted to equity, without the prior consent of the relevant noteholder.

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

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

Also, in respect of Senior Notes, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors, such as holders of Senior Notes. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to liquidation proceedings (and therefore the hierarchy which will apply in order to assess claims pursuant to the safeguard provided for in Article 75 of the BRRD as described above), by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and small and medium sized enterprises will benefit from priority over senior unsecured liabilities, though with a ranking which is lower than that provided for deposits of individuals and small and medium sized enterprises exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which under the national insolvency regime currently in force in Italy rank *pari passu* with Senior Notes, will rank higher than Senior Notes in normal insolvency proceedings and therefore that, on application of the General Bail-In Tool, such creditors will be written-down/converted into equity capital instruments only after Senior Notes. Therefore, the safeguard set out in Article 75 of the BRRD (referred to above) would not provide any protection to specific Italian banks' counterparties since, as noted above, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

The legislative decree intended to implement the revised Deposit Guarantee Schemes Directive in Italy – namely, Legislative Decree No. 30 of February 15, 2016 – has been published in the Italian Official Gazette No. 56 of March 8, 2016. The Decree came into force on March 9, 2016, except for Article 1 comma 3, let. A), which will come into force on 1st July 2018. Amongst other things, the Decree amends the Banking Act and: (i) establishes that the maximum amount of reimbursement to depositors is € 100,000. This level of coverage has been harmonised by the Deposit Guarantee Schemes Directive and is applicable to all deposit guarantee schemes; (ii) lays down the minimum financial budget that national guarantee schemes should have; (iii) details intervention methods of the national deposit guarantee

scheme; and (iv) harmonises the methods of reimbursement to depositors in case of insolvency of a credit institution.

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

The BRRD also requires institutions to meet at all time robust minimum requirements of own funds and liabilities eligible for bail-in expressed as a percentage of the total liabilities and own funds of the institution (i.e. "*Minimum Requirement for Own Funds and Eligible Liabilities*" - **MREL**). This MREL requirement should ensure that shareholders and creditors bear losses regardless of which resolution tool is applied. The resolution authority of an institution, after consultation with the relevant competent authority, will set the MREL for the institution based on the criteria identified by the EBA in its regulatory technical standards. In particular, the resolution authority may determine that part of the MREL is to be met through "contractual bail-in instruments". The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the Banking Union) or to the Single Resolution Board (the "**SRB**") for banks being part of the Banking Union. The EBA has issued final draft regulatory technical standards which further define the way in which resolution authorities/the SRB shall calculate MREL, as further implemented by European Commission adopted Commission Delegated Regulation (EU) 2016/1450 (see below).

On 23 May 2016, the European Commission adopted Commission Delegated Regulation (EU) 2016/1450 supplementing BRRD that specifies the criteria which further define the way in which resolution authorities/the SRB shall calculate MREL, as described in article 45(6) of the BRRD, which entered into force on 23 September 2016. Article 8 of the aforementioned regulation provides that resolution authorities may determine an appropriate transitional period for the purposes of meeting the full MREL requirement. On 19 July 2016 the EBA launched a public consultation on its interim report on the implementation and design of the MREL, ahead of the final report published by EBA on 15 December 2016. On 23 November, 2016, the European Commission presented the EU Banking Reform which introduces a number of proposed amendments to the BRRD. In particular, it is proposed that the MREL – which should be expressed as a percentage of the total risk exposure amount and of the leverage ratio exposure measure of the relevant institution – should be determined by the resolution authorities at an amount to allow banks to absorb losses expected in resolution and recapitalise the bank post-resolution. In addition, it is proposed that resolution authorities may require institutions to meet higher levels of MREL in order to cover losses in resolution that are higher than those expected under a standard resolution scenario and to ensure a sufficient market confidence in the entity post-resolution. These higher levels will take the form of "MREL guidance", and it is currently envisaged that institutions that fail to meet the MREL guidance shall not be subject to the restrictions on the ability to make distributions (so-called Maximum Distributable Amount). For banks which are not included in the list of G-SIBs, liabilities that satisfy the requirements set fourth in the EU Banking Reform, shall qualify as eligible liabilities for the purpose of MREL, unless they fall into any of the categories of excluded liabilities.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Once the BRRD is fully implemented, holders of Senior Notes and Subordinated Notes may be subject to writedown/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 of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

ECB Single Supervisory Mechanism

On 15 October 2013, the Council of the European Union adopted Council Regulation (EU) No. 1024/2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the “**SSM Regulation**”) for the establishment of a single supervisory mechanism (the “**Single Supervisory Mechanism**” or “**SSM**”). From 4 November 2014, the SSM Regulation has given the ECB, in conjunction with the national regulatory authorities of the Eurozone and participating Member States, direct supervisory responsibility over “banks of systemic importance” in the Eurozone. In this respect, “banks of systemic importance” include any Eurozone bank that (i) has assets greater than €30 billion or – unless the total value of its assets is below €5 billion – greater than 20% of national gross domestic product; (ii) is one of the three most significant credit institutions established in a Member State; (iii) has requested, or is a recipient of, direct assistance from the European Financial Stability Facility or the European Stability Mechanism; and (iv) is considered by the ECB to be of significant relevance where it has established banking subsidiaries in more than one participating Member State and its cross-border assets/liabilities represent a significant part of its total assets/liabilities.

Notwithstanding the fulfilment of these criteria, the ECB, on its own initiative after consulting with national competent authorities or upon request by a national competent authority, may declare an institution significant to ensure the consistent application of high-quality supervisory standards. The Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014 established the framework for co-operation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (the “**SSM Framework Regulation**”).

The relevant national competent authorities for the purposes of the SSM Regulation and the SSM Framework Regulation continue to be responsible for supervisory functions not conferred on the ECB, such as consumer protection, money laundering, payment services, and supervision over branches of third country banks. The ECB, on the other hand, is exclusively responsible for key tasks concerning the prudential supervision of credit institutions, which includes, inter alia, the power to: (i) authorise and withdraw the authorisation of all credit institutions in the Eurozone and in the Member States participating to the SSM; (ii) assess acquisition and disposal of holdings in other banks; (iii) ensure compliance with all prudential requirements laid down in general EU banking rules; (iv) set, where necessary, higher prudential requirements for certain banks to protect financial stability under the conditions provided by EU law; (v) ensure compliance with robust corporate governance practices and internal capital adequacy assessment controls; and (vi) intervene at the early stages when risks to the viability of a bank exist, in coordination with the relevant resolution authorities.

In order to foster consistency and efficiency of supervisory practices across the Eurozone, the EBA is developing a single supervisory handbook applicable to EU Member States (the “**EBA Supervisory Handbook**”).

Single Resolution Mechanism

On 19 August 2014, the Regulation (EU) No. 806/2014 establishing a Single Resolution Mechanism (the “**SRM Regulation**”) entered into force.

The SRM is operational as from 1 January 2016. There are, however, certain provisions including those concerning the preparation of resolution plans and provisions relating to the cooperation of the Single Resolution Board (the “**Board**”) with national resolution authorities, which entered into force on 1 January 2015.

The SRM Regulation, which complements the SSM (as defined above), applies to all banks supervised by the SSM. It mainly consists of the Board and a Single Resolution Fund (the “**Fund**”).

A centralised decision-making process has been built around the Board and involves the European Commission and the Council of the European Union – which has the possibility to object to Board decisions – as well as the ECB and the national resolution authorities.

The Fund, which backs the SRM Regulation decisions mainly taken by the Board, is divided into national compartments during an eight years transitional period, as set out by an intergovernmental agreement. In

2015 banks started to pay contributions to national resolution funds that are gradually transferred into the Fund starting from 2016 (and are additional to the contributions to the national deposit guarantee schemes).

This framework should be able to ensure that, instead of national resolution authorities, there is a single authority – i.e. the Board – which takes all relevant decisions for the resolution of banks being supervised by the SSM and part of the Banking Union.

There are other benefits that will derive from the Banking Union. Such benefits are aimed at (a) breaking the negative feed loop between banks and their sovereigns; (b) providing a solution to home-host conflicts in resolution; and (c) a competitive advantage that Banking Union banks will have vis-à-vis non-Banking Union ones, due to the availability of a larger resolution fund.

The manner in which the SRM will operate is still evolving, so there remains some uncertainty as to how the SRM will affect the Group.

Regulation (EU) 2016/445 of March 14, 2016

It should also be noted that the ECB has repeatedly declared its intention to harmonize the options and national discretions that are embedded in the EU Banking Reform. In this respect, ECB has adopted the Regulation (EU) 2016/445 of March 14, 2016 on the exercise of options and discretions available in EU law. This regulation specifies certain of the options and discretions conferred on competent authorities under EU law concerning prudential requirements for credit institutions that the ECB is exercising. It shall apply exclusively with regard to those credit institutions classified as “significant” in accordance with Article 6(4) of Regulation (EU) No. 1024/2013, and Part IV and Article 147(1) of Regulation (EU) No 468/2014. This regulation entered into force on 1st October 2016.

Proposal of European Commission of January 29, 2014 on mandatory separation of certain banking activities

The Issuer may be subject to a proposed EU regulation on mandatory separation of certain banking activities. On January 29, 2014, the European Commission adopted a proposal for a new regulation following the recommendations released on October 31, 2012 by the High Level Expert Group (the “**Liikanen Group**”) on the mandatory separation of certain banking activities. The proposed regulation contains new rules which would prohibit the biggest and most complex banks from engaging in the activity of proprietary trading. The new rules would also give supervisors the power to require those banks to separate certain trading activities from their deposit-taking business if the pursuit of such activities compromises financial stability. Alongside this proposal, the Commission has adopted accompanying measures aimed at increasing transparency of certain transactions in the shadow banking sector.

The proposed regulation would apply to European banks designated as G-SIBs, or that exceed the following thresholds for three consecutive years: a) total assets are equal or exceed €30 billion; b) total trading assets and liabilities are equal or exceed €70 billion or 10% of their total assets. The banks that meet either one of the aforementioned conditions will be automatically banned from engaging in proprietary trading defined narrowly as activities using a bank’s own capital or borrowed money to take positions in any type of transaction to purchase, sell or otherwise acquire or dispose of any financial instrument or commodities for the sole purpose of making a profit for own account and without connection to actual or anticipated client activity or for the purpose of hedging the entity’s risk as a result of actual or anticipated client activity. In addition, such banks will be prohibited also from investing in or holding shares in hedge funds, or entities that engage in proprietary trading or sponsor hedge funds. Other trading and investment banking activities - including market-making, lending to venture capital and private equity funds, investment and sponsorship of complex securitisation, sales and trading of derivatives – are not subject to the ban (subject to the discretion of the bank’s competent authority), however they might be subject to separation if such activities are deemed to pose a threat to financial stability.

The proprietary trading ban would theoretically apply as of 1st January 2017 and the effective separation of other trading activities would apply as of 1st July 2018.

Risks arising from pending legal proceedings

Although management of the BPER Group believes that the provisions that have been made in the respective financial statements are appropriate, a worse than expected outcome of any legal proceedings might cause such provisions to be insufficient to cover the BPER Group's liabilities and have a material adverse effect on the financial condition and results of operations of the BPER Group.

Financial markets turbulence may impact the cost and availability of wholesale funding

Europe has been experiencing a negative or zero economic growth level for a long period along with an increase in unemployment and a decrease in the demand for financial services. Almost all banks and financial institutions are affected by these developments, and there are increased risks to the Issuer's business that are difficult to quantify or fully predict.

Risks associated with general economic, financial and other business conditions

The results of the BPER Group are affected by the global economic and financial conditions. During recessionary periods, there may be less demand for loan products and a greater number of the BPER Group's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products. Fluctuations in interest rates and in ratings in the Eurozone and in the other markets in which the BPER Group operates influence its performance.

These risks are exacerbated by concerns over the recent sovereign debt level along with reduces economic growth into the Eurozone.

Rising market tensions might negatively affect the funding costs and economic outlook of some Euro member states. This, together with the risk that some countries might (even if not very significant in terms of GDP) eventually leave the Euro area, would have a material and negative impact on the BPER Group and/or on the BPER Group's clients, with negative implications for the BPER Group's business, results and financial position.

Lingering market tensions might affect negatively the global economy and hamper the recovery of the Euro area. Moreover, the tightening fiscal policy by some countries (including the Republic of Italy) might weigh on households disposable income and on corporate profits with negative implications for the BPER Group's business, results and financial position. This trend will likely continue in the coming quarters.

Any further deterioration of the Italian economy would have a material adverse effect on the BPER Group's business, in light of the BPER Group's significant exposure to the Italian economy.

The European Central Bank's unconventional policy (including public sector, covered bond and ABS purchase programme and provision of liquidity via "Targeted Longer-Term Refinancing Operations") has contributed to ease tensions, limiting the refinancing risk for the banking system and leading to a tightening of credit spreads. The possibility that the European Central Bank could halt or reconsider the current set up of unconventional measures would impact negatively the value of sovereign debt instruments. This would have a materially negative impact on the BPER Group's business, results and financial position.

Despite the several initiatives of supranational organisations to deal with the heightened sovereign debt crisis in the Euro area, the global markets remain characterised by high uncertainty and volatility. Any further acceleration of the European sovereign debt crisis is likely to significantly affect, among other things, the recoverability and quality of the sovereign debt securities held by the BPER Group as well as the financial resources of the BPER Group's clients holding similar securities. The occurrence of any of the above events could have a material adverse effect on the BPER Group's business, results and financial condition.

Protracted market declines and reduced liquidity in the markets

Protracted adverse market movements, particularly the decline of asset prices, can reduce market activity and market liquidity. These developments can lead to material losses if the BPER Group cannot close out deteriorating positions in a timely way.

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

During recessionary periods, there may be less demand for loan products and a greater number of the BPER Group's customers may default on their loans or other obligations. Interest rate rises may also have an impact on the demand for mortgages and other loan products.

The global economic crisis may be prolonged or the start of economic recovery might be delayed, partly as a consequence of the exit strategies to be implemented by the EU and the United States on withdrawal of the assistance granted in recent years to assure the liquidity and stability of the financial system. In this case, the economic and financial position of the BPER Group might suffer further adverse consequences.

Catastrophic events, terrorist attacks and similar events

Catastrophic events, terrorist attacks and similar events, as well as the responses thereto, may create economic and political uncertainties, which could have a negative impact on economic conditions in the regions in which the Issuer operates and, more specifically, on the business and results of the Issuer in ways that cannot be predicted.

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. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. 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. If the Notes, are traded after their initial issuance, they may be traded at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial conditions of the Issuer. 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 would generally 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, although application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may 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.

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

Interest rate risks

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

Rating

Credit or corporate ratings may not reflect all risks. One or more independent rating agencies may assign ratings to the Notes and/or the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in this paragraph, and other factors that may affect the value of the Notes or the standing of the Issuer. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Any adverse change in the applicable credit rating could adversely affect the trading price of the Notes.

Risks associated with the economic context and consequences of Great Britain's exit from the European Union (Brexit)

The United Kingdom held a referendum on 23 June 2016 in which the majority voted in favour of leaving the European Union ("**Brexit**"). Negotiations are expected to commence to determine the future terms of the United Kingdom's relationship with the European Union, including the terms of trade between the United Kingdom and the European Union. The effects of Brexit will depend, among other things, on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. Brexit could cause an increase in volatility in financial markets, a worsening in the terms of financing, especially in the so-called "peripheral" countries, including Italy, and consequently a possible economic slowdown. In addition, the outcome of the referendum may significantly influence other Member States to exit the European Union and the Monetary Union with further negative consequences for the above mentioned events. Moreover, it cannot be excluded that in the European Member States, including Italy, there may be further increases in political and institutional instability, with a consequent rise in interest rates for sovereign debt. All of this could cause an increase in the cost of the debt of the Issuer with the consequential negative effects on its operations, results and economic and financial position.

Conflicts of Interest

The Issuer may act as Calculation Agent or appoint a Dealer as Calculation Agent in respect of an issuance of Notes under the Programme. In such a case the Calculation Agent is likely to be a member of a financial group that is involved, in the ordinary course of its business, in a wide range of banking activities out of which conflicting interests may arise. Whilst such a Calculation Agent will, where relevant, have information barriers and procedures in place to manage conflicts of interest, it may in its other banking activities from time to time be engaged in transactions involving an index or related derivatives which may affect amounts receivable by Noteholders during the term and on the maturity of the Notes or the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

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

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

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

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

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 such features:

Notes subject to optional redemption by the Issuer

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

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

Redemption for tax or regulatory reasons

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

CMS Linked Interest Notes

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

- the market price of such Notes may be volatile;
- they may receive no interest;
- the relevant factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if the relevant factor is applied to the Notes in conjunction with a multiplier greater than one or contains any other leverage factor, the effect of changes in the relevant factor on interest payable is likely to be magnified; and
- the timing of changes in the relevant factor may affect the actual yield to investors, even if the average level is consistent with their expectations.

Fixed/Floating Rate Notes

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

new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

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

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

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

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

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016. Subject to various transitional provisions, the Benchmarks Regulation will apply from 1 January 2018, except that the regime for 'critical' benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the Market Abuse Regulation) have applied from 3 July 2016. The Benchmarks Regulation would apply to "contributors", "administrators" and "users of" "benchmarks" in the EU, and would, among other things, (i) require benchmark administrators to be authorised (or, if non-EU-based, to be subject to an equivalent regulatory regime) and to comply with extensive requirements in relation to the administration of "benchmarks" and (ii) ban the use of "benchmarks" of unauthorised administrators. The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as LIBOR and EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

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

- (i) an index which is a "benchmark" could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event, depending on the particular "benchmark" and the applicable terms of the Notes, the Notes could be delisted (if listed), adjusted, redeemed or otherwise impacted;
- (ii) the methodology or other terms of the "benchmark" related to a series of Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing or increasing the rate or level of the "benchmark" or of affecting the volatility of the published rate or level, and could lead to adjustments to the

terms of the Notes, including Calculation Agent determination of the rate or level in its discretion.

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

A reset of the interest rate could affect the market value of an investment in the Notes

Fixed Rate Notes may bear interest at an initial Rate of Interest subject to one or more resets during the tenor of the Notes. Such reset rate could be less than the initial Rate of Interest and could affect the market value of an investment in the Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Waiver of set-off

If waiver of set-off rights is specified as applicable in the applicable Final Terms, each holder of a Senior Note will unconditionally and irrevocably waive any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note.

As specified in Condition 2(b) (*Status and Subordination of Subordinated Notes*), each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.

Subordinated Notes

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

Although Subordinated Notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of its investment should the Issuer become insolvent.

In addition, in case of application of the bail-in tool as well as of the Non-Viability Loss Absorption provided by the BRRD, the Subordinated Notes might be written down, up to zero, or converted to equity.

The terms of the Subordinated Notes include provisions, a number of which are mandated by Bank of Italy or any European supervisory authority regulations, which may affect the ability of the Issuer to make payments under the Notes. The provisions with respect to all Subordinated Notes, including the terms of their subordination, the limited number of events of default and the limited right of the Noteholders to accelerate such Notes, are described in the "*Terms and Conditions of the Notes*" below. Prospective

investors in Subordinated Notes should therefore read the relevant provisions of the "*Terms and Conditions of the Notes*" carefully before making any investment decision.

Euroclear and Clearstream transfers, payments and communications procedures

Notes issued under the Programme may be represented by one or more global Notes. Such global Notes will be deposited with a common depository or, as the case may be, common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant global Notes, 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 relevant Issuer will discharge its payment obligations under the Notes by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The relevant Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the global Notes.

Holders of beneficial interests in the global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Risks related to Notes generally

Modification and waiver

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.

Change of law

The conditions of the Notes are based on the laws of England and Italy in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to the laws or administrative practice of England or Italy after the date of this Base Prospectus.

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in Noteholders receiving less interest than expected and could significantly adversely affect their return on the Notes

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

Pursuant to provisions of law commonly known as the U.S. Foreign Account Tax Compliance Act ("**FATCA**"), the Issuer and other non-U.S. financial institutions through which payments on the Notes are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made on or after 1 January 2019 in respect of (i) any Notes issued or materially modified on or after the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register and (ii) any Notes that are treated as equity for U.S. federal tax purposes, whenever issued.

Under existing guidance, this withholding tax may be triggered on payments on the Notes if (i) the Issuer is a foreign financial institution ("**FFI**") (as defined in FATCA, including any accompanying U.S. regulations or guidance) which enters into and complies with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on its account holders (making the Issuer a "**Participating FFI**"), (ii) the Issuer is required to withhold on "foreign passthru payments", and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether

the investor is subject to withholding under FATCA, or (b) any FFI to or through which payment on such Notes is made is not a Participating FFI or otherwise exempt from FATCA withholding.

In order to improve international tax compliance and to implement FATCA, Italy entered into an intergovernmental agreement with the United States on 10 January 2014, ratified by way of Law No. 95 on 18 June 2015, published in the (“IGA”) Official Gazette – general series No. 155, on 7 July 2015. The Issuer is now required to report certain information in relation to its U.S. account holders to the Italian tax authorities in order (i) to obtain an exemption from FATCA withholding on certain payments it receives and/or (ii) to comply with any applicable Italian law. However, it is not yet certain how the United States and Italy will address withholding on “foreign passthru payments” (which may include payments on the Notes) or if such withholding will be required at all.

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 FATCA, none of the Issuer, the Paying Agent or any other person would be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive amounts that are less than expected.

However, whilst the Notes are in global form and held within the ICSDs, 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 and the Common Depositary and Common Safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA. Further, FFI’s in a jurisdiction which has entered into an IGA with the United States in respect of FATCA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make. The documentation expressly contemplates the possibility that the Notes may go 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 printed in remote circumstances.

Each Noteholder should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each Noteholder in its particular circumstance.

Regulatory classification of the Notes

If any Subordinated Notes are issued under the Programme, the Issuer's intention is that they should qualify on issue as "Tier II Capital", for so long as this is permitted under Bank of Italy regulations. Current regulatory practice by the Bank of Italy does not require (or customarily provide for) a confirmation prior to the issuance of Subordinated Notes that the Notes will be treated as such. There can be no representation that any such Subordinated Notes will continue to qualify as "Tier II Capital" during the life of the Notes or that the Notes will be grandfathered under the implementation of further EU capital requirement regulations. If the Notes are not grandfathered, or for any other reason cease to qualify, as "Tier II Capital", the Issuer will (if so specified in the applicable Final Terms) have the right to redeem the Notes in accordance with Condition 4(c) (*Redemption for regulatory reasons*), subject to the prior approval of the Bank of Italy. There can be no assurance that holders of such Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the relevant Notes, as the case may be.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. Key features of the Programme relating to the Notes appear below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as completed by the applicable Final Terms attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*" below.

This Base Prospectus and any supplement will only be valid for issuing Notes in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed €6,000,000,000 or its equivalent in other currencies. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Notes the euro equivalent of Notes denominated in another Specified Currency (as defined under "*Form of the Notes*" below) shall be determined, at the discretion of the Issuer (in the case of the issue of Notes), either as of the agreement date for such Notes or, in either case, on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation.

INFORMATION INCORPORATED BY REFERENCE

This Base Prospectus should be read and construed in conjunction with the following documents which have previously been published or which are published simultaneously with this Base Prospectus. Such documents shall be incorporated by reference in and form part of this Base Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein 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.

1. Issuer's by-laws (*Statuto*) as of the date hereof;
2. Issuer's consolidated interim financial statements as at 30 September 2016;
3. Issuer's consolidated interim financial statements (including limited review report) as at 30 June 2016;
4. Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015;
5. Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2014;
6. the BPER Group press release published on 9 February 2017 entitled "BPER Group's preliminary 2016 consolidated results approved" (the "**9 February Press Release**"). The 9 February Press Release contains, among other things, the BPER Group consolidated preliminary results as of 31 December 2016;
7. the BPER Group press release published on 28 February 2017 entitled "BPER Group's draft separate and consolidated financial statements for 2016 approved" (the "**28 February Press Release**") and, together with the 9 February Press Release, the "**BPER Group's Press Releases**"). The 28 February Press Release contains, *inter alia*, the BPER Group draft separate and consolidated financial statement for 2016 approved by the Board of Directors on 28 February 2017.

The Issuer confirms that the results as at 31 December 2016 referred to in the BPER Group's Press Releases have been compiled on the basis of the established financial reporting process of the Issuer using the same accounting principles, criteria and assumptions as have been used in the consolidated financial statements of the Issuer for the business year 2016.

Emilio Annovi, being the person responsible for the financial information included in the BPER Group's Press Releases, approves such financial information and confirms that this financial information is substantially consistent with the final figures to be published in the next annual audited financial statements. The financial information included in the BPER Group's Press Releases has not been audited.

The table below sets out the relevant page references for: (i) the Issuer's by-laws (*Statuto*) as of the date hereof; (ii) the Issuer's consolidated interim financial statements as at 30 September 2016; (iii) the Issuer's consolidated interim financial statements (including limited review report) as at 30 June 2016; (iv) the Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015; (v) the Issuer's consolidated audited annual financial statements, including the auditors' report thereon,

notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2014; (vi) the 9 February Press Release; and (vii) the 28 February Press Release.

Document	Information incorporated	Page numbers
Issuer's by-laws (<i>Statuto</i>)	Entire document	All
Issuer's consolidated interim financial statements as at 30 September 2016	Consolidated balance sheet	Page 89
	Consolidated income statement	Page 90
	Statement of consolidated comprehensive income	Page 91
	Statement of changes in Consolidated shareholders' equity	Page 92
	Consolidated explanatory notes	Pages 95-170
Issuer's consolidated interim financial statements (including limited review report) as at 30 June 2016	Consolidated balance sheet	Page 135
	Consolidated income statement	Page 136
	Statement of consolidated comprehensive income	Page 137
	Statement of changes in consolidated shareholders' equity	Page 138
	Consolidated cash flow statement	Pages 139-140
	Consolidated explanatory notes	Pages 145-314
	Independent auditors' review report	Page 319 (reference is to pages of the .pdf version)
Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015.	Consolidated balance sheet	Page 158
	Consolidated income statement	Page 159
	Statement of consolidated comprehensive income	Page 160
	Statement of changes in	Page 161

Document	Information incorporated	Page numbers
	consolidated shareholders' equity	
	Consolidated cash flow statement	Page 162-163
	Consolidated explanatory notes	Pages 165-442
	Independent auditors' report	Pages 447-448 (reference is to pages of the .pdf version)
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Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2014.		
	Consolidated balance sheet	Page 135
	Consolidated income statement	Page 136
	Statement of consolidated comprehensive income	Page 137
	Statement of changes in consolidated shareholders' equity	Page 138
	Consolidated cash flow statement	Pages 139-140
	Consolidated explanatory notes	Pages 141-412
	Independent auditors' report	Pages 417-418 (reference is to pages of the .pdf version)
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BPER Group's Press Releases	Entire documents	All

The information incorporated by reference relating to the Issuer's by-laws contain additional information which are not required by the relevant schedules of the Commission Regulation (EC) No. 809/2004 (as amended) implementing the Prospectus Directive.

The information contained in the documents that are not included in the cross-reference list above are considered as additional information and are not required by the relevant schedules of the Commission Regulation (EC) No. 809/2004 (as amended) implementing the Prospectus Directive.

The Issuer's consolidated interim financial statements as at 30 June 2016 has been subject to limited review by PricewaterhouseCoopers S.p.A. in their capacity as independent auditors of the Issuer, as indicated in their report thereon.

The consolidated financial statements of the Issuer as at and for the years ended, respectively, on 31 December 2015 and 31 December 2014 have been audited by PricewaterhouseCoopers S.p.A. in their capacity as independent auditors of the Issuer, as indicated in their reports thereon.

The financial statements incorporated by reference herein are English translations of the Italian financial statements prepared for and used in Italy, and have been translated for the convenience of international readers. The Issuer takes responsibility for the translation of the financial statements relating to it and incorporated by reference herein, whereas the translation of the auditors' report was received directly from the independent auditors of the Issuer, PricewaterhouseCoopers S.p.A..

PricewaterhouseCoopers S.p.A. has given, and have not withdrawn, its consent to the inclusion of their reports on the accounts of the Issuer in this Base Prospectus in the form and context in which they are included.

The financial statements referred to above have been prepared in accordance with the accounting principles issued by the International Accounting Standards Board (“**IASB**”) and the relative interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”), as adopted by the European Union under Regulation (EC) 1606/2002.

On 26 November 2016, the Shareholders' Meeting of BPER resolved to appoint Deloitte & Touche S.p.A. (“**Deloitte**”) as independent auditor for the period 2017-2025 and approved the related remuneration.

Availability of Documents

Copies of all documents incorporated herein by reference may be obtained without charge at the head office of the Luxembourg Listing Agent in the city of Luxembourg and may be obtained at the website of the Luxembourg Stock Exchange (www.bourse.lu). Written or oral requests for such documents should be directed to the specified office of the Luxembourg Listing Agent.

**PRESENTATION OF THE DRAFT CONSOLIDATED RESULTS FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2016**

This section has been prepared to comply with the disclosure requirements under items 8.1 to 8.3 of Annex IX of Commission Regulation 809/2004.

The draft consolidated results of BPER for the financial year ended 31 December 2016, which are incorporated by reference in this Base Prospectus (see "*Information Incorporated by Reference — Press releases entitled "BPER Group's preliminary 2016 consolidated results approved" and "BPER Group's draft separate and consolidated financial statements for 2016 approved"*"), (the "**Draft Consolidated Results**"), have been drawn up on the basis of the corporate accounting records, ledgers and documents of BPER for the relevant period. Such Draft Consolidated Results have been prepared applying accounting policies and criteria which are consistent with the accounting policies and criteria applied by BPER in preparing its historical consolidated financial statements. In this respect, reference shall be made to the consolidated annual financial statements of the Issuer for the financial years ended 31 December 2015 and 31 December 2014, which are incorporated by reference in this Base Prospectus (see "*Information Incorporated by Reference*" above).

As the financial year to which the Draft Consolidated Results relates was already ended as at the date of their preparation and publication, no forecasts, estimates and assumptions have been considered for the purpose of their preparation.

However, it cannot be excluded that the figures to be included in the consolidated annual financial statements of the Issuer for the financial year ended 31 December 2016 may differ from the corresponding figures in the Draft Consolidated Results on the basis of possible adjustments or integrations of such figures or the relevant information which may be deemed necessary by the independent auditors of BPER and/or by the relevant annual shareholder meeting in charge for the approval of the draft financial statements for the financial year ended 31 December 2016 and related reports.

KEY FEATURES OF THE PROGRAMME RELATING TO THE NOTES

The following overview of key features of the Programme 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 applicable Final Terms. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this overview of key features of the Programme.

Issuer:	BPER Banca S.p.A. (the " Bank " or the " Issuer ")
Lead Arranger:	Citigroup Global Markets Limited
Dealers:	BPER Banca S.p.A. Banca IMI S.p.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Credit Suisse Securities (Europe) Limited Deutsche Bank AG, London Branch HSBC Bank plc Nomura International plc Société Générale The Royal Bank of Scotland plc (trading as NatWest Markets) UBS Limited Goldman Sachs International Mediobanca - Banca di Credito Finanziario S.p.A. (together, the " Dealers ") 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 " <i>Subscription and Sale</i> " below).
Issuing and Principal Paying Agent:	Citibank N.A., London Branch
Trustee:	The Law Debenture Trust Corporation p.l.c.
Luxembourg Listing Agent:	Banque Internationale à Luxembourg SA
Programme Amount:	The aggregate nominal amount outstanding in respect of Notes under the Programme at any time shall not exceed €6,000,000,000 (or its equivalent in other currencies at the date of issue of the relevant Notes). Under the Dealer Agreement, the nominal amount of Notes outstanding under the Programme may be increased, subject to the satisfaction of certain conditions set out therein.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

- Currencies:** Subject to compliance with all applicable legal and/or regulatory restrictions and/or central bank requirements, Notes may be denominated in such currencies as may be agreed between the Issuer, the relevant Dealer(s) and the Trustee (as indicated in the applicable Final Terms).
- Maturities:** The Notes may have any maturity subject to compliance with all relevant legal and/or regulatory and/or central bank requirements **provided that** the authorisation of the Board of Directors of the Issuer is required prior to the issue of any Notes with a maturity of less than one month or more than 30 years. As at the date hereof, Subordinated Notes must have a minimum maturity of five years (or, if issued for an indefinite duration, the redemption may only occur five years after the date of issue of the Notes).
- Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 (*the general prohibition*) of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer.
- Issue Price:** Notes may be issued at par or at a discount to, or premium over, par, 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.
- Form of Notes:** The Notes of a Tranche will be in bearer form and will initially be represented by a Temporary Global Note. Each global Note which is not intended to be issued in new global Note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant Issue Date with a common depository for Euroclear and Clearstream, Luxembourg and/or any other agreed clearance system as specified in the applicable Final Terms 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 relevant Issue Date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable, upon request, as described therein for either a Permanent Global Note or definitive Notes in accordance with the provisions set out in the relevant Temporary Global Note and in each case not earlier than 40 days after the Issue Date upon certification of non-US beneficial ownership as required by US Treasury regulations. A Permanent Global Note will be exchangeable

in whole but not in part for definitive Notes in accordance with its terms. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearance system as appropriate.

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 rate interest will be payable on such date or dates as agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms) and on redemption.

Interest will be calculated on such basis as may be agreed as indicated in the applicable Final Terms.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined by reference to one of the following:

- (i) 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); or
- (ii) on the basis of a reference rate (which, in the case of CMS Linked Interest Notes, will be the CMS Rate) appearing on an agreed screen page of a commercial quotation service,

as indicated in the applicable Final Terms.

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

Other provisions in relation to Floating Rate Notes, including CMS Linked Interest Notes:

Floating Rate Notes (including CMS Linked Interest Notes) may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes (including CMS Linked Interest Notes) in respect of each Interest Period, as selected prior to the issue by the Issuer and the relevant Dealer(s) will be payable on the Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated on the basis indicated in Condition 3(b) (*Interest on Floating Rates Notes and CMS Linked Interest Notes*) and the applicable Final Terms.

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 may be offered and sold at a discount to their nominal amount and will not bear interest other than in the case of late payment.

Redemption:

The Final Terms applicable to each Tranche of Notes will indicate either that the Notes of that Tranche cannot be redeemed prior to their stated maturity (other than in specified instalments (see below)), if applicable, or for taxation reasons or, in the case of Subordinated Notes, for regulatory reasons, as described in Condition 4(b) (*Redemption for tax reasons*) and Condition 4(c) (*Redemption for regulatory reasons*) or following an Event of Default), or that such Notes will be redeemable, in accordance with the applicable Italian laws and regulations, prior to such stated maturity at the option of the Issuer and/or the holder(s) of such Notes upon giving not less than 30 nor more than 60 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the relevant Noteholders or the Issuer, as the case may be, on such specified date or dates prior to such stated maturity and at such price or prices as are indicated in the applicable Final Terms.

To the extent required by the Applicable Banking Regulations, the redemption of Subordinated Notes shall be subject to the prior approval of the Bank of Italy.

The applicable Final Terms may provide that the Notes may be redeemed in two or more instalments in such amounts and on such dates as may be indicated in such Final Terms.

Currencies:

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

Denominations of Definitive Notes:

Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, save that the minimum denomination of each Note will be Euro 100,000 (or equivalent in another currency), or if higher such as may be allowed or required from time to time by the Bank of Italy or any laws or regulations applicable to the relevant Specified Currency.

Taxation:

All payments by the Issuer in respect of the Notes 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 Italy unless the withholding is required by law. In that event, the Issuer will (subject to Condition 8 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such

amounts as they would have received in respect of such Notes had no such withholding been required.

Status of the Senior Notes:	The Senior Notes will constitute unconditional, unsecured and unsubordinated obligations of the Issuer and will rank <i>pari passu</i> and rateably without any preference among themselves and (subject to any applicable statutory exceptions) equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Status of the Subordinated Notes:	Payments in respect of the Subordinated Notes will be subordinated as described in Condition 2(b) (<i>Status and Subordination of Subordinated Notes</i>).
Negative pledge:	The Notes will not contain any negative pledge provision.
Cross Default:	Senior Notes will contain a cross-default provision as further described in Condition 9(a)(viii). The Subordinated Notes will not contain any cross-default provision.
Listing and Admission to Trading:	Application has been made for the Notes to be issued under the Programme to be listed on the Official List and admitted to trading on the regulated market of the Luxembourg Stock Exchange. The Notes may also be admitted to listing, trading and/or quotation by such other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer in relation to each issue. Unlisted Notes may also be issued. The Final Terms relating to each issue will state whether or not the Notes are to be admitted to listing, trading and/or quotation and, if so, by which listing authority, stock exchange and/or quotation system.
Governing Law:	Except for Condition 2(b) (<i>Status and Subordination of Subordinated Notes</i>), which will be governed by, and construed in accordance with, Italian law, the Notes and all non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.
Ratings:	<p>Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as any rating applicable to the Programme. Details of the rating, if any, attributable to a series of Notes will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p> <p>Whether or not each credit rating applied for in relation to the relevant Series of Notes will be (1) issued by a credit rating agency established in the European Union and registered under Regulation (EU) No. 1060/2009, as amended (the "CRA Regulation"), or (2) issued by a credit rating agency which is not established in the European Union but will be endorsed by a credit rating agency which is established in the European Union and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the European Union but which is certified under the CRA Regulation will be disclosed in the</p>

Final Terms.

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

The European Securities and Markets Authority is obliged to maintain on its website a list of credit rating agencies registered and certified in accordance with the CRA Regulation, which may be found on the following page: [http://www.esma.europa.eu/page/List registered and certified CRAs](http://www.esma.europa.eu/page/List_registered_and_certified_CRAs).

Selling Restrictions:

There are selling restrictions in relation to the United States of America, the United Kingdom, Italy, Japan and France 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.

FORM OF THE NOTES

Each Tranche of Notes will be represented initially by a temporary global note ("**Temporary Global Note**") in bearer form without vouchers, interest coupons or talons. Each Temporary Global Note which is not intended to be issued in NGN form, as specified in the relevant Final Terms, will be delivered to a common depository for Euroclear and Clearstream, Luxembourg and each Temporary Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006, the 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 that 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 either that the United States Treasury Regulation §1.1635(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 the TEFRA D Rules are not applicable.

Whilst any Note is represented by a Temporary Global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Temporary Global Note are not US persons or persons who have purchased for resale to any US person, as required by US Treasury regulations has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent. Any reference in this section "*Form of the Notes*" to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system approved by the relevant Issuer, the Agent and the Trustee.

On and after the date (the "**Exchange Date**") which is 40 days after the completion of the distribution of the Notes, interests in the Temporary Global Note will be exchangeable upon request as described therein either for interests in a permanent global note ("**Permanent Global Note**") without vouchers, interest coupons or talons for the Series of Notes to which the relevant Tranche of Notes relates or for definitive Notes (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, with, where applicable, vouchers, interest coupons and talons attached, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described in the preceding paragraph unless certification has already been given. On and after the Exchange Date, the holder of a Temporary Global Note will not be entitled to receive any payment of interest or principal thereon. Pursuant to the Agency Agreement (as defined in "*Terms and Conditions of the Notes*" below) the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and an ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days after the completion of the distribution of the Notes of such Tranche as notified by the Agent to the relevant Dealer(s).

Payments of principal and interest (if any) on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification. Each Permanent Global Note will be exchangeable for definitive Notes only in accordance with its terms. Global Notes and definitive Notes will be issued pursuant to the Agency Agreement and the Trust Deed.

The following legend will appear on all global Notes, definitive Notes, vouchers, interest coupons, and talons in the case of any Tranche of Notes having a maturity of more than 365 days:

"Any United States person (as defined in the Internal Revenue Code of the United States) 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 Final Terms for each Tranche of Notes (which must be approved by the Trustee prior to the relative Issue Date) will contain such of the following information as is applicable in respect of the Notes of such Tranche (all references to numbered Conditions being to the Terms and Conditions of such Notes):

Types of Notes

1. whether the Notes are to be Senior Notes ("**Senior Notes**") or Subordinated Notes ("**Subordinated Notes**");
2. the interest or payment basis applicable to the Notes (the "**Interest/Payment Basis**") which depends on whether such Notes are:
 - (a) Notes bearing interest on a fixed rate basis ("**Fixed Rate Notes**");
 - (b) Notes bearing interest on a floating rate basis ("**Floating Rate Notes**"), including where the interest payable is linked to the CMS Rate ("**CMS Linked Interest Notes**");
 - (c) Notes issued on a non-interest bearing basis ("**Zero Coupon Notes**");
 - (d) Notes redeemable in instalments ("**Instalment Notes**"), orany combination of the foregoing as may be agreed;
3. in the case of Instalment Notes, the amount of each such instalment (each an "**Instalment Amount**", the final such Instalment Amount being the "**Final Redemption Amount**") and the dates on which each instalment is repayable (each an "**Instalment Date**");

Description of the Notes

4. whether interests in the Temporary Global Note are exchangeable for:
 - (a) interests in a Permanent Global Note and (unless otherwise specified) further exchangeable for definitive Notes in accordance with the terms of the Permanent Global Note; or
 - (b) definitive Notes and any relevant notice period required;
5. whether talons for future coupons are to be attached to definitive Notes on issue and, if so, the date on which such talons mature;
6.
 - (a) the Series number;
 - (b) the Tranche number; and
 - (c) details (including the date, if any, on which the Notes become fully fungible) if forming part of an existing Series;
7.
 - (a) the aggregate nominal amount of the Notes to be issued (the "**Nominal Amount**") and the aggregate nominal amount of the Series (if there is more than one Tranche of the Series);
 - (b) the currency in which such Notes are denominated (the "**Specified Currency**") and the denomination(s) of such Notes (the "**Specified Denomination(s)**");

8. the price (expressed as a percentage of the Nominal Amount) at which such Notes will be issued (the "**Issue Price**");
9. the date on which such Notes will be issued (the "**Issue Date**");
10. in the case of interest-bearing Notes, the date from which such Notes bear interest (if different from the Issue Date) (the "**Interest Commencement Date**");

Provisions Relating to Interest (if any) payable

General

11. if the Notes are convertible automatically or at the option of the Issuer and/or the holders of Notes into Notes of another Interest/Payment Basis, details of such conversion including the date(s) upon which such conversion will occur or such option(s) may be exercised and the new Interest/Payment Basis;

Fixed Rate Notes

12.
 - (a) the rate(s) at which the Notes bear interest (which may remain the same throughout the life of the Notes or increase and/or decrease) (the "**Fixed Rate(s) of Interest**");
 - (b) the date(s) on which interest is payable (which may occur once or more than once in each year and which date(s) may or may not be the same throughout the life of the Notes) (each an "**Interest Payment Date**");
 - (c) where the Interest Commencement Date is not an Interest Payment Date, the amount of the first payment of interest (the "**Initial Broken Amount**");
 - (d) where the Maturity Date is not an Interest Payment Date, the amount of the final payment of interest (the "**Final Broken Amount**");
 - (e) the amount (each a "**Broken Amount**") and the Interest Payment Date(s) of any other payments of interest not amounting to a full years interest;

Zero Coupon Notes

13. the amortisation yield (if any) in respect of such Notes (the "**Accrual Yield**");

Floating Rate Notes

14. the manner in which the Rate of Interest is to be determined, including:
 - (a) the margin (if any) (the "**Margin**") (which may remain the same throughout the life of the Notes or increase and/or decrease), specifying whether such Margin is to be added to, or subtracted from, the relevant ISDA Rate (as defined in Condition 3(b)(ii)(A) (*ISDA Determination for Floating Rate Notes*)) or, as the case may be, the Reference Rate (as defined below);
 - (b) where the Rate of Interest is to be determined by reference to the ISDA Definitions (as defined and described in Condition 3(b)(ii)(A) (*ISDA Determination for Floating Rate Notes*)) ("**ISDA Determination**"):ol style="list-style-type: none;"> - (i) the "**Floating Rate Option**";
 - (ii) the "**Designated Maturity**"; and
 - (iii) the "**Reset Date(s)**",if other than as provided in Condition 3(b)(ii)(A) (*ISDA Determination for Floating Rate Notes*); or

- (c) where the Rate of Interest is to be determined by reference to a screen based quotation ("**Screen Rate Determination**"):
 - (i) the rate (the "**Reference Rate**") by reference to which the Rate of Interest is to be determined (the Reference Rate should also include the relevant period by reference to which the Rate of Interest is to be calculated, e.g. three month Sterling LIBOR);
 - (ii) the dates on which the Rate of Interest is to be determined (each an "**Interest Determination Date**");
 - (iii) the page (the "**Relevant Screen Page**"), whatever its designation, on which the Reference Rate is for the time being displayed on the Reuter Monitor Money Rates Service (or such other service as is specified in the applicable Final Terms);
 - (iv) in the case of CMS Linked Interest Notes only, the reference currency and the designated maturity which are used for the purposes of calculating the CMS Rate;

15.

- (a)
 - (i) the Interest Payment Date(s) in each year (each an "**Interest Payment Date**"); or
 - (ii) each date (each an "**Interest Payment Date**") which falls the number of months or other period specified as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date;
- (b) the minimum rate of interest ("**Rate of Interest**"), if any, at which the Notes will bear interest (which may remain the same throughout the life of the Notes or increase and/or decrease) (the "**Minimum Interest Rate**");
- (c) the maximum Rate of Interest, if any, at which the Notes will bear interest (which may remain the same throughout the life of the Notes or increase and/or decrease) (the "**Maximum Interest Rate**");
- (d) if any Interest Payment Date (or other date) is to be subject to a business day convention, which may be:
 - (i) the Floating Rate Convention, FRN Convention or Eurodollar Convention;
 - (ii) the Following Business Day Convention;
 - (iii) the Modified Following Business Day Convention or Modified Business Day Convention;
 - (iv) the Preceding Business Day Convention;
 each as defined in Condition 3(b)(i) (*Interest Payment Dates*);
- (e) any location to be open for business for the purposes of determining Interest Payment Dates pursuant to Condition 3(b)(i) (*Interest Payment Dates*) if other than London or the principal financial centre of the Specified Currency (each an "**Additional Business Centre**");

Provisions regarding Redemption/Maturity

- 16. the day on which the Notes (unless previously redeemed or purchased and cancelled) will be redeemed (the "**Maturity Date**");

17.
 - (a) whether the Notes are to be redeemable at the option of the Issuer (other than for taxation reasons) and/or the Noteholders;
 - (b) the date(s) upon which redemption may occur (each an "**Optional Redemption Date**") and the redemption price(s) for the Notes (each an "**Optional Redemption Amount**"); and
 - (c) in the case of Notes redeemable by the Issuer in part, the minimum nominal amount of the Notes permitted to be so redeemed at any time (the "**Minimum Redemption Amount**") and any greater nominal amount of the Notes permitted to be so redeemed at any time (each a "**Higher Redemption Amount**"), if any;
18. the amount at which each Note will be redeemed under Condition 4(a) (*At Maturity*) or Condition 4(b) (*Redemption for Tax Reasons*) (the "**Final Redemption Amount**"), expressed as a percentage of the nominal amount of the Notes;
19. the redemption amount (the "**Early Redemption Amount**") in respect of the Notes payable on redemption for taxation reasons or following an Event of Default;

General Provisions Applicable to an Issue of Notes

20. details of any additional or alternative clearing system approved by the Issuer, the Agent and the Trustee;
21. the method of distribution of the Notes (syndicated or non-syndicated) including, if syndicated, the names of the managers;
22. if syndicated, details of the stabilising manager;
23. whether or not such Notes are to be listed on any stock exchange;
24. Common Code for Euroclear and Clearstream, Luxembourg and the ISIN;
25. whether or not the Notes are rated; and
26. the net proceeds of the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, each definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes shall specify terms which complete the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each global Note and each definitive Note. Reference should be made to "Form of the Notes" above for a description of the content of Final Terms, which will include the definition of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series of notes (the notes of such Series being hereinafter called the "**Notes**", which expression shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency, (ii) definitive Notes issued in exchange (or part exchange) for a global Note and (iii) any global Note) issued under the terms of an amended and restated trust deed dated on or around 28 March 2017 (the "**Trust Deed**") made between, *inter alia*, BPER Banca S.p.A. in its capacity as issuer of Notes (the "**Issuer**") and The Law Debenture Trust Corporation p.l.c. as trustee of the Notes (the "**Trustee**", which expression shall wherever the context permits include all other persons or companies for the time being acting as trustee of the Notes under the Trust Deed). The Notes, the Vouchers, the Coupons and the Talons (each as defined below) also have the benefit of an amended and restated agency agreement dated on or around 28 March 2017 (the "**Agency Agreement**") and made between, *inter alia*, the Issuer, the Trustee, Citibank N.A., London Branch as issuing and principal paying agent (the "**Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents appointed from time to time in connections with the Notes).

All of the Notes from time to time issued by the Issuer which are for the time being outstanding are hereinafter referred to as the "**Notes**" and the term "**Note**" is to be construed accordingly. As used herein, "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of the Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Issue Prices and/or Interest Commencement Dates. As used herein, "**Tranche**" means all Notes of the same Series which are identical in all respects (including as to listing).

Interest bearing definitive Notes will (unless otherwise indicated in the applicable Final Terms) have interest coupons ("**Coupons**", the holders of which are "**Couponholders**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**", the holders of which are "**Talonholders**") 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. Definitive Notes repayable in instalments will have vouchers ("**Vouchers**", the holders of which are "**Voucherholders**") for the payment of the instalments of principal (other than the final instalment) attached on issue.

The Trustee acts for the benefit of the Noteholders in accordance with the provisions of the Trust Deed.

The Final Terms applicable to this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and completes these Terms and Conditions. References herein to the "**applicable Final Terms**" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Copies of the Trust Deed, the Agency Agreement and the applicable Final Terms are obtainable for inspection during normal business hours at the specified office of each of the Trustee, the Agent and each of the other Paying Agents save that, if this Note is an unlisted Note of any Series, the applicable Final Terms will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Trustee, the Agent or the relevant Paying Agent, as the case may be, as to its identity. The Noteholders, the Voucherholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms, which are binding on them. Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated **provided that**, in the event of inconsistency between the

Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form of the Notes

The Notes are in bearer form in the Specified Currency and Specified Denomination(s) and Definitive Notes will be serially numbered.

This Note is a Fixed Rate Note, a Floating Rate Note, a Fixed-Floating Rate Note, a Floating-Fixed Rate Note, a Zero Coupon Note, an Instalment Note or any combination of any of the foregoing, depending upon the provisions set out in the applicable Final Terms. If it is a Definitive Note, it is issued with Coupons attached, unless it is a Zero Coupon Note in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable. If it is an Instalment Note in definitive form it is issued with Vouchers attached.

Subject as set out below, title to the Notes, Vouchers and Coupons will pass by delivery. The Issuer, the Trustee and any Paying Agent may deem and treat the bearer of any Note, Voucher 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**") or of Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of 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, any Paying Agent and the Trustee 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 Notes, the right to which shall be vested, as against the Issuer, any Paying Agent and the Trustee, solely in the bearer of the relevant global Note in accordance with and subject to its terms and the terms of the Trust Deed (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 or of Clearstream, Luxembourg, as the case may be.

Any reference in these Terms and Conditions to the records of Euroclear and Clearstream, Luxembourg shall be to the records that each of Euroclear and Clearstream, Luxembourg hold for their customers which reflect the amount of such customers' interests in the Notes but excluding any interest in any Notes of Euroclear or Clearstream, Luxembourg shown in the records of the other clearing system.

Any reference in these Terms and Conditions to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system approved by the Issuer, the Agent and the Trustee.

2. Status

(a) Status of Senior Notes

Notes specified in the relevant Final Terms to be Senior Notes (the "**Senior Notes**") constitute unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* and rateably without any preference among themselves and (subject to any obligations preferred by any applicable law) equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future. The Issuer has covenanted in the Trust Deed that it will treat all Senior Notes equally and that all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all the Senior Notes.

If a waiver of set-off rights is specified as being applicable in the relevant Final Terms, each holder of a Senior Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Senior Note.

The Senior Notes (including, for the avoidance of doubt, payments of principal and/or interest) shall be subject to full or partial write-down of the principal or conversion into common equity Tier 1 instruments or other instruments of ownership (the “**Loss Absorption Requirement**”), if so required under the BRRD and/or the SRM, in accordance with the powers of the Relevant Authority and where the Relevant Authority determines that application of the Loss Absorption Requirement to the Senior Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

For the purposes of these Conditions:

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

“**Relevant Authority**” means the Bank of Italy or other governmental authority in Italy (or other country in which the Issuer is then domiciled having the responsibility of making such decisions) and/or in the European Union having primary responsibility for the prudential oversight and supervision of the Issuer, including resolution powers in relation to the BRRD; and

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

(b) ***Status and Subordination of Subordinated Notes***

- (i) The Subordinated Notes (being those Notes the Final Terms of which specify that their status is Subordinated) and the Vouchers and Coupons relating to them constitute unconditional, unsecured and subordinated obligations of the Issuer. The Subordinated Notes rank at least *pari passu* without any preference amongst themselves with all other subordinated obligations of the Issuer which do not rank or are not expressed by their terms to rank junior or senior to the Subordinated Notes and in priority to the claims of shareholders of the Issuer. In relation to each series of Subordinated Notes, each of such Series will be treated equally and all amounts paid by the Issuer in respect of principal and interest thereon will be paid *pro rata* on all Subordinated Notes of such Series.
- (ii) In the event of the liquidation, dissolution, winding-up or *Liquidazione Coatta Amministrativa, Amministrazione Straordinaria or Liquidazione Volontaria* (the latter as described in Articles 80 to 94 of the Italian Banking Act) of the Issuer, the payment obligations of the Issuer under the Subordinated Notes and the relative Vouchers and Coupons shall rank in right of payment after unsubordinated, unsecured creditors (including depositors) of the Issuer but *pari passu* with all other present and future subordinated obligations of the Issuer which do not rank or 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.
- (iii) Each holder of a Subordinated Note unconditionally and irrevocably waives any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Subordinated Note.
- (iv) Subordinated Notes shall have a minimum maturity period of five years, as provided under the Bank of Italy's Regulations.
- (v) Subordinated Notes (including, for the avoidance of doubt, payments of principal and/or interest) may be subject to the Loss Absorption Requirement (as defined in Condition 2 (a)(*Status of the Senior Notes*)) in accordance with the powers of the Relevant Authority if the Relevant Authority determines that application of the Loss Absorption Requirement to the Subordinated Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

For the purposes of these Conditions:

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

"Subordinated Notes" means Notes intended to qualify as Tier 2 Capital for regulatory capital purposes, in accordance with Part II, Chapter 1 of the Bank of Italy's Regulations and Article 63 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation No. 648/2012 (the "**CRR**").

3. Interest

Condition 3(a) below is applicable to the Notes (a) if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable; and (b) if the Fixed-Floating Rate Note Provisions or the Floating-Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable, in respect of those Fixed Interest Periods for which the Fixed Rate Note Provisions are stated to apply.

(a) **Interest on Fixed Rate Notes**

(i) Each Fixed Rate Note bears interest on its nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the fixed Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date. The Rate of Interest may be specified in the applicable Final Terms (i) as the same Rate of Interest payable on all Interest Payment Dates or (ii) as a different Rate of Interest payable on one or more Interest Payment Dates, including by way of a fixed Rate of Interest which is subject to one or more resets as specified in the applicable Final Terms. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the first anniversary of the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount specified in the applicable Final Terms. If the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will amount to the Final Broken Amount specified in the applicable Final Terms. The applicable Final Terms may also specify other Broken Amounts and the Interest Payment Date(s) on which such Broken Amounts are payable in circumstances where payments of interest not amounting to a full year's interest are due. The amount of interest payable in respect of each Note for any Interest Period shall be the relevant fixed coupon amount specified in the applicable Final Terms (the "**Fixed Coupon Amount**") and if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(ii) If interest is required to be calculated for a period for which a Fixed Coupon Amount is not specified, such interest shall be calculated:

if "**Actual/Actual (ICMA)**" is so specified, means:

(a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days

in such Regular Period and (2) the number of Regular Periods in any year; or

- (c) if "30/360" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

In Condition 3: (a) "**Interest Period**" means each period on (and including) the Interest Commencement Date and ending on (but excluding) the next Interest Payment Date; and (b) "**Regular Period**" means (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date, (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls and (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

Condition 3(b) below is applicable 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.

(b) ***Interest on Floating Rate Notes, including CMS Linked Interest Notes***

(i) *Interest Payment Dates*

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

- (A) the Interest Payment Date(s) in each year, or

- (B) if no express Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each an "**Interest Payment Date**") which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

If a business day convention is specified in the applicable Final Terms and 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:

- (1) in any case where Interest Periods are specified in accordance with Condition 3(b)(i)(B) above, the Floating Rate Convention, FRN Convention or Eurodollar 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 (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the applicable Final Terms after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention or Modified 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
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, "**Business Day**" means:

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

"**Calculation Agent**" means the Agent or such other person specified in the relevant Final Terms;

"**TARGET 2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and

"**TARGET Settlement Day**" means any day on which TARGET 2 is open for the settlement of payments in euro.

(ii) *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 applicable Final Terms.

- (A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "**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 or such other person acting as calculation agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.) (the "**ISDA Definitions**") and under which:

- (i) the Floating Rate Option is as specified in the applicable Final Terms;
- (ii) the Designated Maturity is a period specified in the applicable Final Terms; and
- (iii) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") or on the Euro-Zone inter bank offered rate ("**EURIBOR**") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Euro-Zone**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

When this sub-paragraph (A) applies, in respect of each relevant Interest Period the Calculation Agent will be deemed to have discharged its obligations under Condition 3(b)(iv) (*Determination of Rate of Interest and Calculation of Interest Amounts*) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (A).

(B) *Screen Rate Determination for Floating Rate Notes other than CMS Linked Interest Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and "CMS Rate" is not specified as the Reference Rate in the Final Terms, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (i) the offered quotation; or
- (ii) 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 Relevant Time (as specified in the relevant Final Terms) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more 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.

If the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three

such offered quotations appear, in each case as at the Relevant Time, the Calculation Agent shall request the principal Relevant Financial Centre (as specified in the relevant Final Terms) office of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be 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 quoted by four major banks in the Principal Financial Centre (defined below) of the Specified Currency selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the Interest Determination Date for loans in the Specified Currency to leading European banks for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time plus or minus (as appropriate) the Margin (if any) **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).

In this Condition 3, the expression "**Reference Rate**" means the rate specified in the relevant Final Terms, the expression "**Reference Banks**" means four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate, the expression "**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency **provided, however, that** (x) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected by the Calculation Agent and (y) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected by the Calculation Agent and the expression "**Additional Business Centre**" means the city or cities specified as such in the relevant Final Terms.

(C) *Screen Rate Determination for Floating Rate Notes which are CMS Linked Interest Notes*

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

CMS Rate plus Margin

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the Interest Determination Date in question. If at least three of the CMS Reference Banks

provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

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

In this Condition 3(b)(ii)(C):

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

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

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

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

"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 United States 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 Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the applicable Final Terms; and

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

(iii) *Minimum and/or Maximum Interest Rate*

If the applicable Final Terms specifies a Minimum Interest Rate 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 (ii) above is less than such Minimum Interest Rate, the Rate of Interest for such Interest Period shall be such Minimum Interest Rate. If the applicable Final Terms specifies a Maximum Interest Rate 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 (ii) above is greater than such Maximum Interest Rate, the Rate of Interest for such Interest Period shall be such Maximum Interest Rate.

(iv) *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 Agent, the Calculation Agent will notify the 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 in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated 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 and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a **"sub-unit"** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if **"Actual/365"** or **"Actual/Actual (ICMA)"** is so specified, means:
 - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (b) where the Calculation Period is longer than one Regular Period, the sum of:
- (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; or
- (ii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iii) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (iv) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (v) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

(vi) if "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

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

The 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 Trustee, the Issuer, the Paying Agents and any stock exchange on which the relevant Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the first day of the relevant 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 notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Notes are for the time being listed and to the Noteholders in accordance with Condition 14 (*Notices*). If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

(vi) *Determination or Calculation by Trustee*

If for any reason the Calculation Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with this Condition 3(b), the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition but subject always to any Minimum Interest Rate or Maximum Interest Rate specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances and, as the case may be, the Trustee shall calculate the Interest Amount in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

(vii) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3(b), whether by the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Trustee, the other Paying Agents and all Noteholders, Voucherholders and Couponholders and (in the absence as aforesaid) no liability to the Noteholders, the Voucherholders or the Couponholders shall attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions.

(c) ***Zero Coupon Notes***

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

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

For the purposes of these Conditions:

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount, the Early Redemption Amount (Regulatory Event) or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms;

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

"Accrual Yield" has the meaning given in the relevant Final Terms.

(d) ***Accrual of Interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation of the Note, payment of principal is improperly withheld or refused. In such event interest will continue to accrue as provided in the Trust Deed.

4. Redemption and Purchase

(a) ***At Maturity***

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date. Subordinated Notes shall have a minimum maturity period of five years, as provided under the CRR. Notwithstanding the foregoing provisions of this Condition 4, to the extent required by the Applicable Banking Regulations, redemption of any Series of Subordinated Notes shall always be subject to the prior approval of the Bank of Italy. Failure to redeem any such Notes where such consent has not been granted shall not constitute a default of the Issuer for any purpose.

(b) ***Redemption for Tax Reasons***

If the Issuer satisfies the Trustee (and the provision of an opinion in a form satisfactory to the Trustee from a firm of lawyers of recognised repute approved by the Trustee to such effect shall be deemed to fulfil such requirement) immediately prior to the giving of the notice referred to below that (i) as a result of any amendment to or change in the laws or regulations of Italy or of any political subdivision thereof or any authority or agency therein or thereof or in the interpretation or administration of any such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes of this Series, the Issuer would (notwithstanding its having made such endeavours as the Trustee shall consider reasonable) be required to pay additional amounts as provided in Condition 8 (*Taxation*) on the occasion of the next payment in respect of Notes of this Series, (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, (iii) in the case of Subordinated Notes only if the circumstances under points (i) and (ii) above have occurred before five years from the issue of the relevant Subordinated Notes, the Issuer has demonstrated to the satisfaction of the Relevant Authority (as defined in Condition 4(c)) that such change is material and was not

reasonably foreseeable at the Issue Date, and (iv) such circumstances are evidenced by the delivery by the Issuer to the Trustee of a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail, the Issuer may (subject to, in the case of Subordinated Notes, the provisions of Condition 4(k) (*Conditions to Early Redemption and Purchase of Subordinated Notes*)) at its option, having given not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders, at any time or, if the Notes are Floating Rate Notes or CMS Linked Interest Notes, on the next Interest Payment Date, repay all, but not some only (but subject to prior consent thereto having been obtained from the Bank of Italy in the case of Subordinated Notes), of the Notes at their Early Redemption Amount referred to in paragraph (f) below, together, if appropriate, with interest accrued to (but excluding) the date of repayment **provided that** the date fixed for such repayment shall not be earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Upon the expiry of such notice, the Issuer shall be bound to redeem the Notes accordingly.

(c) ***Redemption for regulatory reasons:***

- (i) *Application:* This Condition 4(c) applies only if (A) the Notes are specified in the relevant Final Terms as being Subordinated Notes; and (B) Condition 4(c) is specified in the relevant Final Terms as being applicable.
- (ii) *Redemption:* If, at any time, the Issuer determines that a Regulatory Event has occurred, the Notes may (subject to the provisions of Condition 4(k) (*Conditions to Early Redemption and Purchase of Subordinated Notes*)) be redeemed at the option of the Issuer, in whole, but not in part:
 - (A) at any time (if the Floating Rate Note Provisions are specified in the relevant Final Terms as not being applicable); or
 - (B) on any Interest Payment Date (if 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 (which notice shall be irrevocable) to the Trustee and, in accordance with Condition 14 (*Notices*), the Noteholders.

In this Condition 4(c), "**Early Redemption Amount (Regulatory Event)**" means in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms.

Prior to the publication of any notice of redemption pursuant to this Condition 4(c), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by two authorised signatories of the Issuer stating that the said circumstances prevail and describe the facts leading thereto, in which event it shall be conclusive and binding on the Noteholders, the Voucherholders and the Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 4(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 4(c), at the Early Redemption Amount (Regulatory Event) (as defined below) described in the relevant Final Terms, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

For the purposes of these conditions:

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

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

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

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

"**Regulatory Event**" is deemed to have occurred if there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion in whole or, to the extent permitted by the Applicable Banking Regulations, in part, from Tier II Capital of the Issuer and, in case the Regulatory Event has occurred before five years from the issue of the relevant Subordinated Notes, both of the following conditions are met: (i) the Relevant Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date;

"**Relevant Authority**" means the Bank of Italy or other governmental authority in Italy (or other country in which the Issuer is then domiciled having the responsibility of making such decisions); and

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

(d) ***Redemption at the Option of the Issuer - Call Option***

If the Issuer is specified in the applicable Final Terms as having an option to redeem the Notes the Issuer may (subject to, in the case of Subordinated Notes, the provisions of Condition 4(k) (*Conditions to Early Redemption and Purchase of Subordinated Notes*)) having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (*Notices*) (or such other period of notice as is specified in the applicable Final Terms); and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent and the Trustee;

(which notices shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of an amount equal to the Minimum Redemption Amount or a Higher Repayment Amount. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected either individually by lot, in the case of Redeemed Notes in respect of which definitive Notes have been issued, or 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 principal amount, at their discretion), in the case of Redeemed Notes in relation to which Notes are represented by a global Note, in each case 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 in respect of which definitive Notes have been issued, a list of the serial numbers of such Notes will be published in accordance with Condition 14 (*Notices*) not less than 15 days prior to the date fixed for redemption. The aggregate amount of Redeemed

Notes in respect of which definitive Notes have been issued shall bear the same proportion to the aggregate amount of all Redeemed Notes as the aggregate amount of Notes in respect of which definitive Notes have been issued and are outstanding bears to the aggregate amount of the Notes outstanding, in each case on the Selection Date, **provided that** such first mentioned amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination; and the aggregate 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 sub-paragraph (d) and a statement to that effect shall be included in the original notice of redemption given by the Issuer to the Noteholders pursuant to (i) above.

(e) ***Redemption at the Option of the Noteholders (Not applicable to Subordinated Notes) - Put Option***

Except in the case of Subordinated Notes, to which this paragraph (e) shall not apply, if the Noteholders are specified in the applicable Final Terms as having an option to redeem, upon the holder of any Note giving notice to the Issuer in accordance with Condition 14 (*Notices*) not less than 15 nor more than 30 days' notice (or such other period of notice as is specified in the applicable Final Terms) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by 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 by cheque, an address) to which payment is to be made under this Condition.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of repayment an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph.

(f) ***Redemption Amounts***

For the purposes of paragraph (a), (b), (c), (d) and (e) above and Condition 9 (*Events of Default*), the Notes will be redeemed at an amount that is equal to at least 100 per cent. of the Nominal Amount.

(g) ***Instalments***

Each Note, if it is redeemable in instalments, will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms. In the case of such Notes in definitive form, all instalments (other than the final instalment) will be paid against surrender of the relevant Voucher (which must be presented with the Note to which it appertains) and in the case of the final instalment against surrender of the relevant Note, all as more fully described in this Condition 4.

(h) ***Early Redemption of Zero Coupon Notes***

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for

redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 4(h) or, if none is so specified, a Day Count Fraction of 30E/360.

(i) ***Purchases***

The Issuer, or any of its Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Vouchers and Coupons appertaining thereto are purchased therewith) in any manner and at any price. In the case of any purchase, such Notes may be held, reissued or resold by the Issuer or any of its Subsidiaries or, at the option of the Issuer, cancelled. References in these Terms and Conditions to the purchase of Notes shall not include the purchase of Notes by the Issuer or any of its Subsidiaries in the ordinary course of business of dealing in securities, as nominee or as a *bona fide* investment.

Subordinated Notes may only be purchased subject to the provisions of Condition 4(k) (Conditions to Early Redemption and Purchase of Subordinated Notes), unless and to the extent the total principal amount of the Subordinated Notes purchased does not exceed the amount permitted to be purchased for market making purposes under Applicable Banking Regulations (such amount being, at 15 March 2016, the lower of: (i) 10% of the principal amount of the Subordinated Notes and any further Subordinated Notes issued under Condition 15 (Further Issues), and (ii) 3% of the Subordinated Notes of the Issuer from time to time outstanding).

(j) ***Cancellation***

All Notes redeemed by or on behalf of the Issuer or any of its Subsidiaries and all Notes purchased by or on behalf of the Issuer or any of its Subsidiaries and surrendered for cancellation pursuant to Condition 4(i) (*Purchases*), shall be cancelled forthwith together, in the case of definitive Notes, with all unmatured Vouchers and Coupons surrendered therewith. All Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of the Notes shall be discharged.

(k) ***Conditions to Early Redemption and Purchase of Subordinated Notes***

Any redemption or purchase of Subordinated Notes in accordance with Conditions 4(b) (*Redemption for Tax Reasons*), 4(c) (*Redemption for regulatory reasons*), 4(d) (*Redemption at the Option of the Issuer – Call Option*) and 4(i) (*Purchases*) is subject to:

- (i) the Issuer giving notice to the Relevant Authority and such Relevant Authority granting permission to redeem or purchase the relevant Subordinated Notes (in each case to the extent, and in the manner, required by the relevant Applicable Banking Regulations including Articles 77(b) and 78 of CRR); and
- (ii) compliance by the Issuer with any alternative or additional pre-conditions to redemption or purchase, as applicable, set out in the relevant Applicable Banking Regulations for the time being.

5. Payments

(a) ***Payments to Noteholders***

The Issuer and the Trustee have acknowledged and agreed in the Trust Deed that the obligations of the Issuer to make payments in respect of the Notes will be discharged by the Issuer making payment to the relevant Noteholders, Voucherholders and Couponholders as described below.

(b) ***Method of Payment***

Subject as provided below:

- (i) payments in a Specified Currency other than Euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or 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 in Australian dollars or New Zealand dollars shall be Sydney or Wellington, respectively) as specified in the applicable Final Terms; and
- (ii) payments in Euro will be made by credit or transfer to an 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.

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*).

(c) ***Presentation of Notes, Vouchers, Coupons and Talons***

Payments of principal and rolled-up interest in respect of Notes in respect of which definitive Notes have been issued will (subject as provided below) be made in the manner specified in paragraphs (a) and (b) above against presentation and surrender (or, in the case of part payment only, endorsement) of definitive Notes and payments of interest (other than rolled-up interest) in respect of the Notes will (subject as provided below) be made as aforesaid against presentation and surrender (or, in the case of part payment only, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (as referred to below).

Payments of instalments of principal (if any) in respect of Notes in definitive form, other than the final instalment, will (subject as provided below) be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Voucher at the specified office of any Paying Agent. Each Voucher must be presented for payment of the relevant instalment together with the relevant definitive Note against which the amount will be payable in respect of that instalment. If any definitive Note is redeemed or becomes redeemable prior to its Maturity Date, principal will be payable on presentation and surrender (or, in the case of part payment only, endorsement) of such definitive Note together with all unmatured Vouchers appertaining thereto. Vouchers presented without the definitive Notes to which they appertain and unmatured Vouchers do not constitute valid obligations in respect of the Notes to which they relate.

Each Fixed Rate Note in definitive form should be presented for payment together with all unmatured Coupons appertaining thereto (which for this purpose shall be deemed to 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 aggregate 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 presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 13 (*Prescription*)). Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining to the definitive Note relating thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note (including a CMS Interest Linked Note) represented by Notes in definitive form becomes due and repayable, unmatured Vouchers, Coupons and Talons (if any) appertaining to such definitive Notes (whether or not attached) shall become void and no payment shall be made in respect thereof.

In the event that definitive Notes are issued, if the due date for redemption thereof is not an Interest Payment Date, interest (if any) accrued in respect of such Notes from and including the

preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant definitive 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 and surrender (or, in the case of part payment only, endorsement), as the case may be, of such global Note to or to the order of the Agent or any other Paying Agent, as the case may be. A record of each payment made against presentation or surrender of such global Note distinguishing between any payment of principal and any payment of interest, will in the case of a classic global note ("CGN") (as specified in the relevant Final Terms) be made on such global Note by the Agent or other Paying Agent, as the case may be, and such record shall be *prima facie* evidence that the payment in question has been made and in the case of a new global note ("NGN") (as specified in the relevant Final Terms) *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

The holder of the relevant 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 holder of a particular nominal amount of Notes represented by a 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 the relevant global Note. Subject to Condition 10 (*Enforcement, Indemnification and Liability of the Trustee*) and the Trust Deed, no person other than the holder of the relevant global Note (or, as provided in the Trust Deed, the Trustee) shall have any claims against the Issuer in respect of any payments due in respect of the Notes represented by that global Note.

Notwithstanding the foregoing, payments of interest in respect of the Notes will only be made at the specified office of a Paying Agent in the United States (which expression, as used herein, 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)) if:

- (i) 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 at such specified offices outside the United States of the full amount of interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(d) ***Payment Day***

If the date for payment of any amount in respect of any Note, Voucher 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 is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation; and
- (ii) a Business Day (as defined in Condition 3(b)(i) (*Interest Payment Dates*)).

Payment Day: Notwithstanding the definition of "**Payment Day**" above, while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global note are) deposited with a depository, a common depository, or a common

safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, "**Payment Day**" means:

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

(e) ***Interpretation of Principal and Interest***

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

- (i) any additional amounts which may be payable under Condition 8 (*Taxation*) or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of such Notes;
- (iii) the Early Redemption Amount of such Notes;
- (iv) the Optional Redemption Amount(s) (if any) of such Notes;
- (v) any rolled-up interest in respect of such Notes;
- (vi) in relation to Notes redeemable in instalments, the Instalment Amounts; and
- (vii) any premium and any other amounts which may be payable under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable under Condition 8 (*Taxation*) or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

6. Agent and Paying Agents

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

The Issuer is entitled (with the prior written approval of the Trustee) to vary or terminate the appointment of any Paying Agent or any other paying agent appointed under the terms of the Agency Agreement 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**:

- (i) so long as the Notes are admitted to listing, traded and/or quoted on any stock exchange, listing authority and/or quotation system, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange, listing authority and/or quotation system;
- (ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe; and
- (iii) there will at all times be an Agent.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 5(c) (*Presentation of Notes, Vouchers, Coupons and Talons*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Trustee and the Noteholders in accordance with

Condition 14 (*Notices*) **provided that** no such variation, termination, appointment or change shall take effect (except in the case of insolvency) within 15 days before or after any Interest Payment Date.

7. 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 any 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 12 (*Replacement of Notes, Vouchers, Coupons and Talons*). Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

8. Taxation

All payments in respect of the Notes shall be made without deduction or withholding for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Italy or of any political subdivision thereof or any authority or agency therein or thereof, unless the deduction or withholding of such taxes or duties is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts after such deduction or withholding shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes by the Noteholders and (if applicable) the Voucherholders or Couponholders (as the case may be) in the absence of such deduction or withholding; except that no such additional amounts shall be payable with respect to any Note, Voucher or Coupon presented for payment:

- (a) by or on behalf of a Noteholder, Voucherholder or Couponholder who:
 - (i) is entitled to avoid such deduction or withholding by making a declaration of non-residence or other similar claim for exemption; or
 - (ii) is liable to such taxes or duties by reason of his having some connection with Italy other than the mere holding of the Note, Voucher or Coupon; or
 - (iii) would have been able to avoid such withholding or deduction by presenting the relevant Note, Voucher or Coupon to another Paying Agent in a Member State of the EU; or
- (b) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or
- (c) in relation to any payment or deduction of any interest, principal or other proceeds of any Note, Voucher or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996 as amended; or
- (d) in Italy; or
- (e) in respect of any Note that qualifies as an atypical security where such withholding or deduction is required pursuant to Law Decree No. 512 of 30 September 1983, as amended.

As used in these Terms and Conditions, "**Relevant Date**" means whichever is the later of (A) the date on which such payment first becomes due; and (B) if the full amount of the moneys payable has not been received by the Trustee or the Agent on or prior to such due date, the date seven days after the date on which such moneys shall have been so received and notice to that effect shall have been given to the Noteholders in accordance with Condition 14 (*Notices*).

Notwithstanding any other provision in these Terms and Conditions, the Issuer, the Trustee and/or any paying agent shall be permitted to withhold or deduct any amounts required to be deducted or withheld pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to (i) any regulations thereunder or official interpretations thereof, or (ii) an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof, or (iii) any law implementing such an intergovernmental

agreement (any such withholding or deduction, a “**FATCA Withholding**”), as a result of a holder, beneficial owner or an intermediary not being entitled to receive payments free of FATCA withholding. None of the Issuer, the Trustee, the paying agent or any other person will be required to pay additional amounts or otherwise indemnify a holder/investor for any such FATCA Withholding deducted or withheld.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in these Terms and Conditions to the Republic of Italy shall be construed as references to the Republic of Italy and/or such other jurisdiction.

References herein to the principal of, and/or interest on, the Notes shall be deemed also to refer to any additional amounts which may be payable under the obligations referred to in this Condition 8 or any obligations undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed.

9. Events of Default

(a) *Events of Default relating to Senior Notes*

This Condition 9(a) applies only to Senior Notes and references to “**Notes**” in this Condition 9(a) shall be construed accordingly.

The Trustee at its discretion may, and if so requested in writing by the holders of Notes relating to at least one-fifth of the nominal amount of the Notes outstanding or by an Extraordinary Resolution of the Noteholders (as defined in the Trust Deed) shall (but, in the case of the happening of any of the events mentioned in paragraphs (vi), (vii), (viii) and (ix) below, only if the Trustee shall have certified to the Issuer that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount (as described in Condition 4(f) (*Redemption Amounts*)) together, if appropriate, with accrued interest as provided in the Trust Deed if:

- (i) a default is made for more than seven days in the repayment on the due date of the principal amount of any of the Notes; or
- (ii) a default is made for more than fourteen days in the payment on the due date of interest in respect of any of the Notes; or
- (iii) the Issuer is adjudicated or found bankrupt or insolvent or shall stop or threaten to stop payment or shall be found unable to pay its debts, or any order shall be made by any competent court or administrative agency for, or any resolution shall be passed by the Issuer for judicial composition, proceedings with its creditors or for the appointment of an administrator, administrative or other receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer or a substantial part of its or their assets; or the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any indebtedness for or in respect of moneys borrowed or raised or any guarantee or indemnity in respect thereof given by the Issuer; or
- (iv) the Issuer becomes subject to an order for “*Liquidazione Coatta Amministrativa*”, “*Amministrazione Straordinaria*” or “*Gestione Provvisoria*” (within the meaning ascribed to those expressions by the laws of the Republic of Italy); or
- (v) the Issuer fails to pay a final judgment of a court of competent jurisdiction within 60 days from the entering thereof or an execution is levied on or enforced upon or sued out in pursuance of any such judgment against any substantial part of the assets or property of the Issuer to the extent, in any case, such event has a material adverse effect, in the sole opinion of the Trustee, on the ability of the Issuer to meet its payment obligations under the Notes; or

- (vi) the Issuer shall be wound up or dissolved (otherwise than for the purposes of an amalgamation, merger or reconstruction on terms previously approved by the Trustee); or
- (vii) the Issuer shall cease or threaten to cease to carry on all or substantially all of its business (otherwise than for the purposes of an amalgamation, merger or reconstruction on terms previously approved by the Trustee) or the licence of the Issuer to carry on its banking business is suspended or terminated in any manner; or
- (viii) the security for any debenture, mortgage or charge of the Issuer in respect of any indebtedness for borrowed money of the Issuer, where the principal amount (including any premium payable on redemption or at maturity) of such indebtedness is in any one case in excess of US\$ 5,000,000 or its equivalent in any other currency or currencies, or in aggregate in excess of US\$ 10,000,000 or its equivalent in any other currency or currencies, shall have become enforceable and legal proceedings are taken to enforce the same (other than where the Issuer is contesting in good faith and by appropriate proceedings that such indebtedness was due or capable of being rendered due and the Issuer, has provided to the Trustee from its external auditors a report confirming that adequate reserves are maintained against such payment in the event that judgment for the same is entered against it); or
 - (A) any indebtedness for borrowed money of the Issuer where the principal amount (including any premium payable on redemption or at maturity) of such indebtedness is in any one case in excess of US\$ 5,000,000 or its equivalent in any other currency or currencies or in aggregate in excess of US\$ 10,000,000 or its equivalent in any other currency or currencies (other than where the Issuer is contesting in good faith and by appropriate proceedings that such indebtedness was due) and the Issuer, has provided to the Trustee from its external auditors a report confirming that adequate reserves are maintained against such payment in the event that judgment for the same is entered against it) (i) shall become repayable prior to the date for payment thereof by reason of default by the Issuer (ii) shall not be repaid at maturity as extended by any applicable grace period therefore and, in either case, steps shall have been taken to obtain repayment; or
 - (B) any guarantee (other than a guarantee given in the ordinary course of its banking business or where the Issuer is contesting in good faith and by appropriate proceedings that such indebtedness was due or capable of being rendered due and the Issuer, has provided to the Trustee from its external auditors a report confirming that adequate reserves are maintained against such payment in the event that judgment for the same is entered against it) given by the Issuer of any indebtedness for borrowed money shall not be honoured when due and called where the principal amount (including any premium payable on redemption or at maturity) of such guarantee is in any one case in excess of US\$ 5,000,000 or its equivalent in any other currency or currencies or in aggregate in excess of US\$ 10,000,000 or its equivalent in any other currency or currencies; or
- (ix) default is made by the Issuer in the performance or observance of any obligation, condition or provision binding on it or in respect of the Notes, these Terms and Conditions or the Trust Deed (other than any obligation for payment of any principal or interest in respect of the Notes) and, except where the Trustee certifies that in its opinion such default is not capable of remedy, such default continues for 30 days after written notice thereof by the Trustee to the Issuer requiring the same to be remedied; or
- (x) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes, the Trust Deed or the Agency Agreement.

(b) ***Events of Default relating to Subordinated Notes***

This Condition 9(b) applies only to Subordinated Notes which may be issued by the Issuer and references to "Notes", "Noteholders", "Voucherholders" and "Couponholders" in this Condition 9(b) shall be construed accordingly:

- (i) The Trustee at its discretion may, and if so directed in writing by the holders of Notes relating to at least one-fifth of the nominal amount of the Notes outstanding or by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified to its satisfaction), give notice to the Issuer that the Notes are, and they shall (subject to the Bank of Italy's approval to the extent applicable) accordingly immediately become, due and repayable at their Early Redemption Amount (as described in Condition 4(f) (*Redemption Amounts*)) together, if appropriate, with accrued interest as provided in the Trust Deed if the Issuer is wound up or dissolved (otherwise than for the purposes of any amalgamation, merger or reconstruction on terms previously approved by the Trustee).
- (ii) The Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Trust Deed or in relation to the Notes. The Trustee shall not in any event be bound to take any of the actions referred to in this paragraph unless it shall have been so directed in writing by the holders of Notes relating to at least one-fifth of the nominal amount of the Notes outstanding or by an Extraordinary Resolution of the Noteholders and subject to being indemnified to its satisfaction.
- (iii) No remedy against the Issuer other than as specifically provided by this Condition 9(b) or in the Trust Deed shall be available to the Trustee or the Noteholders, Voucherholders or Couponholders whether for the recovery of amounts owing in respect of the Notes or under the Trust Deed or in respect of any breach by the Issuer of any of its obligations under the Trust Deed or in relation to the Notes or otherwise.

10. Enforcement, Indemnification and Liability of the Trustee

Only the Trustee may enforce the obligations of the Issuer, arising in relation to the Notes and the Trust Deed and no Noteholder, Voucherholder or Couponholder shall be entitled to proceed against the Issuer.

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment of the Notes unless indemnified to its satisfaction.

The Trustee is entitled to enter into business transactions with the Issuer or any of its Subsidiaries without accounting for any profit resulting therefrom.

11. Meetings of Noteholders; Modification; Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification of these Terms and Conditions, the Trust Deed, the Notes, the Vouchers, the Coupons or the terms of the Notes. The quorum at any such meeting for passing an Extraordinary Resolution shall be one or more persons present holding or representing the holders of Notes relating to a clear majority of the nominal amount of the Notes for the time being outstanding, or at any such adjourned meeting one or more persons present holding or representing the holders of the Notes whatever the nominal amount of the Notes, except that at any meeting, the business of which includes, *inter alia*, reduction of the amount, variation of the currency or postponement of the date for payment of principal or interest in respect of the Notes, the necessary quorum for passing an Extraordinary Resolution shall be one or more persons present holding or representing in the aggregate not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Notes for the time being outstanding.

Any resolution passed at any meeting of the Noteholders will be binding on all the Noteholders whether or not they are present at the meeting, and on all holders of Vouchers and Coupons relating to the Notes.

The Trustee may agree, without the consent of the Noteholders, Voucherholders or Couponholders, to any modification (subject to certain exceptions) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions, the Trust Deed, the Notes, the Vouchers, the Coupons or the terms of the Notes or determine that any event which would or might otherwise be an Event of Default shall not be treated as such if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby or to any modification which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Voucherholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*). The Trust Deed also provides for a resolution in writing signed by or on behalf of all the Noteholders to be as effective and binding as if it were an Extraordinary Resolution duly passed at a meeting of the Noteholders.

The Issuer and the Trustee may convene a meeting of Noteholders jointly with the holders of some or all other Series of notes issued under the terms of the Trust Deed and not forming a single Series with the Notes, to which meeting the provisions referred to above shall apply as if the Notes and all such other notes formed part of the same Series, **provided that**, in the opinion of the Trustee, the proposals to be considered at such meeting affect the rights of the holders of the notes of each Series attending the meeting in identical respects (save only insofar as the Terms and Conditions applicable to each such Series are not identical).

The Trustee shall, in connection with the exercise by it of the powers, trusts, authorities and discretions (including but not limited to those in relation to any proposed modification, waiver, authorisation, determination, replacement, transfer or substitution) vested in it by the Trust Deed or these Terms and Conditions, have regard to the interests of the Noteholders as a class or (as the case may be) to the holders of all the notes outstanding under the Trust Deed as a class and in particular, but without prejudice to the generality of the foregoing, shall not have regard to the consequences of such exercise for individual Noteholders, Voucherholders and Couponholders and shall have absolute and uncontrolled discretion as to the exercise thereof.

12. Replacement of Notes, Vouchers, Coupons and Talons

Should any Note, Voucher, Coupon or Talon be mutilated, defaced or destroyed or be lost or stolen, it may be replaced at the specified office of the Paying Agent in Luxembourg (or such other place as may be notified to the Noteholders), in accordance with all applicable laws and regulations, upon payment by the claimant of the expenses incurred by the Issuer and such Paying Agent in connection therewith and on such terms as to evidence, indemnity, security or otherwise as the Issuer and the Trustee may require. Mutilated or defaced Notes, Vouchers, Coupons or Talons must be surrendered before replacements will be issued.

13. Prescription

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

14. Notices

All notices to Noteholders regarding the Notes shall be published (a) in one leading English language daily newspaper of general circulation in London and (b) so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange, in one leading daily newspaper of general circulation in Luxembourg or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). It is expected that publication of notices will normally be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication in both the required newspapers. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange on which the Notes are for the time being listed.

Notwithstanding the above, while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the

Permanent Global Note and/or the Temporary Global Note are) deposited, in the case of a CGN, with a common depositary or, in the case of an NGN, with a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and for so long as Notes are listed on the Official List of the Luxembourg Stock Exchange, in one leading daily newspaper of general circulation in Luxembourg which is expected to be the Luxemburger Wort and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with this Condition on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Until such time as any definitive Notes are issued, there may (**provided that**, in the case of Notes listed on a stock exchange, the rules of that stock exchange so permit), so long as the global Note(s) is or are held in its/their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the Noteholders. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes is represented by a global Note, such notice may be given by any Noteholder to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition.

15. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Voucherholders or Couponholders to issue further notes, such further notes to rank *pari passu* in all respects (or in all respects save for the date of, and the amount of, the first payment of interest in such further notes) with the outstanding Notes and so that the same shall be consolidated and form a single series with the outstanding Notes.

16. Governing Law; Submission to Jurisdiction

The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection with the Trust Deed and the Notes are governed by, and shall be construed in accordance with, English law with the exception of Condition 2(b) (*Status and Subordination of Subordinated Notes*) and all matters arising from or connected with the Subordinated Notes, which shall be governed by, and shall be construed in accordance with, Italian law.

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Trust Deed or the Notes (including a dispute regarding the existence, validity or termination of the Trust Deed or the Notes or any non-contractual obligations arising out of or in connection with the Trust Deed or the Notes) or the consequences of the nullity of the Trust Deed or the Notes. The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, it will not argue to the contrary. The submission to jurisdiction is for the benefit of the Trustee and the Noteholders only. As a result, nothing in this Condition 16 (*Governing law; Submission to Jurisdiction*) prevents the Trustee and the Noteholders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Trustee or any Noteholder may take concurrent proceedings in any number of jurisdictions.

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Pini Franco LLP, whose office is currently situated at 22-24 Ely Place, London EC1N 6TE. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of the Trustee or any Noteholder addressed and delivered to the Issuer appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Trustee or any Noteholder shall be entitled to appoint such a person by written notice addressed to the

Issuer and delivered to the Issuer. Nothing in this paragraph shall affect the right of the Trustee or any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

17. Rights of Third Parties

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

FORM OF FINAL TERMS

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

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

Final Terms dated [●]

BPER Banca S.p.A.

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the €6,000,000,000

Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated 28 March 2017 [and the prospectus supplement dated [●]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Prospectus Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented].

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 Prospectus dated 28 March 2017 [as so supplemented]. The Base Prospectus [and the prospectus supplement] [is] [are] available for viewing at [[address] [and] [website]] and copies may be obtained from [address]. The Base Prospectus [and the prospectus supplement[s]] [and, in the case of notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, these Final Terms,] will also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

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

- | | | | |
|----|----------|---------------------|-----|
| 1. | [(i)] | Series Number: [●] | [●] |
| | [(ii)] | Tranche Number: [●] | [●] |
2. Specified Currency or Currencies: [●] [●]
3. Aggregate Nominal Amount of Notes:

[(i)]	Series: [●]	[●]
[(ii)]	Tranche: [●]	[●]
4. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if

- applicable)]
5. (i) Specified Denominations: [●]
- No Notes may be issued under the Programme which have a minimum denomination of less than EUR 100,000 (or its equivalent in other currencies)*
- €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].
- (ii) Calculation Amount [●]
- (Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies))*
6. [(i)] Issue Date: [●]
- [(ii)] Interest Commencement Date (if different from the Issue Date): [Specify/Issue Date/Not Applicable]
7. Maturity Date: [*specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year*]
8. Interest Basis: [[●] per cent. Fixed Rate]
 [[●] per cent. Fixed Rate from [●] to [●], then [●] per cent. Fixed Rate from [●] to [●]]
 [[EURIBOR] [LIBOR] [CMS Rate] [*specify other reference rate*] +/- [●] per cent. Floating Rate]
 [Fixed-Floating Rate]
 [Floating-Fixed Rate]
 [Floating Rate: CMS Linked Interest]
 [Zero Coupon]
 (further particulars specified below)
9. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount]
 [100 per cent. redemption amount]
 [Instalment]
10. Change of Interest Redemption/Payment Basis: or [Applicable]/[Not Applicable]
- (To be completed in addition to paragraphs 13, 14, 15 and 16 (as appropriate) if any fixed to floating, floating to fixed or fixed or floating reset rate change occurs)*
11. Put/Call Options: [Investor Put]
 [Issuer Call]

- [(further particulars specified below)]
[Not Applicable]
12. (i) Status of the Notes: [Senior/Subordinated]
- (ii) In respect of Senior Notes only:
[Waiver of set-off rights:] [Applicable/Not Applicable]
- (iii) Date [Board] approval for issue 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

13. **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 sub paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [[●]% per annum] [From (and including) [●] up to (but excluding) [●]] [the aggregate of [●] per cent. and [●] per annum] [determined by the Agent] payable [annually/ semi-annually /quarterly/monthly] in arrear on each Interest Payment Date.]
- [specify other in case of different Rates of Interest in respect of different Interest Payment Dates including any details of any reset of the Fixed Rate]*
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with the [Following Business Day Convention/Modified Following Business Day Convention/Modified Business Day Convention/Preceding Business Day Convention/FRN Convention/Floating Rate Convention/Eurodollar Convention]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (Specify different Fixed Coupon Amounts if different Rates of Interest are specified as being applicable in respect of different Interest Payment Dates)*
- (iv) Day Count Fraction: [30/360/Actual/Actual (ICMA)]
- (v) Broken Amount(s): [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
14. **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 sub paragraphs of this paragraph.)*

- (i) Interest Period(s) [●]
- Interest Payment Dates: *[Interest Period and Interest Payment Dates are alternatives. An Interest Period, rather than Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise insert "Not Applicable"]*
- (ii) First Interest Payment Date: [●]
- (iii) Business Day Convention: [Floating Rate Convention/FRN Convention/Eurodollar Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (iv) Additional Business Centre(s): [Note Applicable/[●]]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent): *[[Name] shall be the Calculation Agent (no need to specify if the Agent is to perform this function)]/[Not Applicable]*
- (vii) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [EURIBOR/LIBOR/CMS Rate/[●]]
 - Relevant Screen Page: [●]
- (in the case of CMS Linked Interest Notes, specify relevant screen page and any applicable headings and captions)*
- Interest Determination Date(s): [●]
- (in the case of a CMS Rate where the Reference Currency is euro):[Second day on which the TARGET2 System is open prior to the start of each Interest Period]*
- (in the case of a CMS Rate where the Reference Currency is other than euro):[Second [specify type of day] prior to the start of each Interest Period]*
- Relevant Time: [●]
 - Relevant Financial Centre: [●]
 - [Reference Currency:] [●]
(only relevant where the CMS Rate is the Reference Rate)
 - [Designated Maturity:] [●]
(only relevant where the CMS Rate is the

Reference Rate)

- | | | |
|--------|--------------------------------------|--|
| (viii) | ISDA Determination: | [Applicable/Not Applicable] |
| | • Floating Rate Option: | [•] |
| | • Designated Maturity: | [•] |
| | • Reset Date: | [•] |
| (ix) | Margin(s): | [+/-][•] per cent. per annum |
| (x) | Minimum Rate of Interest: | [[•] per cent. per annum/Not Applicable] |
| (xi) | Maximum Rate of Interest: | [[•] per cent. per annum/Not Applicable] |
| (xii) | Day Count Fraction: | [Actual/Actual(ICMA)]/
[Actual/365]/
[Actual/ Actual(ISDA)]/
[Actual/365(Fixed)]/
[Actual/360]/
[30/360]
[30E/360]/[Eurobond Basis] |
| 15. | Fixed-Floating Rate Note Provisions: | [Applicable/Not Applicable]
[[] per cent. Fixed Rate in respect of the Fixed Interest Period(s) ending on (but excluding) [], then calculated in accordance with paragraph 14 above.] |
| 16. | Floating-Fixed Rate Note Provisions: | [Applicable/Not Applicable]
[[<i>Floating Rate</i>] in respect of the Interest Period(s) ending on (but excluding) [], then calculated in accordance with paragraph 13 above.] |
| 17. | Zero Coupon Note Provisions | [Applicable/Not Applicable]
<i>(If not applicable, delete the remaining sub paragraphs of this paragraph)</i> |
| | (i) Accrual Yield: | [•] per cent. per annum |
| | (ii) Reference Price: | [•] |
| | (iii) [Day Count Fraction]: | [Actual/Actual(ICMA)]/
[Actual/365]/
[Actual/ Actual(ISDA)]/
[Actual/365(Fixed)]/
[Actual/360]/
[30/360]
[30E/360]/[Eurobond Basis] |

PROVISIONS RELATING TO REDEMPTION

- | | | |
|-----|---|--|
| 18. | Redemption at the Option of the Issuer (Call Option) | [Applicable/Not Applicable]
<i>(If not applicable, delete the remaining sub paragraphs of this paragraph)</i> |
| | (i) Optional Redemption Date(s) (Call): | [•] |
| | (ii) Optional Redemption Amount(s) | [•] per Calculation Amount |

(Call) and method, if any, of calculation of such amount(s):

- (a) Minimum Redemption Amount: [[●] per Calculation Amount/Not Applicable]
 - (b) Higher Redemption Amount: [[●] per Calculation Amount/Not Applicable]
 - (iv) Notice period (if other than as set out in Condition 4(d)): [●]/[Not Applicable]
19. **Redemption for regulatory reasons:** [Condition 4(c) is applicable/Not Applicable] *(Only applicable for Subordinated Notes. If not applicable, state "Not Applicable")*
20. **Redemption at the Option of the Noteholder (Put Option)** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [●] per Calculation Amount
 - (iii) Notice period (if other than as set out in Condition 4 (e)): [●]/[Not Applicable]
21. **Final Redemption Amount of each Note** [●] per Calculation Amount
22. **Early Redemption Amount**
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation or regulatory reasons or on event of default or other early redemption: [●] per Calculation Amount
23. **Instalment Notes** [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Instalment Amount(s): [●]
 - (ii) Instalment Date(s): [●]

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 [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].
- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice].
- [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].

(If the minimum denomination is €100,000 and integral multiples of €1,000 (or equivalent in another currency) in excess thereof or other multiples of less than €100,000, the Holder's option to request Bearer Notes in definitive form on [●] days' notice/at any time should be disapplied).

25. New Global Note: [Yes/No]
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the place of payment, and not interest period end dates, to which item 14(iv) 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.]

Signed on behalf of the Issuer:

By:
Duly authorised

PART B - OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application [has been/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 the Luxembourg Stock Exchange/[●]] and admitted to the official list of [the Luxembourg Stock Exchange/[●]] with effect from [●]./[Not Applicable].
- (ii) Estimate of total expenses related to admission to trading: [●]

2. RATINGS

Ratings: [not applicable]

[The Notes to be issued have been rated:

[S & P: [●]]

[Moody's: [●]]

[Fitch [●]]

[[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 European Union:)

[[Insert legal name of particular credit rating agency entity providing rating] is established in the European Union and [is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> as being registered] / [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 European Union:)

[[Insert legal name of particular credit rating agency entity providing rating] is not established in the European Union [but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the European Union and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs> 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 European Union and registered] under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

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

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

["[Certain of the [Joint Lead] Managers/The Lead Manager/the Dealer] and [their/its] affiliates (including [its] parent compan[y/ies]) [have/has] engaged, and may in the future engage, in investment banking and/or commercial banking transactions and may perform services for the Issuer and its affiliates in the ordinary course of business.] Save as set out in the preceding sentence and save in respect of any fees payable to the [Joint Lead] Managers/Lead Manager/Dealer], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."]

[•]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

4. **Fixed Rate Notes only YIELD**

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

5. **Floating Rate Notes only HISTORIC INTEREST RATES**

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

6. **THIRD PARTY INFORMATION**

[[●] has been extracted from [●]. 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 [●], no facts have been omitted which would render the reproduced information inaccurate or misleading. To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information]/[Not Applicable].

7. **OPERATIONAL INFORMATION**

ISIN Code: [●]

Common Code: [●]

New Global Note intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable]

[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 recognized as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the 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 intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s) (if any): [●]/[Not Applicable]

Names and addresses of additional Paying Agent(s) (if any): [●]/[Not Applicable]

8. **DISTRIBUTION**

(i) Method of distribution: [Syndicated]/[Non-syndicated]

- (ii) If syndicated:
- (A) Names of Managers: [Not Applicable/*give details*]
 - (B) Date of Subscription Agreement: []
 - (C) Stabilising Manager (if any): [Not Applicable/*give name*]
- (iii) If non-syndicated, name of Dealer: [Not Applicable/*give name and address*]
- (iv) TEFRA: [TEFRA D]/[TEFRA not applicable]
- (v) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

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

USE OF PROCEEDS

The net proceeds of any Notes will be used by the Issuer in the ordinary course of its banking operations.

DESCRIPTION OF THE ISSUER

General

BPER Banca S.p.A. (previously Banca popolare dell'Emilia Romagna s.c.) (“**BPER**”, the “**Parent Company**” or the “**Bank**”) is a joint-stock bank, operating in accordance with Italian Legislative Decree No. 385 of 1 September 1993. It is the parent company of the BPER Group, which was officially entered in the Bank of Italy's registers for banks and banking groups on 7 August 1992 (Group no. 5387.6).

On 26 November 2016 the Shareholders approved the transformation of Banca popolare dell'Emilia Romagna from a cooperative into a joint-stock company and the consequent adoption of new Articles of Association.

BPER's registered office is in Via San Carlo 8/20, Modena Italy (Telephone number: +39 059 2021111). BPER is registered with the Chamber of Commerce of Modena under number 01153230360.

The authorised and paid up share capital of BPER as at 31 December 2015 was Euro 1,443,925,305.00 divided into 481,308,435 shares of Euro 3.00 each. At 30 June 2016, the share capital was unchanged. Presently is operating a temporary 5% ceiling on voting rights. Under current regulations this option is provided to be valid until 26 March 2017.

As of 2016 dividend date (23 May 2016) 56.7 per cent of the shareholders were retail investors. The remaining 43.3 per cent were institutional investors (it was 45.5 per cent the year before). Among the latter are included OICR, Funds and SICAV. Banking foundations are considered retail investors.

Here below it is shown the shareholder component split for country:

Country	2016	2015
1. United States	33.5%	30.6%
2. Italy	14.0%	7.8%
3. United Kingdom	13.1%	15.5%
4. France	10.8%	17.3%
5. Luxembourg	8.3%	9.6%
6. Norway	3.0%	2.4%
5. Other	17.3%	16.7%
Total	100.00%	100.00%

Since June 2009, following the inclusion of the Expandi market within the main market (MTA), which was implemented by Borsa Italiana S.p.A. as part of the broader rationalisation of Italy's financial markets, BPER's shares have been listed in the “Blue Chip” segment of the MTA (comprising the 72 largest companies measured by capitalisation). As long as the Blue Chip has been substituted by the FTSE MIB BPER's shares have been included in this more recent index.

From 21 September 2009, BPER's shares were included in the Dow Jones STOXX 600, a major European index. This index is used as a benchmark by numerous European funds and is the underlying benchmark for futures contracts traded on the Frankfurt derivatives exchange.

The Bank was initially established under the name Banca Popolare di Modena, a mutual society, whose founding objective was the financing of craftsmen and local business activities. It was subsequently merged with Banca Cooperativa di Bologna in 1983, changing its name to Banca Popolare dell'Emilia. On 1 January 1992, the Bank acquired Banca Popolare di Cesena and changed its name to Banca popolare dell'Emilia Romagna s.c.

Since its establishment and registration in 1992, the BPER Group acquired the control of Banca Popolare di Ravenna S.p.A. (“**Banca Popolare di Ravenna**”), in 1994, and of Banca CRV – Cassa di Risparmio di Vignola S.p.A. (“**Banca CRV**”) in 1996, consolidating its presence in Emilia Romagna.

BPER has established a strong foothold in the southern regions of Italy through the acquisitions of Banca Popolare di Lanciano e Sulmona S.p.A. (“**BPLS**”) and, Banca Popolare del Materano S.p.A. (“**Banca Popolare del Materano**”), in 1995, and Banca Popolare di Crotone S.p.A. (“**Banca Popolare di Crotone**”) in 1996.

On 3 November 2008, BPER subsidiaries Banca Popolare del Materano and Banca Popolare di Crotone merged to form a new banking entity named Banca Popolare del Mezzogiorno S.p.A. (“**Banca Popolare del Mezzogiorno**”). Prior to the 2008 merger, BPER acquired, through Banca Popolare del Materano, three small banks located in the South of Italy: Banca Popolare della Val d’Agri S.p.A. and Banca Popolare del Sinni S.p.A. (which both merged with Banca Popolare del Materano in 2000 and in 2001 respectively) and Banca Popolare di Castrovillari e Corigliano Calabro S.p.A. (acquiring approximately 53 per cent of the share capital), which in 2002 was merged by incorporation with Banca Popolare di Crotone.

In 1998, BPER acquired the control of Banca del Monte di Foggia S.p.A., which subsequently merged with Banca della Campania S.p.A. (“**Banca della Campania**”) on 28 December 2006. At the end of the 1998 BPER acquired approximately 55 per cent of the share capital of Banca Popolare di Aprilia S.p.A. (“**BPA**”). The acquisition of Banca Popolare di Salerno S.p.A. (“**Banca Popolare Di Salerno**”) (acquiring approximately 76 per cent of the share capital), Cassa di Risparmio dell’Aquila S.p.A. (“**Carispaq**”) (by acquiring approximately 83 per cent of the share capital) in 1999 and Banca Popolare dell’Irpinia S.p.A. (“**Banca Popolare Dell’Irpinia**”) (by acquiring approximately 46 per cent of the share capital) in 2000 saw BPER consolidating its strong franchise in Campania and in Abruzzo.

In 2001, BPER acquired control of the Banco di Sardegna group (51 per cent of the share capital), creating one of the largest banking groups in the country with a domestic network of approximately 1,000 branches and more than 10,000 employees at that time.

In 2016, BPER consolidated its own direct control on Banca di Sassari S.p.A. – originally a subsidiary company of Banco di Sardegna – according to a project called “Dinamo”, in line with the 2015-2017 Business Plan, transferring 55 branches from Banca di Sassari to Banco di Sardegna toward a focus of Banca di Sassari on consumer credit lending activity and electronic payment system business. As of 31 December 2016, BPER ownership in Banca di Sassari was equal to 78.462%.

In June 2003, BPER subsidiaries Banca Popolare dell’Irpinia and Banca Popolare di Salerno merged to form the new banking entity Banca della Campania.

In 2004, BPER assigned 22 branches in the Campania region to its subsidiary Banca della Campania. During the same year, BPER acquired both the majority stake in Eurobanca Privata S.p.A. (Eurobanca del Trentino, which merged with BPER on 19 March 2010) and ABF Factoring S.p.A. (which merged with Emil Ro Factor S.p.A. (“**Emil-Ro Factor**”) on 21 June 2010). Both became part of the BPER Group.

In 2005, BPER became the sole shareholder of ABF Leasing S.p.A. by purchasing the remaining shares from Banche Popolari Unite S.c.p.A.. As disclosed to the market on 5 March 2014, the Board of Directors of each of BPER and Banco di Sardegna S.p.A. resolved to commence the merger by incorporation of ABF Leasing S.p.A. into Sardaleasing S.p.A.. Sardaleasing S.p.A. is a company operating in all leasing segments, with a distribution focus in the Sardinia region, originally owned by Banco di Sardegna S.p.A., BPER and other minority shareholders. The merger has been successfully completed on June 2014 and in the same month BPER acquired direct control of the company.

Again in 2005, BPER became the sole shareholder of Banca CRV by purchasing the remaining shares from Fondazione Cassa di Risparmio di Vignola. In November 2005, BPER acquired the shares held by Fondazione Domenico Siniscalco Ceci in Banca del Monte di Foggia S.p.A., increasing its holding to 94.49 per cent. During the summer of 2005, BPER signed an agreement with the Fondazione Cassa di Risparmio della provincia dell'Aquila for the purchase of a 25.99 per cent. interest in Finbanche d'Abruzzo S.p.A., an investment holding company. This acquisition was completed at the approximate cost of Euro 72,800,000, equal to the value of shareholders' equity, uplifted by about three percent. This purchase for cash enabled BPER to obtain full control of Finbanche d'Abruzzo S.p.A. thereby allowing it to indirectly increase equity interest of BPER in both Carispaq and BPLS. The extraordinary shareholders meeting of Finbanche d'Abruzzo S.p.A., held in November 2008, resolved to wind up the company early and put it into liquidation. Prior to the shareholders' meeting, the company's investments in BPLS and CARISPAQ were transferred to BPER.

In 2007, BPER obtained a share in the profits of Arca Vita S.p.A. ("**Arca Vita**") by acquiring 48.75 per cent of its share capital by purchasing the shares of the company from Meliorbanca S.p.A. ("**Meliorbanca**") through the subsidiary Em.Ro. popolare S.p.A.

At the end of 2008, BPER Group acquired 36 branches from three banks within the Unicredito Italiano banking group (Banco di Sicilia S.p.A., BIPOP Carire S.p.A. and Banca di Roma S.p.A.). Of these 36 branches, 15 were allocated to BPER comprising those in Veneto (3) and in Lazio (12 situated in the city and the province of Rome) while those located in Sicily (21) were allocated to Banca Popolare del Mezzogiorno.

On 6 March 2009, as a conclusion of a public offer, the transfer of all Meliorbanca shares to BPER was completed. The transfer resulted in BPER gaining indirect control over: Meliorbanca Private S.p.A., a bank operating in the management of assets for customers; Meliorfactor S.p.A. ("**Meliorfactor**"), a factoring company; Sistemi Parabancari (Si.Spa.) S.p.A., a company that provides administrative and IT services, particularly in relation to factoring activities; Arca Impresa Gestioni SGR S.p.A., a company that manages a private equity fund. By taking control over Meliorbanca BPER gained indirect control over Banca della Nuova Terra S.p.A. ("**BNT**"), a bank specialised in agricultural loans, and ARCA Vita, a life insurance company that, in turn, controls ARCA Assicurazioni S.p.A. ("**Arca Assicurazioni**"), which specialises in non life insurance cover. These last two companies were already the BPER Group's insurance partners.

Reorganisation of the ownership of BNT was completed on 3 February 2010, enabling the BPER Group to relinquish control. This was achieved by allocating the investment in BNT equally among the four banking shareholders (individually and/or at group level), on the basis of 19.50 per cent. each.

On 29 April 2014, BNT signed a contract with a securitisation vehicle called BNT Portfolio SPV s.r.l., set up in accordance with Law 130/1999. The contract involves a without-recourse sale *en bloc* of a large part of the existing and future portfolio of performing and non-performing loans resulting from loan contracts granted and/or held by BNT, for Euro 397 million, plus accrued interest of Euro 465 thousand.

The notes, issued by the SPV in a single tranche, were subscribed by the member banks of BNT to an extent substantially in proportion to their respective interests.

Having obtained the necessary authorisations from the competent Authorities, the contract signed on 24 December 2009 for the sale of shares in Arca Vita, which owns 64.08 per cent. of Arca Assicurazioni, was completed on 22 June 2010. In particular, BPER and Banca Popolare di Sondrio S.c.p.A. transferred control over the company (in total, a 60 per cent. interest) to Unipol Gruppo Finanziario S.p.A. ("**UGF**").

As of December 2016 BPER held 19.67 per cent of Arca Vita. The company is not subject to significant influence for the rules of the consolidate financial report.

As of December 2016 BPER held 32.75 per cent of Arca Holding, a company focused on asset manager business.

In 2009 the project to reorganise the BPER Group's IT sector was implemented with the formation of BPER Services S.c.p.A. ("**BPER Services**"), a consortium for the provision of IT services, via the transformation of Metelliana S.p.A. which also changed its name. Both BPER and Banco di Sardegna S.p.A. contributed their lines of business, consisting of assets organised to provide intra BPER Group IT services, to the new consortium.

The BPER Group was closely involved in the plan to restructure Banca Italease S.p.A. ("**Banca Italease**"), in 2009. The implementation of the project began with the formation of two companies, Release S.p.A. ("**Release**") and Alba Leasing S.p.A. ("**Alba Leasing**"). A considerable portion of the assets and liabilities of Banca Italease S.p.A. as at 31 March 2009 were contributed to these companies: in particular, its impaired assets went to Release (gross value of Euro 4.9 billion), while its performing loans deriving from the banking channel went to Alba Leasing (gross value of Euro 5.8 billion). Alba Leasing commenced operations from the start of 2010, with considerable support from the BPER Group in terms of funding and commercial agreements for the placement of its products.

Work to reorganise the factoring sector commenced at the end of November 2009, with approval by the respective Boards of the proposed absorption of ABF Factoring S.p.A., a subsidiary, by Emil-Ro Factor S.p.A. ("**Emil-Ro Factor**", a 30.87 per cent. investment), in order to create just one operator within the BPER Group. This company seeks to become the preferred partner of industrial and commercial customers wanting to factor the receivables of their customers and suppliers. Accordingly, Emil-Ro Factor became a 52.51 per cent. subsidiary of BPER on 1 July 2010 and was consolidated from that date. At the same time, Emil-Ro Leasing S.p.A. will also be consolidated, since it was 98 per cent. owned by Emil-Ro Factor. As part of the same process of rationalisation, Meliorfactor (already held 100% by Meliorbanca) was merged by absorption into Emil-Ro Factor. In preparation for the transaction that was completed at the end of June 2011, on 20 April 2011 full control of Meliorfactor was transferred by Meliorbanca to Emil-Ro Factor.

The Boards of Directors of BPER and of Banca CRV, meeting on 27 and 28 July 2010 respectively, approved the plan for the absorption of Banca CRV by BPER, its parent company.

On 10 February 2011 the subsidiary, Meliorbanca, having received all of the required approvals from the relevant authorities, completed the sale of its 100% holding in Meliorbanca Private S.p.A. to Santander Private Banking, with the transaction forming part of the initiatives aimed at the rationalisation of the BPER Group.

On 25 July 2011, as part of the plan to rationalise the BPER Group, Meliorbanca completed the sale of its 100% holding in Sistemi Parabancari S.r.l. ("**Sis.Pa.**") to Exprivia S.p.A.

As part of the process of selling the collective asset management business, the subsidiary Optima S.p.A. SGR ("**Optima**"), with the Parent Company's agreement, began negotiating exclusively with Arca SGR S.p.A. ("**Arca SGR**") for the sale of 13 harmonised open-ended mutual investment funds belonging to the Fondi Optima system. On 28 December 2011 Optima signed a final contract with Arca SGR for the sale of the Optima mutual fund business. The Extraordinary Shareholders' Meeting of Optima held on 30 April 2012 approved a change in its objects from Asset Management Company (SGR) to Brokerage Company (SIM), following the sale of the Optima-brand mutual funds to ARCA SGR S.p.A. at the end of 2012. With effect from 1 February 2013 Optima changed its name to Optima S.p.A. SIM moving its head office to Modena. On 28 September 2012, the Parent Company acquired the shares that other Group banks held in Optima, thereby achieving 100% ownership of the company.

The Parent Company, on 17 February 2012, set up BPER Trust Company S.p.A. as a wholly-owned subsidiary. The objects of the company are mainly to act as trustee for trusts established by customers, as well as to provide advice on trust matters. The company opened its doors for business in early 2013.

On 2 April 2012, BPER and Fondazione Cassa di Risparmio di Bra signed a Memorandum of Understanding to commence the process that will enable Cassa di Risparmio di Bra S.p.A. (“**CR Bra**”) to become a member of the BPER Group.

Subsequently, on 20 September 2012, BPER and Fondazione Cassa di Risparmio di Bra followed up the “Memorandum of Understanding” by signing a “share purchase/sale agreement”, which establishes the terms for acquisition of CR Bra. The agreement envisages, in particular, the purchase by BPER of the 35.98% of CR Bra that is held by the Fondazione Cassa di Risparmio di Bra.

On 7 February 2013, following receipt of the necessary approvals from the authorities, BPER and Fondazione Cassa di Risparmio di Bra completed the share sale and purchase agreement relating to the sale to BPER of 35.98% of CR Bra. Such transaction gave BPER ownership of a 67% controlling interest in the share capital of CR Bra, thus including it within the Group’s consolidation.

At the meeting on 24 April 2012, the Board of Directors of BPER approved the merger plan for “Em.Ro. popolare - società finanziaria di partecipazioni S.p.A.” to be absorbed by BPER.

At the meeting on 22 May 2012, the Board of Directors of BPER approved the merger plan for “Meliorbanca S.p.A.” to be absorbed by BPER. The merger aimed to simplify the Group structure and reduce operating costs. The operation was completed on 26 November 2012.

In March 2012, the Extraordinary Shareholders’ Meetings of Emilia Romagna Factor S.p.A., a Group company, and its wholly-owned subsidiary Emil-Ro Leasing S.p.A. approved the latter’s merger with its parent company. The merger deed was therefore signed on 26 September 2012 with legal effect from 1 October.

On 6 December 2012 BPER signed a sale agreement with IGI SGR S.p.A. for the entire share capital of the subsidiary Arca Impresa Gestioni SGR S.p.A. The sale of 100% of the share capital of Arca Impresa Gestioni SGR S.p.A. was completed on 21 March 2013.

On 11 January 2013, the Board of Directors of BPER and the Boards of Directors of CARISPAQ, BPLS and BPA approved a plan of merger by incorporation for CARISPAQ, BPLS and BPA (hereinafter the “**Merged Companies**”) into BPER.

The merger, which forms part of the activities set out in the Group’s 2012-2014 Business Plan, was designed to simplify and streamline the organizational structure and governance of the Group, and to optimise and enhance resources and reduce operating costs.

On 23 April 2013, following the approval of the extraordinary shareholders’ meetings of each of the Merged Companies held on 14 April 2013 for BPLS and on 18 April 2013, for CARISPAQ and BPA, the Board of Directors of BPER approved the merger by incorporation of the three subsidiaries.

On 15 July 2013, BPER and its subsidiary Serfina Banca S.p.A. (“**Serfina Banca**”) entered into an agreement for the purchase of the banking going concern of Serfina Banca, subject to approval of the shareholders of Serfina Banca. A shareholders’ meeting of Serfina Banca was held on 19 July 2013, and approved the sale and also the subsequent dissolution of the company pursuant to art. 2484 of the Italian Civil Code. On completion of the transaction on 30 September 2013, BPER acquired the assets and liabilities of the going concern of Serfina Banca and that company was subsequently dissolved and liquidated as it was no longer able to carry out its corporate purpose/object.

Having successfully concluded the merger of the above quoted three central Italian banks – the above quoted Merged Companies – an equally important effort was made in 2014 to implement a major project

of internal reorganisation: the absorption on 24 November 2014 of three subsidiary banks – Banca Popolare del Mezzogiorno, Banca della Campania and Banca Popolare di Ravenna – which coincided with the launch of BPER’s new distribution model on the Italian mainland, based on nine territorial divisions, in turn split into thirty territorial areas, for a total of around 800 branches.

On 4 October 2016 – having obtained the required authorizations from the competent Authorities – BPER acquired 48.98% out of the Cassa di Risparmio di Saluzzo’s share capital from the Foundation Cassa di Risparmio di Saluzzo, thus increasing its shareholding from 31.02% up to 80%. The acquisition aimed at ensuring that Cassa di Risparmio di Saluzzo S.p.A. become part of BPER Group. As of 31 December 2016 BPER ownership in Cassa di Risparmio di Saluzzo S.p.A. was equal to 100%, BPER originally set up an Irish incorporated company in 1999 to conduct its international operations: Emro Finance Ireland Ltd. In a different economic scenario on July 2016 Emro Finance Ireland Ltd has been merged with BPER.

On 6 March 1996 BPER and Banca Popolare di Ravenna set up Banca Popolare dell’Emilia Romagna (Europe) International S.A. (“**Bper (Europe) International s.a.**”), which headquarters are located in Luxembourg and business focus is on private banking, investment management and corporate banking services. BPER currently holds 100% of the share capital of Bper (Europe) International s.a. This activity of private banking and investment management is offered to an international set of individuals, to whom a wide array of specialized and tailor made services are offered, such as investment advice and discretionary portfolio management.

As part of the 2015-2017 Business Plan, it was decided that a review of the model for handling non-performing loans (“**NPL**”), was one of the Group’s strategic issues and that it would be best for the entire NPL portfolio of the BPER Group to be managed by a single unit, which meant setting up a new consortium. The new company, called BPER Credit Management s.cons.p.a., was set up on 22 December 2015 and on 24 December 2015 was registered as part of the BPER Group. The company, whose corporate purpose is “*the recovery and management of non-performing loans and any other operations designed to facilitate their disposal and/or collection*”, became operative on 1 January 2016.

Operations to strengthen capital

On 26 March 2012, BPER launched a public offer for its own subordinated debt in the form of two Lower Tier II bond issues for a nominal amount of Euro 400 million each, maturing respectively in March 2016 and May 2017. At the end of the offer period, on 5 April 2012, the Bank had received valid acceptances, which the Bank accepted in full for a total nominal amount of Euro 36,015,000 for the bond maturing in March 2016 and for Euro 139,190,000 for the one maturing in May 2017.

On 7 June 2014, the extraordinary shareholders’ meeting approved the proposal to increase the share capital on a cash basis and in various tranches, to be completed by 31 December 2014, for up to a maximum of Euro 750 million, including any share premium, through the issue of new BPER ordinary shares with a nominal value of Euro 3 each, to be offered in the form of a rights issue to those entitled to them under art. 2441 of the Italian Civil Code.

The increase in capital was fully realised on 28 July 2014.

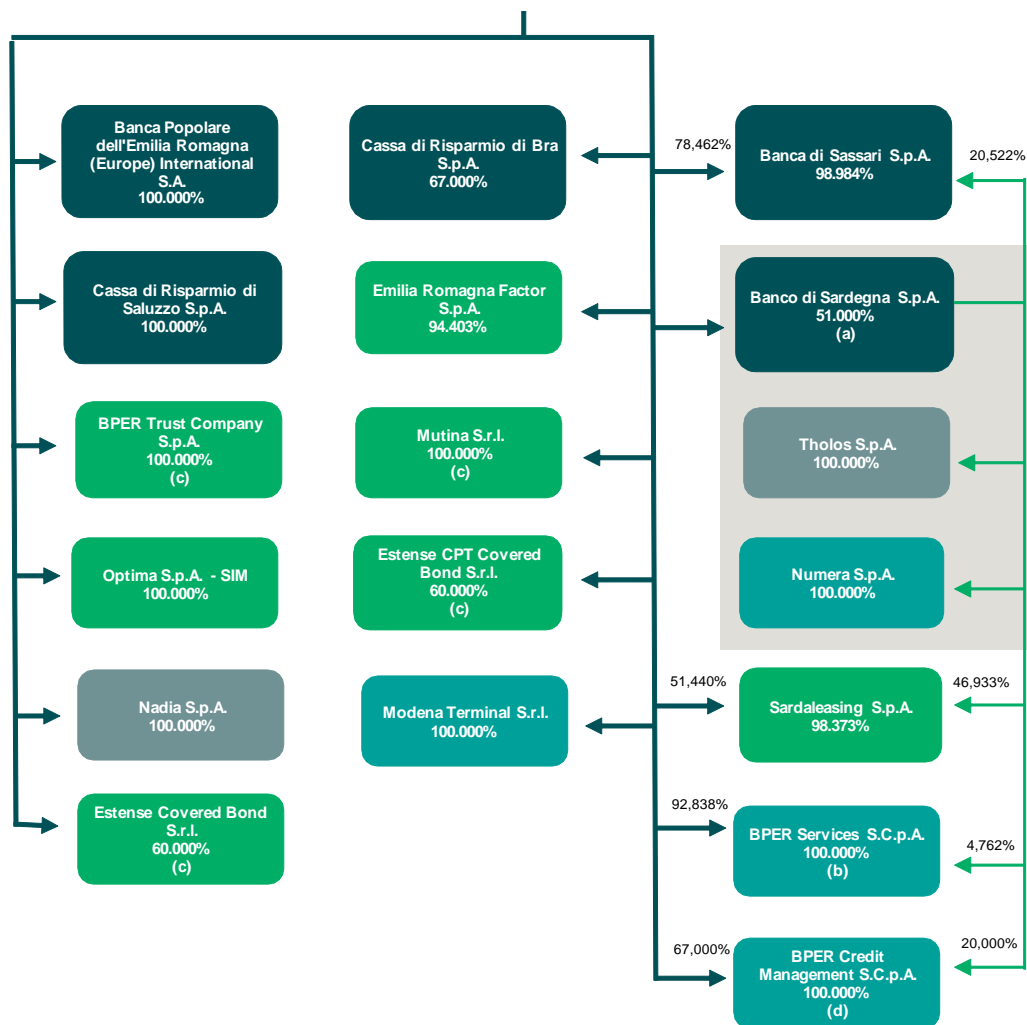
On 10 June 2015 BPER announced that the voluntary public exchange offer acceptance period on the “BPER subordinated Lower Tier II 4.75%, 2012-2018” has been concluded with a nominal value of Euro 223,920,000 acceptance. On 15 June 2015 the exchange took place and the notes tendered in acceptance has been cancelled.

At the exchange date for each note tendered in acceptance BPER issued a new subordinated bond called “BPER subordinated Tier II 4.25%, 2015-2025 callable”.

BPER Group

The BPER Group structure as at 31 December 2016 is as shown here below.

BPER: Banca



a) Equivalent to 50.669% of the entire Capital Stock consisting of ordinary, preferred and savings shares, the latter being non voting shares.

b) The following Companies also are shareholders of BPER S.C.p.A :

- Banca di Sassari S.p.A. (0.400%);
- Optima S.p.A. SIM (0.400%);
- Sardaleasing S.p.A. (0.400%);
- Cassa di Risparmio di Bra S.p.A. (0.400%);
- BPER Credit Management S.C.p.A (0.400%)
- Cassa di Risparmio di Saluzzo S.p.A (0.400%)

c) Subsidiary companies consolidated under the equity method.

d) The following Companies also are shareholders of BPER Credit Management S.C.p.A :

- Sardaleasing S.p.A. (6.000%);
- Banca di Sassari S.p.A. (3.000%);
- Cassa di Risparmio di Bra S.p.A. (2.000%);
- Emilia Romagna Factor S.p.A. (1.000%);
- Cassa di Risparmio di Saluzzo S.p.A. (1.000%);

In addition to the above members of the banking group, the scope of consolidation also includes the following subsidiaries companies which are not members of the banking group since they do not contribute directly to its activities. These companies are consolidated under the equity method:

- the Parent Company:

- Adras S.p.A. (100.000%);
- Italiana Valorizzazioni Immobiliari S.r.l. (100.000%);

- Polo Campania S.r.l. (100.000%);

- Sifà S.p.A. (35.000%);

- Nadia S.p.A.:

- Galilei Immobiliare S.r.l. (100.000%);

- Italiana Valorizzazioni Immobiliari S.r.l.:

- Costruire Mulino S.r.l. (100%);
- Frara S.r.l. (100%);

The following companies are the principal subsidiaries of BPER as at the date of this Prospectus.

Banco di Sardegna

BPER held 51 per cent of the ordinary voting shares of Banco di Sardegna S.p.A.. As at 30 June 2016, Banco di Sardegna employed 2,674 staff and had 369 branches. Banco di Sardegna S.p.A. total direct and indirect deposits amounted to Euro 14,174,522 thousand whilst net profit was Euro 63,618 thousand.

Banca di Sassari

BPER held 78.462 per cent of the ordinary voting shares of Banca di Sassari S.p.A.. As at 30 June 2016, Banca di Sassari employed 186 staff and had no branches. Banco di Sassari S.p.A. total direct deposits amounted to Euro 197.706 thousand (Banco di Sassari S.p.A. had no indirect deposit) whilst net profit was Euro 14,916 thousand.

Bper (Europe) International s.a.

BPER held 100 per cent of the share capital of Bper (Europe) International s.a.. As at 30 June 2016, Bper (Europe) International s.a. employed 18 staff and had 1 branch. Total direct and indirect deposits amounted to Euro 1,358,607 thousand whilst net profit was Euro 1,024 thousand.

Cassa di Risparmio di Bra S.p.A.

BPER held 67 per cent of the share capital of CR Bra. As at 30 June 2016, CR Bra employed 178 staff and had 28 branches. Total direct and indirect deposits amounted to 1,311,091 Euro thousand whilst net loss was Euro 880 thousand.

Cassa di Risparmio di Saluzzo S.p.A.

BPER held 100 per cent of the share capital of Cassa di Risparmio di Saluzzo S.p.A.. As at 30 June 2016 Cassa di Risparmio di Saluzzo S.p.A. was not part of the BPER Group yet.

Dependence

The Issuer is not dependent upon any other entity within the BPER Group.

Management of BPER

Board of Directors

The board of directors of BPER (the “**Board of Directors**”) is composed of 17 members (including the Chairman).

Name	Title	In office since
Luigi Odorici	Chairman	20/04/2013
Alberto Marri*	Deputy Chairman	12/04/2014
Giosué Boldrini*	Deputy Chairman	21/04/2012
Alessandro Vandelli*	Chief Executive Officer	12/04/2014
Ettore Caselli*	Director	21/04/2012
Mara Bernardini	Director	12/04/2014
Cristina Crotti	Director	12/04/2014
Pietro Ferrari*	Director	20/04/2013
Elisabetta Gualandri	Director	21/04/2012
Giovampaolo Lucifero	Director	12/04/2014
Giuseppe Lusignani	Director	12/04/2014
Roberto Marotta	Director	18/04/2015
Valeriana Maria Masperi	Director	21/04/2012

Pietro Cassani	Director	21/06/2016
Costanzo Jannotti Pecci	Director	16/04/2016
Margherita Perretti	Director	16/04/2016
Valeria Venturelli	Director	16/04/2016

* Members of the Executive Committee

General Management

Name	Title
Fabrizio Togni	General Manager
Eugenio Garavini	Deputy General Manager
Pierpio Cerfogli	Deputy General Manager
Gian Enrico Venturini	Deputy General Manager
Claudio Battistella	Deputy General Manager

The Manager responsible for preparing the Company's financial reports

Name	Title
Emilio Annovi	Manager responsible for preparing the Company's financial reports

The business address of each of the above is c/o BPER, 8/20, via S. Carlo, 41121 Modena, Italy.

The Board of Directors is required under the by-laws of BPER to meet monthly and at any other time when a meeting is convened by the Chairman or called by one third of the Directors or by the Board of Statutory Auditors.

The Board of Directors is vested with all powers for the ordinary and extraordinary administration of BPER, except those which are expressly reserved to the exclusive authority of the shareholders by Italian law or under the by-laws of BPER.

Subject to the foregoing, the Board of Directors may delegate to the executive committee, the chief executive officer and the general management such powers and duties regarding BPER's business and operations as it shall consider appropriate.

Administrative and Management bodies conflicts of interests

None of the Directors or general managers performs activities outside the BPER Group which are significant with respect to the BPER Group. Potential conflicts of interest may exist between certain Directors' duties to the Issuer and their private interests, as certain Directors are local entrepreneurs who may wish to enter into business transactions with the Issuer (i.e. borrowing loans from the Issuer). In case of such conflict of interest, pursuant to article 2391 of the Italian Civil Code, the Director must disclose any interest, personal or on behalf of a third party in a specific transaction of the Issuer to the other members of the board and to the audit committee. The Director is obliged to declare the nature, origin and conditions of his private interest. Furthermore, according to article 136 of the Italian Legislative Decree No. 385 of 1 September 1993 as amended, any person who is vested with managing/controlling powers within a bank may not assume any obligation or enter into purchase/sale agreements with such bank unless such transaction has been approved by BPER's board of directors through a resolution passed unanimously and in accordance with art. 2391 of Italian Civil Code mentioned above.

Save as noted above no potential conflicts of interest exist between the Directors' and the General Managers' duties to BPER and their private interests and/or other duties.

Board of Statutory Auditors of BPER:

Name	Title	In office since
Antonio Mele	Chairman	2015
Carlo Baldi	Auditor	2012
Francesca Sandrolini	Auditor	2015
Vincenzo Tardini	Auditor	2015
Diana Rizzo	Auditor	2015
Giorgia Butturi	Substitute Auditor	2015
Gianluca Spinelli	Substitute Auditor	2015

Rating of BPER

Set out below are the ratings assigned as at 30 September 2016.

	Issue Date	Long Term	Short Term	Outlook
International Rating Agency				
Fitch	16/05/2016	BB	B	Stable
Moody's	27/09/2016	Ba2	P-3	Negative

Each of Fitch and Moody's is established in the European Union and registered under Regulation (EU) No. 1069/2009, as amended. Each of Fitch and Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at [http://www.esma.europa.eu/page/List-registered-and-certified -CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)) in accordance with the CRA Regulation.

Overview

The BPER Group operates mainly in the traditional banking sector, such as loans and deposits and providing credit to customers who are mainly represented by households and small and medium-sized businesses, through the parent company BPER which operates throughout the country, except in Piedmont and Sardinia: the former is served by Cassa di Risparmio di Bra S.p.A. and Cassa di Risparmio di Saluzzo S.p.A., while the latter is covered by Banco di Sardegna S.p.A. and Banca di Sassari S.p.A..

Through a network of companies, the Group offers a wide range of services to its customers in Corporate and Investment banking, Private Banking and Wealth Management, as well as a series of financial products including leasing and factoring.

Net interest income comes to Euro 590.4 million, down 5.16% (Euro 622.5 million at 30 June 2015), mainly due to the level of short-term interest rates, now structurally negative, which negatively affected the performance of the total spread. Net interest income in the second quarter of the year amounts to Euro 293.6 million (Euro 296.8 million in the first quarter of 2016), slightly down by 1.1%.

In the period ended 30 June 2016, "opposite sign" interest arising from the application of negative interest rates came to Euro 6.5 million in the case of interest income relating to forms of deposits and to Euro 2.4 million in the case of interest expense relating to forms of lending.

The net profit for the six months of 2016 exceeded 65 million (Euro 81 million at 30 June 2015).

It is worthy to underline that in the financial crisis period from 2009 to 2016 (8 years) BPER has been able to produce a cumulated profit result equal to some Euro 870 million.

In a compare scheme including the most important Italian banks (IntesaSanPaolo, Unicredit, Monte dei Paschi, Banco Popolare, Banca Popolare di Milano, CaRiGe, Credito Valtellinese, Banca Popolare di Sondrio, Credito Emiliano, Banca Popolare di Vicenza and Veneto Banca) BPER ranks on the highest level in such a performance.

Customer macro-segments

Retail

The products and services developed in 2015 provided a response to the needs of the community, households and businesses. The CRM platform introduced in 2011 has made it possible to improve the methods of providing customer service, which since 2012 has also involved business customers with a new type of commercial offer.

As part of the BPER Group's investments on behalf of clients, in 2015 BPER continued to review and strengthen the BPER Group's commercial offer by rationalising existing proposals and marketing new products and services.

As part of the increasing personalisation of the BPER Group's activity to reflect the needs of each customer, there is also the definition and creation of new models of service, intended to bring the Bank's level of service into line with the requirements of each individual customer.

Private Banking & Wealth Management

The entire Private Banking & Wealth Management structure has continued the process of qualitative and quantitative development undertaken ever since it was established, as part of a broader process of improving the services rendered to all customers of the Bank. This process is based on the primary objective of improving the quality of the services on offer and the satisfaction of the real needs of its customer base. The further increase in volumes and in the number of customers served only partly reflects the degree of consent and appreciation that the structure has found on the market.

Particular emphasis was given to professional training, as the increased complexity of the market and the different needs of customers require a high level of training that can improve and preserve the quality of services offered. This is an essential condition to move with awareness and consistency with respect to the different profiles and expectations of customers, in the context of financial markets that show increasing levels of complexity and volatility.

The network of Private Banking Assistants has consolidated its use of the new "All Funds" platform, an open architecture platform that, through an internal process of selection and monitoring, allows the customer to choose the most appropriate of the Sicav sub-funds, selected from the best international players in the field of Asset Management.

With respect to non-financial advisory services, personalised forms of life insurance policies have been further refined and new cooperation agreements have been entered into with key players (in Italy and abroad) in the fields of residential property, art and the physical purchase and sale of gold in the form of ingots and coins.

"BPER Trust Company" established during 2012, enables the Group to offer professional services in the field of trusts. The company is also able to offer itself as a trustee for the BPER Group's customers' assets.

Corporate

Corporate customers have been taken care of by BPER employees visiting them and making sales proposals based on their specific needs, such as for medium to long term financial support, in certain cases linked to international projects that Italian companies have put in place to offset the decline in domestic demand. In support of these activities, we renewed partnership agreements with leading public guarantee institutions.

The proportion of medium and long-term loans backed by a guarantee from the Guarantee Fund for SMEs remained significant during the year, especially in the regions where the Bank has chosen to operate.

It's been increased the effectiveness of BPER's offer of financial products in the segments of Corporate Finance, Acquisition Finance, Project Finance (renewables, conventional energy and infrastructure) and Shipping Finance. BPER continues offering expert advice to Corporate customers of the Banking Group in the fields of Mergers and Acquisitions, Corporate and Institutional Advisory and IPOs. Lastly, in order to further strengthen the link with BPER's territory and interpret better the financial needs of businesses, BPER has confirmed a number of partnership agreements with the major regional industrial associations (Confindustria and API), both in BPER's traditional regions and in the provinces we have arrived more recently.

Statements made by the Issuer regarding its competitive position

At 30 June 2016, the Group's network consists of 1,175 branches located in 18 Italian regions, as well as a branch office in the Grand Duchy of Luxembourg, with a domestic market share of some 4.1% and consolidated total assets of Euro 62,450 million.

Within the national banking system, BPER Group's market share of loans to customers at 30 April 2016 comes to 2.58%, up on the same period in 2015, when it stood at 2.54%. There has been a rise in the Group's market share of Large Corporate loans over the twelve months (3.23% compared with 3.12% the previous year) and loans to SMEs (3.50% compared with 3.48% in April 2015); the market share of loans to households has increased slightly (to 2.15% from 2.13% at the end of April 2015).

The Group's share of deposits at the end of April 2016 was in decline compared with the same period in 2015 (2.41% versus 2.42%). The largest fall related to deposits from family businesses (down from 5.61% at the end of April 2015 to 5.33%), while deposits of households amounted to 2.21% compared to 2.22% of the previous year.

Deposits from large companies increase (to 3.65% from 3.59% at the end of April 2015).

On the Italian banking scene, the BPER Banca Group ranks sixth by total assets, deposits and loans.

Save as disclosed above, there are no other statements included in the Base Prospectus.

Geographical organisation of the BPER Group and employees

The BPER Group companies employed 11,451 persons as at 30 June 2016, with an increase of 4 since the 31 December 2015 (11,447).

The following table shows, as at 31 December 2015 and 2014, a breakdown of the BPER Group's branches.

Branches	31.12.2015	31.12.2014	Change
1. BPER Banca S.p.A.	780	816	(36)
2. Banca di Sassari s.p.a.	55	55	-
3. Banco di Sardegna s.p.a.	353	374	(21)

4. Cassa di Risparmio di Bra s.p.a.	28	28	-
Total commercial banks	1,216	1,273	(57)
5. Bper (Europe) International s.a.	1	1	-
Total	1,217	1,274	(57)

The following table shows, as at 31 December 2015 and 2014, a breakdown of the BPER Group's employees.

Employees	31.12.2015	31.12.2014	Change
1. BPER Banca S.p.A.	8,021	8,127	(106)
2. Bper (Europe) International s.a.	17	17	-
3. Banca di Sassari s.p.a.	532	542	(10)
4. Banco di Sardegna s.p.a.	2,346	2,380	(34)
5. Cassa di Risparmio di Bra s.p.a.	185	188	(3)
Total banks	11,101	11,254	(153)
Other Companies	346	339	7
Total	11,447	11,593	(146)

The following tables show, as at 30 June 2016 and as at 31 December 2015, a breakdown of the BPER Group's branches and employees.

Branches	30.06.2016	31.12.2015	Change
1. BPER Banca S.p.A.	778	780	(2)
2. Banca di Sassari s.p.a.	-	55	(55)
3. Banco di Sardegna s.p.a.	369	353	16
4. Cassa di Risparmio di Bra s.p.a.	28	28	-
Total commercial banks	1,175	1,216	(41)
5. Bper (Europe) International s.a.	1	1	-
Total	1,176	1,217	(41)

Employees	30.06.2016	31.12.2015	Change
1. BPER Banca S.p.A.	8,038	8,021	17
2. Bper (Europe) International s.a.	18	17	1
3. Banca di Sassari s.p.a.	186	532	(346)
4. Banco di Sardegna s.p.a.	2,674	2,346	328
5. Cassa di Risparmio di Bra s.p.a.	178	185	(7)
Total banks	11,094	11,101	(7)
Subsidiaries consolidated line-by-line	357	346	11

Total of balance sheet	11,451	11,447	4
Subsidiaries consolidated under the equity method	2	5	(3)
Total	11,453	11,452	1

The number of employees indicated for each bank takes account of staff seconded to other Group companies.

Overview Financial Consolidated Information of the BPER Group

The following tables set out certain consolidated balance sheet data and ratios of the BPER Group, as at 31 December 2015 and 2014.

Income statement	BPER Group consolidated figures for the year ended 31 December	
	2015	2014
	<i>(in thousands of euro)</i>	
Net Interest income	1,227,541	1,291,809
Net commission income	726,693	690,664
Net interest and other banking income	2,318,071	2,169,530
Net income from financial activities	1,580,271	1,311,311
Operating costs	(1,367,113)	(1,252,376)
Profit (loss) from current operations before tax.....	213,514	58,165
Net profit (loss)	219,232	29,781
Parent Company net income (loss).....	220,661	14,797

Balance Sheet statement	BPER Group consolidated figures for the year ended 31 December	
	2015	2014
	<i>(in thousands of euro)</i>	
Loans to customer	43,702,561	43,919,681
- of which bad loans	2,973,986	2,819,076
Net interbank lending	(4,435,679)	(4,770,260)
Financial assets.....	11,563,065	10,301,959
Total assets	61,261,231	60,652,920
Direct Customer Borrowing/Deposits	47,255,781	46,183,135
Indirect Borrowing (off-balance sheet)	30,373,936	28,197,815
- including: managed.....	14,725,981	13,004,015
- including: administered	15,647,955	15,193,800

Cash flows statement	BPER Group consolidated figures for the year ended 31 December	
	2015	2014
	<i>(in thousands of euro)</i>	
Net cash generated/absorbed by operating activities	536,670	307,292
Net cash generated/absorbed by investing activities	(586,576)	(1,092,860)
Net cash generated/absorbed by financing activities	(9,757)	748,376

**BPER Group consolidated figures for the
year ended
31 December**

Cash flows statement	2015	2014
	<i>(in thousands of euro)</i>	
Net cash generated/absorbed in the year	(59,663)	(37,192)

The following tables set out certain consolidated balance sheet data and ratios of the BPER Group as at 30 June 2016.

Income statement	BPER Group consolidated figures as at	
	30.06.2016	30.06.2015
	<i>(in thousands of euro)</i>	
Net Interest income	590,376	622,465
Net commission income	358,118	359,853
Net interest and other banking income	1,022,038	1,057,671
Net income from financial activities	749,956	749,913
Operating costs	(639,651)	(627,634)
Profit (loss) from current operations before tax	92,862	115,606
Net Profit (loss)	65,069	81,005
Parent Company net profit (loss)	64,742	73,231

Balance Sheet statement	BPER Group consolidated figures as at	
	30.06.2016	31.12.2015
	<i>(in thousands of euro)</i>	
Loans to customer	43,989,709	43,702,561
<i>of which bad loans</i>	<i>3,071,479</i>	<i>2,973,986</i>
Net interbank lending	(7,040,693)	(4,435,679)
Financial assets	13,014,161	11,563,065
Total assets	62,450,390	61,261,231
Direct Customer Borrowing	45,664,652	47,255,781
Indirect Borrowing (off-balance sheet)	31,685,001	30,373,936
<i>-including: managed</i>	<i>14,922,082</i>	<i>14,725,981</i>
<i>-including: administered</i>	<i>16,762,919</i>	<i>15,647,955</i>

Cash flows statement	BPER Group consolidated figures as at	
	30.06.2016	30.06.2015
	<i>(in thousands of euro)</i>	
Net cash generated/absorbed by operating activities	11,925	193,494
Net cash generated/absorbed by investing activities	(14,627)	(268,806)
Net cash generated/absorbed by financing activities	(48,085)	(9,757)
Net cash generated/absorbed in the year	(50,787)	(85,069)

The following table sets out certain data and ratios of BPER as at 30 June 2016, 31 December 2015 and 31 December 2014.

These data and ratios are not recognised as measures of financial performance or liquidity under IFRS. Investors should not place any undue reliance on these Non GAAP data and ratios and should not consider these measures as (a) an alternative to operating income or net income as determined in accordance with generally accepted accounting principles, or as measures of operating performance; (b) an alternative to cash flows from operating, investing or financing activities (as determined in accordance with generally accepted accounting principles), or as a measure of the BPER Group's ability to meet cash needs; or (c) an alternative to any other measures of performance under generally accepted accounting principles. These measures are not indicative of the BPER Group's historical operating results, nor are they meant to be predictive of future results. These measures are used by management to monitor the underlying performance of the business and the operations. Since all companies do not calculate these measures in an identical manner, the BPER Group's presentation may not be consistent with similar measures used by other companies. Therefore, investors should not place undue reliance on this data.

	31.12.2015	31.12.2014
Financial ratios		
Structural ratios (%)		
net loans to customers/total assets	71.34%	72.41%
net loans and advances to customers/direct deposits from customers	92.48%	95.10%
financial assets/total assets	18.88%	16.99%
fixed assets/total assets	2.21%	2.12%
goodwill/total assets	0.62%	0.63%
direct deposits/total assets	86.15%	86.83%
deposits under management/indirect deposits	48.48%	46.12%
financial assets/tangible equity ¹	2.25	2.06
total tangible assets ² /tangible equity	11.83	12.00
net interbank lending/borrowing (in thousands of Euro)	(4,435,679)	(4,770,260)
number of employees	11,447	11,593
number of national bank branches	1,216	1,273
Profitability ratios (%)		
ROE	4.57%	0.33%
ROTE	5.10%	0.37%
ROA (net profit/total assets)	0.36%	0.05%
Cost/income ratio ³	57.69%	56.89%
Net adjustments to loans and advances/net loans to customers	1.62%	1.85%
Basic EPS	0.459	0.041
Diluted EPS	0.459	0.041
Risk ratios (%)		
non-performing exposures/net loans to customers	14.54%	14.86%
net bad loans/net loans to customers	6.81%	6.42%
net unlikely to pay loans/net loans to customers	7.15%	8.00%
net past due loans/net loans to customers	0.58%	0.44%
adjustments to non-performing exposures/gross non-performing exposures	44.22%	40.66%

¹ Tangible equity = total shareholders' equity net of intangible assets.

² Total tangible assets = total assets net of intangible assets.

³ The cost/income Ratio has been calculated on the basis of the layout of the reclassified income statement (operating expenses/operating income); when calculated on the basis of the layouts provided by Circular no. 262 of the Bank of Italy the cost/income ratio is at 58.98% (57.73% at December 31, 2014).

	31.12.2015	31.12.2014
adjustments to bad loans/gross bad loans	58.16%	56.55%
adjustment to unlikely to pay loans/gross unlikely to pay loans	21.88%	18.28%
adjustments to past due loans/gross past due loans	10.02%	8.07%
adjustments to performing exposures/gross performing exposures	0.54%	0.56%

	31.12.2015	31.12.2014
Own Funds (Phased in)⁴		
Common Equity Tier 1 (CET1)	4,506,891	4,581,261
Own Funds	5,011,605	4,982,079
Risk-weighted assets (RWA)	40,101,688	40,691,550
Capital and liquidity ratios⁵		
Common Equity Tier 1 ratio (CET1 ratio) - Phased in	11.24%	11.26%
Tier 1 ratio (T1 ratio) - Phased in	11.34%	11.29%
Total Capital ratio (TC ratio) - Phased in	12.50%	12.24%
Common Equity Tier 1 ratio (CET1 ratio) - Fully Phased	11.21%	10.91%
Leverage ratio - Phased in ⁶	7.1%	7.2%
Leverage ratio - Fully Phased ⁷	6.9%	6.9%
Liquidity Coverage Ratio (LCR)	136.1%	124.6%
Net stable funding ratio (NSFR)	110.9%	115%
Non-financial ratios		
Productivity ratios (in thousands of Euro)		
direct deposits per employee	4,128.22	3,983.71
loans and advances to customers per employee	3,817.82	3,788.47
assets managed per employee	1,286.45	1,121.71
assets administered per employee	1,366.99	1,310.60
core revenues per employee ⁸	170.72	171.01
net interest and other banking income per employee	202.50	187.14
operating costs per employee	119.43	108.03

⁴ The Fully Phased Common Equity Tier 1 ("CET1") ratio, estimated in January 2019 in accordance with the new Basel 3 regulations, and the Phased in CET1 ratio have been calculated on a pro-forma basis taking into account the profit for the second half of the year allocable to equity (€ 118.6 million, corresponding to about 30 b.p.), having already included for regulatory purposes (as authorised by the ECB) the portion of net profit realised in the first half of the year (€ 54 million corresponding to approximately 13 b.p.) that could be allocated to equity.

⁵ See previous note.

⁶ The ratio is calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by the Commission Delegated Regulation (EU) 2015/62.

⁷ See previous note.

⁸ Core revenues = net interest income + net commission income.

	30.06.2016	2015 (*)
<i>Financial ratios</i>		
Structural ratios (%)		
net loans to customers/total assets	70.44%	71.34%
net loans and advances to customers/direct deposits from customers	96.33%	92.48%
financial assets/total assets	20.84%	18.88%
fixed assets/total assets	2.18%	2.21%
goodwill/total assets	0.60%	0.62%
direct deposits/total assets	86.07%	86.15%
deposits under management/indirect deposits	47.10%	48.48%
financial assets/tangible equity ⁹	2.52	2.25
Total tangible assets ¹⁰ /tangible equity	12.01	11.83
net interbank lending/borrowing (in thousands of Euro)	(7,040,693)	(4,435,679)
number of employees	11,451	11,447
number of national bank branches	1,175	1,216
Profitability ratios (%)		
ROE	2.68%	4.57%
ROTE	2.99%	5.10%
ROA (net profit/total assets)	0.10%	0.13%
Cost/income Ratio ¹¹	60.69%	57.99%
Net adjustments to loans /net loans to customers	0.63%	0.69%
Basic EPS	0.135	0.152
Diluted EPS	0.135	0.152
Risk ratios (%)		
non-performing exposures/net loans to customers	14.53%	14.54%
net bad loans/net loans to customers	6.98%	6.81%
net unlikely to pay loans/net loans to customers	7.14%	7.15%
net past due loans/net loans to customers	0.41%	0.58%
adjustments to non-performing exposures/gross non-performing exposures	45.02%	44.22%
adjustments to bad loans/gross bad loans	58.48%	58.16%
adjustment to unlikely to pay loans/gross unlikely to pay loans	22.10%	21.88%
adjustments to past due loans/gross past due loans	8.24%	10.02%
adjustments to performing exposures/gross performing exposures	0.52%	0.54%

(*) The comparative figures for the income statement are as at 30 June 2015, except that ROE (*Return On Equity*) and ROTE (*Return On Tangible Equity*) which are calculated on a yearly basis.

	30.06.2016	2015 (*)
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⁹ Tangible equity = total shareholders' equity net of intangible assets.

¹⁰ Total tangible assets = total assets net of intangible assets.

¹¹ The cost/income ratio has been calculated on the basis of the layout of the reclassified income statement (operating expenses/operating income); when calculated on the basis of the layouts provided by Circular no. 262 of the Bank of Italy the cost/income ratio is at 64.21% (60.48% at June 30, 2015).

Own Funds (Phased in)¹²		
Common Equity Tier 1 (CET1)	4,562,873	4,629,088
Own Funds	5,049,443	5,133,802
Risk-weighted assets (RWA)	31,487,601	40,101,688
Capital and liquidity ratios¹³		
Common Equity Ratio (CET1 Ratio) - Phased in	14.49%	11.54%
Tier 1 ratio (T1 Ratio) - Phased in	14.55%	11.65%
Total Capital Ratio (TC Ratio) - Phased in	16.04%	12.80%
Common Equity Ratio (CET1 Ratio) - Fully Phased pro-forma	14.13%	11.21%
Leverage ratio - Phased in ¹⁴	7.0%	7.1%
Leverage ratio - Fully Phased ¹⁵	6.9%	6.9%
Liquidity Coverage Ratio (LCR)	112.2%	136.1%
Net Stable Funding Ratio (NSFR) ¹⁶	n.a.	110.9%

Non financial ratios

Productivity ratios (in thousands of Euro)

direct deposits per employee	3,987.83	4,128.22
loans and advances to customers per employee	3,841.56	3,817.82
assets managed per employee	1,303.12	1,286.45
assets administered per employee	1,463.88	1,366.99
core revenues per employee ¹⁷	82.83	85.21
net interest and other banking income per employee	89.25	91.75
operating costs per employee	57.31	55.49

(*)The comparative figures for the income statement are as at 30 June 2015, except that ROE (*Return On Equity*) and ROTE (*Return On Tangible Equity*) which are calculated on a yearly basis.

Loans to Customers

BPER Group's loans to customers

The following table shows, as at 31 December 2015 and 31 December 2014, a breakdown of the loans of BPER Group (after provisions have been made).

Captions	(in thousands of Euro)			
	31.12.2015	31.12.2014	Change	% change
Current accounts	5,879,609	6,514,397	(634,788)	-9.74
Mortgage loans	25,082,198	24,895,887	186,311	0.75
Repurchase agreements	-	122,893	(122,893)	-100.00
Debt securities	348,521	391,870	(43,349)	-11.06
Other transactions	12,392,233	11,994,634	397,599	3.15

¹² The comparative ratios at 31 December 2015 are presented in the pro-forma version, taking into account the share of profit realized in the second half of 2015 that is allocable to equity (€ 118.6 million, equal to around 30 b.p.).

¹³ See previous note.

¹⁴ The ratio is calculated according to the provisions of Regulation (EU) 575/2013 (CRR), as amended by the Commission Delegated Regulation (EU) 2015/62.

¹⁵ See previous note.

¹⁶ The NSFR, not yet available, it is in any case estimated to exceed 100% (107.5% as at 31 March 2016, 110.9% as at 31 December 2015).

¹⁷ Core revenues = net interest income + net commission income.

(in thousands of Euro)				
Captions	31.12.2015	31.12.2014	Change	% change
Net customer loans	43,702,561	43,919,681	(217,120)	-0.49

(in thousands of Euro)				
Captions	31.12.2015	31.12.2014	Change	% change
Gross non-performing exposures	11,394,823	10,998,439	396,384	3.60
Bad loans	7,108,668	6,487,495	621,173	9.57
Unlikely to pay loans	4,002,044	4,301,749	(299,705)	-6.97
Past due loans	284,111	209,195	74,916	35.81
Gross performing exposures	37,547,932	37,603,529	(55,597)	-0.15
Total gross exposure	48,942,755	48,601,968	340,787	0.70
Adjustments non-performing exposures	5,038,988	4,471,566	567,422	12.69
Bad loans	4,134,682	3,668,419	466,263	12.71
Unlikely to pay loans	875,839	786,259	89,580	11.39
Past due loans	28,467	16,888	11,579	68.56
Adjustments to performing exposures	201,206	210,721	(9,515)	-4.52
Total adjustments	5,240,194	4,682,287	557,907	11.92
Net non-performing exposures	6,355,835	6,526,873	(171,038)	-2.62
Bad loans	2,973,986	2,819,076	154,910	5.50
Unlikely to pay loans	3,126,205	3,515,490	(389,285)	-11.07
Past due loans	255,644	192,307	63,337	32.94
Net performing exposures	37,346,726	37,392,808	(46,082)	-0.12
Total net exposure	43,702,561	43,919,681	(217,120)	-0.49

Loans to customers, net of adjustments, amount to Euro 43,702.6 million (Euro 43,919.7 million as at 31 December 2014) and are down since the start of the year (0.49%), but with a growing trend in the second half of the year. There have been reductions in current accounts by about € 634.8 million (-9.74%), leasing and factoring transactions by € 150 million (-4.28%) and debt securities by € 43.3 million (-

11.06). Repurchase agreements were almost close to zero, while mortgage loans rose by € 186.3 million (+0.75%) and other loan transactions increased by 547.6 million, (+6.45%). This last category mainly comprised “bullet” loans totalling € 2,287.4 million and advances against notes of € 2,208.2 million.

The following table shows, as at 30 June 2016 and 31 December 2015, a breakdown of the loans of BPER Group (after provisions have been made).

(in thousands of Euro)

Captions	30.06.2016	31.12.2015	Change	% Change
Current accounts	5,770,750	5,879,609	(108,859)	-1.85
Mortgage loans	25,272,091	25,082,198	189,893	0.76
Leases and factoring	3,322,011	3,352,774	(30,763)	-0.92
Debt securities	331,598	348,521	(16,923)	-4.86
Other transactions	9,293,259	9,039,459	253,800	2.81
Net loans to customers	43,989,709	43,702,561	287,148	0.66

Loans to customers, net of adjustments, amount to Euro 43,989.7 million (Euro 43,702.6 million as at 31 December 2015) and are slightly up since the start of the year (+0.66%), confirming the recovery of lending to customers that had already commenced in the last quarter of last year.

Of the various technical forms, there has been a rise in mortgage loans of Euro 189.9 million (+0.76%), in other lending transactions of Euro 253.8 million (+2.81%), including, in particular, bullet loans of Euro 2,688.4 million and advances against notes of Euro 2,021.9 million.

There have been reductions in current accounts by about Euro 108.9 million (-1.85%), leasing and factoring transactions by Euro 30.8 million (-0.92%) and debt securities by Euro 16.9 million (-4.86%).

(in thousands of Euro)

Captions	30.06.2016	31.12.2015	Change	% Change
Gross non-performing exposures	11,624,851	11,394,823	230,028	2.02
Bad loans	7,398,263	7,108,668	289,595	4.07
Unlikely to pay loans	4,030,749	4,002,044	28,705	0.72
<i>Past due</i> loans	195,839	284,111	(88,272)	-31.07
Gross performing exposures	37,796,965	37,547,932	249,033	0.66
Total gross exposure	49,421,816	48,942,755	479,061	0.98
Adjustments non-performing exposures	5,233,905	5,038,988	194,917	3.87
Bad loans	4,326,784	4,134,682	192,102	4.65
Unlikely to pay loans	890,990	875,839	15,151	1.73
<i>Past due</i> loans	16,131	28,467	(12,336)	-43.33
Adjustments to performing exposures	198,202	201,206	(3,004)	-1.49
Total adjustments	5,432,107	5,240,194	191,913	3.66
Net non-performing exposures	6,390,946	6,355,835	35,111	0.55
Bad loans	3,071,479	2,973,986	97,493	3.28
Unlikely to pay loans	3,139,759	3,126,205	13,554	0.43
<i>Past due</i> loans	179,708	255,644	(75,936)	-29.70
Net performing exposures	37,598,763	37,346,726	252,037	0.67
Total net exposure	43,989,709	43,702,561	287,148	0.66

The adjustments that relate to performing loans total Euro 198.2 million (Euro 201.2 million at 31 December 2015; -1.49%), giving a coverage ratio of 0.52% (0.54% at 31 December 2015).

Adjustments to non-performing loans amount to Euro 5,233.9 million (Euro 5,039 million at 31 December 2015; +3.87%) with a coverage ratio of 45.02% (44.22% at 31 December 2015). The total coverage ratio is 10.99% versus 10.71% at 31 December 2015. If we take into account the direct writedowns of bad loans involved in bankruptcy proceedings for Euro 1,194.5 million (Euro 1,244.7 million at 31 December 2015), the coverage ratio increases to 13.09% (12.92% at 31 December 2015). The total actual value of the claim for bad loans comes to Euro 8,592.8 million (Euro 8,353.4 million at 31 December 2015) and the effective coverage ratio comes to 64.26% (64.40% at 31 December 2015). Based on the same considerations, the effective coverage of non-performing loans amounts to 50.15% (49.71% at 31 December 2015).

BPER Group's loans and advances

(in thousands of Euro)

Loans to customers	31.12.2015		31.12.2014		% gross change	% net change	% coverage ratio
	Gross	Net	Gross	Net			
1. BPER Banca S.p.A.	37,692,717	33,885,273	37,618,793	34,276,875	0.20	-1.14	10.10
2. Bper (Europe) International s.a.	308,220	308,160	211,885	211,825	45.47	45.48	0.02
3. Banca di Sassari s.p.a.	1,420,984	1,289,223	1,391,928	1,270,186	2.09	1.50	9.27
4. Banco di Sardegna s.p.a.	7,678,493	6,674,774	7,840,175	6,890,772	-2.06	-3.13	13.07
5. Cassa di Risparmio di Bra s.p.a.	1,161,440	1,030,203	1,154,577	1,054,484	0.59	-2.30	11.30
Total banks	48,261,854	43,187,633	48,217,358	43,704,142	0.09	-1.18	10.51
6. Sardaleasin g s.p.a.	2,958,954	2,810,756	3,022,754	2,875,950	-2.11	-2.27	5.01
7. Emil-Ro Factor s.p.a.	743,192	728,552	748,145	734,140	-0.66	-0.76	1.97
Other companies and consolidation adjustments	(3,021,245)	(3,024,380)	(3,386,289)	(3,394,551)	10.78	10.90	-0.10
Total	48,942,755	43,702,561	48,601,968	43,919,681	0.70	-0.49	10.71

The non-performing loans (bad loans, unlikely to pay loans and loans past due by more than 90 days) indicated here relate solely to those exposures associated with the "Loans to customers" portfolio. Their net amount of Euro 6,355.8 million (-2.62%) is equal to 14.54% of total net loans to customers (14.86% at 31 December 2014), whereas, on a gross basis, it is equal to 23.28% (22.63% at 31 December 2014).

More specifically, net bad loans amount to Euro 2,974 million (+5.50%), net "unlikely to pay" loans come to Euro 3,126.2 million (-11.07%) and net past due loans total Euro 255.6 million (+32.94%).

The coverage ratio is significantly up and suitable for the portfolio's level of risk: the coverage ratio of total non-performing loans comes to 44.22% versus 40.66% at the end of 2014, an increase of 356 bps.

If we take into account the direct write-offs of bad loans involved in bankruptcy proceedings for Euro 1,244.7 million (Euro 1,318.4 million at 31 December 2014), the effective coverage ratio comes to 49.71% (47.01% at 31 December 2014).

(in thousands of Euro)

Loans to customers	30.06.2016		31.12.2015		% % %		
	Gross	Net	Gross	Net	Gross	Net	Coverage
1. BPER Banca S.p.A.	38,402,370	34,418,337	37,692,717	33,885,273	1.88	1.57	10.37
2. Bper (Europe) International s.a.	276,033	275,973	308,220	308,160	-10.44	-10.44	0.02
3. Banca di Sassari s.p.a.	239,926	230,511	1,420,984	1,289,223	-83.12	-82.12	3.92
4. Banco di Sardegna s.p.a.	8,778,417	7,657,331	7,678,493	6,674,774	14.32	14.72	12.77
5. Cassa di Risparmio di Bra s.p.a.	1,158,826	1,018,646	1,161,440	1,030,203	-0.23	-1.12	12.10
Total banks	48,855,572	43,600,798	48,261,854	43,187,633	1.23	0.96	10.76
6. Sardaleasing s.p.a.	3,053,924	2,895,112	2,958,954	2,810,756	3.21	3.00	5.20
7. Emil-Ro Factor s.p.a.	751,276	735,890	743,192	728,552	1.09	1.01	2.05
Other companies and consolidation adjustments	(3,238,956)	(3,242,091)	(3,021,245)	(3,024,380)	7.21	7.20	-0.10
Total	49,421,816	43,989,709	48,942,755	43,702,561	0.98	0.66	10.99

The non-performing loans (bad loans, unlikely to pay loans and loans past due by more than 90 days) indicated here relate solely to those exposures associated with the "Loans to customers" portfolio. Their net amount of Euro 6,390.9 million (+0.55%) is equal to 14.53% of total net loans to customers (14.54% at 31 December 2015), whereas, on a gross basis, it is equal to 23.52% (23.28% at 31 December 2015).

More specifically, net bad loans amount to Euro 3,071.5 million (+3.28%), net unlikely to pay loans total Euro 3,139.8 million (+0.43%) and net past due amounts total Euro 179.7 million (-29.70%).

The coverage ratio is significantly up and suitable for the portfolio's level of risk: the coverage ratio of total non-performing loans comes to 45.02% versus 44.22% at the end of 2015, an increase of 80 bps.

If we take into account the direct write-offs of bad loans involved in bankruptcy proceedings for Euro 1,194.5 million (Euro 1,244.7 million at 31 December 2015), the effective coverage ratio of non-performing loans comes to 50.15% (49.71% at 31 December 2015).

(in thousands of Euro)

Non-performing loans	30.06.2016		31.12.2015		%	%	%
	Gross	Net	Gross	Net	Gross	Net	Coverage
1. BPER Banca S.p.A.	8,116,294	4,270,091	7,952,978	4,286,724	2.05	-0.39	47.39
2. Bper (Europe) International s.a.	142	82	60	-	136.67	n.s.	42.25
3. Banca di Sassari s.p.a.	11,371	4,788	271,050	147,499	-95.80	-96.75	57.89
4. Banco di Sardegna s.p.a.	2,375,323	1,286,425	2,096,839	1,119,928	13.28	14.87	45.84
5. Cassa di Risparmio di Bra s.p.a.	321,797	186,986	300,846	174,651	6.96	7.06	41.89
Total banks	10,824,927	5,748,372	10,621,773	5,728,802	1.91	0.34	46.90
6. Sardaleasing s.p.a.	729,016	584,044	690,922	557,009	5.51	4.85	19.89
7. Emil-Ro Factor s.p.a.	18,722	9,479	30,399	21,430	-38.41	-55.77	49.37
Other companies and consolidation adjustments	52,186	49,051	51,729	48,594	0.88	0.94	6.01
Total	11,624,851	6,390,946	11,394,823	6,355,835	2.02	0.55	45.02
Direct write-downs of bad loans	1,194,541		1,244,739	-	-4.03	n.s.	100.00
Adjusted total	12,819,392	6,390,946	12,639,562	6,355,835	1.42	0.55	50.15
Net non-performing exposures/net loans to customers	23.52%	14.53%	23.28%	14.54%			

The bad loans shown here are all exposures in the "Loans to customers" portfolio. Their net amount of Euro 3,071.5 million (+3.28%) comes to 6.98% of total net loans to customers (6.81% at 31 December 2015), whereas, on a gross basis, the ratio of bad loans to total Loans to customers comes to 14.97% (14.52% at 31 December 2015).

The coverage of bad loans is 58.48%, up compared with 58.16% in December 2015.

If we take account of the direct write-offs made to bad loans involved in bankruptcy procedures for Euro 1,194.5 million (Euro 1,244.7 million at 31 December 2015), the total actual value of the claim for bad loans comes to Euro 8,592.8 million (Euro 8,353.4 million at 31 December 2015) and the effective coverage ratio is 64.26% (64.40% at 31 December 2015).

(in thousands of Euro)

Bad loans	30.06.2016		31.12.2015		%	%	%
	Gross	Net	Gross	Net	Gross change	Net change	Coverage ratio
1. BPER Banca S.p.A.	5,043,976	1,930,395	4,813,975	1,884,520	4.78	2.43	61.73
2. Bper (Europe) International s.a.	60	-	-	-	-	-	100.00
3. Banca di Sassari s.p.a.	5,910	755	184,253	76,837	-96.79	-99.02	87.23
4. Banco di Sardegna s.p.a.	1,760,377	780,263	1,550,598	666,766	13.53	17.02	55.68
5. Cassa di Risparmio di Bra s.p.a.	150,862	52,418	141,220	47,382	6.83	10.63	65.25
Total banks	6,961,185	2,763,831	6,690,046	2,675,505	4.05	3.30	60.30
6. Sardaleasing s.p.a.	420,867	299,978	401,487	289,693	4.83	3.55	28.72
7. Emil-Ro Factor s.p.a.	16,211	7,670	17,135	8,788	-5.39	-12.72	52.69
Total	7,398,263	3,071,479	7,108,668	2,973,986	4.07	3.28	58.48
Direct write-downs of bad loans	1,194,541	-	1,244,739	-	-4.03	n.s.	100.00
Adjusted total	8,592,804	3,071,479	8,353,407	2,973,986	2.87	3.28	64.26
Net bad loans/net loans to customers	14.97%	6.98%	14.52%	6.81%			

The "unlikely to pay" loans shown here are all in the "Loans to customers" portfolio. The net amount of Euro 3,139.8 million (+0.43%) represents 7.14% of total net loans to customers (7.15% at 31 December 2015), whereas, on a gross basis, the ratio of likely defaults to total Loans to customers is 8.16% (8.18% at 31 December 2015).

The coverage of likely defaults has increased since the end of 2015 to 22.10%, compared with 21.88% at 31 December 2015.

(in thousands of Euro)

Unlikely to pay loans	30.06.2016		31.12.2015		%	%	%
	Gross	Net	Gross	Net	Gross change	Net change	Coverage ratio

1. BPER Banca S.p.A.	2,959,585	2,237,902	2,940,665	2,226,296	0.64	0.52	24.38
2. Bper (Europe) International s.a.	82	82	60	-	36.67	-	-
3. Banca di Sassari s.p.a.	4,742	3,400	81,513	65,896	-94.18	-94.84	28.30
4. Banco di Sardegna s.p.a.	584,212	478,296	509,436	420,247	14.68	13.81	18.13
5. Cassa di Risparmio di Bra s.p.a.	155,706	120,681	150,130	118,779	3.71	1.60	22.49
Total banks	3,704,327	2,840,361	3,681,804	2,831,218	0.61	0.32	23.32
6. Sardaleasing s.p.a.	272,298	249,083	266,668	245,121	2.11	1.62	8.53
7. Emil-Ro Factor s.p.a.	1,938	1,264	1,843	1,272	5.15	-0.63	34.78
Other companies and consolidation adjustments	52,186	49,051	51,729	48,594	0.88	0.94	6.01
Total of balance sheet	4,030,749	3,139,759	4,002,044	3,126,205	0.72	0.43	22.10
Net unlikely to pay loans/net loans to customers	8.16%	7.14%	8.18%	7.15%			

The past due loans shown here are all in the "Loans to customers" portfolio. The net amount of Euro 179.7 million (-29.70%) represents 0.41% of total net loans to customers (0.58% at 31 December 2015), whereas, on a gross basis, the ratio of past due loans to total "Loans to customers" is 0.40% (0.58% at 31 December 2015). The coverage of past due loans is 8.24% (10.02% at 31 December 2015).

(in thousands of Euro)

Past due loans	30.06.2016		31.12.2015		%	%	%
	Gross	Net	Gross	Net	Gross change	Net change	Coverage ratio
1. BPER Banca S.p.A.	112,733	101,794	198,338	175,908	-43.16	-42.13	9.70
2. Bper (Europe) International s.a.	-	-	-	-	-	-	-
3. Banca di Sassari s.p.a.	719	633	5,284	4,766	-86.39	-86.72	11.96
4. Banco di Sardegna s.p.a.	30,734	27,866	36,805	32,915	-16.50	-15.34	9.33
5. Cassa di Risparmio di Bra s.p.a.	15,229	13,887	9,496	8,490	60.37	63.57	8.81
Total bank	159,415	144,180	249,923	222,079	-36.21	-35.08	9.56

6. Sardaleasing s.p.a.	35,851	34,983	22,767	22,195	57.47	57.62	2.42
7. Emil-Ro Factor s.p.a.	573	545	11,421	11,370	-94.98	-95.21	4.89
Total of balance sheet	195,839	179,708	284,111	255,644	-31.07	-29.70	8.24
Net past due loans/net loans to customers	0.40%	0.41%	0.58%	0.58%			

The table below shows the amount of loan disbursements to resident non-financial companies at 31 December 2015, broken down by the debtors' industry sector according to the Bank of Italy's ATECO classification.

Distribution of loans to resident non-financial businesses	31.12.2015	%	31.12.2014	% change
A. Agriculture, forestry and fishing	1,268,244	2.90	1,238,511	2.40
B. Mining and quarrying	63,715	0.15	60,066	6.07
C. Manufacturing	6,894,959	15.78	6,936,487	-0.60
D. Provision of electricity, gas, steam and air-conditioning	651,997	1.49	661,235	-1.40
E. Provision of water, sewerage, waste management and rehabilitation	290,115	0.66	299,892	-3.26
F. Construction	4,440,700	10.16	4,869,579	-8.81
G. Wholesaling and retailing, car and motorcycle repairs	5,068,843	11.60	4,902,495	3.39
H. Transport and storage	913,457	2.09	958,033	-4.65
I. Hotel and restaurants	1,601,476	3.66	1,642,828	-2.52
J. Information and communication	325,841	0.76	336,830	-3.26
K. Finance and insurance	355,027	0.81	377,878	-6.05
L. Real estate	3,287,464	7.52	3,406,966	-3.51
M. Professional, scientific and technical activities	950,754	2.18	941,473	0.99
N. Rentals, travel agencies, business support services	569,591	1.30	590,251	-3.50
O. Public administration and defence, compulsory social security	10,806	0.02	17,330	-37.65
P. Education	32,478	0.07	27,646	17.48
Q. Health and welfare	454,461	1.04	449,271	1.16
R. Arts, sport and entertainment	214,445	0.49	216,905	-1.13
S. Other services	213,596	0.49	226,773	-5.81
T. Activities of households as employers for domestic staff, production of undifferentiated goods and services for own use households	1	-	-	n.s

Distribution of loans to resident non-financial businesses	31.12.2015	%	31.12.2014	% change
U. Extraterritorial organisations and bodies	57,931	0.13	-	n.s
Total loans to resident non-financial businesses	27,665,901	63.30	28,160,449	-1.76
Loans to non-resident, non-financial businesses	134,704	0.31	128,581	4.76
Total loans to non-financial businesses	27,800,605	63.61	28,289,030	-1.73
Individuals and other not included above	10,945,800	25.05	10,529,182	3.96
Financial businesses	2,520,879	5.77	2,737,444	-7.91
Securities	348,521	0.80	391,870	-11.06
Governments and other public entities	2,072,164	4.47	1,961,973	5.62
Insurance companies	14,592	0.03	10,182	43.31
Total loans	43,702,561	100.00	43,919,681	-0.49

Considering total loans made, the sectors with the largest increases, in terms of absolute value, were agriculture, forestry and fishing, up by Euro 29.7 million (+2.40%), and wholesale and Retail commerce, up by Euro 166.3 million (+3.39%), while the sectors with the largest reductions were property, down by Euro 119.5 million (-3.51%), and construction, down by Euro 428.9 million (-8.81%).

The table below shows the amount of loan disbursements to resident non-financial companies in the first half 2016, broken down by the debtors' industry sector according to the Bank of Italy's ATECO classification.

(in thousands of Euro)

Distribution of loans to resident non-financial businesses	30.06.2016	%	31.12.2015	% Change
A. Agriculture, forestry and fishing	1,221,240	2.78	1,268,244	-3.71
B. Mining and quarrying	57,798	0.13	63,715	-9.29
C. Manufacturing	6,650,670	15.12	6,894,959	-3.54
D. Provision of electricity, gas, steam and air-conditioning	650,932	1.48	651,997	-0.16
E. Provision of water, sewerage, waste management and rehabilitation	273,109	0.62	290,115	-5.86
F. Construction	4,208,595	9.57	4,440,700	-5.23
G. Wholesaling and retailing, car and motorcycle repairs	4,982,012	11.33	5,068,843	-1.71
H. Transport and storage	912,651	2.07	913,457	-0.09
I. Hotel and restaurants	1,540,998	3.50	1,601,476	-3.78
J. Information and communication	485,844	1.10	325,841	49.10
K. Finance and insurance	312,749	0.71	355,027	-11.91
L. Real estate	3,349,978	7.62	3,287,464	1.90
M. Professional, scientific and technical activities	1,281,716	2.91	950,754	34.81
N. Rentals, travel agencies, business support services	598,798	1.36	569,591	5.13
O. Public administration and defence, compulsory social security	6,651	0.02	10,806	-38.45
P. Education	30,676	0.07	32,478	-5.55
Q. Health and welfare	480,081	1.09	454,461	5.64
R. Arts, sport and entertainment	218,091	0.50	214,445	1.70
S. Other services	210,883	0.48	213,596	-1.27
T. Activities of households as employers for domestic staff, production of undifferentiated goods and services for own use by households	1	-	1	-
U. Extraterritorial organisations and bodies	90,274	0.20	57,931	55.83
Total loans to resident non-financial businesses	27,563,747	62.66	27,665,901	-0.37

Loans to non-resident, non-financial businesses	114,946	0.26	134,704	-14.67
Total loans to non-financial businesses	27,678,693	62.92	27,800,605	-0.44
Individuals and other not included above	11,175,420	25.40	10,945,800	2.10
Financial businesses	2,583,290	5.87	2,520,879	2.48
Securities	331,598	0.75	348,521	-4.86
Governments and other public entities	2,210,125	5.03	2,072,164	6.66
Insurance companies	10,583	0.03	14,592	-27.47
Total loans	43,989,709	100.00	43,702,561	0.66

Considering total loans made, the sectors with the largest increases, in terms of absolute value, were those related to professional activities, up by Euro 331 million (+34.81%) and information and communication services, up by Euro 160 million (+49.10%), while the sectors with the largest reductions were manufacturing, down by Euro 244.3 million (-3.54%), and construction, down by Euro 232.1 million (-5.23%).

Net interbank lending

BPER Group's Net interbank position	31.12.2015	31.12.2014	(in thousands of Euro)	
			Change	% Change
A. Due from banks	1,087,313	1,709,298	(621,985)	-36.39
1. Current accounts and deposits	425,818	1,110,054	(684,236)	-61.64
2. Reverse repurchase agreements	16	31,735	(31,719)	-99.95
3. Debt securities	44,858	139,923	(95,065)	-67.94
4. Other	616,621	427,586	189,035	44.21
B. Due to banks	5,522,992	6,479,558	(956,566)	-14.76
Total (A-B)	(4,435,679)	(4,770,260)	334,581	-7.01

BPER Group's Net interbank position	30.06.2016	31.12.2015	(in thousands of Euro)	
			Change	% Change
A. Due from banks	1,045,431	1,087,313	(41,882)	-3.85
1. Current accounts and deposits	388,464	425,818	(37,354)	-8.77
2. Reverse repurchase agreements	100,826	16	100,810	--
3. Debt securities	40,251	44,858	(4,607)	-10.27
4. Other	515,890	616,621	(100,731)	-16.34
B. Due to banks	8,086,124	5,522,992	2,563,132	46.41
Total (A-B)	(7,040,693)	(4,435,679)	(2,605,014)	58.73

Counterbalancing Capacity

At 31 December 2015, the Central Treasury held significant resources relating to securities eligible for refinancing at the European Central Bank, of an overall amount, net of margin calls, of Euro 11,861 million (Euro 11,508 million at 31 December 2014). The available portion amounts to Euro 5,174 million (Euro 4,633 million at 31 December 2014).

Counterbalancing Capacity	(in millions of Euro)			
	Nominal value	Guarantee value	Restricted portion	Available portion
Eligible securities and loans		11,861	6,687	5,174
1 Securities as collateral for own and third-party commitments		543	543	
2 Securities subject to funding repurchase agreements		3,140	3,140	
3 Securities and loans not transferred to the Pooling Account		2,874	-	2,874
4 Securities and loans transferred to the Pooling Account		5,331	3,004	2,327
<i>of which:</i>				
<i>Own debt guaranteed by the Italian Government</i>		-	-	
<i>Own securitisations</i>	920	764		
<i>Guaranteed Bank Bonds issued by the Bank</i>	625	543		
<i>Collateralized Bank Assets (A.BA.CO.)</i>	1,968	1,084		

The table below sets out the same breakdown as at 30 June 2016. At 30 June 2016, the Central Treasury held significant resources relating to securities eligible for refinancing at the European Central Bank, with an overall amount, net of margin calls, of Euro 13,058 million (Euro 11,861 million at 31 December 2015). The available portion amounts to Euro 4,738 million (Euro 5,174 million at 31 December 2015).

(in millions of Euro)

Counterbalancing Capacity	Nominal value	Guarantee value	Restricted portion	Available portion
Eligible securities and loans		13,058	8,320	4,738
1 Securities as collateral for own and third-party commitments		548	548	
2 Securities subject to funding repurchase agreements		3,772	3,772	
3 Securities and loans not transferred to the Pooling Account		2,878	-	2,878
4 Securities and loans transferred to the Pooling Account		5,860	4,000	1,860
<i>of which:</i>				
<i>Own debt guaranteed by the Italian Government</i>	-	-		
<i>Own securitisations</i>	1,266	1,051		
<i>Guaranteed Bank Bonds issued by the Bank</i>	1,125	986		
<i>Collateralized Bank Assets (A.BA.CO.)</i>	1,904	1,068		

Thanks to the availability of a significant quantity of eligible assets, the BPER Group has been able to participate in the long-term refinancing operations (“LTRO”) proposed by the European Central Bank. The following table gives details of such operations with the ECB.

Refinancing transactions with the European Central Bank as at 31 December 2015

The following table gives details of such operations with the ECB. The overall reduction in the outstanding principal since 31 December 2014, Euro 375 million, reflects the following repayments and subscriptions:

- Euro 65 million, repayment of the LTRO that matured in January 2015;
- Euro 1,310 million, repayment of the LTRO that matured in February 2015;
- Euro 1,000 million, subscription in November 2015 to the LTRO with maturity in February 2016.

Refinancing transactions with the European Central Bank	(in millions of Euro)	
	Capital	Maturity
1. Long-Term Refinancing Operation (LTRO)	1,000	Feb-16
3. Targeted Long Term Refinancing Operation (T-LTRO)	2,000	Sep-18
Total	3,000	

The table below sets out the same breakdown as at 30 June 2016. The following table gives details of such operations with the ECB. The overall increase in the outstanding principal since 31 December 2015, Euro 1,000 million, reflects the following repayments and subscriptions:

- Euro 1,000 million, repayment of the LTRO that matured in February 2016;

- Euro 2,000 million, to the early payment, in June 2016, of the TLTRO I transaction maturing in September 2018;
- Euro 4,000 million, to the subscription, in June 2016, of the TLTRO-II transaction, maturing in June 2020.

(in millions of Euro)

Refinancing transactions with the European Central Bank	Capital	Maturity
1. Targeted Long Term Refinancing Operation (TLTRO-II)	4,000	Jun-20
Total	4,000	

Financial Assets

The more important consolidated accounting aggregates and captions are presented below on a comparative basis with the figures at 31 December 2014, in thousands of Euro, indicating the changes between periods in absolute and percentage terms.

Assets	(in thousands of Euro)			
	31.12.2015	31.12.2014	Change	%change
10. Cash and cash equivalents	390,371	450,766	(60,395)	-13.40
20. Financial assets held for trading	790,403	1,033,286	(242,883)	-23.51
30. Financial assets designated at fair value through profit and loss	86,639	110,249	(23,610)	-21.42
40. Financial assets available for sale	8,022,164	6,944,927	1,077,237	15.51
50. Financial assets held to maturity	2,663,859	2,213,497	450,362	20.35
60. Due from banks	1,087,313	1,709,298	(621,985)	-36.39
70. Loans to customers	43,702,561	43,919,681	(217,120)	-0.49
80. Hedging derivatives	38,182	36,744	1,438	3.91
100. Equity investments	415,200	257,660	157,540	61.14
120. Property, plant and equipment	941,121	1,028,931	(87,810)	-8.53

130. Intangible assets	515,164	498,009	17,155	3.44
of which:				
goodwill	380,395	380,416	(21)	-0.01
140. Tax assets	1,471,928	1,361,322	110,606	8.12
a) current	208,238	181,989	26,249	14.42
b)				
deferred	1,263,690	1,179,333	84,357	7.15
b1) of				
which L.	1,072,618	1,018,156	54,462	5.35
214/2011				
150. Non-current assets and disposal groups held for sale	-	2,817	(2,817)	-100.00
160. Other assets	1,136,326	1,085,733	50,593	4.66
Total assets	61,261,231	60,652,920	608,311	1.00

The more important consolidated accounting aggregates and captions are presented below on a comparative basis with the figures at 30 June 2016 and 31 December 2015, in thousands of Euro, indicating the changes between periods in absolute and percentage terms.

As already mentioned in the chapter on "Significant events and strategic transactions", on 20 May 2016 Banca di Sassari S.p.A. and Banco di Sardegna S.p.A. signed an agreement for the sale of the business unit, effective from 23 May 2016, consisting of a group of assets organised to carry on banking activities in the 55 BSS branches. This operation has had an impact on the capital ratios shown below, but note that the comparative figures have not been recalculated pro-forma. The sale value of each balance sheet aggregates is provided under the related table, where significant.

(in thousands of Euro)

Assets	30.06.2016	31.12.2015	Change	% Change
10. Cash and cash equivalents	339,844	390,371	(50,527)	-12.94
20. Financial assets held for trading	769,336	790,403	(21,067)	-2.67
30. Financial assets designated at fair value through profit and loss	83,490	86,639	(3,149)	-3.63
40. Financial assets available for sale	9,511,427	8,022,164	1,489,263	18.56
50. Financial assets held to maturity	2,649,908	2,663,859	(13,951)	-0.52
60. Due from banks	1,045,431	1,087,313	(41,882)	-3.85
70. Loans to customers	43,989,709	43,702,561	287,148	0.66
80. Hedging derivatives	72,904	38,182	34,722	90.94
100. Equity investments	430,571	415,200	15,371	3.70
120. Property, plant and equipment	931,908	941,121	(9,213)	-0.98

130. Intangible assets	503,616	515,164	(11,548)	-2.24
of which: goodwill	377,141	380,395	(3,254)	-0.86
140. Tax assets	1,446,130	1,471,928	(25,798)	-1.75
a) current	209,914	208,238	1,676	0.80
b) deferred	1,236,216	1,263,690	(27,474)	-2.17
b1) of which L. 214/2011	1,046,584	1,072,618	(26,034)	-2.43
160. Other assets	676,116	1,136,326	(460,210)	-40.50
Total assets	62,450,390	61,261,231	1,189,159	1.94

Large exposures

	(in thousands of Euro)	
	31.12.2015	31.12.2014
a) Book value	12,980,918	13,180,679
b) Weighted value	2,509,057	3,096,096
c) Number	5	7

This measurement was made on the basis of the recent updates to Circular no. 285 which regulate "large exposures".

The rules define as a "large exposure" the amount of cash assets at risk and off-balance sheet transactions of a single customer or group of related customers that come to 10% or more of admissible capital.

Note that repurchase agreements are included in the amount of risk activities. These transactions contribute to the value of the counterparty exposure for the amount of "securities to be received", while they contribute to the exposure after CRM and exemptions under art. 400 CRR only for the difference between the amount of "securities to be received" and the cash deposit received.

At the end of the year, there are 5 "large exposures" for an overall amount of € 12,980.9 million, corresponding to € 2,509.1 million after CRM and exemptions under art. 400 CRR. Of these, repurchase agreements account for € 1,860.7 million and € 23.2 million respectively.

For an amount in excess of 80% of the total, the positions shown include the Treasury Ministry, the Ministry of Economy and Finance and the Cassa di Compensazione e Garanzia for a total exposure of € 11,411.4 million, € 1,193.1 million after CRM and exemptions.

The balance consists of one of the largest domestic Banking groups (€ 505.1 million - € 450.8 million after CRM and exemptions) and an associated company.

The table below sets out the same breakdown as at 30 June 2016.

Large exposures	30.06.2016	31.12.2015
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a) Book value	14,965,774	12,980,918
b) Weighted value	2,782,415	2,509,057
c) Number	8	5

At 30 June 2016, there are eight "large exposures" for an overall amount of € 14,966 million, corresponding to € 2,782 million after CRM and exemptions under art. 400 CRR. Of these, repurchase agreements account for € 3,785 million and € 144 million respectively.

For an amount in excess of 70% of the total, the positions shown include the Treasury Ministry, the Ministry of Economy and Finance and the Cassa di Compensazione e Garanzia for a total exposure of € 11,237 million, € 1,064 million after CRM and exemptions.

Funding

The following table shows the BPER Group's borrowing breakdown.

Captions	(in thousands of Euro)			
	31.12.2015	31.12.2014	Change	% change
Current accounts and demand deposits	29,018,832	27,487,204	1,531,628	5.57
Restricted deposits	2,423,865	2,968,817	(544,952)	-18.36
Repurchase agreements	1,862,690	1,062,767	799,923	75.27
Other short-term loans	2,582,271	2,445,471	136,800	5.59
Bonds	7,819,099	8,319,682	(500,583)	-6.02
- subscribed by institutional customers	2,737,105	1,248,417	1,488,688	119.25
- subscribed by ordinary customers	5,081,994	7,071,265	(1,989,271)	-28.13
Certificates of deposit	3,549,024	3,899,194	(350,170)	-8.98
Direct customer deposits	47,255,781	46,183,135	1,072,646	2.32
Indirect deposits (off-balance sheet figure)	30,373,936	28,197,815	2,176,121	7.72
- of which managed	14,725,981	13,004,015	1,721,966	13.24
- of which administered	15,647,955	15,193,800	454,155	2.99
Customer funds under management	77,629,717	74,380,950	3,248,767	4.37
Bank borrowing	5,522,992	6,479,558	(956,566)	-14.76
Funds under administration or management	83,152,709	80,860,508	2,292,201	2.83

Direct borrowing from customers, Euro 47,255.8 million, is up by 2.32% compared with 31 December 2014; restricted deposits have fallen by Euro 545 million (-18.36%), bonds are down by Euro 500.6 million (-6.02%) and certificates of deposit by Euro 350.2 million (-8.98%), while repurchase agreements are up by Euro 799.9 million (+75.27%) and current accounts by Euro 1,531.6 million (+5.57%). As regards the bond sector, it should be noted that there was a decline in bonds placed with ordinary customers of Euro 1,989.3 million, largely offset by bonds placed with institutional investors (+1,488.7 million).

Indirect customer deposits, marked to market, come to Euro 30,373.9 million, up on 31 December 2014 (+7.72%).

The total nominal value of indirect deposits of Euro 23,790.2 million has increased by 12.32% since 31 December 2014.

Total funds administered or managed by the Group, including deposits from banks (Euro 5,523 million) amount to Euro 83,152.7 million, an increase of 2.83% compared with 31 December 2014.

(in thousands of Euro)				
Direct deposits	31.12.2015	31.12.2014	Change	% change
1. BPER Banca S.p.A.	34,771,735	34,347,737	423,998	1.23
2. Bper (Europe) International s.a.	776,556	578,532	198,024	34.23
3. Banca di Sassari s.p.a.	1,489,234	1,407,685	81,549	5.79
4. Banco di Sardegna s.p.a.	9,715,406	9,239,256	476,150	5.15
5. Cassa di Risparmio di Bra s.p.a.	1,007,210	1,077,613	(70,403)	-6.53
Total banks	47,760,141	46,650,823	1,109,318	2.38
Other companies and consolidation adjustments	(504,360)	(467,688)	(36,672)	7.84
Total	47,255,781	46,183,135	1,072,646	2.32

Direct deposits include subordinated liabilities:

(in thousands of Euro)				
Captions	31.12.2015	31.12.2014	Change	% change
Non-convertible subordinated liabilities	903,882	1,291,794	(387,912)	-30.03
Total subordinated liabilities	903,882	1,291,794	(387,912)	-30.03

The reduction reflects the payment of instalments on loans issued by the Parent Company.

There are no convertible subordinated liabilities at 31 December 2015 (as in 2014).

(in thousands of Euro)				
Indirect deposits	31.12.2015	31.12.2014	Change	% change
1. BPER Banca S.p.A.	26,817,664	25,229,874	1,587,790	6.29
2. Bper (Europe) International s.a.	497,037	515,956	(18,919)	-3.67

3. Banca di Sassari s.p.a.	365,034	357,795	7,239	2.02
4. Banco di Sardegna s.p.a.	2,997,486	2,914,531	82,955	2.85
5. Cassa di Risparmio di Bra s.p.a.	397,441	488,347	(90,906)	-18.62
Total banks	31,074,662	29,506,503	1,568,159	5.31
Other companies and consolidation adjustments	(700,726)	(1,308,688)	607,962	-46.46
Total	30,373,936	28,197,815	2,176,121	7.72

The table below sets out the same breakdown as at 30 June 2016.

(in thousands of Euro)

Captions	30.06.2016	31.12.2015	Change	% Change
Current accounts and demand deposits	29,212,606	29,018,832	193,774	0.67
Restricted deposits	2,076,746	2,423,865	(347,119)	-14.32
Repurchase agreements	2,028,526	1,862,690	165,836	8.90
Other short-term loans	2,636,620	2,582,271	54,349	2.10
Bonds	6,572,374	7,719,107	(1,146,733)	-14.86
- subscribed by institutional customers	2,714,066	2,737,105	(23,039)	-0.84
- subscribed by ordinary customers	3,858,308	4,982,002	(1,123,694)	-22.56
Certificates	100,275	99,992	283	0.28
Certificates of deposit	3,037,505	3,549,024	(511,519)	-14.41
Direct customer deposits	45,664,652	47,255,781	(1,591,129)	-3.37
Indirect deposits (off-balance sheet figure)	31,685,001	30,373,936	1,311,065	4.32
- of which managed	14,922,082	14,725,981	196,101	1.33
- of which administered	16,762,919	15,647,955	1,114,964	7.13
Customer funds under management	77,349,653	77,629,717	(280,064)	-0.36
Bank borrowing	8,086,124	5,522,992	2,563,132	46.41
Funds under administration or management	85,435,777	83,152,709	2,283,068	2.75

Direct of Euro 45,664.7 million show a decrease of 3.37% with respect to 31 December 2015. The captions showing decreases are: bonds, down by Euro 1,146.7 million (-14.86%), restricted deposits, down by Euro 347 million (-14.32%) and certificates of deposit by Euro 511.5 million (-14.41%), while repurchase agreements are up by Euro 165.8 million (+8.90%) and current accounts by Euro 193.8 million (+0.67%).

Indirect customer deposits, marked to market, come to Euro 31,685 million, up on 31 December 2015 (+4.32%).

The total nominal value of indirect deposits of Euro 24,647.3 million has increased by 3.60% since 31 December 2015.

Total funds administered or managed by the Group, including deposits from banks (Euro 8,086.1 million) amount to Euro 85,435.8 million, an increase of 2.75% compared with 31 December 2015.

(in thousands of Euro)

Direct deposits	30.06.2016	31.12.2015	Change	% Change
1. BPER Banca S.p.A.	33,441,965	34,771,735	(1,329,770)	-3.82
2. Bper (Europe) International s.a.	893,775	776,556	117,219	15.09
3. Banca di Sassari s.p.a.	197,706	1,489,234	(1,291,528)	-86.72
4. Banco di Sardegna s.p.a.	10,693,686	9,715,406	978,280	10.07
5. Cassa di Risparmio di Bra s.p.a.	925,276	1,007,210	(81,934)	-8.13
Total banks	46,152,408	47,760,141	(1,607,733)	-3.37
Other companies and consolidation adjustments	(487,756)	(504,360)	16,604	-3.29
Total	45,664,652	47,255,781	(1,591,129)	-3.37

Direct deposits include subordinated liabilities:

(in thousands of Euro)

Captions	30.06.2016	31.12.2015	Change	% Change
Non-convertible subordinated liabilities	654,743	903,882	(249,139)	-27.56
Total subordinated liabilities	654,743	903,882	(249,139)	-27.56

The reduction reflects the payment of instalments on loans issued by the Parent Company that fell due on 31 December 2015 and were settled by ICBPI on 4 January 2016, as well as partial redemption of the BPER loan 4.75% 2011-2017.

There are no convertible subordinated liabilities at 30 June 2016 (as at 31 December 2015).

(in thousands of Euro)

Indirect deposits	30.06.2016	31.12.2015	Change	% Change
1. BPER Banca S.p.A.	28,379,234	26,817,664	1,561,570	5.82
2. Bper (Europe) International s.a.	464,832	497,037	(32,205)	-6.48
3. Banca di Sassari s.p.a.	-	365,034	(365,034)	-100.00
4. Banco di Sardegna s.p.a.	3,480,836	2,997,486	483,350	16.13
5. Cassa di Risparmio di Bra s.p.a.	385,815	397,441	(11,626)	-2.93
Total banks	32,710,717	31,074,662	1,636,055	5.26
Other companies and consolidation adjustments	(1,025,716)	(700,726)	(324,990)	46.38
Total	31,685,001	30,373,936	1,311,065	4.32

Capital Adequacy

The harmonised rules for banks and investment companies contained in Regulation (EU) 575/2013 (CRR) and in the 2013/36/EU Directive (CRD IV) approved on 26 June 2013 and published in the Official Journal of the European Union the next day, entered into force on 1 January 2014. This was followed by various other regulations that updated the CRR.

This regulatory framework, which is the only set of rules that seeks to harmonise prudential regulations of the Member States of the European Community, was made applicable in Italy by the Bank of Italy's Circular no. 285, published on 17 December 2013 and subsequent updates.

From 30 June 2015 the accounting scope of consolidation is aligned with that required for prudential reporting purposes: companies excluded are treated in the same way as the banks and companies subject to significant influence and measured using the equity method.

On 24 June 2016 the European Central Bank authorised the BPER Banca Group to adopt internal models (IRB Advanced Approach) for measuring capital requirements for customer credit risk within the activity classes which have exposures to companies and to Retail businesses. The first model validation scope includes BPER Banca, Banco di Sardegna s.p.a. and Banca di Sassari s.p.a; Cassa di Risparmio di Bra S.p.A. and Sardaleasing S.p.A. are formally included in the roll-out plan and will adopt the IRB Approach as scheduled in the plan.

The other Group companies and asset classes not included in the roll-out plan will continue to use the Standardised Approach.

The use of internal models has had a significant positive impact on our capital ratios, which can be put at around 3 percentage points of CET1. It has also permitted a substantial increase in the capital buffer over and above the ECB's minimum requirement at the time of the Supervisory Review and Evaluation Process (SREP) (9.25%). It can be quantified at Euro 1,650 million (around 524 bps of CET1 under the transitional arrangements (Phased in), and at Euro 1,536.6 million (around 488 bps) under the definitive arrangements (Fully Phased).

Note that the amount of capital has been calculated taking into account the profit for the first half of the year, for the portion that is allocable to equity, namely Euro 45.5 million (corresponding to around 11

bps). For this purpose, pursuant to art. 3 of Decision (EU) 656/2015 of the European Central Bank of 4 February 2015 and as required by art. 26 para. 2 of Regulation (EU) 575/2013 (CRR), BPER Banca will send a special communication to the ECB (documentation required by arts. 4 and 5 of the said Decision, including certification by the Independent Auditors).

The following table shows the BPER Banca Group's capital ratios and the minimum capital adequacy requirements for regulatory purposes as at 30 June 2016, also with the figures calculated using the standardised approach to give full disclosure of the effects of using internal models to estimate credit risk.

(in millions of Euro)

	30.06.2016 AIRB	30.06.2016 standard	31.12.2015 pro-forma	Change	% Change
Common Equity Tier 1 capital- CET1	4,562,873	4,626,810	4,629,088	(66,215)	-1.43
Additional Tier 1 capital – AT1	18,298	40,660	42,063	(23,765)	-56.50
Tier 1 capital - Tier 1	4,581,171	4,667,470	4,671,151	(89,980)	-1.93
Tier 2 capital - Tier 2 - T2	468,272	411,861	462,651	5,621	1.21
Total Own Funds	5,049,443	5,079,331	5,133,802	(84,359)	-1.64
Total Risk-weighted assets (RWA)	31,487,601	40,224,742	40,101,688	(8,614,087)	-21.48
CET1 ratio (CET1/RWA)	14.49%	11.50%	11.54%	295 b.p.	
Tier 1 ratio (Tier 1/RWA)	14.55%	11.60%	11.65%	290 b.p.	
Total Capital Ratio (Total Own Funds/RWA)	16.04%	12.63%	12.80%	324 b.p.	
RWA/Total assets	50.42%	64.41%	65.46%	-1504 b.p.	

The ratios at 30 June 2016 have been calculated taking into account the AIRB validation and the share of profit realised during the half-year, which came to:

- Common Equity Tier 1 ratio (Phased in) of 14.49% (11.55% at 31 March 2016 and 11.54% at 31 December 2015). This ratio calculated on a Fully Phased basis comes to 14.13% (11.48% at 31 March 2016 and 11.21% at 31 December 2015);
- Tier 1 ratio (Phased in) of 14.55%, (11.65% at 31 March 2016 and at 31 December 2015);
- Total Capital Ratio (Phased In) of 16.04% (12.73% at 31 March 2016 and 12.80% at 31 December 2015).

The comparative ratios at 31 March 2016 and 31 December 2015 are presented pro-forma, taking into account the share of profit allocable to equity realised respectively in the first quarter of 2016 (Euro 22 million, equal to 6 bps) and in the second quarter 2015 (Euro 118.6 million, equal to 30 bps.).

The capital ratios are all much higher than the minimum levels required by the regulations (at 30 June 2016 equal to 7%, 8.50% and 10.50% respectively). The CET1 ratio is also well above the specific

obligations for additional Own Funds imposed by the ECB in the year as part of the 2015 SREP process, set at 9.25%.

Note that the BPER Banca Group uses different methods for calculating risk-weighted assets, which are summarised below:

- credit risk - for Group entities represented by BPER Banca, BDS and BSS, the credit risk measurement is performed using the AIRB method. For banks and other companies that are not in the scope of validation and for other risk assets not included in the validated models, the standardized approach has been maintained;
- credit down-rating risk - the standardized approach is used;
- market risk - the standardized approach is used for assessing market risk (general and specific risk on equities, general risk on debt securities and positioning risk for units in investment funds) to determine the related individual and consolidated capital requirement;
- operational risk - operational risk measurement uses the standardized approach (TSA).

Economic Performance

The table below sets out the consolidated income statement as at 31 December 2015 compared with 31 December 2014.

Captions	(in thousands of Euro)			
	31.12.2015	31.12.2014	Change	%change
10. Interest and similar income	1,648,399	1,908,288	(259,889)	-13.62
20. Interest and similar expense	(420,858)	(616,479)	195,621	-31.73
30. Net interest income	1,227,541	1,291,809	(64,268)	-4.98
40. Commission income	762,474	739,119	23,355	3.16
50. Commission expense	(35,781)	(48,455)	12,674	-26.16
60. Net commission income	726,693	690,664	36,029	5.22
70. Dividends and similar income	15,953	19,392	(3,439)	-17.73
80. Net trading income	32,831	16,533	16,298	98.58
90. Net hedging gains (losses)	(889)	1,074	(1,963)	-182.77
100. Gains/losses on disposal or repurchase of:	315,466	164,299	151,167	92.01
a) loans	4,023	(29,959)	33,982	-113.43
b) financial assets available for sale	313,171	194,546	118,625	60.98
c) financial assets	221	-	221	n.s.

held to maturity				
d) financial liabilities	(1,949)	(288)	(1,661)	576.74
110. Net results on financial assets and liabilities designated at fair value	476	(14,241)	14,717	-103.34
120. Net interest and other banking income	2,318,071	2,169,530	148,541	6.85
130. Net impairment adjustments to:	(737,800)	(858,219)	120,419	-14.03
a) loans	(705,799)	(812,734)	106,935	-13.16
b) financial assets available for sale	(27,343)	(40,347)	13,004	-32.23
d) other financial assets	(4,658)	(5,138)	480	-9.34
140. Net profit from financial activities	1,580,271	1,311,311	268,960	20.51
180. Administrative costs:	(1,410,531)	(1,316,476)	(94,055)	7.14
a) payroll	(825,053)	(786,687)	(38,366)	4.88
b) other administrative costs	(585,478)	(529,789)	(55,689)	10.51
190. Net provision for risks and charges	(52,137)	(38,782)	(13,355)	34.44
200. Net adjustments to property, plant and equipment	(48,336)	(43,765)	(4,571)	10.44
210. Net adjustments to intangible assets	(31,913)	(26,621)	(5,292)	19.88
220. Other operating charges/income	175,804	173,268	2,536	1.46
230. Operating costs	(1,367,113)	(1,252,376)	(114,737)	9.16
240. Profit (loss) from equity investments	97	(837)	934	-111.59
270. Gains (losses) on disposal of investments	259	67	192	286.57
280. Profit (loss) from current	213,514	58,165	155,349	267.08

operations before tax				
290. Income taxes on current operations for the period	5,718	(28,384)	34,102	-120.15
300. Profit (loss) from current operations after tax	219,232	29,781	189,451	636.15
320. Net profit (loss) for the period	219,232	29,781	189,451	636.15
330. Net profit (loss) pertaining to minority interests	1,429	(14,984)	16,413	-109.54
340. Profit (loss) for the period pertaining to the Parent Company	220,661	14,797	205,864	--

The table below sets out the consolidated income statement as at 30 June 2016 compared with 30 June 2015.

(in thousands of Euro)

Captions	30.06.2016	30.06.2015	Change	% Change
10. Interest and similar income	758,133	846,488	(88,355)	-10.44
20. Interest and similar expense	(167,757)	(224,023)	56,266	-25.12
30. Net interest income	590,376	622,465	(32,089)	-5.16
40. Commission income	374,375	377,393	(3,018)	-0.80
50. Commission expense	(16,257)	(17,540)	1,283	-7.31
60. Net commission income	358,118	359,853	(1,735)	-0.48
70. Dividends and similar income	8,818	13,832	(5,014)	-36.25
80. Net trading income	(29,757)	14,404	(44,161)	-306.59
90. Net hedging gains (losses)	38	(165)	203	-123.03
100. Gains/losses on disposal or repurchase of:	92,475	44,320	48,155	108.65
a) loans	1,034	4,405	(3,371)	-76.53
b) financial assets available for sale	92,447	40,578	51,869	127.83

c) financial assets held to maturity	-	208	(208)	-100.00
d) financial liabilities	(1,006)	(871)	(135)	15.50
110. Net results on financial assets and liabilities designated at fair value	1,970	2,962	(992)	-33.49
120. Net interest and other banking income	1,022,038	1,057,671	(35,633)	-3.37
130. Net impairment adjustments to:	(272,082)	(307,758)	35,676	-11.59
a) loans	(276,102)	(297,741)	21,639	-7.27
b) financial assets available for sale	(7,202)	(8,899)	1,697	-19.07
d) other financial assets	11,222	(1,118)	12,340	-
140. Net profit from financial activities	749,956	749,913	43	0.01
180. Administrative costs:	(687,830)	(655,844)	(31,986)	4.88
a) payroll	(398,241)	(396,205)	(2,036)	0.51
b) other administrative costs	(289,589)	(259,639)	(29,950)	11.54
190. Net provision for risks and charges	(22,125)	(36,785)	14,660	-39.85
200. Net adjustments to property, plant and equipment	(21,087)	(19,115)	(1,972)	10.32
210. Net adjustments to intangible assets	(16,440)	(15,302)	(1,138)	7.44
220. Other operating charges/income	91,272	87,339	3,933	4.50
230. Operating costs	(656,210)	(639,707)	(16,503)	2.58
240. Profit (Loss) from equity investments	2,737	5,384	(2,647)	-49.16
260. Adjustments to goodwill	(3,254)	-	(3,254)	n.s.
270. Gains (Losses) on disposal of investments	(367)	16	(383)	-
280. Profit (Loss) from current operations before tax	92,862	115,606	(22,744)	-19.67
290. Income taxes on current operations for the period	(27,793)	(34,601)	6,808	-19.68
300. Profit (Loss) from current operations after tax	65,069	81,005	(15,936)	-19.67
320. Net profit (loss) for the period	65,069	81,005	(15,936)	-19.67
330. Net profit (loss) for the period pertaining to minority interests	(327)	(7,774)	7,447	-95.79
340. Profit (Loss) for the period pertaining to the Parent Company	64,742	73,231	(8,489)	-11.59

Risk Management

The BPER Group defines the risk assumption and governance policies by issuing guidelines approved by the Parent Company's Board of Directors, that are applicable to all organisational units of the Parent Company and other Group companies; these regulate the management and control process, which is designed to cope with the risks to which they are exposed, as well as the roles of the bodies and functions involved.

The risk governance model is a series of corporate governance procedures and management and control mechanisms designed to handle the risks to which the BPER Banca Group is exposed. It forms part of the more general framework of the Group Internal Control system (governed by the "*Guidelines for the Group Internal Control system*", in line with Circular no. 285 of the Bank of Italy of 17 December 2013 – Supervisory instructions for banks), which seeks to ensure management based on efficiency, effectiveness, fairness and consistency with the strategies and declared risk appetite of the Group.

The risk governance model, designed to reflect the relevant legislation, is based on the following principles

- **pervasiveness:** the Group assigns a fundamental role in the management and control of risk to the Corporate Bodies of the Parent Company and of Group Companies. In particular, the Parent Company exercises a role of guidance and coordination in the design and implementation of the Group's risk governance model;
- **proportionality:** in applying the rules, depending on the size and operational characteristics of the unit concerned, the Group has established an organisational solution that reflects the parent company centralised approach with the aim of making the introduction of the risk governance model more efficient and effective. As regards the specific characteristics of individual Group companies, there is provision for the identification of Contacts who report from a functional point of view to the relevant people at the Parent Company;
- **appropriateness:** the Group has identified a plan that allows for the introduction of progressively more advanced methodologies and tools for measuring and evaluating risks.

In line with the relevant regulations, the Corporate Bodies have a central role in the process of risk governance, providing for certain responsibilities with regard to the design, implementation, evaluation and external communication, as part of the development of the Group's system of internal controls.

The Parent Company's Board of Directors therefore performs the strategic supervision function at Group level, intervening in all phases envisaged by the model and, by issuing strategic directives, involving the Boards of Directors of the individual Group Banks and Companies for the activities that are their responsibility, i.e.:

- it grants powers to the Chief Executive Officer to implement the strategic guidelines, Risk Appetite Framework and risk governance policies established by the Board at the time that the Group's internal control system was designed;
- it receives, either directly or through the Chief Executive Officer, the information flows it needs to ensure the compliance and adequacy of the internal control system during the periodic assessments.

The various bodies of the Parent Company with delegated powers (i.e. the Executive Committee, Chief Executive Officer and Executive Board, in other words those with appropriate powers to carry on the

functions of day-to-day management) perform the management function in all stages of the model. Added to these are the delegated bodies of the individual Companies that ensure implementation of management's strategies and policies at their own level.

The Parent Company's Board of Statutory Auditors performs the control function in the evaluation stage, assisted by the statutory auditors of the individual Companies that monitor the compliance of their specific systems of risk management and control.

Risk governance is also assisted by the articulated and consolidated system of Group Committees, which meet on a regular basis (also expanded to include the General Management of Group Banks), monitoring of the overall risk profile of the Group and contributing, together with the Parent Company's Board of Directors, to the definition of the risk management policies.

The following tasks are generally assigned to the Committees:

- to communicate and share information on changes in the Group's risk profile;
- to implement the function of guidance and coordination entrusted to the Parent Company;
- to support the competent Corporate Bodies in the area of risk management;
- to identify and propose strategic guidelines and policies for the management of Group risk.

In particular, the Risks Committee, a body with consultative powers, assists the Chief Executive Officer in the activities related to the management and control of risks pursuing the preservation of the corporate value of the Group, in the definition of guidelines and policies on the Group's risk appetite, in determining the policies for accepting, managing and mitigating risks (risk governance), in the process of capital adequacy of the Group, in the preparation of management reporting on risks and development and monitoring of the system of operating limits.

The Risks Committee is also responsible for the examination of methodologies, tools, reporting and internal regulations attributable to the Risk Control, Compliance, Anti-Money Laundering and Validation functions and to the Manager responsible for preparing the Company's financial reports.

Risk management also actively involves the Capital Management function, particularly as regards capital planning to cover overall internal capital, as defined in the Internal Capital Adequacy Assessment Process (ICAAP), as well as the evaluation of the capital resources required for the development of strategic transactions and business evolution.

Decentralised at the individual Group companies there are people who act as "Contacts" for all of the second level control functions, for the following purposes:

- overseeing operations in line with the Parent Company's duties of guidance and coordination, taking into account specific local aspects and the type of business carried on by individual Group companies;
- ensuring effective operational links between the Parent Company and each Group company.

As regards the identification of risks that could have significant negative impacts on the Group's capital base and earnings, the Group risk map illustrates the Group's position relative to Pillar 1 and Pillar 2 risks, in a current and future perspective, and is defined and developed as a structured process on a centralised basis by the Parent Company, with the involvement of the individual Group companies.

As regards the risk governance and control process, through the organisational units of the Group Risk Management Department (for measurable risks and those that are non-measurable but not allocated to other functions to control), the Group has laid down specific risk policies that explain:

- the governance model in terms of roles and responsibilities of the persons involved in risk governance and control;

- processes and metrics for measuring/evaluating, managing and controlling risk;
- a system of delegated powers and operational limits/monitoring thresholds designed to contain risk.

The policies therefore enable the strategic decisions taken with regard to the governance of risks to be translated into operational decisions about such risks, consistent with the Group's risk appetite.

With respect to reporting, the Group has prepared an organic set of periodic reports to ensure the provision of adequate information to the Corporate Bodies of the Parent Company and the Group Banks about their risk exposure. The analyses contained in these reports are discussed in the various committees and are the basis of the assessment of capital adequacy, subsequently brought to the attention of Parent Company's Board of Directors.

With regard to credit risk, the measurements made by the internal rating system are used for management reporting purposes; in particular:

- on a quarterly basis we elaborate the Credit Risk Book, which is the basic information support for the Risk Committee and contains detailed reports at a consolidated and individual company level;
- a summary report is prepared on a monthly basis, including the monitoring of supervisory thresholds set for credit risk;
- a network reporting tool is available, characterised by different views of the loan portfolio, with different levels of aggregation (branch, Regional Division, General Management, Bank and Group) and hierarchical visibility cones.

Important activities in the first half of 2016 concerning the Basel 2 project included the following:

- start-up of the following projects:
 - adjustment of credit risk models for *IFRS 9 – Impairment*;
 - development of rating models for the *Banks* and *Confidi* segments;
 - development of rating models for the *Holding companies* and *Financial businesses* segments;
 - Development of a model for estimating the EAD for Corporate counterparties and updating of the EAD model for Retail counterparties, with an expansion of the historical series;
- evolution of the way in which rating models are developed.

Advanced methodologies (AIRB) based on internal ratings have long been used as part of the process of defining capital adequacy (ICAAP).

For regulatory purposes, the BPER Banca Group continued to apply the standardised approach for the measurement of credit risk with reference to the first quarter 2016 using, for commercial banks, the external ratings provided by ECAIs (external agencies for the assessment of creditworthiness) recognized by the Supervisory Authority; in particular, the Group used the Cerved Rating for "Exposures to companies," the DBRS Rating for "Exposures to central administrations or central banks", the Fitch Rating for "Financial Instruments" lodged in guarantee and "Exposures to UCITS" and Fitch, Standard & Poor's and Moody's ratings for "Exposures to securitisation".

Following the ECB's authorisation in June 2016 to use internal models for measuring capital requirements for credit risk, starting from the June 2016 Regulatory Reports, the BPER Banca Group began using AIRB methods for the banks included in the scope of the first validation (BPER Banca, Banco di Sardegna s.p.a. and Banca di Sassari s.p.a.) for the following asset classes:

- “Exposures to retail businesses”;

- “Exposure to companies”.

The other Group companies and asset classes for which Permanent Partial Use (PPU) is not required or which are not included in the roll-out plan, the BPER Banca Group will continue to use the Standardised Approach and the external ratings supplied by the ECAIs mentioned above.

For the management of financial risk, plans are in place for an analytical reporting system. Guidance on management policies for market risk (VaR - Value at Risk), interest rate risk (ALM) and liquidity risk (operational and structural) is provided by the ALCO and Finance Committee and the Liquidity Committee.

As regards the governance of operational risk, starting from the supervisory reports at 31 December 2013, the BPER Banca Group adopted the Traditional Standardised Approach (TSA) to calculate the capital requirement for operational risk.

The model of operational risk governance and management adopted by the BPER Banca Group, designed to identify, assess, monitor, mitigate and report operational risks to the appropriate hierarchical levels, is formalised in specific internal rules. It provides for the centralised management at the Parent Company by the Credit and Operational Risk Department, which has a Contact of the Group Risk Management Department in place at all Group banks and companies.

The Group has specific criteria for allocating the relevant indicator to the lines of business foreseen in the regulations. The operational risk management and measurement system adopted by the BPER Banca Group is ensured by:

- the Loss Data Collection process: a system for collecting and recording loss events resulting from operational risks;
- Control Risk Self Assessment: measurement of exposures subject to operational risk;
- system of reporting and communication to the Board of Directors and Senior Management, together with procedures to undertake appropriate mitigation actions based on the information flows sent.

Integrated analysis of the loss data collection and self assessment make it possible to identify areas of vulnerability in which operating losses are more concentrated, in order to understand the underlying causes and highlight the opportunity for corrective action, also by means of insurance cover (external transfer of risk).

Since 2015, the Group has implemented an analytical framework for IT risk, with the aim of providing a representation of the current situation and the adjustment interventions necessary to avoid exceeding the threshold set for the Group's risk appetite.

Recent Developments

2015-2017 Business Plan - BPER simplifies its framework: reduction of organizational units from 650 to 339

On 3 October 2016, BPER Group informs that it continues to put in place the efficiency measures envisaged in its 2015-2017 Business Plan. The Board of Directors of BPER and of BPER Services recently approved an important project which will rationalize their structures.

The new organization charts of both companies, which will be effective from January 2017 on completion of the necessary relative trade unions procedures envisaged by the contract, will lead to a significant reduction in the organizational units from 650 to 339. New operational regulations have been established determining criteria both for the minimum size of the structures and for the number of organizational report parties, in order to keep structures streamlined and efficient over time.

The reorganization which has been approved completes the rationalization process already started in the Footprint project which has involved the distribution networks of the Group's banks and which will be completed in the following months, with the aim of guaranteeing a more efficient allocation of human resources on the basis of client needs and market potential.

The rationalization process envisaged by the Business Plan has furthermore registered, among its numerous activities, the closure of 101 branches since the beginning of 2015, of which 40 in the second quarter of 2016.

Extraordinary and Ordinary Shareholders' Meeting

On 26 November 2016, BPER announces that the Extraordinary and Ordinary Shareholders' Meeting has been held in Modena at second calling and passed resolutions on all the items on the agenda indicated in the Notice of Calling published on 19 October 2016.

The Shareholders approved the transformation of Banca popolare dell'Emilia Romagna from a cooperative into a joint-stock company and the consequent adoption of new Articles of Association.

In this regard Bank of Italy issued its appraisal under arts. 56 and 61 of Legislative Decree 385 of 1 September 1993 (CBA).

The resolution was approved in the presence (in person or by proxy or by legal representatives) of n. 4,071 Shareholders.

The results of the vote are shown below:

- votes in favour n. 4,063, 99.80% of the votes cast,
- votes against n. 3,
- votes abstained n. 5.

The full text of the Articles of Association, as amended by these changes, has been filed in the Companies Register and forwarded to Consob and Borsa Italiana S.p.A. in accordance with the law.

The Shareholders' Meeting also resolved to appoint Deloitte & Touche S.p.A. as independent auditor for the period 2017-2025 and approved the related remuneration.

The resolution was approved in the presence (in person or by proxy or by legal representatives) of n. 2,978 Shareholders.

The results of the vote are shown below:

- votes in favour n. 2,969,
- votes against n. 2,
- votes abstained n. 7.

The Shareholders' Meeting, furthermore, appointed as Director, for the rest of the three-year period 2015-2017, Mr. Pietro Cassani, already co-opted with the Board resolution of 21 June 2016, further to the resignation of the Director Mr. Giulio Cicognani, as announced to the market on 24 May 2016.

The results of the vote are shown below:

- appointed: Mr. Pietro Cassani, with n. 2,982 votes;
- blank votes: n. 202.

Ettore Caselli resigns as Chairman of BPER Banca

On 29 November 2016, the Board of Directors of BPER accepted the resignation of Cav. Lav. Ettore Caselli from his role as Chairman.

The resignation, due to personal reasons only, will come into effect, at the request of Mr. Caselli, from the date of the nomination of his successor.

Outcome of the 2016 SREP Process

On 12 December 2016, BPER announces that, on completion of the annual supervisory review and evaluation process ("**SREP**"), it received notification from the European Central Bank ("**ECB**") of its new decision concerning prudential requirements to be complied with on a consolidated basis pursuant to article 16 of Regulation (EU) 1024/2013.

Based on the outcome of the supervisory review and evaluation process conducted in 2016 with a reference date of 31 December 2015 and all other pertinent information received thereafter, the ECB has established that, as from 1 January 2017, BPER has to maintain a consolidated minimum capital ratio in terms of Common Equity Tier 1 ("**CET1 ratio**") of 7.25%, consisting of the sum of the regulatory Pillar 1 Requirement of 4.50%, of an additional Pillar 2 Requirement of 1.50% and of a Capital Conservation Buffer of 1.25%. In the same communication, the ECB stipulated the need to comply with a minimum consolidated Total Capital ratio of 10.75%.

BPER's capital ratios as of 30 September 2016 on a consolidated basis, determined in accordance with AIRB methodology for credit risk requirements, are as follows:

- CET 1 ratio (Phased In) of 14.47%;
- Total Capital ratio (Phased In) of 15.98%.

Appointment of Chairman of BPER Banca

On 20 December 2016, the Board of Directors of BPER, further to art. 22 of the Articles of Association, unanimously and with the abstention of the interested party only, appointed, as Chairman, Luigi Odorici.

Sale without recourse of a bad loan portfolio for a gross of € 150 million

On 22 December 2016, the BPER Group announces that it has completed the sale without recourse of a bad loan portfolio to a company that specialises in this sector, as part of a broader strategy for the management of bad loans, which aims to reduce the total amount, as well as to improve recovery.

The bad loan portfolio sold consists of approximately 70 positions for a gross book value of about € 150 million, mainly attributable to the corporate sector and unsecured. This transaction will be recognised in 2016, but it will have no significant effects on the consolidated income statement at the year-end and practically zero impact on the Common Equity Tier 1 ratio.

Together with the initial sale of bad loans that was carried out in July for a gross book value of around € 450 million and other transactions involving smaller amounts carried out subsequently, this transaction allows the BPER Group to sell bad loans for a total amount of more than € 700 million of gross book value, which is approximately 10% of the balance at the start of 2016.

It also allows the Group to complete the sales programme it had planned for 2016, fully in line with the aim of reducing the gross stock of bad loans.

BPER takes the full ownership over Cassa di Risparmio di Saluzzo

On 23 December 2016, BPER informs that Fondazione Cassa di Risparmio di Saluzzo (the "**Foundation**") has exercised its put option (granted through the agreements aimed at ensuring that Cassa di Risparmio di Saluzzo S.p.A. become part of the BPER Group) by selling its remaining shareholding to BPER.

As a result, BPER has acquired from the Foundation a further 20% out of Cassa di Risparmio di Saluzzo's share capital, thus increasing its shareholding from 80% up to 100%.

Exercise of the right of withdrawal in relation to the resolution for the transformation of BPER into a joint-stock company: no request submitted

On 3 January 2017, BPER announces that none of the Bank's eligible shareholders completed the execution of the right of withdrawal further to the transformation into a joint-stock company approved by the Extraordinary Shareholders' meeting held on 26 November 2016.

Publication of the First Supplement to the Registration Document and Base Prospectuses related to the offer of bonds/certificates

On 6 February 2017 BPER announces that, further to the approval communicated with note No. 0015928/17 of 2nd February 2017, it filed at Consob the First Supplement to the Registration Document and Base Prospectuses related to the offer of the following bonds/certificates:

- "BPER Fixed Interest Rate Bonds", "BPER Variable Interest Rate Bonds (or Floating Interest Rate with Cap and/or Floor)", "BPER Mixed Interest Rate Bonds (or Mixed Interest Rate with Cap and/or Floor)", "BPER Step Up/Step Down Bonds (or Callable Step Up/Step Down)", "BPER Zero Coupon Bonds";
- "BPER Fixed Interest Rate Subordinated TIER II Bonds (or Callable Fixed Interest Rate)", "BPER Floating Interest Rate Subordinated TIER II (or Callable Floating Interest Rate)";
- BPER Protection Certificates Performance (possibly with a Cap), BPER Protection Certificates Coupon, also of the "QUANTO" or "NON QUANTO" type;

which were filed at Consob on 27 June 2016 following the approval communicated with note No. 0059006/16 of 24 June 2016.

Pursuant to art. 95-bis, paragraph 2, of Legislative Decree No. 58/1998 as amended, investors who have previously agreed to subscribe for the financial instruments before the supplement is published have the right, exercisable within two working days after the publication of the supplement, to withdraw their acceptances.

From the date of the event which determined the publication of the Supplement (26 November 2016, date of the Shareholders' Meeting) to the date of the publication of the Supplement, no bonds or certificates under the Base Prospectuses were in the process of being placed.

BPER Banca signs a contract to buy the entire share capital of Nuova Cassa di Risparmio di Ferrara s.p.a.

On 2 March 2017 BPER informed of the signing of a contract to buy 100% of the share capital of Nuova Cassa di Risparmio di Ferrara S.p.A. ("Nuova Carife") from the Single Resolution Fund.

From a strategic standpoint, the acquisition of Nuova Carife will allow to significantly increase BPER market share mainly in the province of Ferrara, an area where the BPER Group has a below-average commercial penetration compared with the other provinces of Emilia-Romagna.

The Nuova Carife integration process into the BPER Group will also be facilitated by the geographical proximity of the Modena and Ferrara cities and the considerable knowledge of the local area. It is expected that the merger of Nuova Carife with BPER, as well as IT platform migration, will take place by the end of 2017.

The deal envisages significant synergies in terms of both costs and revenues. Among the former, the most important involve a rationalization of the branch network, the costs of which will be covered by specific provisions accounted prior to the closing, the renegotiation of supply contracts, a reduction in the cost of corporate governance and a lower funding cost. Synergies in terms of revenues will be realized, not only

through an increase in business volumes, but also by extending to the new customers the banking products and services of the BPER Group and those distributed through its companies operating in consumer credit and payment card, leasing and factoring, and asset and wealth management business. Moreover, the good quality of the Nuova Carife loan portfolio will result in a very low cost of credit.

At 31 December 2016, Nuova Carife had loans, net of bad loans and unlikely to pay exposures that will be sold to third parties ("**NPL Portfolio**", as specified below), of € 1.6 billion, direct deposits of € 2.0 billion and indirect deposits of € 1.5 billion (estimated figures). At 31 December 2016, Nuova Carife had 102 branches, 85% of them in Emilia Romagna.

Nuova Carife will be bought with a Group shareholders' equity of at least € 153 million (the "**Target Equity**"), compared with a purchase price of € 1.

Main financial and economic effects of the deal are:

- opportunity for BPER Banca to use deferred tax assets ("**DTA**") arising from Nuova Carife's carryforward tax losses, subject to a positive outcome of a fiscal ruling to be submitted to the Tax Authorities. In connection with the use of these DTA, estimated at more than €90 million, the contract provides for a system of profit sharing in favour of the seller, to the extent of 30% of these DTA, which will only become due once BPER has achieved the accumulated effective financial benefit and will only be paid to the seller after it has satisfied any indemnities that it could be obliged to pay;
- portion badwill¹⁸ allocation to the fair value of the assets and liabilities acquired, that will be positively released to the income statement, in line with the estimated maturity of the items to which it refers (so-called "badwill reversal");
- reduction of the BPER Group NPL ratio estimated at around 50 bps due to the quality of Nuova Carife loan portfolio consisting almost entirely of performing exposures;
- extension of the advanced rating models to Nuova Carife loan portfolio, thereby freeing up regulatory capital in the future. The deal as a whole has a very limited impact on the BPER Banca Group fully loaded CET1, currently estimated at less than 20 bps.

Main terms of the transaction are:

- € 1 (one) consideration for the purchase of Nuova Carife entire share capital (100%);
- shareholders' equity of the Nuova Carife Group of at least € 153 million, after accounting additional risk provisions and asset adjustments, also as a result of the due diligence conducted by BPER, estimated at a total of € 215 million, related to (i) NPL Portfolio disposal, (ii) staff redundancies procedure, (iii) IT migration costs, (iv) costs due to Nuova Carife branch network integration with BPER (v) legal risks and (vi) a specific impairment adjustment to the value of AFS securities and real estate assets. This Target Equity also takes into account the expected losses of Nuova Carife accounted for the whole 2017;
- almost complete freeing up of the bad loans and unlikely to pay exposures portfolio as of 31 December 2016¹⁹, also taking into account the outcome of a detailed credit file review conducted by BPER. The NPL Portfolio will be securitised, before the closing, thereby ensuring the complete derecognition of these non-performing loans from Nuova Carife balance sheet;
- cost of human resources reduction thanks to the redundancies procedure (with people leaving between 1 April 2017 and 30 November 2017) already completed by Nuova Carife, with costs fully covered by specific provisions to be accounted before the closing, until the achievement of a level of staff not exceeding 500 FTE ("Full Time Equivalents") compared with the 908 resources that Nuova Carife had at 31 December 2016.

¹⁸ Conventionally defined as the difference between the price of 1 euro and the Target Equity expressed at fair value based on the purchase price allocation process.

¹⁹ It is understood that any "non-transferable" exposures - in any case, a very minor portion of total bad loans and unlikely to pay exposures - will be covered by an extraordinary provision that will bring the book value into line with the average selling price for each category.

The risks involved in this deal are low and contractually limited:

- by way of guarantee the indemnity commitments contractually assumed by the seller, BPER will set up an escrow account which will receive, up until 31 December 2022, among other things, (i) the positive difference between Nuova Carife shareholders' equity at the closing date and the Target Equity and (ii) 30% of the DTA from carry-forward tax losses actually used by BPER ("profit sharing");
- based on Nuova Carife balance sheet at the reference date, BPER will check that the following conditions do not exist (if they do, BPER will be entitled to withdraw from the contract): (i) a negative difference of more than 5% of Nuova Carife shareholders' equity compared with the Target Equity, or (ii) a reduction of more than 20% in loans or total deposits compared with their amount at 31 December 2016 or (iii) a so-called MAC ("material adverse change");
- the contract provides for a set of representations and warranties provided by the seller according to market practice to minimise the risk for BPER.

Fulfilment of the purchase agreement signed by BPER is subject to the following main conditions precedent, as well as obtaining the Supervisory Authorities and the European Commission approvals:

- (i) the NPL Portfolio disposal;
- (ii) the completion by the seller of Nuova Carife capital increase to achieve a Target Equity of at least €153 million.

Subject to fulfilment of the conditions precedent, it's envisaged that the deal closing will be completed in the second quarter of the 2017.

Presentation of the draft financial statements for 2016, related reports, consolidated financial statements and related resolutions

On 17 March 2017 BPER announces that the documentation regarding the first item on the Agenda to be discussed in the next Ordinary Shareholders' Meeting to be held on 8 April 2017 ("*presentation of the draft financial statements for 2016 and related reports; presentation of the consolidated financial statements; related resolutions*") are published on the Bank's website: such as draft separate financial statement and related reports, consolidated financial statement and report on corporate governance and shareholding pursuant to Art. 123 bis of Leg. Decree. February 24th 1998 No. 58.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Republic of Italy

Tax treatment of Notes issued by an Italian resident issuer

Legislative Decree No. 239 of 1 April 1996 ("**Decree 239**") sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") deriving from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by Italian banks. For these purposes, securities similar to bonds (*titoli similari alle obbligazioni*) are securities that incorporate an unconditional obligation of the issuer to pay at maturity an amount not lower than their nominal value, with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

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 principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

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

(unless the investor has opted for the application of the asset management regime ("*regime del risparmio gestito*") - see under "*Capital gains tax*" below for an analysis of such regime),

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. 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 engaged in an entrepreneurial activity to which the Notes are connected may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes 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(100-114) of Law No. 232 of 11 December 2016 (the "**Finance Act 2017**").

Where an Italian resident Noteholder is a company or similar commercial entity (including limited partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* and private and public institutions, carrying out commercial activities and holding the Notes in connection with this kind of activities) or a permanent establishment in Italy of a foreign company to which the Notes are

effectively connected, and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation and, in certain circumstances, depending on the "status" of the Noteholder, also to "IRAP" (the regional tax on productive activities).

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, 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 financial intermediary, 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 with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying interest to a Noteholder or, absent that, by the issuer.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, *Fondi Lussemburghesi Storici*, SICAV (an investment company with variable capital), or a SICAF (investment company with fixed capital) (the "**Fund**"), and the Notes are held by an authorised intermediary, Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the management results of the Fund accrued at the end of each tax period. The Fund will not be subject to taxation on such result, but a withholding tax of 26 per cent. may apply to income of the Fund derived by unitholders or shareholders through distribution and/or redemption or disposal of the units and shares.

Interest accrued on the Notes and received by Italian real estate funds (complying with the definition as amended pursuant to Law Decree n. 78 of 31 May 2010, converted into Law n. 122 of 30 July 2010) or a SICAF to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply ("**Real Estate SICAF**"), is subject neither to substitute tax nor to any other income tax in the hands of the real estate fund or Real Estate SICAF. The income of the real estate fund or Real Estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is:

- (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy and listed in Italian Ministerial Decree 4 September 1996, as recently amended by Ministerial Decree of 9 August 2016 (the "**White List**"). Pursuant to Article 11, para. 4, let. c) of Decree 239, the Ministry of Finance should update the White List on a semi-annual basis; 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", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy.

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, to Interest paid to non-Italian Noteholders other than the above.

In order to ensure gross payment, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected must:

- (a) be the beneficial owners of the payments of Interest on the Notes or foreign institutional investors not subject to taxation;
- (b) timely deposit, directly or indirectly, the 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 which is in contact, via computer, with the Ministry of Economy and Finance; and
- (c) file with the relevant depository, prior to or concurrently with the deposit of the Notes, 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*. This 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 the 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.

Atypical securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value with or without the payment of periodic interest, and do not give any right to directly or indirectly participate in the management of the issuer or to the business in connection to which the securities were issued, nor to control the same.

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 tax. In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final tax. For non-Italian resident Noteholders, the 26 per cent. withholding tax rate may be reduced by an applicable tax treaty.

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 may be exempt from any income taxation, including the 26 per cent withholding tax, on interest, premium and other income relating to the Notes qualifying as atypical securities if such Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017.

Capital gains tax

Italian resident Noteholders

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, 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 individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to a 26 per cent. capital gains tax ("*imposta sostitutiva sulle plusvalenze*"). Noteholders may set off any losses with their gains. Pursuant to the provisions of Law Decree No. 66 of 24 April 2014, as converted with amendments by Law 23 June 2014, No. 89 ("**Law No. 89**"), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

In respect of the application of *imposta sostitutiva sulle plusvalenze*, taxpayers may opt for one of the three regimes described below:

- (a) Under the tax declaration regime ("*regime della dichiarazione*"), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are effectively connected, 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 Italian resident individual Noteholder holding the Notes. In this instance, "**capital gains**" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity 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 the *imposta sostitutiva* on such gains together with any balance 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. Pursuant to Law 89, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.
- (b) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity, Italian resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities, may elect to pay under the administrative savings regime ("*regime del risparmio amministrato*") the *imposta sostitutiva sulle plusvalenze* separately on capital gains realised on each sale or redemption of the Notes. Such separate taxation of capital gains is allowed subject to:
 - (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and
 - (ii) an express election for the administrative savings regime being timely made in writing by the relevant Noteholder.

The depository must account for the *imposta sostitutiva sulle plusvalenze* in respect of capital gains realised on each sale or redemption of the Notes, net of any incurred capital loss.

The depository must also 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 administrative savings regime, where a sale or redemption of the Notes results in a capital loss, such capital 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. Pursuant to Law 89, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014. Under the administrative savings regime, the Noteholder is not required to report the capital gains in the annual tax return.

- (c) In the asset management regime, any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity, Italian resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities, who have entrusted the management of their financial assets (including the Notes) to an authorised intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Any depreciation of the managed assets accrued at the year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Pursuant to Law 89, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of: (i) 48.08 per cent. of the relevant depreciations in value registered before 1 January 2012; (ii) 76.92 per cent. of the depreciations in value registered from 1 January 2012 to 30 June 2014. The Noteholder is not required to declare the capital gains realised in the annual tax return.

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 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva* on capital gains realised upon sale or redemption of the Notes, 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(100-114) of Finance Act 2017.

Any capital gains realised by a Noteholder that is a Fund will be included in the result of the portfolio accrued at the end of the tax period. The Fund will not be subject to taxation on such results, but a withholding tax of 26 per cent. may apply on income of the Fund derived by unitholders or shareholders through distribution and/or redemption or disposal of the units and shares.

Any capital gains realised by a Noteholder who is an Italian real estate fund (complying with the definition as amended pursuant to Law Decree n. 78 of 31 May 2010, converted into Law n. 122 of 30 July 2010) or a Real Estate SICAF is subject neither to *imposta sostitutiva sulle plusvalenze* nor to any other income tax in the hands of the real estate fund or Real Estate SICAF. The income of the real estate fund or Real Estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of 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 a 20 per cent. substitute tax.

Non-Italian resident Noteholders

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets are not subject to the *imposta sostitutiva sulle plusvalenze* irrespective of the place in which they are deemed to be held. The exemption applies provided that the non-Italian resident Noteholders file in due course with the authorised financial intermediary an appropriate affidavit (*autocertificazione*) stating that the Noteholder is not resident in Italy for tax purposes.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva sulle plusvalenze*, provided that the effective beneficiary is:

- (a) resident in a country which allows for a satisfactory exchange of information with Italy. Under these circumstances, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the asset management regime or are subject to the administrative savings regime, exemption from Italian capital gains tax will apply upon condition that they file in time with the authorised financial intermediary an appropriate declaration (*autocertificazione*) stating that they meet the requirement indicated above;

- (b) an international entity or body set up in accordance with international agreements which have entered into force in Italy;
- (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or
- (d) an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with Italy.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected from the sale or redemption of Notes not traded on regulated markets are subject to the *imposta sostitutiva sulle plusvalenze* at the current rate of 26 per cent. However, Noteholders may benefit from a double taxation treaty with Italy providing that the capital gains realised upon the sale or redemption of Notes are to be taxed only in the resident tax country of the recipient.

Inheritance and gift taxes

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

- (a) 4 per cent. for transfers in favour of the spouse and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);
- (b) 6 per cent. for transfers in favour of siblings; in this case, the transfer is subject to the tax on the value exceeding €100,000 (per beneficiary);
- (c) 6 per cent. for transfers in favour of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, on the entire value of the inheritance or the gift; and
- (d) 8 per cent. for transfers in favour of any other person or entity, on the entire value of the inheritance or the gift.

If the heir/heirress and/or the donee is a person with a severe disability pursuant to Law n. 104 of February 5, 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.500,000.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

Transfer tax

No transfer tax is due on the transfer of the Notes. Contracts relating to the transfer of securities are subject to a € 200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration or in case of so-called "*caso d'uso*" or "*enunciazione*".

Stamp Duty

Pursuant to Article 13 par. 2/ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, as amended by Article 1 par. 581 of Law No. 147 of 27 December 2013 ("**Decree 642**"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.20 per cent. and it cannot exceed € 14,000 for taxpayers which are not individuals. This stamp duty is determined on the market value or – in the absence of a market value – on the nominal value or the redemption amount

of any financial product or financial instruments (including the Notes). Stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

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 on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth tax on financial assets deposited abroad

According to Article 19 of Decree No. 201/2011, as amended by Article 1 par. 582 of Law No. 147 of 27 December 2013, Italian resident individuals holding financial assets – including the Notes – outside of the Italian territory are required to pay in its own annual tax declaration a wealth tax at the rate of 0.2 per cent. In this case the above mentioned stamp duty provided for by Article 13 of the tariff Part I attached to Decree 642 does not apply.

This tax applies on the market value of the financial assets at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value, or in the event that the face or redemption values cannot be determined, on the purchase price of such financial assets held outside of the Italian territory.

Tax Monitoring Obligations

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy who hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid to the Italian tax authorities in their yearly income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the beneficial owner of the instrument pursuant to the anti money-laundering legislation (legislative Decree No. 231 of 21 November 2007).

Furthermore, the above reporting requirement is not required to be complied with in respect of Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, on the 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.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated dealer agreement dated on or around 28 March 2017 (as the same may be further amended, supplemented or restated, the "**Dealer Agreement**") agreed with the Issuer a basis upon which they or any of them 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 Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S 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. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as determined and certified to the Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer, and each further Dealer appointed under the Programme, will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, 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 the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or
- (b) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

In relation to each Tranche of Notes, each Dealer has represented, warranted and undertaken to the Issuer and each of the Dealers (if any), and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) 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, of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of, of investments (as principal or as agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of, 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) 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) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per la Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public, and that sales of the Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation.

Any such offer, sale or delivery of the Notes or distribution to copies to this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Legislative Decree No. 58 of 24 February 1998, CONSOB Regulation No. 16190 of 29 October 2007 (in each case, as amended from time to time) and any other applicable laws and regulations;
- (b) in compliance with Article 129 of the Consolidated Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (c) in compliance with any other applicable laws and regulations requirement imposed by CONSOB (including, but not limited to, CONSOB Regulation No. 11971 of 14 May 1999, as amended) or another Italian authority.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or

to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

France

Each of the Dealers and the Issuer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) persons providing 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*), other than individuals, 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*.

General

Each Dealer has represented, warranted and agreed that it has complied and will, to the best of its knowledge and belief, 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 this paragraph headed "General".

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

Authorisation

The establishment of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 28 April 1997. The update of the Programme was authorised by a resolution of the Board of Directors of the Issuer dated 28 February 2017. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

Listing on the Official List and Admission to Trading of Notes on the Regulated Market of the Luxembourg Stock Exchange

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing on the Official List of the Luxembourg Stock Exchange, admitted to trading on the Luxembourg Stock Exchange regulated market and/or quotation by the Luxembourg Stock Exchange or any other listing authority, market, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree.

Documents Available

So long as Notes are capable of being issued under the Programme and/or remain outstanding, electronic copies of the following documents will, when published, be available free of charge in English from the Issuer and from the Paying Agents in London and Luxembourg:

- (i) the constitutional documents (in English) of the Issuer;
- (ii) the Agency Agreement, the Trust Deed, the forms of the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Vouchers, the Coupons and the Talons;
- (iii) a copy of this Base Prospectus;
- (iv) any future offering circulars, prospectuses, base prospectuses, supplements, Final Terms (save that a Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to the identity of such holder) to this Base Prospectus and any other documents incorporated herein or therein by reference; and
- (v) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

For the life of this Base Prospectus, copies of the following documents will be available free of charge in English from the Issuer at the offices specified on page 146 hereof and from the specified office of the Paying Agents in London and Luxembourg specified on page 147 hereof:

- (i) the Issuer's by-laws (*Statuto*) as of the date hereof;
- (ii) the Issuer's consolidated interim financial statements as at 30 September 2016;
- (iii) the Issuer's consolidated interim financial statements (including limited review report) as at 30 June 2016;
- (iv) the Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2015;

- (v) the Issuer's consolidated audited annual financial statements, including the auditors' report thereon, notes thereto and the relevant accounting principles in respect of the year ended on 31 December 2014;
- (vi) the BPER Group press release published on February 9, 2017 entitled "*BPER Group's preliminary 2016 consolidated results approved*";
- (vii) the BPER Group press release published on February 28, 2017 entitled "BPER Group's draft separate and consolidated financial statements for 2016 approved".

This Base Prospectus, all documents incorporated herein by reference and the Final Terms of any Notes listed on the Official List of the Luxembourg Stock Exchange will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Issuer currently publishes unaudited semi-annual consolidated financial statements.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates, including parent companies, have engaged, and may in the future engage, in investment banking and/or commercial banking transactions (including the provision of loan facilities and/or securitisation transactions) and other related transactions with, and may perform advisory, financial and/or non-financial services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of business 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 and/or ABS securities or similar securities) 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 the 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 short 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. For the purpose of this paragraph the term "affiliates" also includes parent companies.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable 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.

Material Adverse or Significant Change

There has been no material adverse change in the prospects of the Issuer since 31 December 2015, nor has there been any significant change in the financial or trading position of the Issuer and its subsidiaries, taken as a whole, which has occurred since 30 September 2016, the end of the last financial period for which financial information has been published.

Litigation

The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Base Prospectus which may have, or has had in the recent past, significant effects on the financial position or profitability of the Issuer and its subsidiaries taken as a whole.

Auditors

For the period 2008-2016, the General Shareholders Meeting of 10 May 2008 gave the mandate for auditing to PricewaterhouseCoopers S.p.A., with registered office in via Monte Rosa 91, Milan; the company is registered in the special roll of auditors kept by CONSOB as per art. 161 of Law Decree no. 58 of 24 February 1998 and is a member of the Italian Society of Auditors (ASSIREVI).

The auditors of the Issuer are PricewaterhouseCoopers S.p.A., who have independently audited the Issuer's annual financial statements, without qualification, and have confirmed that such accounts give a true and fair view of the financial condition of the Issuer in accordance with the generally accepted auditing standards in Italy for the financial periods ending 31 December 2015 and 31 December 2014.

On 26 November 2016, the Shareholders' Meeting of the Issuer resolved to appoint Deloitte & Touche S.p.A. ("**Deloitte**") as independent auditor for the period 2017-2025 and approved the related remuneration.

Auditors' Reports

The Trust Deed provides that the Trustee may rely on reports from the auditors and/or any other expert in accordance with the provisions of the Trust Deed whether or not any such report or engagement letter or other document entered into by the Trustee and the auditors or such other expert in connection therewith contains any limit on liability (monetary or otherwise) of the auditors or such other expert.

Rating Agencies

Each of Fitch and Moody's is established in the European Union and registered under the CRA Regulation, and is included in the list of registered credit rating agencies published on the website of the European Securities and Markets Authority at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.

Notes having a maturity of less than one year

According to the Luxembourg Act relating to prospectuses for securities, the CSSF is not the competent authority for the approval of prospectuses for the admission to trading of money market instruments having a maturity at issue of less than 12 months and complying also with the definition of securities in that Act.

BPER Banca S.p.A.

Registered Office
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TRUSTEE

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United Kingdom

LEAD ARRANGER

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Canary Wharf
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United Kingdom

DEALERS

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BPER Banca S.p.A.

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41121 Modena
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Barclays Bank PLC

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BNP PARIBAS

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Citigroup Global Markets Limited

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United Kingdom

Credit Suisse Securities (Europe) Limited

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London E14 4QJ
United Kingdom

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

Nomura International plc

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United Kingdom

Société Générale

29 Boulevard Haussmann
75009
Paris
France

**The Royal Bank of Scotland plc (trading as
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London EC2M 4AA
United Kingdom

UBS Limited

5 Broadgate
London EC2M 2QS
United Kingdom

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

**Mediobanca - Banca di Credito Finanziario
S.p.A.**
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PRINCIPAL PAYING AGENT

Citibank N.A., London Branch
13th Floor
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PAYING AGENTS

Banque Internationale a Luxembourg SA
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Luxembourg

LEGAL ADVISERS

To the Dealers

As to English and Italian law

Studio Professionale Associato a Baker & McKenzie
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20121 Milan
Italy

To the Issuer

As to Italian law

Chiomenti Studio Legale
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20121 Milan
Italy

LUXEMBOURG LISTING AGENT

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AUDITORS TO THE ISSUER

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